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Latin America showed its best results ever in 2007.
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Contents

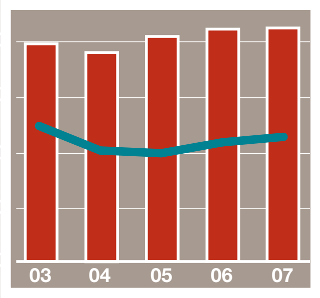
In 2007, we accelerated our on-going work of transforming Electrolux into a leading consumer-oriented company. We are implementing our strategy for developing innovative products, strengthening the Electrolux brand and cutting costs in the long term through restructuring.

CEO statement, page 2.

Net sales increased by 4% in comparable currency in 2007 compared to the previous year and margin rose to 4.6%, excluding items affecting comparability.

Operating income rose across all business areas except for appliances in Europe.

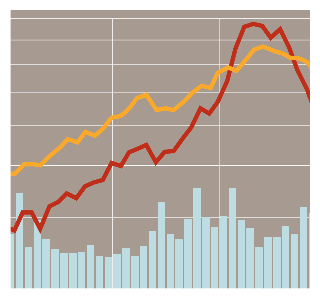
Board of Directors Report, page 5.



Following a strong result for the fourth quarter in 2006, the trading price of Electrolux B-shares rose sharply at the start of 2007. During the second half of the year, the trading price was adversely affected by the generally turbulent stock-exchange climate and concern about the company's exposure to the weak US market.

The Board of Directors proposes a dividend for 2007 of SEK 4.25 per share

Elextrolux shares, page 76.



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The cover was created by Frank Bruzelius, Art Director with Electrolux since 1989.
Concept, text and production by Electrolux Investor Relations and Solberg.

Highlights of the year

- Net sales increased to SEK 104,732m (103,848)
- Operating income rose by 5.7% in 2007, excluding items affecting comparability
- Operating income improved for all operations except for appliances in Europe
- Extra costs for new products launched adversely affected income for appliances in Europe
- Best results ever for appliances in Latin America
- Strong performance by floor-care operations worldwide
- Good growth in Asia/Pacific and strong improvement in results
- Solid performance by appliances in North America and Professional Products
- Proposed dividend is SEK 4.25 (4.00) per share

Key data[1)]

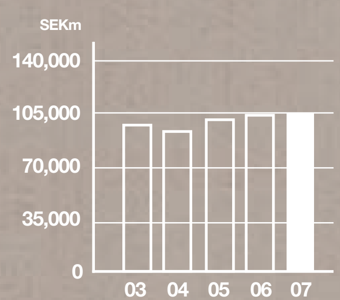
SEKm, EURm, USDm, unless otherwise stated	2007	2006	2007 EURm	2007 USDm
Net sales	104,732	103,848	11,326	15,539
Operating income	4,837	4,575	523	718
Margin, %	4.6	4.4		
Income after financial items	4,397	4,367	475	652
Earnings per share, SEK, EUR, USD	11.66	10.89	1.26	1.73
Dividend per share, SEK, EUR, USD	4.25[2)]	4.00	0.46	0.63
Return on net assets, %	20.9	21.2		
Value creation	2,053	2,202	222	305
Average number of employees	56,898	55,471		
Net debt/equity ratio	0.29	–0.02		
Return on equity, %	22.7	21.1		

1) Excluding items affecting comparability.
2) Proposed by the Board of Directors.

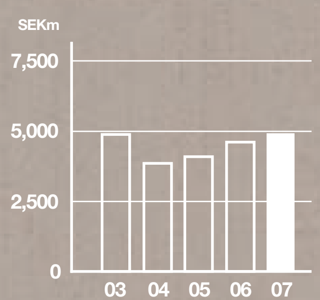
Net sales and employees in 10 largest countries

	SEKm	Employees
USA	29,571	10,648
Brazil	7,158	6,754
Germany	7,020	2,147
Italy	5,109	8,036
France	4,957	1,466
UK	4 950	1,122
Canada	4,577	1,420
Australia	4,488	2,144
Sweden	3,814	3,025
Spain	2,927	892
Other	30,161	19,244
Total	104,732	56,898

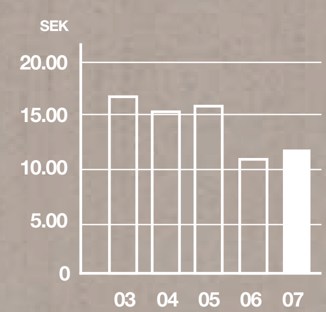
Net sales[1)]



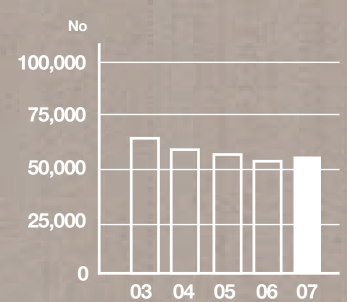
Operating income[1)]



Earnings per share[2)]



Number of employees[3)]



1) Continuing operations, excluding items affecting comparability.
2) Earnings per share for 2006 and 2007 refer to continuing operations, excluding items affecting comparability.
3) Average number of employees for continuing operations.

CEO Hans Stråberg's **comments on the 2007 results**

In 2007, we accelerated our on-going work of transforming Electrolux into a leading consumer-oriented company. We are implementing our strategy for developing innovative products, strengthening the Electrolux brand and cutting costs in the long term through restructuring.

During the year, we launched a record number of new products worldwide. We invested over SEK 2 billion in development of new products, an increase of 10% over 2006. Investment in brands also rose in 2007, and we are approaching our goal for this investment to correspond to 2% of Group sales. The Electrolux brand has been strengthened, particularly in Europe. Our research shows that many more consumers prefer the Electrolux brand than in last year. We also continued our work on making production more competitive by relocating to low-cost countries. We now have approximately 50% of our production in such countries, which means that we are quickly approaching our goal of 60% by 2010. In addition, we achieved organic growth of 4% in 2007, which is in line with our target.

Except for the result for appliances in Europe, I can report that all our other operations achieved higher income in 2007. In North America, sales rose by 2% while the market declined by almost 6%. This is a fantastic effort by our people in North America, which gives me great expectations for our launch under the Electrolux brand during 2008.

The global operation in floor-care equipment had a successful year, with greater market shares and improved profitability. This is a good example of the benefits generated by offering innovative products to consumers.

Our operation in Latin America reported the best performance ever, which is another example of what can be achieved through a strategy of a strong brand, exciting new products and low costs. In Australia, after a number of tough years we reinforced our market position and achieved considerably higher profitability. In addition, income was higher for our products for professional kitchens and laundries, despite rising prices for raw materials and a weaker dollar.

However, the performance by Electrolux appliances in Europe was a disappointment. As our new products were well-received by the market, our average prices were higher in all product categories and virtually every country, and the Electrolux brand was strengthened considerably, we had expected a better financial outcome. The marketing campaign and the product launch were the most comprehensive in our history. In order to deliver our products to retailers according to plan, we were forced to prioritize time ahead of cost. This meant that costs for many products were higher than the original targets.

We are working on solving these problems, and we are striving to get costs down to the planned level during the second half of 2008. During the last two years, we have been working hard to reduce complexity in the European appliances operation. As a result, we are now, among other things, initiating a comprehensive program this spring to reduce the number of employees by about 400. This program will generate savings yearly of SEK 350–400 million, for a cost amounting to approximately SEK 400 million that will affect results in the first quarter of 2008. We are also going to implement a review of our refrigerator production in Italy in the interest of making it more competitive.

We see a great uncertainty about the global economic trend. It is very difficult to forecast Electrolux operating income for 2008. We face a number of major challenges. We have to cut costs for the products we sell in Europe. In North America, we are going to launch a completely new and very impressive product offering in the premium segment under the Electrolux brand. At the same time, we are expecting a tough start in 2008 as launch costs in the US of about SEK 100 million and the cost for the reduction of employees in Europe amounting to approximately SEK 400 million will impact the first quarter result negatively.

Provided that market demand for appliances in Europe shows a slow growth in 2008 and that market demand for appliances in North America shows a slightly negative development, our outlook for 2008 is that operating income is expected to be in-line with 2007, excluding items affecting comparability.

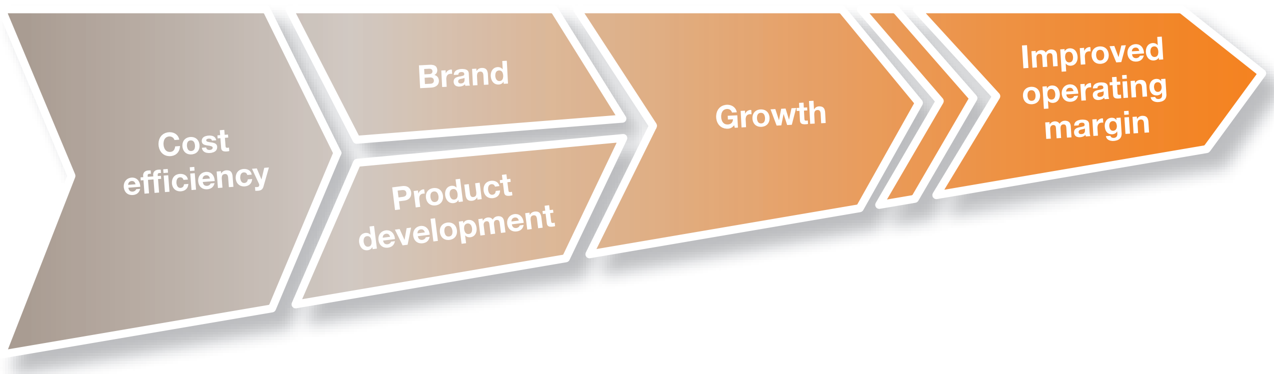
Stockholm, February 6, 2008

Hans Stråberg
President and Chief Executive Officer

"Except for the result for appliances in Europe, I can report that all our other operations achieved higher income in 2007.

The Electrolux **strategy**

Electrolux is working hard to improve profitability. A competitive production system, innovative products based on consumer insight and a strong global brand is the strategy that will generate long-term margins on a level with the best in the industry. The Group's strategy is thoroughly described in the section Organization and strategy on page 22.



During the past decade, product offerings in the market for household appliances have been transformed from simple, basic equipment to more innovative products with attractive design. Electrolux has been transformed from a production-oriented industrial company to an innovative consumer-oriented company with operations based on insight into consumer behavior. The number of new products generated through consumer-focused development is increasing rapidly, and is leading to improved product offerings and a greater number of successful launches.

The Group is implementing a restructuring program which involves relocating more than half of production to low-cost countries.

The task of building the Electrolux brand into a strong, global leader is continuing on the basis of large investments in marketing as well as launches of new Electrolux-branded products in the Group's major markets in Europe and North America.

Innovative products, lower costs and a strong brand enable Electrolux to create a foundation for improved profitability and growth.

"Thinking of you" sums up the Electrolux offering – always put the users first and foremost, whether it's a question of product development, design, production, marketing, logistics or service. By offering products and services that consumers prefer, that benefit both people and the environment, and for which consumers are willing to pay a higher price,
Electrolux can achieve profitable growth.

Thinking of you
Electrolux

Report by the Board of Directors for 2007

- Net sales for continuing operations increased to SEK 104,732m (103,848) and income for the period was SEK 2,925m (2,648), corresponding to SEK 10.41 (9.17) per share
- Net sales increased on the basis of growth in volume and improved product mix
- Operating income rose by 5.7% in 2007, excluding items affecting comparability
- Increase in operating income resulted from good growth in volume, an improved product mix and savings from restructuring
- Operating income rose across all business areas except for appliances in Europe
- Extra costs for new products launched adversely affected income for appliances in Europe
- Increase in costs for raw materials
- Increased investments in product development and brand building
- The Board proposes a dividend of SEK 4.25 (4.00) per share

Key data[1)]

SEKm	2007	Change	2006
Continuing operations			
Net sales	104,732	0.9%	103,848
Operating income[1)]	4,475	11%	4,033
Margin, %	4.3		3.9
Operating income, excluding items affecting comparability	4,837	5.7%	4,575
Margin, %	4.6		4.4
Income after financial items	4,035	5.5%	3,825
Income for the period	2,925	10.5%	2,648
Earnings per share, SEK[2)]	10.41		9.17
Value creation	2,053	–149	2,202
Return on net assets, %	21.7		23.2
Operating cash flow	1,277	167	1,110
Capital expenditure	3,430	278	3,152
Average number of employees	56,898	1,427	55,471
Total, including discontinued operations[3)]			
Income for the period	2,925		3,847
Earnings per share, SEK[2)]	10.41		13.32
Dividend per share, SEK	4.25[4)]		4.00
Return on equity, %	20.3		18.7
Net debt/equity ratio	0.29		–0.02

1) Including items affecting comparability, unless otherwise stated. For key data, excluding items affecting comparability, see page 9.
2) Basic. For information on earnings per share after dilution, see page 7.
3) Discontinued operations refer to the former Outdoor Products operations and include the period January–May for 2006.
4) Proposed by the Board of Directors.

For definitions, see Note 31 on page 67.

Contents page

Outlook – for the full year 2008

In 2008, the Group will introduce Electrolux 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. However, we expect the launch to have a negative impact on 2008 results as it initially includes a considerable investment in marketing.

Furthermore, the European appliance operations will be negatively impacted by higher than anticipated costs for the product launches and the planned cost reduction program.

The significant uncertainty in the overall global economy makes it difficult to predict the development in 2008.

Provided that market demand for appliances in Europe shows a slow growth in 2008 and that market demand for appliances in North America shows a slightly negative development, our outlook for 2008 is that operating income is expected to be in-line with 2007, excluding items affecting comparability.

Net sales and income

The Group's former Outdoor Products operations were distributed under the name of Husqvarna to the Electrolux shareholders in June 2006. Husqvarna is reported as discontinued operations for 2006. For information on Electrolux accounting and valuation principles, see Note 1 on page 29.

The comments in this Annual Report refer to continuing operations.

Net sales

Net sales for the Electrolux Group in 2007 amounted to SEK 104,732m, as against SEK 103,848m in the previous year. Sales were positively impacted by changes in volume/price/mix, while changes in exchange rates had a negative impact.

Operating income

The Group's operating income for 2007 improved to SEK 4,475m (4,033), corresponding to 4.3% (3.9) of net sales. Operating income includes items affecting comparability amounting to SEK –362m (–542), see page 8. Excluding items affecting comparability, operating income improved by 5.7% to SEK 4,837m (4,575) and margin rose to 4.6% (4.4).

Operating income improved over the previous year, mainly on the basis of strong income for appliances in Asia/Pacific, Latin America and for floor-care operations as well as good performance by professional products and appliances in North America. Income was positively affected by growth in volume, an improved product mix and more efficient production. Lower income for appliances in Europe due to costs related to new products launched had an adverse effect on operating income.

Depreciation and amortization

Depreciation and amortization in 2007 amounted to SEK 2,738m (2,758).

Financial net

Net financial items increased to SEK –440m (–208). The increase is mainly due to higher net borrowings.

For additional information regarding financial items, see Note 9 on page 42.

- Net sales rose by 4.0% in comparable currencies
- Operating income rose by 5.7% to SEK 4,837m (4,575), excluding items affecting comparability
- Operating margin rose to 4.6% (4.4), excluding items affecting comparability, on the basis of growth in sales, an improved product mix and restructuring savings
- Income for the period rose to SEK 2,925m (2,648)
- Earnings per share amounted to SEK 10.41 (9.17)

Income after financial items

Income after financial items increased to SEK 4,035m (3,825), corresponding to 3.9% (3.7) of net sales.

Taxes

Total taxes in 2007 amounted to SEK –1,110m (–1,177), corresponding to 27.5% (30.8) of income after financial items.

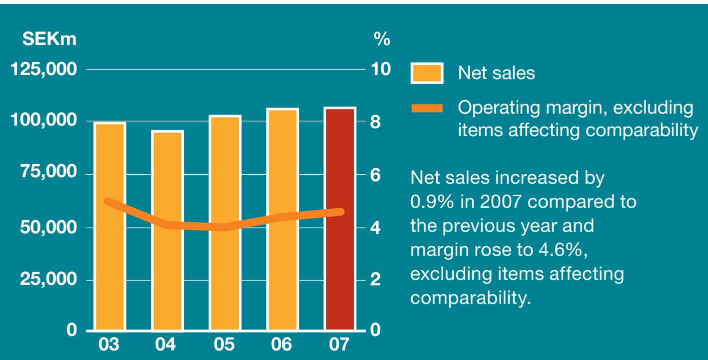
For additional information on taxes, see Note 10 on page 42.

Change in net sales

%	2007
Changes in Group structure	0.0
Changes in exchange rates	–3.1
Changes in volume/price/mix	4.0
Total	**0.9**

Sales of appliances grew across all regions except for North America. Sales of appliances in Latin America and Asia/Pacific as well as for floor-care products were particularly strong.

Net sales and operating margin



Net sales increased by 0.9% in 2007 compared to the previous year and margin rose to 4.6%, excluding items affecting comparability.

Consolidated income statement

SEKm	Note	**2007**	2006
Net sales	3, 4	**104,732**	**103,848**
Cost of goods sold		–85,466	–84,003
Gross operating income		**19,266**	**19,845**
Selling expenses		–10,219	–10,955
Administrative expenses		–4,417	–4,467
Other operating income	5	253	185
Other operating expenses	6	–46	–33
Items affecting comparability	7	–362	–542
Operating income	3, 4, 8	**4,475**	**4,033**
Financial income	9	182	538
Financial expenses	9	–622	–746
Financial items, net		**–440**	**–208**
Income after financial items		**4,035**	**3,825**
Taxes	10	–1,110	–1,177
Income for the period from continuing operations		**2,925**	**2,648**
Income for the period from discontinued operations	30	**—**	**1,199**
Income for the period		**2,925**	**3,847**
Attributable to:			
Equity holders of the Parent Company		2,925	3,847
Minority interests in income for the period		—	—
		2,925	**3,847**
Earnings per share for continuing operations, SEK	20		
Basic		10.41	9.17
Diluted		10.33	9.14
Average number of shares, million	20		
Basic		281.0	288.8
Diluted		283.3	289.8

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 –61m on operating income.

Transaction effects net of hedging contracts amounted to SEK 26m. Translation of income statements in subsidiaries had an effect of SEK –87m, mainly due to the strengthening of the Swedish krona against the US dollar.

The effect of changes in exchange rates on income after financial items amounted to SEK –74m.

For additional information on effects of changes in exchange rates, see the section on foreign exchange risk in Note 2 on page 36.

Income for the period and earnings per share

Income for the period amounted to SEK 2,925m (2,648), corresponding to SEK 10.41 (9.17) in earnings per share before dilution.

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 2007 decreased over the previous year to SEK 2,053m (2,202). Value created was positively affected by the improvements in income, while the change in WACC rate and increased average net assets had a negative affect. The WACC rate for 2007 was computed at 12% as compared to 11% for 2006. The capital-turnover rate was 4.50 as against 4.81 in 2006.

For the definition of value created, see Note 31 on page 67.

Items affecting comparability

Operating income for 2007 includes items affecting comparability in the amount of SEK –362m (–542). These items include charges for restructuring for plant closures.

Structural changes

Investigation of manufacturing in Italy

In February 2008, Electrolux decided to launch an investigation into how manufacturing of refrigerators can be maintained and become competitive in Italy. Electrolux manufacturing footprint for refrigeration products in Italy today includes two factories, one in Susegana and one in Scandicci. Electrolux will together with trade unions immediately start the investigation, which is expected to be concluded during the second quarter of 2008.

Relocation of manufacturing, items affecting comparability

In December 2007, it was decided that the cooker plant in Spennymoor, UK, would be closed. The plant produces free-standing and built-in cookers for the UK and Irish markets and has approximately 500 employees. To improve competitiveness, some production will be phased out altogether, while remaining production will be moved to the Electrolux plant in Swidnica, Poland. Production at the plant is expected to continue throughout 2008. Costs for the closure amounting to SEK 317m, were charged against operating income within items affecting comparability in the fourth quarter of 2007.

In April 2007, a decision was taken to close the cooker plant in Fredericia, Denmark. Production in Fredericia was discontinued by year-end and production has been relocated to other plants in Europe. Approximately 150 employees were affected by the closure. It involved a cost of approximately SEK 45m, which was taken as a charge against operating income during 2007, within items affecting comparability.

Share of sales, by currency

	Share of net sales, %	**Average exchange rate 2007**	Average exchange rate 2006
USD	30	6.74	7.38
EUR	30	9.25	9.26
CAD	4	6.30	6.52
GBP	5	13.48	13.58
SEK	4	–	–
Other	27	–	–
Total	**100**		

Items affecting comparability

SEKm	**2007**	2006
Restructuring provisions and write-downs[1)]		
Appliances plant in Spennymoor, UK	–317	–
Appliances plant in Fredericia, Denmark	–45	–
Appliances plant in Torsvik, Sweden	–	–43
Appliances plant in Nuremberg, Germany	–	–145
Appliances plants in Adelaide, Australia	–	–302
Reversal of unused restructuring provisions	–	60
	–362	**–430**
Capital gains/losses on divestments[2)]		
Divestment of Electrolux Financial Corp., USA	–	61
Divestment of 50% stake in Nordwaggon AB, Sweden	–	–173
Total	**–362**	**–542**

1) Deducted from cost of goods sold.
2) Deducted from other operating income and expenses.

Key data excluding items affecting comparability

SEKm	2007	Change	2006
Continuing operations			
Net sales	104,732	0.9%	103,848
Operating income	4,837	5.7%	4,575
Margin, %	4.6		4.4
Income after financial items	4,397	0.7%	4,367
Income for the period	3,276	4.2%	3,145
Earnings per share, SEK[1]	11.66		10.89
Value creation	2,053	–149	2,202
Return on net assets, %	20.9		21.2
Operating cash flow	1,277	167	1,110
Capital expenditure	3,430	278	3,152

1) Basic. For information on earnings per share, see Note 20 on page 52.

Excluding the above items affecting comparability, the Group's operating income for 2007 rose by 5.7% to SEK 4,837m (4,575), which corresponds to 4.6% (4.4) of net sales. Income after financial items improved by 0.7% to SEK 4,397m (4,367), which corresponds to 4.2% (4.2) of net sales. The tax rate was 25.5% (28.0). Income for the period increased by 4.2% to SEK 3,276m (3,145), corresponding to earnings per share of SEK 11.66 (10.89). Return on net assets was 20.9% (21.2).

Program to reduce costs within appliances in Europe

Reduced complexity following brand consolidation and increased pan-European coordination enable cost efficiencies for appliances in Europe.

In February 2008, it was decided to launch a program which is expected to result in a staff reduction of approximately 400 people within appliances in Europe during 2008. The savings are expected to amount to SEK 350–400m on a yearly basis. The program will incur costs of approximately SEK 400m, which will be charged to operating income before items affecting comparability in the first quarter of 2008.

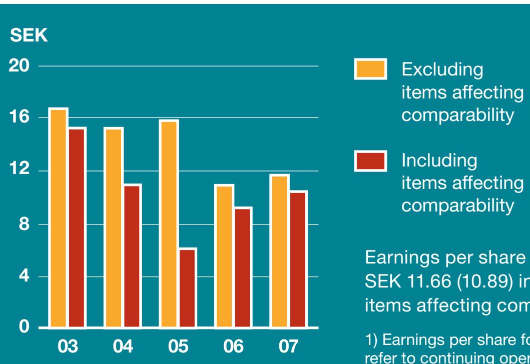
Launch of premium products in North America 2008

At the beginning of 2008, the Group will introduce Electrolux 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. However, the launch is expected to have a negative impact on 2008 operating income as it initially includes a considerable investment in marketing. The launch cost is expected to have a negative impact on operating income of SEK 100m in the first quarter. The launch is expected to have a positive impact on operating income in 2009.

Discontinued operations 2006

Discontinued operations refer to the former Outdoor Products operations, Husqvarna, which was distributed to Electrolux shareholders in June 2006. For information on accounting principles for discontinued operations, see Note 1 on page 29 and Note 30 on page 66.

Earnings per share[1)]



Earnings per share increased to SEK 11.66 (10.89) in 2007, excluding items affecting comparability.

1) Earnings per share for 2006 and 2007 refer to continuing operations

Financial position

In order to adapt the Group's capital structure and thus to contribute to an increase in shareholder value, an Extraordinary General Meeting in December 2006 decided on a mandatory redemption procedure of shares totaling SEK 5,582m as a distribution of capital to Electrolux shareholders. The redemption procedure was implemented at the end of January 2007.

- Equity/assets ratio was 26.9% (22.7)
- Return on equity was 20.3% (18.7)
- Average net assets increased to SEK 20,644m (17,352)

Working capital and net assets

SEKm	Dec. 31, **2007**	% of annualized net sales	Dec. 31, 2006	% of annualized net sales
Inventories	12,398	11.1	12,041	11.0
Trade receivables	20,379	18.3	20,905	19.1
Accounts payable	–14,788	13.3	–15,320	14.0
Provisions	–11,382		–12,476	
Prepaid and accrued income and expenses	–6,445		–6,020	
Taxes and other assets and liabilities	–2,291		–1,743	
Working capital	**–2,129**	**–1.9**	**–2,613**	**–2.4**
Property, plant and equipment	15,205		14,209	
Goodwill	2,024		1,981	
Other non-current assets	4,437		3,551	
Deferred tax assets and liabilities	1,206		1,012	
Net assets	**20,743**	**18.6**	**18,140**	**16.5**
Average net assets	20,644	19.7	17,352	16.7
Return on net assets, %	21.7		23.2	
Return on net assets, excluding items affecting comparability, %	20.9		21.2	
Value creation	2,053		2,202	

Working capital

Working capital at year-end amounted to SEK –2,129 (–2,613), corresponding to –1.9% (–2.4) of annualized net sales.

Net assets and return on net assets

Net assets as of December 31, 2007, amounted to SEK 20,743m (18,140). Average net assets for the year increased to SEK 20,644m (17,352), mainly as a result of increased capital expenditure and higher inventories related to the large product launch in Europe.

Adjusted for items affecting comparability, net assets amounted to SEK 23,099m (21,527) and average net assets amounted to SEK 23,196m (21,571), corresponding to 22.1% (20.8) of net sales. Items affecting comparability refers to restructuring provisions and provision for post-employment benefits due to the IFRS transition.

The return on net assets was 21.7% (23.2), and 20.9% (21.2), excluding items affecting comparability.

Net borrowings

Net borrowings at year-end increased to SEK 4,703m (–304). Compared to the previous year, net borrowings have been affected by the capital distribution to shareholders at the beginning of 2007 and the positive cash flow from operations and investments.

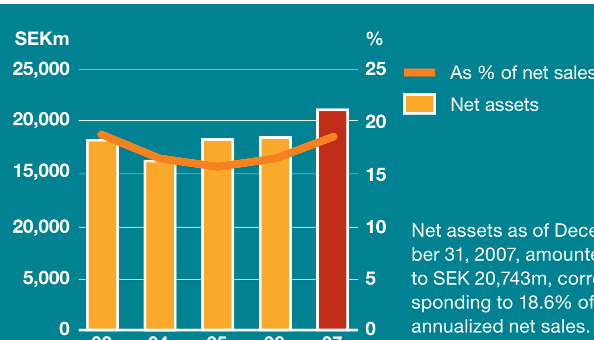
Net borrowings

SEKm	Dec. 31, **2007**	Dec. 31, 2006
Borrowings	11,163	7,495
Liquid funds	–6,460	–7,799
Net borrowings	**4,703**	**–304**

Change in net assets

SEKm	Net assets
January 1, 2007	**18,140**
Change in restructuring provisions	581
Write-down of assets	–39
Other items affecting comparability	425
Changes in exchange rates	490
Capital expenditure	3,430
Depreciation	–2,738
Changes in working capital, etc.	454
December 31, 2007	**20,743**

Net assets



Net assets as of December 31, 2007, amounted to SEK 20,743m, corresponding to 18.6% of annualized net sales.

Consolidated balance sheet

SEKm	Note	December 31, **2007**	December 31, 2006
ASSETS			
Non-current assets			
Property, plant and equipment	12	15,205	14,209
Goodwill	11	2,024	1,981
Other intangible assets	11	2,121	1,780
Investments in associates	29	32	80
Deferred tax assets	10	2,141	2,216
Financial assets	13	2,284	1,692
Total non-current assets		**23,807**	**21,958**
Current assets			
Inventories	14	12,398	12,041
Trade receivables	16	20,379	20,905
Tax assets		391	461
Derivatives	17	411	318
Other current assets	15	2,992	3,248
Short-term investments	17	165	1,643
Cash and cash equivalents	17	5,546	5,475
Total current assets		**42,282**	**44,091**
Total assets		**66,089**	**66,049**
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	837	–11
Retained earnings		10,752	8,754
		16,039	**13,193**
Minority interests		1	1
Total equity		**16,040**	**13,194**
Non-current liabilities			
Long-term borrowings	17	4,887	4,502
Derivatives	17	—	—
Deferred tax liabilities	10	935	1,205
Provisions for post-employment benefits	22	6,266	6,586
Other provisions	23	3,813	4,258
Total non-current liabilities		**15,901**	**16,551**
Current liabilities			
Accounts payable		14,788	15,320
Tax liabilities		2,027	1,651
Share redemption		—	5,579
Other liabilities	24	10,049	9,293
Short-term borrowings	17	5,701	2,582
Derivatives	17	280	247
Other provisions	23	1,303	1,632
Total current liabilities		**34,148**	**36,304**
Total liabilities		**50,049**	**52,855**
Total equity and liabilities		**66,089**	**66,049**
Pledged assets	19	**76**	**93**
Contingent liabilities	25	**1,016**	**1,022**

Liquid funds

Liquid funds at year-end amounted to SEK 6,460m (7,799). This corresponds to 5.8% (7.1) of annualized net sales.

Liquidity profile

SEKm	Dec. 31, **2007**	Dec. 31, 2006
Liquid funds	6,460	7,799
% of annualized net sales	5.8	7.1
Net liquidity	184	4,806
Fixed interest term, days	12	39
Effective annual yield, %	4.5	3.7

For additional information on the liquidity profile, see Note 17 on page 47.

Borrowings

At year-end, the Group's borrowings amounted to SEK 11,163m (7,495), of which SEK 7,801m (4,502) referred to long-term borrowings, including long-term borrowings with maturities within 12 months, with average maturities of 2.3 years (1.7). A significant portion of long-term borrowings is raised in the Euro and Swedish bond market.

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 0.2 years (0,5 years).

At year-end, the average interest rate for the Group's total interest-bearing borrowings was 5.8% (6.0).

Rating

Electrolux has investment-grade ratings from Standard & Poor's, which remained unchanged during the year.

Rating

	Long-term debt	Outlook	Short-term debt	Short-term debt, Sweden
Standard & Poor's	BBB+	Stable	A -2	K-1

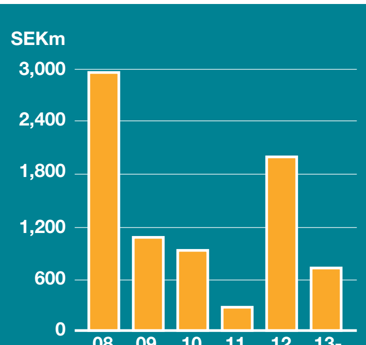
Net debt/equity and equity/assets ratios

The net debt/equity ratio increased to 0.29 (-0.02). The equity/assets ratio increased to 26.9% (22.7).

Equity and return on equity

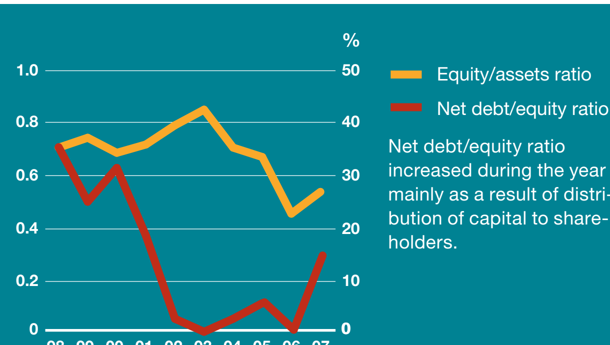
Group equity as of December 31, 2007, amounted to SEK 16,040m (13,194), which corresponds to SEK 56.95 (47.30) per share. Return on equity was 20.3% (18.7). Excluding items affecting comparability, return on equity was 22.7% (21.1).

Long-term borrowings, by maturity



No long-term borrowings matured or were amortized in 2007. For additional information on borrowings, see Note 17 on page 47.

Net debt/equity ratio



Net debt/equity ratio increased during the year mainly as a result of distribution of capital to shareholders.

Change in consolidated equity

SEKm	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
	Attributable to equity holders of the company						
Opening balance, January 1, 2006	**1,545**	**2,905**	**1,660**	**19,777**	**25,887**	**1**	**25,888**
Available for sale instruments							
Gain/loss taken to equity	—	—	42	—	42	—	42
Transferred to income statement on sale	—	—	–12	—	–12	—	–12
Cash-flow hedges							
Gain/loss taken to equity	—	—	–11	—	–11	—	–11
Transferred to income statement	—	—	–23	—	–23	—	–23
Exchange differences on translation of foreign operations							
Net-investment hedge	—	—	421	—	421	—	421
Translation differences	—	—	–2,081	—	–2,081	—	–2,081
Income for the period recognized directly in equity	**—**	**—**	**–1,664**	**—**	**–1,664**	**—**	**–1,664**
Income for the period	**—**	**—**	**—**	**3,847**	**3,847**	**—**	**3,847**
Total recognized income and expenses for the period	**—**	**—**	**–1,664**	**3,847**	**2,183**	**—**	**2,183**
Share-based payment	—	—	—	86	86	—	86
Repurchase and sale of shares	—	—	—	–1,463	–1,463	—	–1,463
Dividend SEK 7.50 per share	—	—	—	–2,222	–2,222	—	–2,222
Distribution of Husqvarna shares	—	—	—	–5,696	–5,696	—	–5,696
Redemption of shares	—	—	—	–5,582	–5,582	—	–5,582
Total transactions with equity holders	**—**	**—**	**—**	**–14,877**	**–14,877**	**—**	**–14,877**
Closing balance, December 31, 2006	**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
Repurchase and 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**

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 52.

Cash flow

Operating cash flow

Cash flow from operations and investments decreased in 2007 over the previous year. Cash flow in 2006 was, however, positively affected by the proceeds from divestment of the operations in Electrolux Financial Corporation in the US. Excluding the divestment in 2006, cash flow for 2007 showed an improvement.

The positive cash flow from operations amounted to SEK 1,277m and was primarily generated by income from operations. Changes in operating assets and liabilities amounted to SEK –152m. Changes in accounts receivable and accounts payable were traceable mainly to lower sales and lower production that reflected the declining markets in North America and Europe towards the end of the year.

Cash flow was negatively affected by increased capital expenditure and capitalization of product development as described below.

Cash flow

SEKm	2007	2006
Cash flow from operations, excluding change in operating assets and liabilities	5,498	5,263
Change in operating assets and liabilities	–152	–703
Capital expenditure	–3,430	–3,152
Other	–639	–298
Operating cash flow	**1,277**	**1,110**
Divestment of operations	—	1,064
Cash flow from operations and investments	**1,277**	**2,174**

Capital expenditure

Capital expenditure in property, plant and equipment in 2007 increased to SEK 3,430m (3,152). Capital expenditure corresponded to 3.3% (3.0) of net sales. The increase over the previous year referred mainly to investments in appliances in North America and the new plant for front-loaded washing machines in Juarez, Mexico, and appliances in Latin America and in Asia/Pacific.

- Operating cash flow increased to SEK 1,277m (1,110), mainly due to improvements in operating assets and liabilities
- Capital expenditure rose to SEK 3,430m, as against SEK 3,152 in 2006
- R&D costs increased by 10.1% to SEK 2,017m (1,832)

Approximately 25% of total capital expenditure referred to expansion of capacity and new plants, mainly in connection with relocation. Most of this referred to investments in the new plant in Mexico, the three new Polish appliance plants, in which production started during 2007, and expansion of capacity in the plants in Brazil.

A large part of total capital expenditure in 2007 referred to investments in plants for new products. Major projects included an entire range of new premium Electrolux-branded products for the North American market, as well as new products in Europe.

Costs for R&D

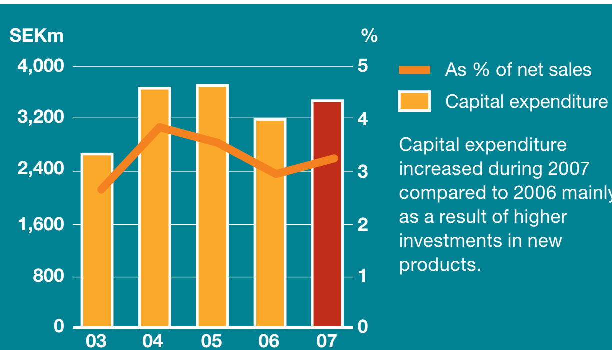
Costs for research and development in 2007, including capitalization of SEK 520m (439), amounted to SEK 2,017m (1,832), corresponding to 1.9% (1.8) of net sales. R&D projects during the year referred mainly to development of new products and design projects within appliances, including development of new platforms. Major projects included development of new products in North America, Europe and Brazil.

For definitions, see Note 31 on page 67.

Capital expenditure, by business area

SEKm	2007	2006
Consumer Durables		
Europe	1,325	1,698
% of net sales	2.9	3.8
North America	1,471	922
% of net sales	4.4	2.5
Latin America	282	170
% of net sales	3.1	2.2
Asia/Pacific and Rest of world	229	184
% of net sales	2.5	2.1
Professional Products	96	151
% of net sales	1.4	2.2
Other	27	27
Total	**3,430**	**3,152**
% of net sales	3.2	3.0

Capital expenditure



Capital expenditure increased during 2007 compared to 2006 mainly as a result of higher investments in new products.

Consolidated cash flow statement

SEKm	Note	2007	2006
Operations			
Income after financial items		4,035	3,825
Depreciation and amortization		2,738	2,758
Capital gain/loss included in operating income		—	112
Restructuring provisions		–701	–737
Share-based compensation		72	86
Change in accrued and prepaid interest		169	–38
Taxes paid		–815	–743
Cash flow from operations, excluding change in operating assets and liabilities		**5,498**	**5,263**
Change in operating assets and liabilities			
Change in inventories		–206	–748
Change in trade receivables		993	–856
Change in other current assets		40	–354
Change in accounts payable		–885	1,779
Change in operating liabilities and provisions		–94	–524
Cash flow from change in operating assets and liabilities		**–152**	**–703**
Cash flow from operations		**5,346**	**4,560**
Investments			
Divestment of operations	26	—	1,064
Capital expenditure in property, plant and equipment	12	–3,430	–3,152
Capitalization of product development	11	–520	–439
Other		–119	141
Cash flow from investments		**–4,069**	**–2,386**
Cash flow from operations and investments		**1,277**	**2,174**
Financing			
Change in short-term investments		1,463	–805
Change in short-term borrowings		670	–356
New long-term borrowings		3,257	583
Amortization of long-term borrowings		—	–1,635
Dividend		–1,126	–2,222
Redemption of shares		–5,582	—
Repurchase and sale of shares		127	–1,463
Cash flow from financing		**–1,191**	**–5,898**
Cash flow from continuing operations		**86**	**–3,724**
Cash flow from discontinued operations			
Cash flow from operations		—	–2,446
Cash flow from investments		—	–727
Cash flow from financing		—	8,504
Cash flow from discontinued operations		**—**	**5,331**
Total cash flow		**86**	**1,607**
Cash and cash equivalents at beginning of year		**5,475**	**4,420**
Exchange-rate differences referring to cash and cash equivalents		–15	–552
Cash and cash equivalents at year-end		**5,546**	**5,475**
Change in net borrowings			
Total cash flow, excluding change in loans and other short-term investments		**–5,304**	**3,820**
Net borrowings at beginning of year		**304**	**–2,974**
Exchange-rate differences referring to net borrowings		297	–542
Net borrowings at year-end		**–4,703**	**304**

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 2007, appliances accounted for 85% (85) of sales, professional products for 7% (7) and floor-care products for 8% (8).

- Good market growth across all regions except for North America and some key markets in Europe
- Substantial increase in sales and operating income for appliances in Latin America
- Strong performance by floor-care operations worldwide
- Good growth for appliances in Asia/Pacific, strong improvement in operating income
- Solid performance and improved margin for appliances in North America
- Largest product launch ever of new appliances in Europe
- Extra costs for products launched adversely affected income for appliances in Europe
- Higher operating income and margin for Professional Products

Consumer Durables, Europe

SEKm[1)]	2007	2006
Net sales	45,472	44,233
Operating income	2,067	2,678
Operating margin, %	4.5	6.1
Net assets	9,158	7,075
Return on net assets, %	22.4	41.6
Capital expenditure	1,325	1,698
Average number of employees	25,382	25,029

1) Excluding items affecting comparability.

Major appliances

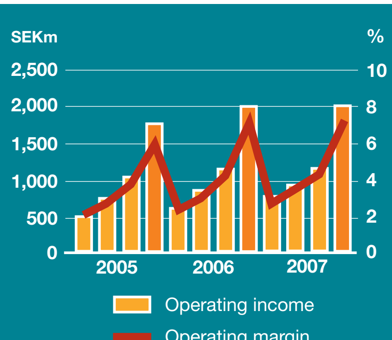
Total industry shipments of major appliances in Europe in 2007 increased in volume by 1% over 2006. Shipments increased by 9% in Eastern Europe and declined by 1% in Western Europe.
A total of 97.8 (96.7) million units (excluding microwave owens) were estimated to have been shipped in the European market during 2007, of which 73.5 (74.4) million units in Western Europe.

Group sales of appliances in Europe rose during the year, on the basis of an improved product mix and higher volumes. Operating income declined substantially from the previous year as a result of temporarily higher costs related to the comprehensive product launch. The new products have achieved good market acceptance, which have supported average Electrolux sales prices in most of the Group's markets, and the brand has been strengthened. Certain costs for new products have risen more than was expected, which together with lower demand in major markets such as Germany, the UK and Spain had an adverse effect on income.

Floor-care products

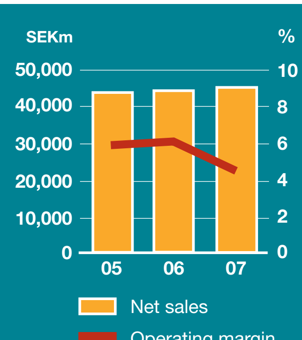
The market for vacuum cleaners in Europe showed higher demand in 2007, rising by approximately 6% over the previous year. Group sales for the full year increased considerably on the basis of strong sales volume growth compared to the previous year. Operating income improved as a result of higher volumes as well as lower costs for the Group's own production and externally sourced products.

Operating income and margin per quarter for the Group



The fourth quarter is the most important profit making period of the year. Operating income and margin for the fourth quarter of 2007 improved to SEK 2,007m and 7.3%.

Consumer Durables, Europe Net sales and operating margin



Restructuring and relocation of production

In 2007, the Board of Directors decided to close the cooker plant in Fredericia, Denmark. By year-end, production in Fredericia was discontinued and relocated to other plants in Europe. The Board also decided to close the cooker factory in Spennymoor, UK, and relocate some production to the Electrolux plant in Swidnica, Poland. Production at the plant is expected to continue throughout 2008.

Investigation of manufacturing in Italy

In February 2008, Electrolux decided to launch an investigation into how manufacturing of refrigerators can be maintained and become competitive in Italy.

For additional information on costs for restructuring, see page 8.

Program to reduce costs within appliances in Europe 2008

Reduced complexity following brand consolidation and increased pan-European coordination enable cost efficiencies for appliances in Europe. In February 2008, it was decided to launch a program which is expected to result in a staff reduction of approximately 400 people within appliances in Europe during 2008. The savings are expected to amount to SEK 350–400m on a yearly basis. The program will incur costs of approximately SEK 400m, which will be charged to operating income before items affecting comparability in the first quarter of 2008.

Consumer Durables, North America

SEKm[1]	**2007**	2006
Net sales	33,728	36,171
Operating income	1,711	1,462
Operating margin, %	5.1	4.0
Net assets	8,404	8,187
Return on net assets, %	21.2	19.3
Capital expenditure	1,471	922
Average number of employees	15,204	15,148

1) Excluding items affecting comparability.

Major appliances

Industry shipments of core appliances in the US decreased in volume by approximately 6% compared with the previous year. The US market for core appliances (exclusive of microwave ovens and room air-conditioners) consists of industry shipments from domestic producers plus imports, and amounted to 68.5 million units in 2007. Shipments of major appliances, i.e., including microwave ovens and room air-conditioners, decreased by approximately 6%.

Group sales of appliances in the North American market rose by almost 2% in comparable currencies, on the basis of higher sales volumes. The Group's market share increased. Operating income and margin improved as a result of favorable price increases, an improved product mix, higher sales volumes and lower costs. Limited sales exposure to the weak housing market in the US and a shift of consumer demand toward the mass segment contributed to the Group's good performance in the North American market.

Floor-care products

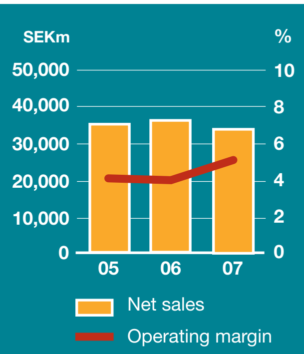
Market demand for vacuum cleaners in the US declined by approximately 5% during the year in comparison with 2006. Sales for the Group's operations in North America decreased due to lower sales volumes. Operating income increased, however, on the basis of an improved product mix and lower production costs.

Consumer Durables, Latin America

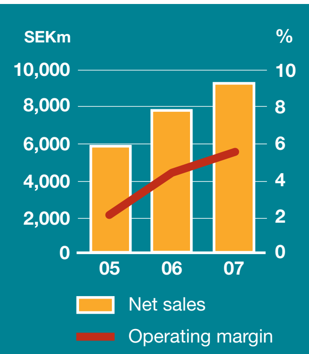
SEKm[1]	**2007**	2006
Net sales	9,243	7,766
Operating income	514	339
Operating margin, %	5.6	4.4
Net assets	3,114	3,565
Return on net assets, %	14.7	13.3
Capital expenditure	282	170
Average number of employees	7,303	5,770

1) Excluding items affecting comparability.

Consumer Durables, North America
Net sales and operating margin



Consumer Durables, Latin America
Net sales and operating margin



Industry shipments of appliances in Brazil during 2007 showed strong growth, rising by 17% over the previous year. Sales volumes for Electrolux rose by 23%. Brazil is the Group's largest market in Latin America.

Group sales in comparable currencies for the full year in Latin America rose by 19%, mainly on the basis of strong market growth. Market shares increased and sales were higher for most product categories. Operating income improved, primarily as a result of higher sales volumes, an improved product mix, and higher productivity in manufacturing. Operating income in 2007 for the operations in Latin America was the highest in the Group's history.

Consumer Durables, Asia/Pacific and Rest of world

SEKm[1]	2007	2006
Net sales	9,167	8,636
Operating income	330	163
Operating margin, %	3.6	1.9
Net assets	2,618	2,740
Return on net assets, %	13.5	6.0
Capital expenditure	229	184
Average number of employees	4,979	5,346

1) Excluding items affecting comparability.

Australia and New Zealand

Market demand for appliances in Australia rose during the year in comparison with 2006. Group sales rose in comparable currencies, mainly as a result of market growth. Operating income for the full year improved considerably on the basis of lower costs resulting from previous restructuring as well as lower costs for outsourced products. The restructuring program, which includes closure of the washer and dishwasher plants in Adelaide, is proceeding according to plan and will be completed during the spring of 2008.

China and South East Asia

Statistics for shipments of appliances in China indicate strong growth for the full year. Group sales in comparable currencies rose somewhat during the second half of the year, following a longer period of decline after Electrolux exited from parts of the low-price segment. However, the operation in China is still unprofitable. Group sales and operating income rose throughout the entire South East Asia region.

Professional Products

SEKm[1]	2007	2006
Net sales	7,102	6,941
Operating income	584	535
Operating margin, %	8.2	7.7
Net assets	1,324	1,394
Return on net assets, %	43.9	40.2
Capital expenditure	96	151
Average number of employees	3,200	3,316

1) Excluding items affecting comparability.

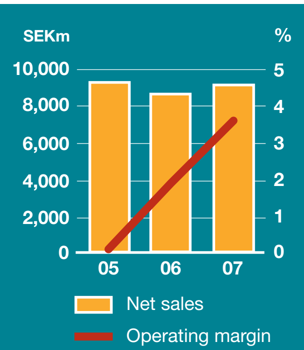
Food-service equipment

Group sales of food-service equipment in 2007 rose as a result of higher sales prices and volumes. Operating income improved on the basis of more efficient production as well as price increases that offset higher costs for raw materials, primarily for stainless steel.

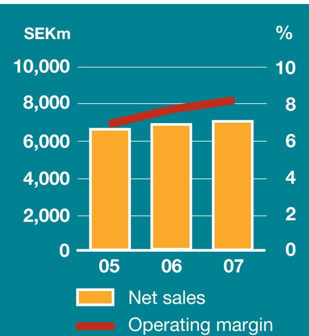
Laundry equipment

Group sales of laundry equipment in 2007 were largely unchanged in comparison with the previous year. Operating income declined, however, as a result of lower volumes and the effect of the weaker dollar on income from sales in the US market.

Consumer Durables, Asia/Pacific and Rest of world
Net sales and operating margin



Professional Products
Net sales and operating margin



Operations, by business area

SEKm[1]	**2007**	2006
Consumer Durables, Europe		
Net sales	45,472	44,233
Operating income	2,067	2,678
Margin, %	4.5	6.1
Consumer Durables, North America		
Net sales	33,728	36,171
Operating income	1,711	1,462
Margin, %	5.1	4.0
Consumer Durables, Latin America		
Net sales	9,243	7,766
Operating income	514	339
Margin, %	5.6	4.4
Consumer Durables, Asia/Pacific and Rest of world		
Net sales	9,167	8,636
Operating income	330	163
Margin, %	3.6	1.9
Professional Products		
Net sales	7,102	6,941
Operating income	584	535
Margin, %	8.2	7.7
Other		
Net sales	20	101
Operating income, common group costs, etc.	–369	–602
Total net sales	**104,732**	**103,848**
Operating income	**4,837**	**4,575**
Margin, %	**4.6**	**4.4**

1) Excluding items affecting comparability.

Net sales and operating income 2007 compared to 2006[1]

Change, year-over-year, %	Net sales	Net sales in comparable currency	Operating income	Operating income in comparable currency
Consumer Durables				
Europe	2.8	2.9	–22.8	–23.3
North America	–6.8	1.4	17.0	27.3
Latin America	19.0	18.6	51.6	53.0
Asia/Pacific and Rest of world	6.1	8.0	102.5	100.0
Professional Products	2.3	3.6	9.2	9.2
Total change	**0.9**	**4.0**	**5.7**	**7.8**

1) Excluding items affecting comparability.

Share capital and ownership

Share capital and ownership

As of February 1, 2008 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 AB 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.

According to the register of the Swedish Central Securities Depository (Värdepapperscentralen AB), there were approximately 52,700 shareholders in AB Electrolux as of December 31, 2007. Investor AB is the largest shareholder, owning 11.9% of the share capital and 28.2% of the voting rights. For additional information on shareholders in AB Electrolux, see the Corporate Governance report on page 88. 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, 2008.

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 premature 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. It has been deemed necessary to accept these conditions to obtain financing on otherwise acceptable terms.

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, 2007	**9,502,275**	**299,418,033**	**29,986,756**	**278,933,552**
Shares sold under the terms of the employee stock option programs	—	—	–1,526,122	1,526,122
Shares alloted under the Performance Share Program 2004	—	—	–1,178,743	1,178,743
Total number of shares as of December 31, 2007	**9,502,275**	**299,418,033**	**27,281,891**	**281,638,417**
Total number of shares as of February 1, 2008	**9,502,275**	**299,418,033**	**27,281,891**	**281,638,417**

Distribution of funds to shareholders

Proposed dividend

The Board of Directors proposes a dividend for 2007 amounting to SEK 4.25 (4.00) per share, for a total dividend payment of SEK 1,197m (1,126). The proposed dividend corresponds to 36.5% of income for the period, excluding items affecting comparability. Friday, April 4, 2008 is proposed as record date for the dividend.

The Group's goal is for the dividend to correspond to at least 30% of income for the period, excluding items affecting comparability.

Repurchase and transfer of shares

The Group has for the last few years, on the basis of authorizations by the Annual General Meetings, acquired and transferred own shares. 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.

During 2006, several structural measures were carried out to adapt the capital structure of the Group on the basis of the strong balance sheet after the spin-off of Husqvarna. Own shares were repurchased and by the end of 2006, Electrolux held 9.7% of the total number of outstanding shares.

In January 2007, capital was distributed to shareholders through a redemption of shares at SEK 20 per share, corresponding to a total amount of SEK 5,582m. The Group has after the capital distribution a capital structure that provides the flexibility that is necessary to implement its strategy, which includes investments in product development, building the Electrolux brand and conducting restructuring measures as well as growth through possible acquisitions.

The Annual General Meeting 2007 authorized the Board of Directors to transfer own shares for the purpose of financing potential company acquisitions and for the Group's incentive programs. The Board of Directors did not request any mandate from the AGM to issue new shares or to repurchase additional shares in the company.

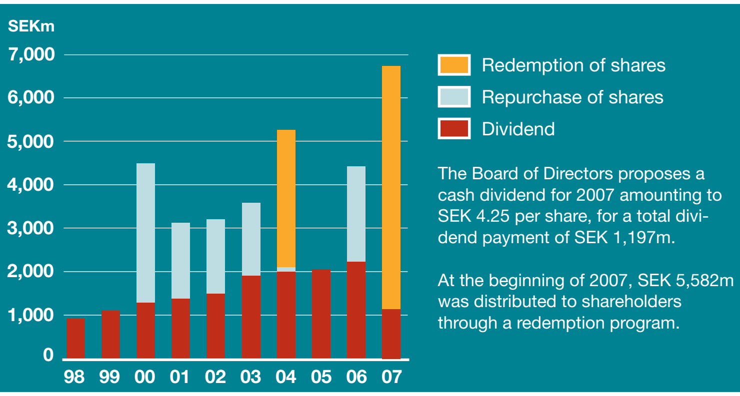
In 2007, senior managers purchased 1,526,122 B-shares from Electrolux under the terms of the employee stock option programs and 1,178,743 B-shares were alloted to senior managers under the Performance Share Program 2004. As of December 31, 2007, Electrolux held 27,281,891 B-shares, corresponding to 8.8% of the total number of outstanding shares. There has been no change as of February 1, 2008.

Repurchase of own shares

	2007	2006	2005	2004	2003
Number of shares repurchased	—	19,400,000	—	750,000	11,331,828
Total amount paid, SEKm	—	2,194	—	114	1,688
Price per share, SEK	—	113	—	152	149
Number of shares held by Electrolux at year-end	27,281,891	29,986,756	15,821,239	17,739,400	17,000,000[1]
% of outstanding shares	8.8	9.7	5.1	5.7	5.2

1) After cancellation of shares.

Total distribution to shareholders



The Board of Directors proposes a cash dividend for 2007 amounting to SEK 4.25 per share, for a total dividend payment of SEK 1,197m.

At the beginning of 2007, SEK 5,582m was distributed to shareholders through a redemption program.

Risk management

Risks in connection with the Group's operations can, in general, be divided into operational risks related to business operations and those related to financial operations. Operational risks are normally managed by the operative units within the Group, and financial risks by the Group's treasury department.

Operational risks

Electrolux is exposed to risks in connection with its business operations. Electrolux operates in competitive markets, most of which are relatively mature. Demand for appliances can vary with overall economic conditions and price competition is strong in most product categories. Electrolux ability to improve profitability and increase shareholder value is largely dependent on success in development of new, innovative products and in maintaining cost-efficient production. Managing fluctuations in the prices of raw materials and components and restructuring are vital for maintaining and increasing the Group's competitiveness.

Financial risk management

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

- Interest-rate risks on liquid funds and borrowings
- Financing risks related to the Group's capital requirements
- Foreign-exchange risks on earnings and net investments in foreign subsidiaries
- Commodity-price risks affecting expenditure on raw materials and components to be used in production
- Credit risk related to financial and commercial activities

The Board of Directors of Electrolux has approved a financial policy and a credit policy for the Group in order to manage and control these risks. Each business sector has specific financial and credit policies approved by the sector board. The above-mentioned risks are, amongst others, managed by the use of derivative financial instruments according to the limitations stated in the financial policy. The financial policy also describes management of risks related to pension-fund assets.

Management of financial risks has largely been centralized to Group Treasury in Stockholm, Sweden. Measurement of risk in Group Treasury is performed by a separate risk controlling function on a daily basis. Furthermore, the Group's policies and procedures include guidelines for managing operating risks related to financial instruments through, e.g., segregation of duties and power of attorney.

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

The Group's credit policy ensures that the management process for customer credits includes customer ratings, credit limits, decision levels and management of bad debts.

For detailed information on:

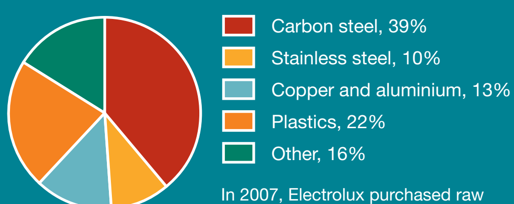
- Accounting principles for financial instruments, see Note 1 on page 29.
- Financial risk management, see Note 2 on page 36.
- Financial instruments, see Note 17 on page 47.

Sensitivity analysis

Risk	Change		Pre-tax earnings impact, SEKm
Raw materials			
Steel	10%	+/–	1,000
Plastics	10%	+/–	500
Currencies[1] and interest rates			
GBP/SEK	–10%	–	353
CAD/SEK	–10%	–	243
AUD/SEK	–10%	–	206
USD/SEK	–10%	+	373
EUR/SEK	–10%	+	409
Interest rate	1 percentage point	+/–	60

1) Includes translation and transaction effects.

Raw materials exposure



In 2007, Electrolux purchased raw materials for approximately SEK 23 billion. Purchases of steel accounted for the largest cost.

Employees

Talent management

Talent management is a strategic priority for Electrolux, especially at a time when the Group is transforming to a more market- and consumer-oriented company. Over the past years, Electrolux has established processes and tools that develop and ensure the Group of access to competence. Active leadership development, international career opportunities and a result-oriented corporate culture are vital for successful development of human resources within the Group. Talent management, which comprises processes and tools for attracting, developing and securing access to future leaders, plays a central role. This process reviews more than 2,300 employees each year and is designed to identify internal competence within the Group's global operations.

Electrolux People Process

The Group has established the 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.

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 2007 was 56,898 (55,471), of whom 3,025 (3,080) were in Sweden. At year-end, the total number of employees was 56,930 (59,491).

Salaries and remuneration in 2007 amounted to SEK 12,612m (12,849), of which SEK 1,128m (1,146) refers to Sweden.

Proposal for remuneration guidelines for Group Management

The proposed guidelines for remuneration in 2008 are essentially in accordance with the existing guidelines, which were approved by the AGM in 2007.

The Board of Directors will present a proposal for remuneration guidelines for Group Management at the AGM in 2008. These guidelines are described below.

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 for Group Management can comprise the components as are set forth hereafter.

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 Group Management 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.

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

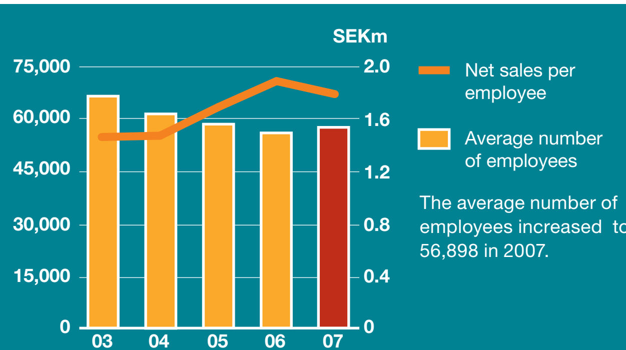
Fixed compensation

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

Number of employees

Average number of employees in 2006	**55,471**
Number of employees in divested operations	—
Restructuring programs	–650
Other changes	2,077
Average number of employees in 2007	**56,898**

Employees



The average number of employees increased to 56,898 in 2007.

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.

Performance may be measured against both financial and non-financial targets. The financial targets may comprise value creation on Group level as well as other financial measures. 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 2007, the AGM of Electrolux approved a performance share plan based on value-creation targets for the Group as established by the Board of Directors. The plan involves an allocation of shares if the targets have been reached or exceeded after a three-year period. Allocation of shares under the program is determined on the basis of three levels of value creation; entry, target and stretch. Stretch is the maximum level for allocation and may not be exceeded regardless of the value creation created during the period. The number of shares allocated at stretch is 50% higher than target.

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 2008

The Board of Directors will present a proposal to the AGM in 2008 for a performance-based long-term share program in 2008, 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 2008.

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 arrangement 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

Deregistration from the U.S. Securities and Exchange Commission

During the third quarter 2007, Electrolux applied for deregistration with the U.S. Securities and Exchange Commission (SEC). Deregistration became effective during the fourth quarter of 2007. Electrolux is no longer required to file certain reports and forms with the SEC, including the 20-F and 6-K.

In 2005, Electrolux de-listed its American Depositary Receipts (ADRs) from Nasdaq in response to the internationalization of capital markets and the increase in international ownership of shares on the Stockholm and London stock exchanges. The ADR facility, which trades in the US over-the-counter market, has not been terminated.

Electrolux shares are listed on the stock exchanges in Stockholm and London.

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, 2007, the Group had a total of 1,998 (1,688) cases pending, representing approximately 2,600 (approximately 7,700) plaintiffs. During 2007, 1,041 new cases with approximately 1,050 plaintiffs were filed and 731 pending cases with approximately 6,140 plaintiffs were resolved. Approximately 310 of the plaintiffs relate to cases pending in the state of Mississippi.

The Group has reached an agreement 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.

The WEEE directive

The EU directive on Waste Electrical and Electronic Equipment (WEEE) defines producer responsibility for collection, treatment and disposal of electrical and electronic products.

The directive stipulates that producers and importers have producer responsibility for products put on the market. The target for material recovery is 80% for large household appliances and 70% for small appliances. As of 2007, all member states, as well as Norway and Croatia, have transposed the directive. In Switzerland, WEEE related legislation is also in place. Electrolux is compliant in all these countries.

In order to manage recycling in large-volume countries cost-efficiently, Electrolux organizes its producer responsibility through a jointly owned company, European Recycling Platform, in eight states. In other countries, the Group works through national compliance schemes initiated by industry associations.

Producer responsibility for Electrolux currently covers products representing a volume of 480,000 tons. The volume of returned products will increase in 2008 as a result of full implementation in Italy and the UK.

The cost of recycling for Electrolux in 2007 was almost entirely recovered through visible fees that have been charged to the price of products. The estimated annual cost for Electrolux will be approximately SEK 600m, when all countries have fully implemented the directive.

Environmental activities

In 2007, Electrolux operated 54 manufacturing facilities in 19 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 4% of the total value of the Group's production. Two 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 2007.

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 2007.

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 2007 amounted to SEK 6,092m (6,204), of which SEK 3,060m (3,248) referred to sales to Group companies and SEK 3,032m (2,956) to external customers. After appropriations of SEK 18m (14) and taxes of SEK 28m (58), income for the period amounted to SEK 1,682m (10,768).

Non-restricted equity in the Parent Company at year-end amounted to SEK 9,846m.

Net financial exchange-rate differences during the year amounted to SEK 218m (294).

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 2007 amounted to SEK 124m (224). Group contributions net of taxes amounted to SEK 89m (162) 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, net and participations, see Note 29 on page 65.

INCOME STATEMENT

SEKm	Note	2007	2006
Net sales		**6,092**	**6,204**
Cost of goods sold		–5,207	–5,428
Gross operating income		**885**	**776**
Selling expenses		–608	–693
Administrative expenses		–441	–558
Other operating income	5	57	171
Other operating expenses	6	–519	–704
Operating income		**–626**	**–1,008**
Financial income	9	3,201	12,867
Financial expenses	9	–939	–1,163
Financial items, net		**2,262**	**11,704**
Income after financial items		**1,636**	**10,696**
Appropriations	21	18	14
Income before taxes		**1,654**	**10,710**
Taxes	10	28	58
Income for the period		**1,682**	**10,768**

BALANCE SHEET

SEKm	Note	December 31, 2007	December 31, 2006
ASSETS			
Non-current assets			
Intangible assets	11	777	594
Property, plant and equipment	12	438	459
Financial assets	13	24,810	23,080
Total non-current assets		**26,025**	**24,133**
Current assets			
Inventories	14	361	417
Receivables from subsidiaries		11,203	6,910
Trade receivables		438	470
Derivatives with subsidiaries		512	516
Derivatives		396	314
Other receivables		80	90
Prepaid expenses and accrued income		70	105
Short-term investments		5	1,130
Cash and bank		2,880	3,150
Total current assets		**15,945**	**13,102**
Total assets		**41,970**	**37,235**

EQUITY AND LIABILITIES

SEKm	Note	December 31, 2007	December 31, 2006
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		8,164	–2,100
Income for the period		1,682	10,768
		9,846	**8,668**
Total equity		**14,408**	**13,230**
Untaxed reserves	21	**724**	**742**
Provisions			
Provisions for pensions and similar commitments	22	312	311
Other provisions	23	209	284
Total provisions		**521**	**595**
Non-current liabilities			
Payable to subsidiaries		435	474
Bond loans		3,679	3,823
Other non-current loans		693	185
Total non-current liabilities		**4,807**	**4,482**
Current liabilities			
Payable to subsidiaries		15,505	10,582
Accounts payable		390	411
Share redemption		—	5,579
Other liabilities		71	79
Short-term borrowings		3,883	—
Derivatives with subsidiaries		588	465
Derivatives		254	240
Accrued expenses and prepaid income	24	819	830
Total current liabilities		**21,510**	**18,186**
Total liabilities and provisions		**26,838**	**23,263**
Total liabilities, provisions and equity		**41,970**	**37,235**
Pledged assets	19	**8**	**5**
Contingent liabilities	25	**1,365**	**1,341**

CHANGE IN EQUITY

SEKm	Share capital	Restricted reserves	Non-restricted equity	Total
Opening balance, January 1, 2006	**1,545**	**3,017**	**14,495**	**19,057**
Share-based payments	—	—	20	20
Revaluation of external shares	—	—	30	30
Income for the period	—	—	10,768	10,768
Dividend payment	—	—	–2,222	–2,222
Dividend of Husqvarna AB	—	—	–7,540	–7,540
Redemption of shares, including costs	—	—	–5,582	–5,582
Repurchase and sale of shares	—	—	–1,463	–1,463
Group contribution	—	—	162	162
Closing balance, December 31, 2006	**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
Repurchase and sale of shares	—	—	260	260
Group contribution	—	—	89	89
Closing balance, December 31, 2007	**1,545**	**3,017**	**9,846**	**14,408**

CASH FLOW STATEMENT

SEKm	2007	2006
Operations		
Income after financial items	1,636	10,696
Non-cash dividend	—	–2,681
Depreciation and amortization	158	153
Capital gain/loss included in operating income	473	648
Taxes paid	–7	–3
Cash flow from operations, excluding change in operating assets and liabilities	**2,260**	**8,813**
Change in operating assets and liabilities		
Change in inventories	56	–28
Change in trade receivables	32	–125
Change in current intra-group balances	–4,095	4,127
Change in other current assets	–37	203
Change in other current liabilities and provisions	–97	–170
Cash flow from operating assets and liabilities	**–4,141**	**4,007**
Cash flow from operations	**–1,881**	**12,820**
Investments		
Change in shares and participations	–789	–4,610
Capital expenditure in intangible assets	–241	–3
Capital expenditure in property, plant and equipment	–65	–90
Other	–1,180	1,836
Cash flow from investments	**–2,275**	**–2,867**
Total cash flow from operations and investments	**–4,156**	**9,953**
Financing		
Change in short-term investments	1,125	–1,125
Change in short-term borrowings	997	1,015
Change in intra-group borrowings	4,937	–2,053
New long-term borrowings	3,250	—
Amortization of long-term borrowings	—	–2,670
Dividend	–1,126	–2,222
Repurchase and sale of shares	285	–1,463
Redemption of shares, including costs	–5,582	—
Cash flow from financing	**3,886**	**–8,518**
Total cash flow	**–270**	**1,435**
Liquid funds at beginning of year	**3,150**	**1,715**
Liquid funds at year-end	**2,880**	**3,150**

Notes

Notes

Note 1 Accounting and valuation principles

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) 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 RR 30:06 from the Swedish Financial Accounting Standards Council 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 IFRSs. 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 5, 2008. The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on April 1, 2008.

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 2007, the Group comprised 250 (257) operating units, and 183 (209) 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 arms-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. This applies to both Swedish and foreign Group 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 the year and last year, 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.

Assets held-for-sale and discontinued operations

The Group classifies a non-current asset or disposal group as held-for-sale if its carrying amount will be recovered principally through a sale. For classification as held-for-sale the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. A disposal group that is to be abandoned may also qualify.

Immediately before classification as held-for-sale, the measurement of the assets and all assets and liabilities in a disposal group is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held-for-sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell.

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 financial 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. Financial 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 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. Appropriate provisions have been made for obsolescence.

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.

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 (the 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.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 17 on page 47. 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 expence.

If the hedge no longer meets the criteria for hedge accounting or are 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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised; when the hedge no longer meets the criteria for hedge accounting; when the forecast transaction is no longer expected to occur; or when the entity revokes the designation. When any of these occur, the cumulative gains or losses that had been recognized directly in equity are recognized in profit or loss within financial items.

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.

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, which means that 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. For details of the share-based compensation programs, please refer to Note 22 on page 53.

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 attaching to them, and that the grants will be received. Government grants related to assets are included in the balance sheet as deferred income and recognized as income over the useful life of the assets.

New or amended accounting standards (IAS/IFRS)

The new or amended standards issued by IASB (The International Accounting Standards Board) relates to presentation or disclosures and have no impact on Electrolux financial result or position.

IFRS 7 Financial Instruments: Disclosures. This standard supersedes IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and states principles for presenting financial assets and liabilities that complement those included in IAS 32, Financial Instruments: Presentation and IAS 39, Financial Instruments: Recognition and Measurement. IFRS 7 was effective for annual periods beginning on or after January 1, 2007.

Amendment to IAS 1 Capital Disclosures requires that an entity shall disclose information that enables users of its financial statement to evaluate the entity's objectives, policies, and processes for managing capital. This amendment was effective for annual periods beginning on or after January 1, 2007.

The following standards or amendments 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.

IFRS 8 Operating Segments. This standard replaces IAS 14, Segment Reporting, and prescribes measurement and presentation of segments. The standard is effective for annual periods beginning on or after January 1, 2009.

IAS 1 Presentation of Financial Statements (Revised)*). The revision of the standard aims at improving the usage of financial statements. The standard is effective for annual periods beginning on or after January 1, 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.

New interpretations of accounting standards (IFRICs)

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

IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies, which provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. This interpretation is effective for annual periods beginning on or after March 1, 2006.

IFRIC 8 Scope of IFRS 2, which states that the entity shall measure unidentifiable goods or services received as consideration for equity instruments of the entity as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received. This interpretation is effective for annual periods beginning on or after May 1, 2006.

IFRIC 9 Reassessment of Embedded Derivatives, which states that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract and that subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly moves the cash flows that otherwise would be required under the contract, in which case reassessment is required. This interpretation is effective for annual periods beginning on or after June 1, 2006.

IFRIC 10 Interim Financial Reporting and Impairment. This interpretation states that an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This interpretation is effective for annual periods beginning on or after November 1, 2006.

The following IFRICs shall be applied as from January 1, 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 is 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: 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; how a minimum funding requirement affects that limit; 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 is effective for annual periods beginning on or after January 1, 2008.

*) 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

International Financial Reporting Standards (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

All 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.

Non-current assets, including 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, 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 2007 amounted to SEK 15,205m. The carrying amount for goodwill at year-end 2007 amounted to SEK 2,024m. 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 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, 2007, Electrolux had a net amount of SEK 1,206m recognized as deferred tax assets in excess of deferred tax liabilities. As of December 31, 2007, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,497m, which have not been included in computation of deferred tax assets.

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 2007, trade receivables, net of provisions for doubtful accounts, amounted to SEK 20,379m. The total provision for doubtful accounts at year-end 2007 was SEK 571m.

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 and future salary increases. Changes in assumptions affect directly the 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 2007 was 6.3% based on historical results. A reduction by one percentage point would have increased the net pension cost in 2007 by approximately SEK 140m. The discount rate used to estimate liabilities at the end of 2006 and the calculation of expenses during 2007 was 4.9%. A decrease of such rate by 0.5 percentage point would have increased the service-cost component of expense by approximately SEK 30m.

Restructuring

Restructuring charges include required write-downs of assets and other non-cash items, as well as estimated costs for personnel reductions. 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 2007 had a total charge against operating income of SEK 362m.

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. Reserves for this original warranty are estimated based on historical data regarding service rates, cost of repairs, etc. Additional reserves 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, 2007, Electrolux had a provision for warranty commitments amounting to SEK 1,682 m. 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 2001–2003 Employee Option Programs or receive shares under the 2005–2007 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 a valuation made using the Black & Scholes model, 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 RR 32:06, Accounting for Legal Entities of the Swedish Financial Accounting Standards Council. RR 32:06 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 when received. 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 RR 32:06, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Property, plant and equipment

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 RR 32:06.

Other

A few terms in the income and balance sheet and cash flow statements have been changed compared to last year. In connection with this, minor reclassifications have been made and corresponding comparative figures have been changed.

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 derivative financial 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 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. Derivative financial 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 three months. A downward shift in the yield curves of one-percentage point would reduce the Group's interest income by approximately SEK 55m (60). For more information, see Note 17 on page 47.

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 47.

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 2007 long term interest-bearing borrowings with an interest fixing of 0.2 (0.5) years, a one-percentage point shift in interest rates would impact the Group's interest expenses by approximately SEK +/–60m (40) in 2007. 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 2007, the Group's capital was SEK 16,040m (13,194). 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 2007, Electrolux has Investment Grade ratings of BBB+ from Standard & Poor's which has remained unchanged during the year.

Rating

	Long-term debt	Outlook	Short-term debt	Short-term debt, Sweden
Standard & Poor's	BBB+	Stable	A-2	K-1

When monitoring the capital structure, the Group uses different key numbers which are consistent to 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 evenly 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 47.

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. 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 47.

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 Canadian dollar, and the British pound. Other significant exposures are, for example, the Danish krona, the Australian dollar, the Hungarian forint and the Brazilian real. 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 against the Swedish krona would affect the Group's profit and loss for one year by approximately SEK +/– 500m (375), as a static calculation. The model assumes the distribution of earnings and costs effective at year-end 2007 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 , SEKm
Currency			
GBP/SEK	–10%	–	353
CAD/SEK	–10%	–	243
AUD/SEK	–10%	–	206
BRL/SEK	–10%	–	138
DKK/SEK	–10%	–	107
CZK/SEK	–10%	–	105
HUF/SEK	–10%	+	167
USD/SEK	–10%	+	373
EUR/SEK	–10%	+	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 result of this change 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 +/– 200m (130), as a static calculation at year-end 2007.

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 SEK +/– 500m (500), based on volumes in 2007.

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 47.

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.

The Outdoor Products operations of the Group were distributed to the Electrolux shareholders in June 2006, under the name of Husqvarna AB, as explained in Note 30 on page 66.

Financial information related to the business areas is reported below.

	Net sales		Operating income	
	2007	2006	**2007**	2006
Consumer Durables				
Europe	45,472	44,233	2,067	2,678
North America	33,728	36,171	1,711	1,462
Latin America	9,243	7,766	514	339
Asia/Pacific	9,167	8,636	330	163
Professional Products	7,102	6,941	584	535
Total	**104,712**	**103,747**	**5,206**	**5,177**
Group common costs	20	101	–369	–602
Items affecting comparability	—	—	–362	–542
Total	**104,732**	**103,848**	**4,475**	**4,033**

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	
	2007	2006	**2007**	2006	**2007**	2006
Consumer Durables						
Europe	–362	–143	—	–173	–362	–316
North America	—	10	—	61	—	71
Latin America	—	—	—	—	—	—
Asia/Pasific	—	–297	—	—	—	–297
Professional Products	—	—	—	—	—	—
Total	**–362**	**–430**	—	**–112**	**–362**	**–542**

Inter-segment sales exist with the following split:

	2007	2006
Consumer Durables		
Europe	1,514	1,161
North America	787	985
Latin America	3	38
Asia/Pacific	86	71
Eliminations	**–2,390**	**–2,255**

notes, all amounts in SEKm unless otherwise stated

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,	
	2007	2006	**2007**	2006	**2007**	2006
Consumer Durables						
Europe	28,119	26,353	18,961	19,278	9,158	7,075
North America	13,575	14,171	5,171	5,984	8,404	8,187
Latin America	5,743	5,562	2,629	1,997	3,114	3,565
Asia/Pacific	4,676	4,667	2,058	1,927	2,618	2,740
Professional Products	3,515	3,672	2,191	2,278	1,324	1,394
Other[1]	2,658	1,956	4,177	3,390	–1,519	–1,434
Items affecting comparability	1,343	1,540	3,699	4,927	–2,356	–3,387
	59,629	**57,921**	**38,886**	**39,781**	**20,743**	**18,140**
Liquid funds	6,460	7,799	—	—	—	—
Interest-bearing receivables	—	329	—	—	—	—
Interest-bearing liabilities	—	—	11,163	7,495	—	—
Share redemption	—	—	—	5,579	—	—
Equity	—	—	16,040	13,194	—	—
Total	**66,089**	**66,049**	**66,089**	**66,049**	**—**	**—**

1) Includes common Group services.

	Capital expenditure		Cash flow[1]	
	2007	2006	**2007**	2006
Consumer Durables				
Europe	1,325	1,698	351	1,951
North America	1,471	922	1,069	1,850
Latin America	282	170	814	–160
Asia/Pacific	229	184	589	603
Professional Products	96	151	695	347
Other[2]	27	27	–91	–1,437
Items affecting comparability	—	—	–1,063	9
Financial items	—	—	–272	–246
Taxes paid	—	—	–815	–743
Total	**3,430**	**3,152**	**1,277**	**2,174**

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 were produced.

Net sales, by geographical area

	2007	2006
Europe	50,815	49,576
North America	34,148	36,427
Latin America	9,651	8,355
Asia/Pacific	10,118	9,490
Total	**104,732**	**103,848**

Assets, by geographical area

	December 31,	
	2007	2006
Europe	37,238	36,040
North America	14,309	15,779
Latin America	9,232	8,738
Asia/Pacific	5,310	5,492
Total	**66,089**	**66,049**

Capital expenditure, by geographical area

	2007	2006
Europe	1,423	1,809
North America	801	626
Latin America	967	478
Asia/Pacific	235	239
Total	**3,426**	**3,152**

Net sales, Parent Company

	2007	2006
Europe	6,092	6,204
North America	—	—
Latin America	—	—
Asia/Pacific	—	—
Total	**6,092**	**6,204**

Note 4 Net sales and operating income

The Group's net sales in Sweden amounted to SEK 3,987m (3,769). Exports from Sweden during the year amounted to SEK 3,955m (4,700), of which SEK 3,281m (4,121) was to Group subsidiaries. The vast majority of the Group's revenues consisted of product sales. Revenue from service activities amounted to SEK 1,469m (1,461).

Operating income included net exchange-rate differences in the amount of SEK 179m (-76). The Group's Swedish factories accounted for 3.7% (4.1) of the total value of production. Costs for research and development amounted to SEK 1,497m (1,393) and are included in Cost of goods sold.

The Group's depreciation and amortization charge for the year amounted to SEK 2,738m (2,758). Salaries, remunerations and employer contributions amounted to SEK 16,857m (16,924) and expenses for post-employment benefits amounted to SEK 882m (820).

Government grants relating to expenses have been deducted in the related expenses by SEK 60m (116). 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 2007, these grants amounted to SEK 10m (11).

Note 5 Other operating income

	Group		Parent Company	
	2007	2006	**2007**	2006
Gain on sale of:				
Property, plant and equipment	242	167	30	—
Operations and shares	11	12	11	171
Other	—	6	16	—
Total	**253**	**185**	**57**	**171**

Note 6 Other operating expenses

	Group		Parent Company	
	2007	2006	**2007**	2006
Loss on sale of:				
Property, plant and equipment	–46	–29	–21	—
Operations and shares	—	–4	–498	–704
Total	**–46**	**–33**	**–519**	**–704**

Note 7 Items affecting comparability

	Group	
	2007	2006
Restructuring and impairment	–362	–490
Divestment of Electrolux Financial Corp., USA	—	61
Divestment of 50% stake in Nordwaggon AB, Sweden	—	–173
Unused restructuring provisions reversed	—	60
Total	**–362**	**–542**

Classification by function in the income statement

	Group	
	2007	2006
Cost of goods sold	–334	–430
Selling expenses	–1	—
Administrative expenses	–14	—
Other operating income and other operating expenses	–13	–112
Total	**–362**	**–542**

Items affecting comparability in 2007 relates to the closure of the cooker plant in Fredericia, Denmark, and the cooker plant in Spennymoor, 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, UK, was taken in December 2007. The production will be phased out during 2008.

Items affecting comparability in 2006 includes costs for the closure of the following plants: the compact appliance plant in Torsvik, Sweden, and the washer/dryer and dishwasher plants in Adelaide, Australia. After finalized union negotiations, an additional cost was recognized for the Nuremberg appliance plant in Germany. On June 30, 2006, the customer financing operation in the US was divested to Textron Financial Corporation. On July 17, 2006, the Group divested its 50% stake in Nordwaggon AB in Sweden to Transwaggon AB. In 2006, unused amounts from previous restructuring programs have been reversed.

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

Note 8 Leasing

At December 31, 2007, the Group's financial leases, recognized as tangible assets, consist of:

	December 31,	
	2007	2006
Acquisition costs		
Buildings	55	317
Machinery and other equipment	8	7
Closing balance, December 31	**63**	**324**
Accumulated depreciation		
Buildings	21	136
Machinery and other equipment	3	2
Closing balance, December 31	**24**	**138**
Net carrying amount, December 31	**39**	**186**

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

	Operating leases	Financial leases	Present value of future financial lease payments
2008	691	2	2
2009–2012	1,403	3	3
2013–	330	—	—
Total	**2,424**	**5**	**5**

Expenses in 2007 for rental payments (minimum leasing fees) amounted to SEK 803m (724).

Operating leases

Among the Group's operating leases there are no material contingent expenses, nor any restrictions.

Financial leases

Within the Group there are no financial non-cancellable contracts that are being subleased. There are no 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. The present value of the future lease payments is SEK 5m.

notes, all amounts in SEKm unless otherwise stated

Note 9 Financial income and financial expenses

	Group		Parent Company	
	2007	2006	**2007**	2006
Financial income				
Interest income				
From subsidiaries	—	—	924	1,125
From others	175	534	52	250
Dividends from subsidiaries	—	—	2,218	11,486
Other financial income	7	4	7	6
Total financial income	**182**	**538**	**3,201**	**12,867**
Financial expenses				
Interest expenses				
To subsidiaries	—	—	–744	–983
To others	–650	–788	–402	–469
Exchange-rate differences				
On loans and forward contracts as hedges for foreign net investments	—	—	31	421
On other loans and borrowings, net	53	46	187	–126
Other financial expenses	–25	–4	–11	–6
Total financial expenses	**–622**	**–746**	**–939**	**–1,163**

Interest expenses to others, for the Group and the Parent Company, include premiums on forward contracts used as hedges for foreign net investments in the amount of SEK –75m (–236). 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 Groups's interest fixing and loans.

Specification of gains and losses on fair value hedges

	2007	2006
Fair value hedges net	–1	–1
whereof interest-rate derivatives	–63	–49
whereof fair-value adjustment on borrowings	62	48

Net gain/loss, income and expense on financial instruments reported in the finance net

	2007			2006		
	Gain/loss	Income	Expense	Gain/loss	Income	Expense
Financial assets and liabilities at fair value through profit and loss	**369**	**14**	**–59**	**531**	**78**	**–207**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	404	—	—	677	—	—
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	–63	—	16	–49	—	29
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	12	—	—	–7	—	—
Net investment hedges where hedge accounting is applied	—	—	–75	—	—	–236
Other financial assets carried at fair value	16	14	—	–90	78	—
Held-to-maturity investments	**—**	**—**	**—**	**—**	**—**	**—**
Loans and receivables	**–397**	**151**	**—**	**–520**	**412**	**—**
Other assets	–397	151	—	–520	412	—
Available-for-sale financial assets	**—**	**—**	**—**	**—**	**—**	**—**
Other shares and participations	—	—	—	—	—	—
Other financial liabilities	**51**	**—**	**–569**	**56**	**—**	**–557**
Other financial liabilities for which hedge accounting is not applied	–11	—	–307	8	—	–359
Other financial liabilities for which hedge accounting is applied	62	—	–262	48	—	–198
Total net gain/loss, income and expense	**23**	**165**	**–628**	**67**	**490**	**–764**

Note 10 Taxes

	Group		Parent Company	
	2007	2006	**2007**	2006
Current taxes	–1,371	–1,088	28	58
Deferred taxes	261	–89	—	—
Total	**–1,110**	**–1,177**	**28**	**58**

Current taxes include reduction of costs of SEK 97m (27) related to previous years. Deferred taxes include an effect of SEK 40m (–11) due to changes in tax rates.

The deferred tax assets in the Parent Company amounted to SEK 0m (0). The Group accounts include deferred tax liabilities of SEK 217m (222) related to untaxed reserves in the Parent Company.

Theoretical and actual tax rates

%	**2007**	2006
Theoretical tax rate	32.8	33.3
Losses for which deductions have not been made	5.3	8.5
Utilized tax loss carry-forwards	–0.9	–2.6
Non-taxable/non-deductible		
income statement items, net	–2.1	2.8
Changes in estimates relating to deferred tax	–2.3	1.7
Withholding tax	0.4	0.3
Other	–5.7	–13.2
Actual tax rate	**27.5**	**30.8**

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. There were no major changes in statutory tax rates during 2007.

Tax loss carry-forwards

As of December 31, 2007, the Group had tax loss carry-forwards and other deductible temporary differences of SEK 4,497m (4,718), which have not been included in computation of deferred tax assets. Tax loss carry-forwards will expire as follows:

	December 31, **2007**
2008	313
2009	251
2010	259
2011	360
2012	424
And thereafter	171
Without time limit	2,719
Total	**4,497**

Changes in deferred tax assets and liabilities

The table below shows net deferred tax assets and liabilities. Deferred tax assets and deferred tax liabilities amount to the net deferred tax assets and liabilities in the balance sheet. Deferred tax income and deferred tax costs recognized in the income statement, in the equity, discontinued operations and exchange differences are also shown net.

Net deferred tax assets and liabilities

	Excess of depreciation	Provision for warranty	Provision for pension	Provision for restructuring	Obsole-scense allowance	Unrea-lized profit in stock	Recog-nized unused tax losses	Other	Total deferred tax assets and liabilities	Set-off tax	Net deferred tax assets and liabilties
Opening balance, January 1, 2006	**–582**	**204**	**1,407**	**112**	**–49**	**33**	**263**	**145**	**1,533**	**—**	**1,533**
Recognized in the income statement	139	–27	–248	48	43	55	–193	94	–89	—	–89
Discontinued operations	–70	—	–79	—	92	—	–10	–185	–252	—	–252
Exchange differences	–51	–6	–36	–8	–3	–3	–2	–72	–181	—	–181
Closing balance, December 31, 2006	**–564**	**171**	**1,044**	**152**	**83**	**85**	**58**	**–18**	**1,011**	**—**	**1,011**
Of which deferred tax assets	404	195	1,132	205	90	91	58	1,035	3,210	–994	2,216
Of which deferred tax liabilities	–968	–24	–88	–53	–7	–6	—	–1,053	–2,199	994	–1,205
Opening balance, January 1, 2007	**–564**	**171**	**1,044**	**152**	**83**	**85**	**58**	**–18**	**1,011**	**—**	**1,011**
Recognized in the income statement	53	77	–138	–46	–10	2	133	190	261	—	261
Exchange differences	–16	–3	–12	–1	–1	–2	–2	–29	–66	—	–66
Closing balance, December 31, 2007	**–527**	**245**	**894**	**105**	**72**	**85**	**189**	**143**	**1,206**	**—**	**1,206**
Of which deferred tax assets	233	268	978	105	82	112	189	1,129	3,096	–955	2,141
Of which deferred tax liabilities	–760	–23	–84	—	–10	–27	—	–986	–1,890	955	–935

Deferred tax assets amounted to SEK 2,141m (2,216), whereof 720m (966) will be recovered within 12 months. Deferred tax liabilities amounted to SEK 935m (1,205), whereof 202m (500) will be recovered within 12 months.

notes, all amounts in SEKm unless otherwise stated

Note 11 Goodwill and other intangible assets

	Group					Parent Company
		Other intangible assets				
	Goodwill	Product development	Program software	Other	Total other intangible assets	Trade-marks, etc.
Acquisition costs						
Opening balance, January 1, 2006	**3,872**	**1,520**	**415**	**1,234**	**3,169**	**815**
Acquired during the year	—	—	—	42	42	—
Development	—	439	6	—	445	3
Reclassification	—	—	—	—	—	–1
Sold during the year	—	—	—	—	—	—
Discontinued operations	–1,728	–372	–10	–263	–645	—
Fully amortized	—	–4	—	–12	–16	—
Exchange-rate differences	–163	–113	–32	–39	–184	—
Closing balance, December 31, 2006	**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**
Accumulated amortization						
Opening balance, January 1, 2006	**—**	**417**	**113**	**411**	**941**	**175**
Amortization for the year	—	263	61	41	365	48
Sold and acquired during the year	—	—	—	—	—	—
Discontinued operations	—	–106	–7	–97	–210	—
Fully amortized	—	–4	—	–12	–16	—
Impairment (+) / reversal of impairment (–)	—	1	—	15	16	—
Exchange-rate differences	—	–29	–16	–20	–65	—
Closing balance, December 31, 2006	**—**	**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**
Carrying amount, December 31, 2006	**1,981**	**928**	**228**	**624**	**1,780**	**594**
Carrying amount, December 31, 2007	**2,024**	**1,122**	**405**	**594**	**2,121**	**777**

Included in Other are trademarks of SEK 510m (525) and patents, licenses etc. amounting to SEK 84m (99). Amortization of intangible assets are included within cost of goods sold with SEK 274m (103), administrative expenses with SEK 141m (260) and selling expenses with SEK 1m (2) in the income statement.

Intangible assets with indefinite useful lives

Goodwill as at December 31, 2007 has a total carrying value of SEK 2,024m. 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 Other above. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table belove. 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. For the impairment tests for 2007, the plans for 2008 to 2010 have been used.

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 compound average revenue growth over the period amounts to 3%. The gross margins are assumed to be somewhat higher than reported levels of 2007. 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 2007 were for the main part within a range of 11–12%. For Latin America, which is included in Other in the table below, the average pre-tax discount rate is 18%.

Management believes that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount.

Goodwill, value of trademark and discount rate

	Goodwill	Electrolux trademark	Weighted discount rate, %
Europe	384	—	11.0
North America	353	410	12.0
Asia/Pacific	1,198	—	12.0
Other	89	—	11.0–18.0
Total	**2,024**	**410**	**11.0–18.0**

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, 2006	**1,573**	**10,110**	**34,996**	**2,374**	**2,394**	**51,447**
Acquired during the year	28	283	1,265	152	1,424	3,152
Transfer of work in progress and advances	9	372	1,291	–28	–1,644	—
Sales, scrapping, etc.	–36	–236	–1,109	–188	–17	–1,586
Discontinued operations	–155	–1,810	–6,527	–324	–583	–9,399
Exchange-rate differences	–75	–657	–2,052	–96	–191	–3,071
Closing balance, December 31, 2006	**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**
Accumulated depreciation						
Opening balance, January 1, 2006	**370**	**5,080**	**25,548**	**1,827**	**—**	**32,825**
Depreciation for the year	9	255	1,931	198	—	2,393
Sales, scrapping, etc.	–1	–108	–1,046	–227	—	–1,382
Impairment	—	–1	131	—	—	130
Discontinued operations	–23	–654	–4,629	–247	—	–5,553
Exchange-rate differences	–20	–419	–1,561	–79	—	–2,079
Closing balance, December 31, 2006	**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**
Net carrying amount, December 31, 2006	**1,009**	**3,909**	**7,490**	**418**	**1,383**	**14,209**
Net carrying amount, December 31, 2007	**834**	**4,048**	**7,624**	**378**	**2,321**	**15,205**

Property, plant and equipment in operations within appliances in Europe were impaired in 2007. Accumulated impairments at year-end was SEK 129m (671) on buildings and land and SEK 260m (1,010) on machinery and other equipment, whereof SEK 39m related to restructuring costs for Fredericia and Spennymoor.
The carrying amount for land was SEK 725m (892). The tax assessment value for Swedish Group companies for buildings was SEK 120m (108), and land SEK 23m (24). The corresponding carrying amounts for buildings were SEK 37m (38), and land SEK 12m (12).

notes, all amounts in SEKm unless otherwise stated

Parent Company

	Land and land improvements	Buildings	Machinery and installations	technical equipment	Other construction	Plants under Total
Acquisition costs						
Opening balance, January 1, 2006	**6**	**58**	**1,110**	**342**	**62**	**1,578**
Acquired during the year	—	—	72	15	3	90
Transfer of work in progress and advances	—	—	29	2	–31	—
Sales, scrapping, discontinued operations etc.	—	–1	–44	–8	—	–53
Closing balance, December 31, 2006	**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	0
Sales, scrapping, etc.	—	—	–132	–1	—	–133
Closing balance, December 31, 2007	**6**	**57**	**1,131**	**360**	**23**	**1,577**
Accumulated depreciation						
Opening balance, January 1, 2006	**2**	**53**	**840**	**205**	**—**	**1,100**
Depreciation for the year	—	1	71	33	—	105
Sales, scrapping, discontinued operations etc.	—	–1	–39	–9	—	–49
Closing balance, December 31, 2006	**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**
Net carrying amount, December 31, 2006	**4**	**4**	**295**	**122**	**34**	**459**
Net carrying amount, December 31, 2007	**4**	**4**	**306**	**101**	**23**	**438**

Tax assessment value for buildings within the Parent Company was SEK 77m (78), and land SEK 6m (12). 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 Financial assets

	Group December 31,		Parent Company December 31,	
	2007	2006	**2007**	2006
Shares in subsidiaries	—	—	21,417	21,357
Participations in other companies	—	—	535	293
Long-term receivables in subsidiaries	—	—	2,837	1,408
Long-term holdings in securities classified as:				
Available for sale[1]	481	239	—	—
Financial assets at fair value through profit or loss	231	162	—	—
Other receivables	1,145	955	21	22
Pension assets[2]	427	336	—	—
Total	**2,284**	**1,692**	**24,810**	**23,080**

1) Changes in the fair value of financial available-for-sale assets recognized in equity amounts to SEK 248m (30).
2) Pension assets are related to Sweden and Switzerland.

Note 14 Inventories

	Group December 31,		Parent Company December 31,	
	2007	2006	**2007**	2006
Raw materials	3,131	3,416	124	117
Products in progress	172	268	3	91
Finished products	9,048	8,302	234	209
Advances to suppliers	47	55	—	—
Total	**12,398**	**12,041**	**361**	**417**

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.

Note 15 Other current assets

	Group December 31,	
	2007	2006
Interest-bearing receivables	—	328
Miscellaneous short-term receivables	1,994	1,731
Provision for doubtful accounts	-36	–36
Prepaid expenses and accrued income	696	862
Prepaid interest expenses and accrued interest income	338	363
Total	**2,992**	**3,248**

Miscellaneous short-term receivables include VAT and other items.

Note 16 Trade receivables

	2007	2006
Trade receivables	20,950	21,488
Provision for impairment of receivables	571	584
Trade receivables, net	20,379	20,905
Provisions in relation to trade receivables, %	2.7	2.7

As of December 31, provisions for impairment of trade receivables amounted to SEK 571m (584). 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. It was assessed based on the history of actual losses that a portion of the impaired receivables will be recovered.

Provisions for impairment of receivables

	2007	2006
Provisions, January 1	584	683
New provisions	84	75
Actual credit losses	–120	–56
Exchange-rate differences and other changes[1]	23	–118
Provisions, December 31	571	584

1) Includes changes in provisions from discontinued operations.

Timing analysis of trade receivables past due

	2007	2006
Less than 2 months	1,490	1,392
2 – 6 months	251	289
6 – 12 months	149	110
More than 1 year	393	386
Total trade receivables past due	2,283	2,177
Past due in relation to trade receivables, %	10.9	10.1

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 24.9% (31.0) of the total trade receivables. The creation and usage of provisions for impaired receivables have been included in selling expenses in the income statement.

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 2007, the Group's net borrowings amounted to SEK 4,703m (–304). The table below presents how the Group calculates net borrowings and what they consist of.

	December 31, 2007	December 31, 2006
Short-term loans	2,286	1,616
Short-term part of long-term loans	2,914	—
Trade receivables with recourse	501	966
Short-term borrowings	**5,701**	**2,582**
Derivatives	280	247
Accrued interest expenses and prepaid interest income [1]	295	164
Total short-term borrowings	**6,276**	**2,993**
Long-term borrowings	**4,887**	**4,502**
Total borrowings	**11,163**	**7,495**
Cash and cash equivalents	5,546	5,475
Short-term investments	165	1,643
Derivatives	411	318
Prepaid interest expenses and accrued interest income [2]	338	363
Liquid funds	**6,460**	**7,799**
Net borrowings	**4,703**	**–304**
Revolving credit facility (EUR 500m)[3]	4,725	4,526

1) See Note 24 on page 60.
2) See Note 15 on page 46.
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 equivalent, 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, 2007	December 31, 2006
Cash and cash equivalents	5,546	5,475
Short-term investments	165	1,643
Derivatives	411	318
Prepaid interest expenses and accrued interest income	338	363
Liquid funds	**6,460**	**7,799**
% of annualized net sales[1]	10.0	11.2
Net liquidity	**184**	**4,806**
Fixed-interest term, days	12	39
Effective yield, % (average per annum)	4.5	3.7

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

For 2007, liquid funds, including an unused revolving credit facility of EUR 500m, amounted to 10.0% (11.2) of annualized net sales. The net liquidity is calculated by deducting short-term borrowings from liquid funds.

notes, all amounts in SEKm unless otherwise stated

Interest-bearing liabilities

At year-end 2007, the Group's total interest-bearing liabilities amounted to SEK 10,087m (6,118), of which SEK 7,801m (4,502) referred to long-term borrowings including maturities within 12 months. Long-term borrowings with maturities within 12 months amount to SEK 2,914m (0). A significant portion of the outstanding long-term borrowings has been made under the Electrolux global medium-term note program and the Swedish medium-term note program. The majority of total long-term borrowings, SEK 7,286m (4,008), are taken up at the parent company level. In addition to the long-term borrowings, AB Electrolux has a committed bilateral loan of SEK 1,000m intended to be drawn in the first quarter of 2008. 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 2007, the average interest-fixing period for long-term borrowings was 0.2 years (0.5). The calculation of the average interest-fixing period includes the effect of interest-rate derivatives used to manage the interest-rate risk of the debt portfolio. The average interest rate at year-end for the total borrowings was 5.8% (6.0).

The fair value of the interest-bearing borrowings was SEK 10,251m. The fair value including swap transactions used to manage the interest fixing was approximately SEK 10,278m. 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, 2007	2006
Bond loans[1]						
2007–2012	SEK MTN Program	4.500	SEK	2,000	1,945	—
2007–2011	SEK MTN Program	5.250	SEK	250	248	—
2007–2009	SEK MTN Program	Floating	SEK	300	300	—
2007–2009	SEK MTN Program	4.980	SEK	200	200	—
2005–2010	SEK MTN Program	3.650	SEK	500	491	493
2005–2009	SEK MTN Program	3.400	SEK	500	495	495
2001–2008	Global MTN Program	6.000	EUR	268	—	2,460
2001–2008	Global MTN Program	6.000	EUR	32	—	290
1998–2008	SEK MTN Program	4.600	SEK	85	—	85
Total bond loans				**—**	**3,679**	**3,823**
Other long-term loans						
	Fixed rate loans in Germany	7.870	EUR	44	406	395
2007–2013	Long-term bank loans in Sweden	Floating	SEK	300	300	—
2007–2010	Long-term bank loans in Sweden	Floating	SEK	200	200	—
2005–2010	Long-term bank loans in Sweden	Floating	EUR	20	193	185
Other floating rate loans				—	109	99
Total other long-term loans				**—**	**1,208**	**679**
Long-term borrowings				**—**	**4,887**	**4,502**
Short-term part of long-term loans[2]						
2001–2008	Global MTN Program	6.000	EUR	268	2,527	—
2001–2008	Global MTN Program	6.000	EUR	32	302	—
1998–2008	SEK MTN Program	4.700	SEK	85	85	—
Total short-term part of long-term loans				**—**	**2,914**	**—**
Other short-term loans						
	Commercial paper program	Fixed/Floating	SEK	985	969	—
	Short-term bank loans in Brazil	Floating	BRL	9	32	77
	Short-term bank loans in Brazil	Fixed/Floating	USD	—	—	230
	Short-term bank loan in China	Fixed/Floating	CNY	222	195	490
	Short-term bank loans in Romania	Fixed/Floating	EUR	15	140	—
	Short-term bank loan in Thailand	Fixed/Floating	THB	1,960	374	356
	Short-term bank loans in Turkey	Fixed/Floating	TRY	64	352	162
	Other bank borrowings and commercial papers			—	224	301
Total other short-term loans				**—**	**2,286**	**1,616**
Trade receivables with recourse				**—**	**501**	**966**
Short-term borrowings				**—**	**5,701**	**2,582**
Fair value of derivative liabilities				**—**	**280**	**247**
Accrued interest expenses and prepaid interest income				**—**	**295**	**164**
Total borrowings				**—**	**11,163**	**7,495**

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.

The average maturity of the Group's long-term borrowings including long-term borrowings with maturities within 12 months was 2.3 years (1.7), at the end of 2007. No long-term borrowings matured, or were amortized during the year. Short-term borrowings pertain primarily to countries with capital restrictions. The table below presents the repayment schedule of long-term borrowings.

Repayment schedule of long-term borrowings, December 31

	2008	2009	2010	2011	2012	2013–	Total
Debenture and bond loans	—	995	491	248	1,945	—	3,679
Bank and other loans	—	57	414	12	19	706	1,208
Short-term part of long-term loans	2,914	—	—	—	—	—	2,914
Total	**2,914**	**1,052**	**905**	**260**	**1,964**	**706**	**7,801**

Other interest-bearing investments

Interest-bearing receivables from customer financing amounting to SEK 182m (180) 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 2008 and hedges at year-end 2007.

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 2007 amounted to SEK –141m (–100). At year-end 2007, unrealized exchange-rate gains on forward contracts charged against equity, amounted to SEK 61m (–11), all of which will mature in 2008.

Forecasted transaction flows and hedges

	GBP	CAD	AUD	CZK	BRL	DKK	PLN	HUF	USD	EUR	Other	Total
Inflow of currency, long position	3,460	2,390	1,930	1,030	1,030	1,040	2,130	2,140	1,540	8,490	7,490	32,670
Outflow of currency, short position	–40	–490	–240	—	—	–10	–3,130	–4,530	–6,310	–14,100	–3,820	–32,670
Gross transaction flow	3,420	1,900	1,690	1,030	1,030	1,030	–1,000	–2,390	–4,770	–5,610	3,670	—
Hedges	–1,690	–910	–720	–560	–60	–460	460	1,370	1,710	1,760	–900	—
Net transaction flow	**1,730**	**990**	**970**	**470**	**970**	**570**	**–540**	**–1,020**	**–3,060**	**–3,850**	**2,770**	**—**

Derivative financial instruments

The tables below present the fair value and nominal amounts of the Group's derivative financial instruments for managing of financial risk and proprietary trading.

Derivates at market value

	December 31, **2007**		December 31, 2006	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps	**74**	**51**	**73**	**3**
Cash flow hedges	—	—	—	—
Fair value hedges	2	51	59	—
Held-for-trading	72	—	14	3
Cross currency interest-rate swaps	**12**	**20**	**7**	**4**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	12	20	7	4
Forward-rate agreements and futures	**3**	**3**	**4**	**—**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	3	3	4	—
Forward foreign-exchange contracts	**321**	**201**	**234**	**239**
Cash flow hedges	180	110	154	131
Net investment hedges	31	47	24	63
Held-for-trading	110	44	56	45
Commodity derivatives	**1**	**5**	**—**	**1**
Cash flow hedges	—	—	—	—
Fair value hedges	—	—	—	—
Held-for-trading	1	5	—	1
Total derivatives	**411**	**280**	**318**	**247**

notes, all amounts in SEKm unless otherwise stated

Valuation of derivative financial instruments at market 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 financial liabilities

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 financial liabilities

	1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Total
Loans	–4,298	–1,203	–3,524	–317	–9,342
Net settled derivatives	47	–3	–20	—	24
Gross settled derivatives	—	—	—	—	—
Outflow	–32,782	—	–31	—	–32,813
Inflow	32,884	—	30	—	32,914
Accounts payable	–14,788	—	—	—	–14,788
Total	**–18,937**	**–1,206**	**–3,545**	**–317**	**–24,005**

Net gain/loss on financial instruments

	2007		2006	
	Gain/loss in profit and loss	Gain/loss in equity	Gain/loss in profit and loss	Gain/loss in equity
Financial assets and liabilities at fair value through profit and loss	**216**	**103**	**438**	**387**
Derivatives for which hedge accounting is not applied, i.e., held-for-trading	404	—	677	—
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	–63	—	–49	—
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	–141	72	–100	–34
Net investment hedges where hedge accounting is applied	—	31	—	421
Other financial assets carried at fair value	16	—	–90	—
Held-to-maturity investments				
Not applicable	—	—	—	—
Loans and receivables	**–76**	**—**	**–496**	**—**
Trade receivables/payables	321	—	24	—
Other assets	–397	—	–520	—
Available-for-sale financial assets	**11**	**248**	**12**	**30**
Other shares and participations	11	248	12	30
Other financial liabilities	**51**	**—**	**56**	**—**
Financial liabilities for which hedge accounting is not applied	–11	—	8	—
Financial liabilities for which hedge accounting is applied	62	—	48	—
Total net gain/loss	**202**	**351**	**10**	**417**

Fair value and carrying amount on financial assets and liabilities

	2007[1]		2006[1]	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Financial assets[2]	**712**	**712**	**401**	**401**
Financial assets at fair value through profit and loss	231	231	162	162
Available for sale	481	481	239	239
Trade receivables	**20,379**	**20,379**	**20,905**	**20,905**
Loans and receivables	20,379	20,379	20,905	20,905
Derivatives	**411**	**411**	**318**	**318**
Financial assets at fair value through profit and loss:				
Derivatives for which hedge accounting is not applied, i.e., held for trading	198	198	81	81
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	2	2	59	59
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	180	180	154	154
Net investment hedges where hedge accounting is applied	31	31	24	24
Short-term investments	**165**	**165**	**1,643**	**1,643**
Financial assets at fair value through profit and loss	5	5	1,130	1,130
Loans and receivables	160	160	513	513
Cash and cash equivalents	**5,546**	**5,546**	**5,475**	**5,475**
Financial assets at fair value through profit and loss	634	634	1,858	1,858
Loans and receivables	2,327	2,327	1,677	1,677
Cash	2,585	2,585	1,940	1,940
Financial assets total	**27,213**	**27,213**	**28,742**	**28,742**
Financial liabilities				
Long-term borrowings	**4,906**	**4,887**	**4,672**	**4,502**
Financial liabilities measured at amortized cost	1,977	1,957	2,863	2,776
Financial liabilities measured at amortized cost for which hedge accounting is applied	2,929	2,930	1,809	1,726
Accounts payable	**14,788**	**14,788**	**15,320**	**15,320**
Financial liabilities at amortized cost	14,788	14,788	15,320	15,320
Short-term borrowings	**5,846**	**5,701**	**2,582**	**2,582**
Financial liabilities measured at amortized cost	5,846	5,701	2,582	2,582
Derivatives	**280**	**280**	**247**	**247**
Financial liabilities at fair value through profit and loss:				
Derivatives for which hedge accounting is not applied, i.e., held for trading	72	72	53	53
Interest-related derivatives for which fair value hedge accounting is applied, i.e., fair value hedges	51	51		
Currency derivatives related to commercial exposure where hedge accounting is applied, i.e., cash flow hedges	110	110	131	131
Net investment hedges where hedge accounting is applied	47	47	63	63
Financial liabilities total	**25,820**	**25,656**	**22,821**	**22,651**

	2007[1]		2006[1]	
	Fair value	Carrying amount	Fair value	Carrying amount
Per category				
Financial assets at fair value through profit and loss	1,281	1,281	3,468	3,468
Available for sale	481	481	239	239
Loans and receivables	22,866	22,866	23,095	23,095
Cash	2,585	2,585	1,940	1,940
Financial assets total	**27,213**	**27,213**	**28,742**	**28,742**
Financial liabilities at fair value through profit and loss	280	280	247	247
Financial liabilities measured at amortized cost	25,540	25,376	22,574	22,404
Financial liabilities total	**25,820**	**25,656**	**22,821**	**22,651**

1) There has not been any reclassification between categories.
2) Financial assets in the consolidated balance sheet amounting to SEK 2,284m (1,692) includes non-financial instruments to the amount of SEK 1,572m (1,291).

notes, all amounts in SEKm unless otherwise stated

Note 18 Other reserves in equity

	Other reserves			
	Available-for-sale instruments	Hedging reserve	Currency translation reserve	Total other reserves
Opening balance, January 1, 2006	**24**	**23**	**1,613**	**1,660**
Available-for-sale instruments				
Gain/loss taken to equity	42	—	—	42
Transferred to profit and loss	–12	—	—	–12
Cash flow hedges				
Gain/loss taken to equity	—	–11	—	–11
Transferred to profit and loss	—	–23	—	–23
Exchange differences on translation of foreign operations				
Net investment hedge	—	—	421	421
Translation difference	—	—	–2,081	–2,081
Total recognized income and expenses for the period	**30**	**–34**	**–1,660**	**–1,664**
Closing balance, December 31, 2006	**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**

Note 19 Assets pledged for liabilities to credit institutions

	Group December 31,		Parent Company December 31,	
	2007	2006	**2007**	2006
Real-estate mortgages	62	82	—	—
Other	14	11	8	5
Total	**76**	**93**	**8**	**5**

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.

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

	Quota value
On December 31, 2007, and December 31, 2006, 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 shareholders	Total
Shares, December 31, 2006			
A-shares	—	9,502,275	9,502,275
B-shares	29,986,756	269,431,277	299,418,033
Repurchased shares			
A-shares	—	—	—
B-shares	—	—	—
Cancelled shares			
A-shares	—	—	—
B-shares	—	—	—
Sold shares			
A-shares	—	—	—
B-shares	–2,704,865	2,704,865	—
Shares, December 31, 2007			
A-shares	—	9,502,275	9,502,275
B-shares	27,281,891	272,136,142	299,418,033

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

	Total **2007**	Total 2006	Continuing operations **2007**	Continuing operations 2006	Discontinued operations **2007**	Discontinued operations 2006
Income for the period, SEKm	2,925	3,847	2,925	2,648	—	1,199
Earnings per share, SEK						
Basic	10.41	13.32	10.41	9.17	—	4.15
Diluted	10.33	13.27	10.33	9.14	—	4.13
Average number of shares						
Basic	281.0	288.8	281.0	288.8	—	288.8
Diluted	283.3	289.8	283.3	289.8	—	289.8

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 is primarily a consequence of the 2005 performance share program and the remaining employee stock options. The performance share programs of 2006 and 2007 have had no dilutive effect so far.

As of December 31, 2007, Electrolux had sold and distributed a total of 2,704,865 (5,234,483) B-shares, with a total par value of SEK 14m (26), to the participants in Electrolux long-term incentive programs. The average number of shares during the year has been 281,033,169 (288,790,128) and the average number of shares diluted has been 283,281,764 (289,790,196).

Note 21 Untaxed reserves, Parent Company

	December 31, **2007**	Appropriations	December 31, 2006
Accumulated depreciation in excess of plan on			
Brands	516	–14	530
Machinery and equipment	204	–1	205
Buildings	3	–1	4
Other	1	–2	3
Total	**724**	**–18**	**742**

Note 22 Employees and employee benefits

In 2007, the average number of employees was 56,898 (55,471), of whom 36,817 (36,041) were men and 20,081 (19,430) 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	
	2007	2006
Europe	28,855	28,695
North America	12,068	12,373
Rest of world	15,975	14,403
Total	**56,898**	**55,471**

Salaries, other remuneration and employer contributions

	2007			2006		
	Salaries and remuneration	Employer contributions	Total	Salaries and remuneration	Employer contributions	Total
Parent Company	904	510	1,414	971	499	1,470
(whereof pension costs)		(204)[1)]	(204)[1)]		(198)[1)]	(198)[1)]
Subsidiaries	11,708	3,735	15,443	11,878	3,576	15,454
(whereof pension costs)		(678)	(678)		(622)	(622)
Group total	**12,612**	**4,245**	**16,857**	**12,849**	**4,075**	**16,924**
(whereof pension costs)		(882)	(882)		(820)	(820)

1) Includes SEK 6m (10), referring to the President and his predecessors.

notes, all amounts in SEKm unless otherwise stated

Salaries and remuneration by geographical area for Board members, senior managers and other employees

	2007			2006		
	Board members and senior managers	Other employees	Total	Board members and senior managers	Other employees	Total
Sweden						
Parent Company	39	865	904	46	925	971
Other	4	220	224	4	171	175
Total Sweden	**43**	**1,085**	**1,128**	**50**	**1,096**	**1,146**
EU, excluding Sweden	106	5,794	5,900	91	6,093	6,184
Rest of Europe	11	728	739	19	614	633
North America	29	3,080	3,109	17	3,404	3,421
Latin America	29	787	816	29	634	663
Asia	24	314	338	30	304	334
Pacific	2	560	562	2	445	447
Africa	3	17	20	—	21	21
Total outside Sweden	**204**	**11,280**	**11,484**	**188**	**11,515**	**11,703**
Group total	**247**	**12,365**	**12,612**	**238**	**12,611**	**12,849**

Of the Board members and senior managers in the Group, 233 were men and 33 women, of whom 8 men and 5 women in the Parent Company.

Employee absence due to illness

	2007		2006	
%	Employees in the Parent Company	All employees in Sweden	Employees in the Parent Company	All employees in Sweden
Absence due to illness, as a percentage of total normal working hours	**6.9**	**6.5**	**7.5**	**7.1**
of which 60 days or more	56.7	57.0	62.9	68.4
Absence due to illness, by category[1)]				
Women	10.1	9.5	11.6	10.9
Men	5.1	5.0	5.3	5.3
29 years or younger	4.8	4.5	4.7	4.6
30–49 years	7.4	6.9	8.1	7.9
50 years or older	7.1	6.8	7.4	7.1

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

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 77% 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. 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 5,839m (6,250). The major changes were that the present value of the obligation for funded and unfunded plans decreased with SEK 1,286m and that the unrecognized actuarial losses in the plans for post-employment benefits decreased with SEK 852m to SEK 753m (1,605). The decrease in unrecognized actuarial losses is mainly due to higher discount rates which decrease the present value of the future obligations with SEK 685m.

Amounts recognized in the balance sheet

	December 31, **2007**				December 31, 2006			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Present value of funded obligations	14,429	—	—	14,429	14,960	3	—	14,963
Fair value of plan assets	–14,008	—	—	–14,008	–14,007	–3	—	–14,010
Surplus/deficit	**421**	**—**	**—**	**421**	**953**	**—**	**—**	**953**
Present value of unfunded obligations	3,051	2,273	844	6,168	3,225	2,661	1,034	6,920
Unrecognized actuarial losses (gains)	–739	9	–23	–753	–1,248	–169	–188	–1,605
Unrecognized past-service cost	–47	47	–17	–17	–56	56	–18	–18
Effect of limit on assets	20	—	—	20	—	—	—	—
Net provisions for post-employment benefits	**2,706**	**2,329**	**804**	**5,839**	**2,874**	**2,548**	**828**	**6,250**
Whereof reported as								
Prepaid pension cost in financial assets	427	—	—	427	336	—	—	336
Provisions for post-employment benefits	3,160	778	2,328	6,266	3,210	2,548	828	6,586

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, 2006[1]	**3,817**	**3,108**	**948**	**7,873**
Expenses for defined post-employment benefits	423	26	170	619
Contributions by employer	–979	–167	–219	–1,365
Discontinued operations	–245	–23	–39	–307
Exchange differences	–142	–396	–32	–570
Net provision for post-employment benefits, December 31, 2006	**2,874**	**2,548**	**828**	**6,250**
Expenses for defined post-employment benefits	369	129	62	560
Contributions by employer	–640	–189	–117	–946
Exchange differences	100	–159	34	–25
Net provision for post-employment benefits, December 31, 2007	**2,703**	**2,329**	**807**	**5,839**

1) Including Outdoor products.

Amounts recognized in the income statement for continuing operations

	December 31, **2007**				December 31, 2006			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Current service cost	256	1	14	271	324	1	98	423
Interest cost	853	138	45	1,036	814	151	39	1,004
Expected return on plan assets	–924	—	—	–924	–828	—	—	–828
Amortization of actuarial losses (gains)	44	—	—	44	326	—	—	326
Amortization of past-service cost	6	–11	2	–3	–174	–62	33	–203
Losses (gains) on curtailments and settlements	113	—	3	116	–39	–64	—	–103
Effect of limit on assets	20	—	—	20	—	—	—	—
Total expenses for defined post-employment benefits	**368**	**128**	**64**	**560**	**423**	**26**	**170**	**619**
Expenses for defined contribution plans	—	—	—	322	—	—	—	201
Total expenses for post-employment benefits	—	—	—	**882**	—	—	—	**820**
Actual return on plan assets	—	—	—	–885	—	—	—	–949

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.

notes, all amounts in SEKm unless otherwise stated

Reconciliation of change in the present value of the defined benefit obligation for funded and unfunded obligations

	2007				2006			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	18,185	2,664	1,034	21,883	22,186	3,469	1,078	26,733
Current service cost	256	1	14	271	324	1	98	423
Interest cost	853	138	45	1,036	814	151	39	1,004
Contributions by plan participants	49	29	—	78	50	36	–	86
Actuarial losses (gains)	–457	–177	–51	–685	–724	–161	99	–786
Past-service cost	—	–4	—	–4	–174	–62	33	–203
Curtailments/special termination benefit cost	98	3	–116	–15	–47	—	—	–47
Liabilities extinguished on settlements	–2	—	—	–2	—	—	—	—
Liabilities adhering to discontinued operations	—	—	—	—	–1,800	–78	–55	–1,933
Exchange differences on foreign plans	–515	–161	39	–637	–1,418	–441	–39	–1,898
Benefits paid	–990	–221	–117	–1,328	–1,026	–251	–219	–1,496
Closing balance, December 31	**17,477**	**2,272**	**848**	**20,597**	**18,185**	**2,664**	**1,034**	**21,883**

Reconciliation of change in the fair value of plan assets

	2007				2006			
	Pension benefits	Healthcare benefits	Other post-employment benefits	Total	Pension benefits	Healthcare benefits	Other post-employment benefits	Total
Opening balance, January 1	14,007	3	—	14,010	15,548	54	—	15,602
Expected return on plan assets	924	—	—	924	828	—	—	828
Actuarial gains (losses)	–39	—	—	–39	120	1	—	121
Settlements	–2	—	—	–2	—	—	—	—
Contributions by employer	640	189	117	946	979	167	219	1,365
Contributions by plan participants	48	29	—	77	50	36	—	86
Discontinued operations	—	—	—	—	–1,296	—	—	–1,296
Exchange differences on foreign plans	–578	—	—	–578	–1,196	–4	—	–1,200
Benefits paid	–990	–221	–117	–1,328	–1,026	–251	–219	–1,496
Other	–2	—	—	–2	—	—	—	—
Closing balance, December 31	**14,008**	**—**	**—**	**14,008**	**14,007**	**3**	**—**	**14,010**

The pension plan assets include ordinary shares issued by AB Electrolux with a fair value of SEK 33m (41). In 2008, the Group expects to pay the total of SEK 817m in contributions by employer and benefits paid directly by the company. In 2007, this amounted to SEK 946m of which SEK 668m were contributions to the Group's pension funds.

Major categories of plan assets as a percentage of the total plan assets

	December 31,	
%	**2007**	2006
European equities	12	11
North American equities	16	24
Other equities	10	8
European bonds	26	25
North American bonds	22	20
Alternative investments[1]	9	7
Property	2	3
Cash and cash equivalents	3	2
Total	**100**	**100**

1) Includes hedge funds and infrastructure investments.

Principal actuarial assumptions at the balance-sheet date expressed as a weighted average

	December 31,	
%	**2007**	2006
Discount rate	5.5	4.9
Expected long-term return on assets	6.9	6.3
Expected salary increases	3.8	3.7
Annual increase of healthcare costs	9.6	10.0

- 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. Hedge funds are assumed to return 4% over three-month treasury bills annually. Other alternative asset classes such as infrastructure or real estate are expected to return what could be considered reasonable given historical performance and current market conditions. 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.
- Assumed healthcare costs 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

	2007		2006	
	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and the interest cost	14	–12	15	–13
Effect on defined benefit obligation	146	–229	384	–102

Amounts for the annual periods

	December 31,		
	2007	2006	2005
Defined benefit obligation	–20,597	–21,883	–26,733
Plan assets	14,008	14,010	15,602
Surplus/deficit	–6,589	–7,873	–11,131
Experience adjustments on plan liabilities	–221	221	–152
Experience adjustments on plan assets	–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 and 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 the present value of the defined benefit pension obligation for funded and unfunded obligations

	Funded	Unfunded	Total
Opening balance, January 1, 2006	**1,003**	**292**	**1,295**
Current service cost	37	27	64
Interest cost	43	13	56
Other increase of the present value	—	—	—
Benefits paid	–26	–21	–47
Closing balance, December 31, 2006	**1,057**	**311**	**1,368**
Current service cost	43	25	68
Interest cost	48	13	61
Other decrease of the present value	—	–12	–12
Benefits paid	–30	–25	–55
Closing balance, December 31, 2007	**1,118**	**312**	**1,430**

Change in the fair value of plan assets

	Funded
Opening balance, January 1, 2006	**1,191**
Actual return on plan assets	41
Contributions and compensation to/from the fund	61
Closing balance, December 31, 2006	**1,293**
Actual return on plan assets	43
Contributions and compensation to/from the fund	54
Closing balance, December 31, 2007	**1,390**

Amounts recognized in the balance sheet

	December 31,	
	2007	2006
Present value of pension obligations	–1,430	–1,368
Fair value of plan assets	1,390	1,293
Surplus/deficit	**–40**	**–75**
Limitation on assets in accordance with Swedish accounting principles	–272	–236
Net provisions for pension obligations	**–312**	**–311**
Whereof reported as provisions for pensions	–312	–311

Amounts recognized in the income statement

	2007	2006
Current service cost	68	64
Interest cost	61	56
Total expenses for defined benefit pension plans	**129**	**120**
Insurance premiums	34	29
Total expenses for defined contribution plans	**34**	**29**
Special employer's contribution tax	39	42
Cost for credit insurance FPG	1	1
Total pension expenses	**203**	**192**
Compensation from the pension fund	—	—
Total recognized pension expenses	**203**	**192**

notes, all amounts in SEKm unless otherwise stated

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, 2007 to SEK 1,648m (1,532) and the pension commitments to SEK 1,330m (1,256). The Swedish Group companies recorded a liability to the pension fund as per December 31, 2007 in the amount of SEK 74m (64) which will be paid to the pension foundation during the first quarter of 2008. Contributions to the pension foundation during 2007 amounted to SEK 64m (92) regarding the pension liability at December 31, 2006 and December 31, 2005, respectively. No contributions have been made from the pension foundation to the Swedish Group companies during 2007 or 2006.

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 OMX Nordic Exchange in 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.

Each of the 2001–2003 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 2001–2003

Program	Grant date	Total number of options at grant date	Number of options per lot[1) 3)]	Fair value of options at grant date	Exercise price SEK[4)]	Expiration date	Vesting period, year
2001	May 10, 2001	2,460,000	15,000	39	82.01 (96.10)	May 10, 2008	3[2)]
2002	May 6, 2002	2,865,000	15,000	48	88.50 (103.70)	May 6, 2009	3[2)]
2003	May 8, 2003	2,745,000	15,000	27	75.99 (89.00)	May 8, 2010	3[2)]

1) In 2001–2003, the President and CEO was granted 4 lots, Group Management members 2 lots and all other senior managers 1 lot.
2) For the 2001–2003 option programs, one third vests after 12 months, one third after 24 months and the final one third after 36 months.
3) Re-calculation of the stock option programs, in accordance with the stock option plan document due to the spin-off of Husqvarna and the January 2007 share redemption. Each stock option entitles the option holder to purchase 2.17 shares.
4) Exercise prices for stock option programs 2001–2003 were re-calculated due to the share redemption in January 2007. Pre-redemption exercise prices are presented in parentheses.

Change in number of options per program

	Number of options 2006					Number of options **2007**			
Program	January 1, 2006	Exercised	Forfeited[1)]	Expired[3)]	December 31, 2006	Exercised[2)]	Forfeited[1)]	Expired	December 31, 2007
2001	1,436,250	1,223,603	—	—	212,647	67,843	—	—	144,804
2002	2,196,863	1,557,059	15,000	—	624,804	352,274	15,000	—	257,530
2003	2,027,029	1,222,828	50,000	150,000	604,201	280,399	10,000	—	313,802

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 162.10.
3) All Husqvarna stock option participants exercised their vested stock options before the spin-off was completed. Their rights for the unvested portion of the 2003 stock option program were voluntary waived in exchange for the intrinsic value of those stock options. This corresponds to the 150,000 expired stock options. The total cost for releasing Husqvarna participants from the option programs was SEK 13.5m (excluding cost for social expenses).

Performance share program 2005, 2006 and 2007

The Annual General Meeting in 2007 approved an annual long-term incentive program. This program was first introduced after the Annual General Meeting in 2004.

The program is based on value creation targets for the Group that is established by the Board of Directors, and involves an allocation of shares if these targets are achieved or exceeded after a three-year period. The program comprises B-shares.

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 program is 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. 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, 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 be received 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.

The program 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.

Number of shares distributed per individual performance target

	2007 Target number of B-shares[1]	2006 Target number of B-shares[1]	2005 Target number of B-shares[1]	**2007** Target value, SEK[2]	2006 Target value, SEK[3]	2005 Target value, SEK[4]
President and CEO	14,405	28,310	38,623	2,400,000	2,400,000	2,400,000
Other members of Group Management	7,203	14,156	19,313	1,200,000	1,200,000	1,200,000
Other senior managers, cat. C	5,402	10,616	8,094	900,000	900,000	900,000
Other senior managers, cat. B	3,602	7,078	9,657	600,000	600,000	600,000
Other senior managers, cat. A	2,701	5,308	7,242	450,000	450,000	450,000

1) Each target value is subsequently converted into a number of shares. The number of shares is based on a share price of SEK 132.36 for 2005, SEK 180.58 for 2006 and SEK 166,62 for 2007, 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 2005, 2006 and 2007 programs is SEK 88.41 per share. The target number of B-shares in the 2005 and 2006 programs have 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 target value for all participants at grant is SEK 96m.
3) Total target value for all participants at grant is SEK 96m.
4) Total target value for all participants at grant is SEK 97m.

If the Target level is attained, the total cost for the 2007 performance share program over a three-year period is estimated at SEK 120m, including costs for employer contributions and the financing cost for the repurchased shares. If the maximum level, Stretch, is attained, the cost is estimated at a maximum of SEK 180m. If the Entry level for the program is not reached, the minimum cost will amount to SEK 11m, i.e., the financing cost for the repurchased shares. The distribution of shares under this program will result in an estimated maximum increase of 0.33% in the number of outstanding shares.

Accounting principles

According to the transition rules stated in IFRS 2, Share-based compensation, Electrolux applies IFRS 2 for the accounting of share-based compensation programs granted after November 7, 2002, and that had not vested on January 1, 2005. The information below refers, therefore, to two thirds of the 2003 option program and the share programs granted in 2005, 2006 and 2007.

The Group accounts for the employer contributions that are expected to be paid when the options are exercised or the shares distributed. The total cost charged to the income statement for 2007 amounted to SEK 65m (142), whereof 3m (68) refers to employer contribution. The cost for employer contribution according to IFRS 2 is based on time value of the instrument. The total provision for employer contribution in the balance sheet amounted to 61m (87).

Repurchased shares for the 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 2004 program

After a three-year performance period, the particpants in the 2004 performance share program have received B-shares. The number of B-shares delivered equals 95.95% of the target number of B-shares. The selling of the B-shares is restricted until December 31, 2008, with the exception that partcipants have had the right to sell shares to cover for personal taxes in connection with the delivery.

notes, all amounts in SEKm unless otherwise stated

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, 2006	**2,587**	**1,832**	**987**	**1,977**	**7,383**	**130**	**78**	**37**	**245**
Provisions made	457	1,029	53	714	2,253	55	95	69	219
Provisions used	–1,237	–1,004	–36	–606	–2,883	–63	–81	–28	–172
Discontinued operations	–31	–152	—	–108	–291	—	—	—	—
Unused amounts reversed	–109	7	—	–25	–127	–5	—	–3	–8
Exchange-rate differences	–106	–127	–110	–102	–445	—	—	—	—
Closing balance, December 31, 2006	**1,561**	**1,585**	**894**	**1,850**	**5,890**	**117**	**92**	**75**	**284**
Of which current provisions	797	617	85	133	1,632	35	25	—	60
Of which non-current provisions	764	968	809	1,717	4,258	82	67	75	224
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

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, 2007 will be used during 2008. 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. Provison for claims refer to the Group's captive insurance companies. Other provisions include mainly provisions for 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,	
	2007	2006	**2007**	2006
Accrued holiday pay	863	861	166	151
Other accrued payroll costs	1,421	1,129	146	163
Accrued interest expenses	295	164	188	158
Prepaid income	145	166	—	—
Other accrued expenses	4,712	4,726	319	358
Other operating liabilities	2,613	2,247	—	—
Total	**10,049**	**9,293**	**819**	**830**

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

Note 25 Contingent liabilities

	Group December 31,		Parent Company December 31,	
	2007	2006	**2007**	2006
Trade receivables, with recourse	9	—	—	—
Guarantees and other commitments				
On behalf of subsidiaries	—	—	1,187	1,168
On behalf of external counterparties	1,007	1,022	164	157
Employee benefits in excess of reported liabilities	—	—	14	16
Total	**1,016**	**1,022**	**1,365**	**1,341**

As from 2006, trade receivables with recourse are recognized in the balance sheet.

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.

As of December 31, 2007, the Group had a total of 1,998 (1,688) cases pending, representing approximately 2,600 (approximately 7,700) plaintiffs. During 2007, 1,041 new cases with approximately 1,050 plaintiffs were filed and 731 pending cases with approximately 6,140 plaintiffs were resolved. Approximately 310 of the plaintiffs relate to cases pending in the state of Mississippi.

The Group has reached an agreement 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

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 or Electrolux 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 or Electrolux 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 US tax cost liabilities in certain circumstances. If the distribution of the shares in Husqvarna or the US corporate restructurings that preceded the distribution would entail US tax cost 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	
	2007	2006
Fixed assets	–	–20
Inventories	–	–
Receivables	–	–796
Other current assets	–	–432
Liquid funds	–	–
Loans	–	–
Other liabilities and provisions	–	72
Net assets	**–**	**–1,176**
Purchase price	–	1,064
Net borrowings in acquired/divested operations	–	–
Effect on Group cash and cash equivalents	**–**	**1,064**

No operations were acquired or divested in 2007.

In 2006, the assets and liabilities of Electrolux Financial Corporation in the US were divested. Also the Group's participation in the associated company Nordwaggon has been sold. The capital loss of the divested operations is SEK 112m.

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 2007 refers to 1/4 of the compensation authorized by the AGM in 2006, and 3/4 of the compensation authorized by the AGM in 2007. Total compensation paid in 2007 amounted to SEK 4,931,250, of which

SEK 4,406,250 referred to ordinary compensation and SEK 525,000 to committee work. For distribution of compensation by Board member, see table below.

Compensation to Board members 2007

'000 SEK	Ordinary compen-sation	Compen-sation for committee work	Total compen-sation
Marcus Wallenberg, Chairman (as from the AGM)	1,234	50	1,284
Peggy Bruzelius, Deputy Chairman	500	175	675
Michael Treschow (Chairman up to the AGM)	375	33	408
Louis R. Hughes	438	50	488
John S. Lupo (as from the AGM)	328	–	328
Johan Molin (as from the AGM)	328	–	328
Hans Stråberg	–	–	–
Caroline Sundewall	438	75	513
Torben Ballegaard Sørensen (as from the AGM)	328	50	378
Barbara Milian Thoralfsson	438	92	529
Ulf Carlsson	–	–	–
Gunilla Brandt	–	–	–
Ola Bertilsson	–	–	–
Total	**4,406**	**525**	**4,931**

Remuneration Committee

The working procedures of the Board of Directors stipulate that remuneration to Group Management be proposed by a Remuneration Committee. The Committee comprises the Chairman of the Board and two additional Directors. During 2007, the Committee members were Michael Treschow (Chairman) Marcus Wallenberg and Louis R. Hughes up to the AGM and Barbara Milian Thoralfsson, Marcus Wallenberg and Louis R. Hughes after the AGM.

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 of Directors 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.

A minimum of two meetings is convened each year and additional meetings are held when needed. 10 meetings were held during 2007.

Remuneration Guidelines for Group Management

The AGM in 2007 approved the proposed Remuneration Guidelines. These guidelines and the compensation to Group Management during 2007, 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.

In 2003, the Group introduced a uniform program for variable salary for management and other key positions. Variable salary is based on financial targets for value creation as well as non-financial targets. Each job level is linked to a target and a stretch level for variable salary, and the program is capped.

In 2004, Electrolux introduced a new long-term performance share program that replaced the option program for less than 200 senior managers of the Group. The performance share program is linked to targets for the Group's value creation over a three-year period.

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

Compensation and Terms of employment for the President and CEO

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 2007, was SEK 8,300,000 (8,300,000), i.e., unchanged. Salary increased by 5.73% in 2006.

The variable salary is based on an annual target for value created within the Group. The variable salary is 70% of the annual base salary at target level, and capped at 110%. Variable salary earned in 2007 was SEK 4,892,327 (5,303,490).

The President participates in the Group's long-term performance programs, that 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.

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 and CEO

The President is covered by the Group's pension policy. 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. 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. 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 costs in 2007 amount to SEK 6,219,377 (6,178,740). The cost amounts to 44.9% of pensionable salary.

The retirement benefit in the supplementary plans is payable for life or a shorter period of not less than five years. The President determines the payment period at the time of retirement. Accrued capital is subject to a real rate of return of 3.5% per annum according to plan rules.

The company will finalize outstanding contributions to the alternative ITP plan and one of the supplementary plans, provided that the President retains his position until age 60.

In addition to the retirement contribution, Electrolux provides disability benefits equal to 70% of pensionable salary, including credit for other disability benefits. Electrolux also provides survivor benefits equal to the highest of the accumulated capital for retirement or 250 (250) Swedish income base amounts, as defined by the Swedish National Insurance Act. The survivor benefit is payable over a minimum five-year period.

The capital value of pension commitments for the current President, prior Presidents, and survivors is SEK 113m (148).

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

Over the years, Electrolux has implemented several long-term share-based 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 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 2007	Expired[1]	Exercised	**End of 2007**
President and CEO	120,000	–	30,000	90,000
Other members of Group Management	250,724	–	165,784	84,940
Total	**370,724**	**–**	**195,784**	**174,940**

Number of shares offered to Group Management on target performance

	2007 Target number of B-shares[1]	2006 Target number of B-shares[1]	2005 Target number of B-shares[1]	**2007** Target value, SEK	2006 Target value, SEK	2005 Target value SEK
President and CEO	14,405	28,310	38,623	2,400,000	2,400,000	2,400,000
Other members of Group Management	7,203	14,156	19,313	1,200,000	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 132.36 for 2005, SEK 180.58 for 2006 and SEK 166,62 for 2007, calculated as the average closing price of the Electrolux B-share on the Stockholm Stock Exchange 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 2005, 2006 and 2007 programs is SEK 88.41 per share. The target number of B-shares in the 2005 and 2006 programs have 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 redemption in January 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 2007 was 4.8%.

Variable salary for sector heads in 2007 is based on both financial and non-financial targets. The financial targets comprise, e.g., the value created on sector and Group level. The non-financial targets are focused on performance objectives within respective sector.

The target for variable salary for sector heads is 50% of annual base salary. The stretch level is 100%, which is also the cap. Corresponding figures for the US-based sector head are 100% and 150%.

Group staff heads receive variable salary based on value created for the Group and on performance objectives within their functions. The target variable salary is 40–45% of annual base salary. The stretch level is 80–90%, which is also the cap.

Individual members of Group Management are entitled to variable retention compensation arrangements due in 2009 and 2010 provided the fullfilment of defined performance objectives and continued employment within the Group. These payments are maximized to SEK 10.1m in 2009 and SEK 21.9m in 2010. For 2007, SEK 10.1m has been paid as variable retention compensation.

Individual members of Group Management are entitled to conditional recruitment compensation arrangements. The compensation shall be due in parts provided the member is still employed until the end of 2007, 2008 and 2009. These payments are maximized to SEK 1.7m in 2008 and SEK 1.1m in 2009. For 2007 SEK 1.1m 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.

The Swedish 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 members of Group Management are covered by the Group's pension policy.

The retirement age is 60 for the members of Group Management. Swedish members of Group Management are covered by the Alternative ITP plan, as well as a supplementary plan.

The retirement benefit from the supplementary plan is payable for life or a shorter period of not less than five years. Accrued capital is subject to a real rate of return of 3,5% per annum according to plan rules. The participant determines the payment period at the time of retirement.

For members of Group Management employed outside of Sweden, varying pension terms and conditions apply, depending upon the country of employment. The earliest retirement age is 60.

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. The pensionable salary is calculated as the current fixed salary including vacation pay plus the average variable salary for the last three years.

The Swedish members are also covered by a supplementary plan. In 2004, the plan was revised retroactively from 2002. Following the revision, the contribution equals 35% of the pensionable salary. In addition, three members are covered by individual additional contributions as a consequence of the switch of plans in 2001. In addition to the retirement contribution, Electrolux provides disability benefits equal to 70% of pensionable salary including credit for other disability benefits. Electrolux also provides survivor benefits equal to the highest of the accumulated capital for retirement or 250 (250) Swedish income base amounts, as defined by the Swedish National Insurance Act. The survivor benefit is payable over a minimum five-year period.

Compensation to Group Management

	2007					2006				
'000 SEK unless otherwise stated	Annual fixed salary[1]	Variable salary earned 2007[2]	Total salary	Long-term PSP (value awarded)[3]	Total pension cost[4]	Annual fixed salary	Variable salary earned 2006[2]	Total salary	Long-term PSP (value awarded)[3]	Total pension cost[4]
President and CEO	8,863	4,892	13,755	6,397	6,219	8,718[5]	5,303	14,021	—	6,179
Other members of Group Management[6]	30,801	20,758	51,559	23,989	16,583	28,723[5]	14,932[7]	43,655	—	20,029
Total	**39,664**	**25,650**	**65,314**	**30,386**	**22,802**	**37,441[5]**	**20,235**	**57,676**	**—**	**26,208**

1) During 2007 salaries for Swedish employees were generally increased by 0.5 % as negotiated compensation given instead of a right to reduce working hours.
2) The actual variable salary for 2007 is set in early 2008 and may differ from the expensed amount.
3) The pre-tax value delivered to participants is calculated as the number of shares delivered times the share price at the time of delivery. The B-shares delivered are restricted until December 31, 2008.
4) Total pension cost is calculated according to IFRS as from 2007. The cost for 2006 was previously based on local GAAP and has been restated.
5) Including vacation salary, paid vacation days and travel allowance.
6) 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. In 2006, other members of Group Management comprised of 8 people after the spinn-off of Husqvarna and 9 members before.
7) Includes contractual "sign-on" bonus.

Note 28 Fees to auditors

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

	Group		**Parent Company**	
	2007	2006	**2007**	2006
PwC				
Audit fees[1]	58	86	9	15
Audit-related fees[2]	1	4	—	4
Tax fees[3]	7	6	1	2
Total fees to PwC	**66**	**96**	**10**	**21**
Audit fees to other audit firms	2	2	—	—
Total fees to auditors	**68**	**98**	**10**	**21**

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 tecnhical advice from taxing authorities; tax planning services; and expatriate tax planning and services.

Note 29 Shares and participations

Participation in associated companies

	2007	2006
Opening balance, January 1	**80**	**124**
Acquisitions	—	—
Operating result	–1	5
Dividend	—	–13
Tax	—	—
Divestment	—	–16
Discontinued operations	—	–9
Other	–47	—
Exchange difference	—	–11
Closing balance, December 31	**32**	**80**

In the item Participation in associated companies is at December 31, 2007, goodwill included with the amount of SEK 2m (2).

The Group's share of the associated companies, which all, except for Atlas Eléctrica (Costa Rica) are unlisted, were at December 31, 2006, as follows:

Associated companies

	2006									
			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
Atlas Eléctrica, Costa Rica	18.9	47	—	2	—	12	826	40	566	367
Sidème, France	39.3	16	75	1	304	2	642	2	200	165
Viking Financial Services, USA	50.0	15	—	—	—	—	6	2	36	6
European Recycling Platform, ERP, France	25.0	2	1	49	—	11	24	8	11	2
e2 Home, Sweden	50.0	—	—	—	—	—	—	—	—	—
Total	**–**	**80**	**76**	**52**	**304**	**25**	**1,498**	**52**	**813**	**540**

1) Seen from Electrolux perspective.

The Group's share of the associated companies, which all 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**	**–6**	**382**	**316**

1) Seen from Electrolux perspective.

Atlas Eléctrica in Costa Rica is not considered an associated company as Electrolux no longer has a significant influence in the company.

Other companies

	Holding, %	Carrying amount, SEKm
Videcon Industries Ltd., India	4.6	481
Atlas Eléctrica S.A., Costa Rica	18.9	47
Banca Popolare Friuladria S.p.A., Italy	0.0	3
Business Partners B.V., The Netherlands	0.7	3
Other	—	4
Total		**538**

notes, all amounts in SEKm unless otherwise stated

Subsidiaries		Holding, %
Major Group companies		
Australia	Electrolux Home Products Pty. Ltd	100
Austria	Electrolux Hausgeräte G.m.b.H.	100
	Electrolux Austria 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 Home Appliances (Hangzhou) Co. Ltd	100
	Electrolux (China) Home Appliance Co. Ltd	100
	Electrolux (Changsha) Appliance Co. Ltd	100
Denmark	Electrolux Home Products Denmark A/S	100
Finland	Oy Electrolux Ab Electrolux Kotitalouskoneet	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
	Electrolux Home Products Italy 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 Light 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 Discontinued operations

The Outdoor Products operations of the Group were distributed to the Electrolux shareholders in June, 2006 under the name of Husqvarna AB. Before September 2005, Husqvarna AB did not legally own any of the subsidiaries within the Outdoor Products segment. During the period September 2005-May 2006, the Outdoor Products operations were transferred to Husqvarna AB at book values. The Outdoor Products operations have been consolidated in the Electrolux Group accounts up to May 31, 2006.

In accordance with IFRS 5, Non-current Assets held for sale and Discontinued Operations, the net results for the distributed Outdoor Products operations are reported in the Group's income statement under the item "Income for the period from discontinued operations". This means that the figures for the former Outdoor Products operations are excluded from the sales and expenses reported in the income statement for 2006. Similarly, Outdoor Products operations are reported in the cash-flow statement under "Cash flow from discontinued operations".

For a more detailed description of the treatment of the Outdoor Products in the 2006 accounts, please refer to the Annual Report 2006.

The combined income statements prepared for the Outdoor Products operations

	2007	January–May 2006
Net sales	—	**16,988**
Cost of goods sold	—	–12,890
Gross operating income	—	**4,098**
Selling expenses	—	–1,787
Administrative expenses	—	–411
Other operating income	—	5
Other operating expenses	—	—
Operating income	—	**1,905**
Financial income	—	25
Financial expenses	—	–189
Financial items, net	—	**–164**
Income after financial items	—	**1,741**
Taxes	—	–542
Income for the period	—	**1,199**
Earnings per share for discontinued operations, SEK	Note 20	
Basic	—	4.15
Diluted	—	4.13
Average number of shares, million	Note 20	
Basic	—	288.8
Diluted	—	289.8

Note 31 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. Please refer to Note 17 on page 47.

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. Please refer to Note 17 on page 47.

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

Profit 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

Net income 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 2007 is calculated at 12% compared to 11% for 2006 and 12% for 2005 and 2004.

1) Excluding items affecting comparability.

Proposed distribution of earnings

	Thousands of kronor
The Board of Directors and the President propose that net income for the year	1,681,685
and retained earnings	8,164,427
Total	**9,846,112**
be distributed as follows:	
A dividend to the shareholders of SEK 4.25 per share[1], totaling	1,196,963
To be carried forward	8,649,149
Total	**9,846,112**

1) Calculated on the number of outstanding shares as per February 1, 2008. Currently, the company holds 27,281,891 shares as treasury shares. The number of repurchased shares may decrease if employees exercise their options, which would increase the total dividend payment. The Board of Directors and the President propose April 4, 2008 as record day for the right to dividend.

The Board of Directors has proposed that the Annual General Meeting 2008 resolves on an appropriation of profits involving a dividend to the shareholders of SEK 4.25 per share. With reference to the Board of Directors' proposed distribution of earnings above, the Board of Directors hereby makes the following statement according to Chapter 18 Section 4 of the Swedish Companies Act (2005:551).

The retained earnings from the previous years amount to SEK 8,668,516 thousand and the net income for the year amounts to SEK 1,681,685 thousand. Provided that the Annual General Meeting 2008 resolves to allocate the results in accordance with the Board of Directors' proposal, SEK 8,649,149 thousand will be carried forward. After distribution of the proposed dividend, there will be full coverage for the restricted equity of the Company.

It is the Board of Directors' assessment that after distribution of the proposed dividend, the equity of the Company and the Group will be sufficient with respect to the kind, extent, and risks of the operations. The Board of Directors has hereby considered, among other things, the Company's and the Group's historical development, the budgeted development and the state of the market. If financial instruments currently valued at actual value in accordance with Chapter 4 Section 14a of the Swedish Annual Accounts Act (1995:1554) instead had been valued according to the lower of cost or net realizable value, including cumulative revaluation of external shares, the equity of the company would decrease by SEK 343,906 thousand.

The Board of Directors has made an assessment of the financial position of the Company and the Group as well as the possibilities of the Company and the Group to comply with its obligations in a short-term and long-term perspective. After the dividend, the debt/equity ratio of the Company and the Group is assessed to continue to be high in relation to the industry in which the Group is operating.

The proposed dividend will not affect the ability of the Company and the Group to comply with its payment obligations. The company and the Group has sufficient access to long-term, as well as short-term, credit facilities, which can be used by short notice. The Board of Directors, therefore, finds that the Company and the Group are well prepared to handle any changes in respect of liquidity, as well as unexpected events.

The Board of Directors is of the opinion that the Company and the Group have the ability to take future business risks and also cope with potential losses. The proposed dividend will not negatively affect the Company's and the Group's ability to make further commercially motivated investments in accordance with the strategy of the Board of Directors.

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 5, 2008

Marcus Wallenberg
Chairman of the Board of Directors

Peggy Bruzelius
Deputy Chairman of the Board of Directors

Louis R. Hughes   John Lupo

Johan Molin   Caroline Sundewal

Torben Ballegaard Sørensen   Barbara Milian Thoralfsson

Ola Bertilsson   Gunilla Brandt   Ulf Carlsson

Hans Stråberg
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 2007. The company's annual 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 25, 2008
PricewaterhouseCoopers AB

Peter Clemedtson
Authorized Public Accountant

Eleven–year review

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

SEKm	**2007[1)]**	2006[1)]	2005[1)]	2005	2004
Net sales and income					
Net sales	104,732	103,848	100,701	129,469	120,651
Organic growth, %	4.0	3.3	4.5	4.3	3.2
Depreciation and amortization	2,738	2,758	2,583	3,410	3,038
Items affecting comparability	–362	–542	–2,980	–3,020	–1,960
Operating income	4,475	4,033	1,044	3,942	4,807
Income after financial items	4,035	3,825	494	3,215	4,452
Income for the period	2,925	2,648	–142	1,763	3,259
Cash flow					
EBITDA[2)]	7,575	7,333	6,607	10,372	9,805
Cash flow from operations excluding change in operating assets and liabilities	5,498	5,263	5,266	8,428	7,140
Changes in operating assets and liabilities	–152	–703	–1 804	–1 888	1 442
Cash flow from operations	5,346	4,560	3,462	6,540	8,582
Cash flow from investments	–4,069	–2,386	–4,485	–5,827	–5,358
of which capital expenditures	–3,430	–3,152	–3,654	–4,765	–4,515
Cash flow from operations and investments	1,277	2,174	–1,023	713	3,224
Operating cash flow	1,277	1,110	-653	1,083	3,224
Dividend, redemption and repurchase of shares	-6,708	–4,416	–2,038	–2,038	–5,147
Capital expenditure as % of net sales	3.3	3.0	3.6	3.7	3.7
Margins[2)]					
Operating margin, %	4.6	4.4	4.0	5.4	5.6
Income after financial items as % of net sales	4.2	4.2	3.4	4.8	5.3
EBITDA margin, %	7.2	7.1	6.6	8.0	8.1
Financial position					
Total assets	66,089	66,049		82,558	75,096
Net assets	20,743	18,140	17,942	28,165	23,988
Working capital	–2,129	–2,613	–3,799	–31	–383
Trade receivables	20,379	20,905	20,944	24,269	20,627
Inventories	12,398	12,041	12,342	18,606	15,742
Accounts payable	14,788	15,320	14,576	18,798	16,550
Equity	16,040	13,194		25,888	23,636
Interest-bearing liabilities	11,163	7,495		8,914	9,843
Data per share, SEK					
Income for the period	10.41	9.17	–0.49	6.05	10.92
Equity	57	47		88	81
Dividend[3)]	4.25	4.00	7.50	7.50	7.00
Trading price of B-shares at year-end	108.50	137.00		206.50	152.00
Key ratios					
Value creation	2,053	2,202	1,305	2,913	3,054
Return on equity, %	20.3	18.7		7.0	13.1
Return on net assets, %	21.7	23.2	5.4	13.0	17.5
Net assets as % of net sales[4)]	18.6	16.5	15.7	21.0	21.2
Trade receivables as % of net sales[4)]	18.3	19.1	18.3	18.1	18.2
Inventories as % of net sales[4)]	11.1	11.0	10.8	13.9	13.9
Net debt/equity ratio	0.29	–0.02		0.11	0.05
Interest coverage ratio	7.49	6.13		4.32	5.75
Dividend as % of equity	7.5	8.5		8.5	8.6
Other data					
Average number of employees	56,898	55,471	57,842	69,523	72,382
Salaries and remuneration	12,612	12,849	13,987	17,033	17,014
Number of shareholders	52,700	59,500	60,900	60,900	63,800
Average number of shares after buy-backs	281.0	288.8	291.4	291.4	298.3
Shares at year end after buy-backs	281.6	278.9	293.1	293.1	291.2

1) Continuing operations.
2) As of 1997, items affecting comparability are excluded.
3) 2007: Proposed by the Board.
4) Net sales are annualized.

	2003	2002	2001	2000	1999	1998	1997	Compound annual growth rate, % 5 years	10 years
	124,077	133,150	135,803	124,493	119,550	117,524	113,000	–4.7	–0.8
	3.3	5.5	–2.4	3.7	4.1	4.0	5.0		
	3,353	3,854	4,277	3,810	3,905	4,125	4,255		
	–463	–434	–141	-448	-216	964	–1 896		
	7,175	7,731	6,281	7,602	7,204	7,028	2,654	–10.4	5.4
	7,006	7,545	5,215	6,530	6,142	5,850	1,232	–11.8	12.6
	4,778	5,095	3,870	4,457	4,175	3,975	352	–10.5	23.6
	10,991	12,019	10,699	11,860	11,325	10,189	8,805	–8.8	–1.5
	7,150	9,051	5,848	8,639	7,595	5,754	4,718	–9.5	1.5
	–857	1,854	3,634	–2,540	1,065	–1,056	584		
	6,293	10,905	9,482	6,099	8,660	4,698	5,302	–13.3	0.1
	–2,570	–1,011	1,213	–3,367	–3,137	–776	–4,344		
	–3,463	–3,335	–4,195	–4,423	–4,439	–3,756	–4,329	0.6	–2.3
	3,723	9,894	10,695	2,732	5,523	3,922	958		
	2,866	7,665	5,834	2,552	3,821	1,817	865	–30.1	4.0
	–3,563	–3,186	–3,117	–4,475	–1,099	–915	–915	16.1	22.0
	2.8	2.5	3.1	3.6	3.7	3.2	3.8		
	6.2	6.1	4.7	6.5	6.2	5.2	4.0		
	6.0	6.0	3.9	5.6	5.3	4.2	2.8		
	8.9	9.0	7.9	9.5	9.5	8.7	7.8		
	77,028	85,424	94,447	87,289	81,644	83,289	79,640	–5.0	–1.8
	26,422	27,916	37,162	39,026	36,121	39,986	38,740	–5.8	–6.1
	4,068	2,216	6,659	9,368	8,070	12,101	10,960		
	21,172	22,484	24,189	23,214	21,513	21,859	21,184	–1.9	–0.4
	14,945	15,614	17,001	16,880	16,549	17,325	16,454	–4.5	–2.8
	14,857	16,223	17,304	12,975	11,132	10,476	9,879	–1.8	4.1
	27,462	27,629	28,864	26,324	25,781	24,480	20,565	–10.3	–2.5
	12,501	15,698	23,183	25,398	23,735	29,353	29,993	–6.6	–9.4
	15.25	15.58	11.35	12.40	11.40	10.85	0.95	–7.8	27.0
	89	87	88	77	70	67	56	–8.1	0.2
	6.50	6.00	4.50	4.00	3.50	3.00	2.50	–6.7	5.4
	158.00	137.50	156.50	122.50	214.00	139.50	110.20	–4.6	–0.2
	3,449	3,461	262	2,423	1,782	437			
	17.3	17.2	13.2	17.0	17.1	18.2	1.7		
	23.9	22.1	15.0	19.6	18.3	17.5	6.4		
	23.6	23.1	29.3	30.4	30.6	33.3	34.0		
	18.9	18.6	19.1	18.1	18.2	18.2	18.6		
	13.4	12.9	13.4	13.1	14.0	14.4	14.4		
	0.00	0.05	0.37	0.63	0.50	0.71	0.94		
	8.28	7.66	3.80	4.34	4.55	3.46	1.42		
	7.3	6.9	5.1	5.2	5.0	4.5	4.4		
	77,140	81,971	87,139	87,128	92,916	99,322	105,950	–7.0	–6.0
	17,154	19,408	20,330	17,241	17,812	18,506	19,883	–8.3	–4.5
	60,400	59,300	58,600	61,400	52,600	50,500	45,660	–2.3	1.4
	313.3	327.1	340.1	359.1					
	307.1	318.3	329.6	341.1					

Quarterly information

Net sales and income

SEKm		Q1	Q2	Q3	Q4	Full year
Net sales	**2007**	**24,930**	**25,785**	**26,374**	**27,643**	**104,732**
	2006	24,553	25,322	26,087	27,886	103,848
Operating income	**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**
	2006	455	862	685	2,031	4,033
	Margin, %	1.9	3.4	2.6	7.3	3.9
	2006[1]	600	844	1,136	1,995	4.575
	Margin, %	2.4	3.3	4.4	7.2	4.4
Income after financial items	**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**
	2006	387	783	684	1,971	3,825
	Margin, %	1.6	3.1	2.6	7.1	3.7
	2006[1]	532	765	1,135	1,935	4,367
	Margin, %	2.2	3.0	4.4	6.9	4.2
Income for the period, continuing operations	**2007**	**492**	**545**	**762**	**1,126**	**2,925**
	2006	232	541	440	1,435	2,648
Earnings per share, continuing operations[2]	**2007**	**1.76**	**1.94**	**2.71**	**4.00**	**10.41**
	2007[1]	**1.76**	**2.05**	**2.71**	**5.14**	**11.66**
	2006	0.79	1.83	1.54	5.01	9.17
	2006[1]	1.28	1.85	2.81	4.95	10.89
Value creation, continuing operations	**2007**	**86**	**210**	**443**	**1,314**	**2,053**
	2006	–23	256	565	1,404	2,202
Income for the period	**2007**	**492**	**545**	**762**	**1,126**	**2,925**
	2006	807	1,165	440	1,435	3,847
Earnings per share, SEK[2]	**2007**	**1.76**	**1.94**	**2.71**	**4.00**	**10.41**
	2007[1]	**1.76**	**2.05**	**2.71**	**5.14**	**11.66**
	2006	2.78	3.95	1.54	5.05	13.32
	2006[1]	3.27	3.97	2.81	4.99	15.04

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	**2007**	**281.4**	**281.5**	**281.6**	**281.6**	**281.6**
	2006	295.6	290.3	281.8	278.9	278.9
Average number of shares after buy-backs, million	**2007**	**279.7**	**281.5**	**280.9**	**281.6**	**281.0**
	2006	294.0	295.0	291.6	280.4	288.8

Items affecting comparability

Restructuring provisions, write-downs and capital gains/losses	**2007**	—	–31	—	–331	–362
	2006	–145	18	–451	36	–542

Net sales, by business area

SEKm		Q1	Q2	Q3	Q4	Full year
Consumer Durables, Europe	**2007**	**10,554**	**10,496**	**11,624**	**12,798**	**45,472**
	2006	9,999	10,336	11,226	12,672	44,233
Consumer Durables, North America	**2007**	**8,622**	**9,043**	**8,589**	**7,474**	**33,728**
	2006	9,097	9,287	9,216	8,571	36,171
Consumer Durables, Latin America	**2007**	**1,983**	**2,161**	**2,107**	**2,992**	**9,243**
	2006	1,769	1,697	1,913	2,387	7,766
Consumer Durables, Asia/Pacific and Rest of the world	**2007**	**2,076**	**2,314**	**2,332**	**2,445**	**9,167**
	2006	2,094	2,196	2,101	2,245	8,636
Professional Products	**2007**	**1,688**	**1,767**	**1,717**	**1,930**	**7,102**
	2006	1,588	1,749	1,605	1,999	6,941

Operating income, by business area

SEKm		Q1	Q2	Q3	Q4	Full year
Consumer Durables, Europe	**2007**	**470**	**299**	**514**	**784**	**2,067**
	Margin, %	**4.5**	**2.8**	**4.4**	**6.1**	**4.5**
	2006	405	376	672	1,225	2,678
	Margin, %	4.1	3.6	6.0	9.7	6.1
Consumer Durables, North America	**2007**	**258**	**422**	**385**	**646**	**1,711**
	Margin, %	**3.0**	**4.7**	**4.5**	**8.6**	**5.1**
	2006	213	383	333	533	1,462
	Margin, %	2.3	4.1	3.6	6.2	4.0
Consumer Durables, Latin America	**2007**	**82**	**103**	**111**	**218**	**514**
	Margin, %	**4.1**	**4.8**	**5.3**	**7.3**	**5.6**
	2006	77	76	83	103	339
	Margin, %	4.4	4.5	4.3	4.3	4.4
Consumer Durables, Asia/Pacific and Rest of world	**2007**	**2**	**47**	**97**	**184**	**330**
	Margin, %	**0.1**	**2.0**	**4.2**	**7.5**	**3.6**
	2006	–47	54	58	98	163
	Margin, %	–2.2	2.5	2.8	4.4	1.9
Professional Products	**2007**	**103**	**140**	**126**	**215**	**584**
	Margin, %	**6.1**	**7.9**	**7.3**	**11.1**	**8.2**
	2006	83	143	127	182	535
	Margin, %	5.2	8.2	7.9	9.1	7.7
Common Group costs, etc.	**2007**	**–158**	**–90**	**–81**	**–40**	**–369**
	2006	–131	–188	–137	–146	–602
Total Group, excluding items affecting comparability	**2007**	**757**	**921**	**1,152**	**2,007**	**4,837**
	Margin, %	**3.0**	**3.6**	**4.4**	**7.3**	**4.6**
	2006	600	844	1,136	1,995	4,575
	Margin, %	2.4	3.3	4.4	7.2	4.4
Items affecting comparability	**2007**	—	–31	—	–331	–362
	2006	–145	18	–451	36	–542
Total Group, including items affecting comparability	**2007**	**757**	**890**	**1,152**	**1,676**	**4,475**
	Margin, %	**3.0**	**3.5**	**4.4**	**6.1**	**4.3**
	2006	455	862	685	2,031	4,033
	Margin, %	1.9	3.4	2.6	7.3	3.9

In 2007, the new Electrolux Built-In Kitchen was launched in Europe. The new built-in appliances were well-received by the market and resulted in higher average prices in all product categories and virtually all countries. The Electrolux brand was also strengthened considerably.

One of the most striking elements on the built-in appliances is the thin, white, illuminated line across the products. The line personalizes the kitchens, extensive consumer studies revealed, and is something consumers appreciate. As consumers are prepared to pay higher prices for innovative appliances with exciting design, Electrolux margin improves.


Electrolux
200

Electrolux **shares**

Following a strong result in the fourth quarter of 2006, the trading price of Electrolux B-shares rose sharply at the start of 2007 and continued to increase through the second quarter. During the second half of the year, the trading price was adversely affected by the generally turbulent stock-exchange climate and concern about the company's exposure to the weak US market. At year-end 2007, the closing price for B-shares was approximately 7% lower than at year-end 2006. Total return on Electrolux B-shares in 2007 amounted to approximately –5%.

The business magazine Affärsvärlden's General Index for the Nordic Exchange in Stockholm (OMX Nordic Exchange Stockholm) declined by approximately 7% in 2007.

The market capitalization of Electrolux shares at year-end 2007 was approximately SEK 34 (39) billion, which corresponded to 0.8% (0.9) of the total market capitalization of the Nordic Exchange in Stockholm.

The highest closing price for Electrolux B-shares during the year was SEK 190 on April 23, and the lowest SEK 102 on December 20.

Deregistration from the SEC

Electrolux deregistration from the U.S. Securities and Exchange Commission (SEC) became effective in the fourth quarter of 2007. As a consequence, Electrolux obligation to file certain reports and forms with the SEC, including the 20-F and 6-K, has been suspended. Electrolux has not terminated its American Depositary Receipt (ADR) facility.

Trading volume

In 2007, 889.9 (679.1) million Electrolux shares were traded on the Nordic Exchange in Stockholm at a value of SEK 131.0 (82.7) billion. Electrolux shares thus accounted for 2.0% (1.5) of the total trading volume of SEK 6,524 (5,521) billion in 2007. The average value of the Electrolux A- and B-shares traded daily was SEK 524 (334) million, corresponding to 3.6 million shares.

A total of 1.2 million Electrolux shares were traded on the London Stock Exchange, while the total issue/cancel of ADRs was 0.6 (2.3) million. At year-end, 629,269 (810,048) 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 16.3%. The corresponding figure for the Nordic Exchange in Stockholm was 13.8%.

Share listings[1]	Stockholm, London
Number of shares	308,920,308
Number of shares after repurchase	281,638,417
Trading lot	100
High and low for B-shares in 2007	SEK 190–102
Market capitalization at year-end 2007	SEK 34 billion
Beta value[2]	1.07
GICS code[3]	25201040
Ticker codes	Reuters ELUXb.ST
	Bloomberg ELUXB SS

1) The trading of Electrolux ADRs 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 Stockholm All Share 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 the Nordic Exchange in Stockholm, 2003 – January 2008

Average daily trading value of Electrolux shares on the Nordic Exchange in Stockholm

SEK thousand	**2007**	2006	2005	2004	2003
A-shares	47	259	59	34	33
B-shares	523,817	333,658	365,074	316,424	299,139
Total	**523,864**	**333,917**	**365,133**	**316,458**	**299,172**

In 2007, on average 3.6 million Electrolux shares were traded daily on the Nordic Exchange in Stockholm.

Repurchase of shares

	2007	2006	2005	2004	2003
Number of shares as of January 1	308,920,308	308,920,308	308,920,308	324,100,000	338,712,580
Redemption/cancellation of shares	—	—	—	–15,179,692[1]	–14,612,580
Number of shares as of December 31	308,920,308	308,920,308	308,920,308	308,920,308	324,100,000
Number of shares bought back	—	19,400,000	—	750,000	11,331,828
Total amount paid, SEKm	—	2,193	—	114	1,688
Price per share, SEK	—	113	—	152	149
Number of shares sold under the terms of the employee stock option programs	1,526,122	5,234,483	1,918,161	10,600	113,300
Number of shares alloted under the Performance Share Program 2004	1,178,743	—	—	—	—
Number of shares held by Electrolux, at year-end	27,281,891	29,986,756	15,821,239	17,739,400	17,000,000[2]
% of outstanding shares	8.8	9.7	5.1	5.7	5.2

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

Distribution of capital through redemption of shares

In January 2007, approximately SEK 5.6 billion was distributed to shareholders through redemption of shares at SEK 20 each, in accordance with authorization by an Extraordinary General Meeting in 2006. The redemption resulted from the review of the Group's over-capitalized balance sheet following the spin-off of Husqvarna in June 2006.

Repurchase of own shares

For several years, Electrolux has had an annual mandate from the AGM to repurchase own shares in order to adjust the Group's capital structure and to finance possible acquisitions as well as long-term incentive programs. The mandate has enabled Electrolux to purchase up to 10% of the total number of outstanding shares. In 2006, the company utilized the mandate to virtually the fullest extent. The Board did not apply for any mandate from the 2007 AGM. Since 2000, Electrolux has repurchased shares for SEK 10.5 billion.

At year-end 2007, the company owned 27,281,891 B-shares, corresponding to 8.8% of the total number of outstanding shares.

Dividends and dividend policy

The Board of Directors has decided to propose a dividend for 2007 of SEK 4.25 (4.00) per share to the AGM, corresponding to 36% (35) of income per share, excluding items affecting comparability. Electrolux goal is for the dividend to correspond to at least 30% of income for the year, excluding items affecting comparability.

Share capital

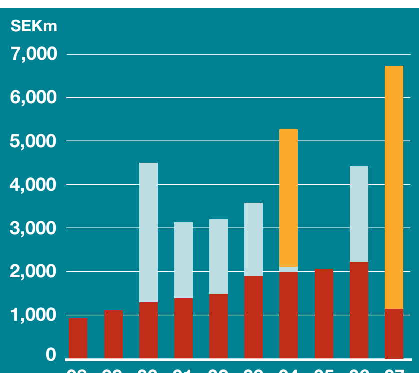
The share capital of AB Electrolux as of December 31, 2007, consisted of 9,502,275 A-shares and 299,418,033 B-shares, totalling 308,920,308 shares. A-shares carry one vote and B-shares one-tenth of a vote. Each share has a quota value of SEK 5. In general, 100% of the shares are considered to be free-floating.

Shareholders and changes in ownership structure

At year-end 2007, about 54% of the total share capital was owned by Swedish institutions and mutual funds, about 38% by foreign investors, and about 8% 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 & Clearing Organization. Purchases of shares by foreign investors increased during the second and third quarters, but declined toward the end of the year to the same level as at its beginning.

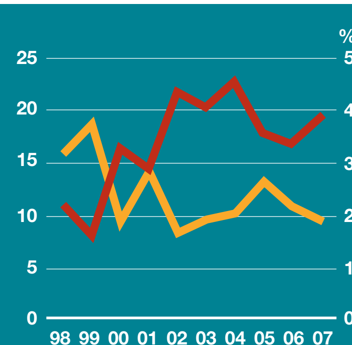
In 2007, Barclays Global Investors purchased a large number of B-shares, and at year-end was the second largest owner. Investor increased its holding somewhat, and remained the largest owner.

Total distribution to shareholders



The Board of Directors proposes a dividend for 2007 amounting to SEK 4.25 per share, for a total dividend payment of SEK 1,197m.

P/E ratio and dividend yield



At year-end 2007, the P/E ratio for Electrolux B-shares was 9.3, excluding items affecting comparability. The dividend yield was 3.9%, based on the dividend proposal for 2007.

Major shareholders

	Number of A-shares	Number of B-shares	Total number of shares	Share capital, %	Voting rights, %
Investor AB	8,270,771	28,394,300	36,665,071	11.9	28.2
Barclays Global Investors		30,853,832	30,853,832	10.0	7.8
Alecta Pension Insurance	500,000	23,470,000	23,970,000	7.8	7.2
Swedbank Robur Funds		9,102,902	9,102,902	2.9	2.3
Fourth Swedish National Pension Fund		5,500,540	5,500,540	1.8	1.4
Second Swedish National Pension Fund		5,093,707	5,093,707	1.6	1.3
Didner & Gerge Mutual Fund		4,687,000	4,687,000	1.5	1.2
AMF Pension		4,500,000	4,500,000	1.5	1.1
SEB Funds		4,339,553	4,339,553	1.4	1.1
Handelsbanken/SPP Investment Funds		4,148,249	4,148,249	1.3	1.1
Other shareholders	731,504	180,699,487	181,430,991	49.5	47.3
External shareholders	**9,502,275**	**272,136,142**	**281,638,417**	**91.2**	**100**
AB Electrolux		27,281,891	27,281,891	8.8	0.0
Total	**9,502,275**	**299,418,033**	**308,920,308**	**100**	**100**

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

Incentive programs

Electrolux has several long-term incentive programs for senior managers. Since 2004, performance-related share programs have been introduced, mainly based on targets for value creation within the Group over a three-year period. Under these programs, Electrolux B-shares will be distributed to the participants after the end of the period on the basis of the targets achieved. The Board of Directors will present a proposal at the Annual General Meeting for a share program in 2008, corresponding to the previous share programs.

Previous programs 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 2007, senior managers in Electrolux purchased 1,526,122 B-shares under the terms of the employee stock option programs, and 1,178,743 B-shares were allotted under the Performance Share Program 2004. At year-end 2007, the incentive programs corresponded to a maximum dilution of 1.5% of the total number of shares, or 4,311,553 B-shares.

For additional information on the incentive programs, see Note 22 on page 53.

Dow Jones Sustainability Indexes
Member 2007/08

In recognition of performance

As the only household appliance manufacturer to qualify, Electrolux is a constituent of the prestigious Dow Jones Sustainability World Index (DJSI). Electrolux is thereby among the top 10% of the 2,500 companies included in the Dow Jones Global Indexes when evaluated in relation to long-term economic, environmental and social performance.

SAM Sustainable Asset Management, which conducts research for the DJSI, recognizes Electrolux as a SAM Gold Class company, SAM Sector Mover as well as Sector Leader.

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

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

Distribution of shareholdings

Shareholding	Ownership, %	Number of shareholders	As % of shareholders
1–1,000	3.8	46,581	88.5
1,001–10,000	4.5	5,283	10.0
10,001–20,000	1.0	226	0.4
20,001–	90.7	577	1.1
Total	**100**	**52,667**	**100**

Source: SIS Ägarservice as of December 31, 2007.

Shareholders by country

Sweden, 62%
USA, 22%
UK, 4%
Other, 12%

As of December 31, 2007, approximately 38% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2007.

Per-share data

	2007	2006[9]	2005	2004	2003	2002	2001	2000	1999	1998
Year-end trading price, B-shares, SEK[1]	108.50	116.90	89.50	65.90	67.60	58.80	66.90	52.40	91.50	59.60
Year-end trading price, B-shares, SEK	108.50	137.00	206.50	152.00	158.00	137.50	156.50	122.50	214.00	139.50
Change in price during the year, %	–7[1]	31[1]	36	–4	15	–12	28	–43	53	27
Equity per share, SEK	57	47	88	81	89	87	88	77	70	67
Trading price/equity, %	191	247[1]	234	187	178	158	178	159	304	209
Dividend, SEK	4.25[2]	4.00	7.50	7.00	6.50	6.00	4.50	4.00	3.50	3.00
Payout ratio, %[3] [4]	36[2]	37[3]	50	46	39	36	41	30	31	34
Dividend yield, %[5]	3.9[2]	3.4[1]	3.6	4.6	4.1	4.4	2.9	3.3	1.6	2.2
Earnings per share, SEK	10.41	9.17	6.05	10.92	15.25	15.58	11.35	12.40	11.40	10.85
Earnings per share, SEK[4]	11.66	10.89	15.82	15.24	16.73	16.90	11.10	13.25	11.45	8.85
Cash flow, SEK[6]	4.54	7.53	2.45	10.81	9.15	23.14	15.55	4.67	11.53	2.57
EV/EBIT multiple[7]	7.9	8.0[1]	16.1	9.5	6.8	5.9	10	8.1	12.9	10
EV/EBIT multiple[4] [7]	7.3	7.1[1]	9.1	6.7	6.3	5.6	9.8	7.7	12.5	11.5
P/E ratio[4] [8]	9.3	10.7[1]	13.1	10	9.4	8.1	14.1	9.2	18.7	15.8
P/E ratio[8]	10.4	12.8[1]	34.4	14.4	10.4	8.8	13.8	9.9	18.8	12.9
Number of shareholders	52,700	59,500	60,900	63,800	60,400	59,300	58,600	61,400	52,600	50,500

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 expenditure, 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 2007

January 25	Electrolux share redemption is finalized
February 2	Electrolux awarded EU sustainable energy award
February 13	Nomination Committee proposes Marcus Wallenberg to be elected new Chairman of Electrolux
February 14	Consolidated results 2006 Comments from the President and CEO on the year-end 2006 report
March 9	John Lupo, Johan Molin and Torben Ballegaard Sørensen proposed new Board members of Electrolux
March 12	Notice convening the Annual General Meeting of AB Electrolux
March 23	Electrolux Annual Report 2006 now on the Group's web site
April 17	Bulletin from AB Electrolux Annual General Meeting 2007
April 26	Interim Report January – March 2007 Income continues to improve
May 11	Electrolux Design Lab 2007 – Electrolux is looking into green solutions for the year 2020
May 31	Nomination Committee for Electrolux Annual General Meeting 2008
June 5	Carina Malmgren Heander new head of Electrolux Group Staff Human Resources and Organizational Development
June 20	Gunilla Nordström appointed head of Electrolux Major Appliances Asia Pacific
July 17	Half-yearly Report 2007 Comments from the President and CEO Hans Stråberg on the second quarter results 2007
September 4	Electrolux to apply for deregistration with the U.S. Securities and Exchange Commission
September 21	Electrolux tackles sustainability issues profitably
October 11	Electrolux launches investigation of UK factory
October 22	Interim Report January – September 2007 Comments from the President and CEO Hans Stråberg on the third quarter results 2007
December 14	Electrolux decides to discontinue production at factory in Spennymoor, UK

Managing risk
to maximize returns

Electrolux is exposed to risks in the course of daily operations. Limiting and controlling risks enable business opportunities to be realized in the interest of maximizing returns. The Group is exposed to two main types of risks: Risks related to business operations and risks related to financial operations. Operational risks are normally managed by the Group's operative units, and financial risks by the Group's Treasury department.

Operational risks

- Price competition
- Customer exposure
- Restructuring
- Commodity prices

Financial risks and commitments

- Foreign-exchange risks
- Interest-rate risks
- Pension commitments

Other risks

- Regulatory risks

Examples of management of risks

- Financial policy
- Credit policy
- Pension policy
- Code of Ethics
- Environmental policy

Sensitivity analysis

Risk	Change		Pre-tax earnings impact, SEKm
Raw materials			
Steel	10%	+/–	1,000
Plastics	10%	+/–	500
Currencies[1] and interest rates			
GBP/SEK	–10%	–	353
CAD/SEK	–10%	–	243
AUD/SEK	–10%	–	206
USD/SEK	–10%	+	373
EUR/SEK	–10%	+	409
Interest rate	1 percentage point	+/–	60

1) Includes translation and transaction effects.

Cost structure 2007

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
Variable costs	**57**
Other	24
Total	**100**

Raw materials and components account for almost half of total Group costs.

Operational risks

The ability of Electrolux to increase profitability and dividends to shareholders is largely dependent on how well the Group succeeds in developing new products and in maintaining cost-efficient production. Management of changes in commodity prices and components as well as managing restructuring are also vital factors for maintaining and increasing profitability.

A highly competitive market

Electrolux operates in competitive markets, most of which are relatively mature. This means that demand is relatively stable, but price competition is strong in most product categories. In 2007, price competition was most apparent in the European market, largely because it is fragmented and features a large number of competitors. Price competition was also present in the North American market despite the much more consolidated structure of the market. Electrolux strategy is based on product innovation and brandbuilding, and one of its goals is to minimize and counteract price competition for the products it sells.

Customer exposure

Consolidation among the Group's major customers, e.g., home-electronics chains, has given retailers a stronger negotiating position, at the same time creating opportunities for higher growth. Sales to global and national retail chains have made a strong contribution to the growth of Electrolux, especially in the North American market. Consolidation of retailers has led to greater dependence on individual customers, leading to greater risk in terms of trade receivable and customer credit.

Electrolux has enough flexibility to meet variations in demand, as the proportion of fixed costs is relatively low, accounting for around 20% of total costs. The largest single cost item is purchases of materials and components.

An intensive phase of restructuring

A large share of the Group's production is being relocated from high-cost countries to countries with lower cost levels. This is a complex process that requires managing a number of different activities and risks. Higher costs in connection with relocation may affect the income trend in a specific quarter. During relocation, Electrolux is also dependent on cost-efficient deliveries of components and half-finished goods from suppliers.

Commodities and components comprise the biggest cost

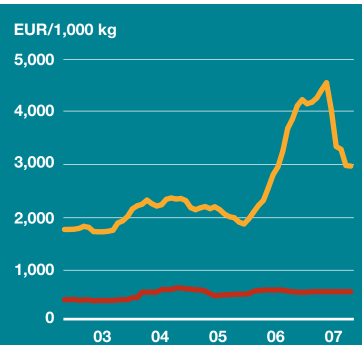
In 2007, Electrolux purchased components and raw materials for approximately SEK 49 billion. Costs for raw materials amounted to approximately SEK 23 billion. The Group's raw materials exposure refers mainly to steel, plastics, copper and aluminum. Electrolux does not use financial instruments to hedge the purchase prices of raw materials. However, the price risk is managed in bilateral agreements with suppliers. A minor part of raw-material purchases are done at spot prices. The costs of raw materials rose by a total of approximately SEK 2 billion in 2007.

The Group has experienced significant increases in raw material costs over the last years. Those increases have mainly been compensated for through savings but also through higher sales prices.

Raw materials exposure

In 2007, Electrolux purchased raw materials for approximately SEK 23 billion. Purchases of steel accounted for the largest cost.

Price trend for steel



Steel prices in Germany. The price on stainless steel has increased strongly during the past years.

Financial risks and commitmens

The Group's financial risks are managed within the framework of the financial and credit policies determined by the Board of Directors. Management of these risks is largely centralized to the Group's Treasury department and is based to a great extent on financial instruments. Accounting principles, risk management and risk exposure are described in greater detail in Notes 1, 2 and 17.

Exchange-rate exposure

Operations in a number of countries throughout the world expose Electrolux to the effects of changes in exchange rates. These affect Group income through translation of income statements in foreign subsidiaries to SEK, i.e., translation exposure, as well as through exports of products and sales outside the country of manufacture, i.e., transaction exposure.

Translation exposure is related mainly to EUR and USD. Transaction exposure is greatest in EUR, USD, GBP and HUF. 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 in one year by appoximately SEK +/– 500m. Changes in ex-change rates also affect Group equity. The difference between assets and liabilities in foreign currencies is subject to these exchange-rate changes and comprises a net foreign investment. At year-end 2007, the largest foreign net assets were in USD, EUR and HUF.

Foreign-exchange hedging

The Group uses currency derivatives to hedge the exchange-rate exposure that arises. The estimated exchange-rate exposure is normally hedged for a period of six to twelve months. Exchange-rate exposure arising from translation of results in foreign subsidiaries is not hedged. At year-end 2007, the market value of the Group's exchange-rate hedges related to transaction exposure amounted to SEK 61m.

In accordance with the Group's financial policy, a portion of foreign assets can also be hedged through borrowings in the currencies of the countries concerned, and through the use of currency derivatives. Exchange-rate profits and losses on net assets and hedges are taken directly to equity. Costs related to hedging are reported under net financial income. In 2007, costs for hedging foreign net assets amounted to SEK 75m.

Interest-rate risks

At year-end 2007, external borrowings by Electrolux amounted to SEK 11,163m. The majority of these borrowings were in EUR and SEK. The average rate of interest on external borrowings at year-end was 5.8%. The average interest-fixing period at year-end was 0.2 years. On the basis of the volume of borrowings and the interest-fixing period in 2007, a change of one percentage point in interest rates would have an impact of SEK +/-60m on Group income.

Pension commitments

At year-end 2007, Electrolux commitments for pensions and employee benefits amounted to approximately SEK 21 billion. The Group manages pension funds in the amount of approximately SEK 14 billion. At year-end 2007, approximately 38% of these funds were placed in shares, 48% in bonds and 14% in other assets.

Changes in the value of assets and commitments year-on-year depend primarily on trends in the interest rates and stock markets. Changes in assumptions regarding average life expectancy and the costs of health care are also factors that affect commitments. Costs reported in the income statement for defined pensions and benefits amounted to approximately SEK 900m in 2007. During the year, approximately SEK 900m was paid in to the Group's pension funds.

Management of the Group's pension commitments is centralized to the Group's Treasury department in the interest of adequate control and cost-efficient management. The Group uses interest-rate derivatives to hedge a portion of risks related to pensions.

Other risks

Changes in regulations and directives

The EU directive effective from 2005 regarding electrical and electronic waste (WEEE) makes producers and importers responsible for recycling and treatment of such waste in connection with disposal.

Annual costs related to WEEE, when the directive is fully implemented in 2008, are estimated at approximately SEK 600m. This estimate is based on the Group's commitment to implementation of the directive and on the share of recycling in individual countries. A higher degree of recycling entails higher costs for WEEE, and vice versa. Electrolux has compensated for a large share of the costs by visibly including a surcharge in the price of the products concerned. In most European countries, a surcharge is permissible until 2011 for small appliances and until 2013 for large appliances. Surcharges will not be permitted after these dates.

Foreign-exchange transaction exposure, forecast 2008

SEKm	Net flow	Hedges	Net
EUR	–5,610	1,760	–3,850
USD	–4,770	1,710	–3,060
GBP	3,420	–1,690	1,730
HUF	–2,390	1,370	1,020
CAD	1,900	–910	990
AUD	1,690	–720	970
Other	5,760	–1,520	4,240

Sustainability – Policies, practices and performance

An important part of conducting business is to meet and exceed environmental and social expectations and maintain high standards of ethical conduct. Responsibility for achieving this is integrated in all aspects of Group operations – including product development, manufacturing, purchasing, consumer communication and dialogue with stakeholders.

Priorities include energy efficiency and material use, both in operations and products, as well as ensuring a responsible approach to managing employees, the supply chain and restructuring.

Policies and organization

The Electrolux Code of Ethics encompasses rules of conduct for the Group's relations with employees, shareholders, business partners and other stakeholders.

Elements of the Electrolux Code of Ethics are described in greater detail in the Workplace Code of Conduct, the Policy on Countering Corruption and Bribery and the Electrolux Environmental Policy. All of the above are based on universal standards of business practice, including the International Labor Organization and the OECD Guidelines for Multinational Enterprises. They also reflect the Electrolux commitment to the ten principles of the United Nations Global Compact. All of the above policies have been endorsed by Group management.

Each business sector is responsible for the implementation of Group policies. Suppliers are expected to comply with the Environmental Policy and Workplace Code of Conduct. Electrolux applies a risk-based approach to the assessment of the Group's own operations and suppliers. The overall objective is to ensure that Electrolux products are manufactured under acceptable working conditions, both within and outside the Group.

Group Sustainability Affairs supports business sectors with expertise, training, issue identification and monitoring. It is organized under Group Staff Communications and Branding.

To compensate for changes in structure during 2007, and to enable comparisons over time, data from previous years have been revised to reflect the current structure of the Electrolux Group.

Environmental activities

Based on a life cycle analysis, the greatest potential for Electrolux to contribute to the environment lies in improving product efficiency during use. For this reason, Electrolux develops and promotes products with outstanding environmental performance. The Group focuses on resource efficiency in manufacturing and also responds promptly to proposed legislation as well as changes in existing laws.

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 economic value

SEKm	2007	2006
Revenues	**105,167**	**104,571**
Economic value distributed		
Operating costs	80,915	80,318
Employee wages and benefits	16,857	16,924
Payments to providers of capital[1]	1,748	2,968
Payments to government	1,110	1,177
Community investments	Not collated on Group level	
Economic value retained	**4,537**	**3,184**

[1] In addition, redemption of shares. 5,582 2,194

The direct economic value is defined as the net sales plus revenues from financial investments and sales of assets.

Life-cycle impact

Material supply, 22%
Manufacturing, 2%
Transportation, 0.2%
Energy supply, 72%
Water supply, 4%

Life-cycle cost

Purchase cost, 39%
Energy (use phase), 24%
Water (use phase), 37%

The purchase price often accounts for less than half of the total life cycle cost. Efficient appliances generate both economic and environmental savings. The diagrams are based on data from washing machines sold in Europe.

Source: Öko-Institut e.V. eco-efficiency analysis of washing machines (2004).

Environmental performance of products

Electrolux has a long tradition of continuously reducing water and energy consumption in the use phase. Improved environmental performance also means lower lifetime operating costs for consumers and thus plays a role in marketing and product development (see graphs "Life-cycle impact" and "Life-cycle cost").

Today, a typical new washing machine uses 40% less energy and 60% less water than 1990' models. A refrigerator uses up to 60% less energy. The German research organization Öko Institut contends that it is environmentally advantageous to replace an old refrigerator with a more efficient alternative already after three years.

One of the Group's objectives is to accelerate the replacement of old products. Due to long product life-cycles, there is a gap between the energy efficiency of appliances currently used by households and those that are available on the market. Together with a responsible recycling program, this benefits the environment and also generates value for the Group. The most efficient products sold in Europe account for a higher share of gross profit.

Materials restricted for use in products

Substances used in Electrolux products shall not be hazardous to employees in production nor to end-users, and shall not harm the environment. Products must be in line with market expectations and shall not adversely affect "end-of-life" properties.

The purpose of the Electrolux Restricted Materials List (RML) is to avoid substances in products that do not comply with the above criteria. The requirements outlined in the RML apply to both suppliers and Group production facilities.

The RML is designed to accommodate the trend toward increased regulation of chemicals in markets worldwide. These include the EU Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) and EU regulation on the Registration and Evaluation of Chemical substances (REACH).

Tracking applications of substances considered potentially hazardous enables the Group to respond to new scientific findings or regulations.

Environment in operations

The Group works continuously to reduce consumption of energy and water at production sites, and to achieve high rates of utilization of purchased material and components.

Group Management has stipulated that an environment management system is to be implemented for each business sector's entire operation. All manufacturing units with at least 50 employees are mandated to be certified according to ISO 14001. Newly acquired units must complete the certification process within three years after acquisition.

Manufacturing data covers 98% of the majority-owned production facilities worldwide, unless otherwise indicated. Since the degree of environmental impact is dependent on the volume of production, some indicators are calculated in relation to added value, which is defined as the difference between total production cost and the cost of direct material.

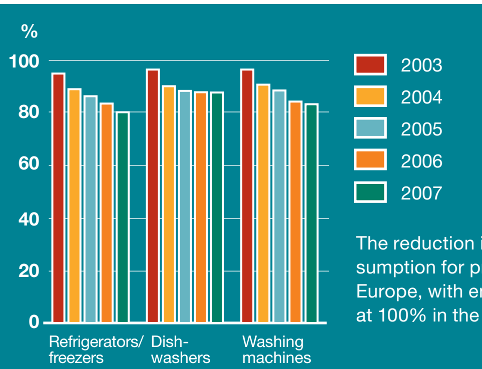
The Group is stepping up efforts to improve energy use within its own operations, thereby saving measurable CO_2 emissions and operational costs. Electrolux has set a target to cut energy use by 15% group-wide by year-end 2009.

The three-year target equates to a CO_2 reduction of 100,000 tons. It is based on Group consumption levels of approximately 1.8 TWh of energy (2005 consumption data). Benefits of meeting this target extend beyond cutting carbon emissions. It also has a savings potential of approximately SEK 100m per year.

Environmental legislation

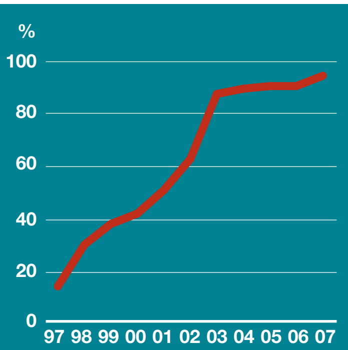
Environmental legislation in Europe often sets precedents for other markets, especially regarding the use of hazardous substances and producer responsibility.

Fleet average



The reduction in energy consumption for products sold in Europe, with energy index set at 100% in the year 2002.

ISO 14001 certification



Share of factories with more than 50 employees that have certified ISO 14001 environmental management systems.

Use of hazardous substances (RoHS Directive)

The EU Directive on Restriction of Hazardous Substances (RoHS) bans placement on the European market of electrical or electronic equipment containing lead, mercury, cadmium, hexavalent chromium and two groups of brominated flame retardants (PBB and PBDE), with a limited number of exceptions. The Directive has been introduced at the national level by EU member states as well as by Norway and Iceland.

Electrolux has adopted a stringent interpretation of the Directive. A comprehensive group-wide program has been in place since 2003 to identify cost-effective alternative components and manufacturing methods. A monitoring program also helps ensure supplier compliance.

Producer responsibility (WEEE Directive)

The EU Directive on Waste Electrical and Electronic Equipment (WEEE) defines producer responsibility for collection from collection points, treatment and disposal of electrical and electronic products.

The Directive stipulates that producers and importers have producer responsibility for products put on the market. The target for material recovery is 80% for large household appliances and 70% for small appliances. As of 2007, all member states, as well as Norway and Croatia have transposed the Directive. In Switzerland, WEEE-related legislation is also in place. Electrolux is compliant in all these countries.

In order to manage recycling in large volume countries cost efficiently, Electrolux organizes its producer responsibility through a jointly owned company, European Recycling Platform, in eight states in 2007. In other countries, the Group works through national compliance schemes initiated by industry associations.

Producer responsibility for Electrolux currently covers products representing a volume of 480,000 tons. The volume of returned products will increase in 2008 as a result of full implementation in Italy and the UK.

The cost of recycling for Electrolux in 2007 was almost entirely recovered through visible fees that have been charged with the price of products. The estimated annual cost for Electrolux will be approximately SEK 600m, when all countries have fully implemented the Directive.

Registration of chemicals (REACH)

The new EU regulation on Registration of Chemicals (REACH) and their safe use entered into force in June 2007.

Manufacturers and importers of finished products are required to gather information on the substances used in their products, as well as information that will help them manage chemicals safely. This data must also be registered in a central database.

In 2007, Electrolux in Europe established a central chemical office to effectively manage the implementation of the REACH legislation.

Energy legislation and product labeling

Energy efficiency and product labeling are core issues for the Group, and for the appliance industry as a whole. In the Group's major markets, Europe and North America, regulations require that most products in the Electrolux portfolio bear a label indicating the product's energy efficiency and consumption levels. By communicating this to the consumer, it becomes a relevant factor in purchasing decisions. Similar labeling regulations exist in Australia, Brazil, China, India, Japan and Mexico.

The Group's products are within regulatory limits and are represented in the highest energy-efficiency classes. Electrolux is prepared for upcoming, more stringent Energy Star and energy-efficiency standards in the EU and the US.

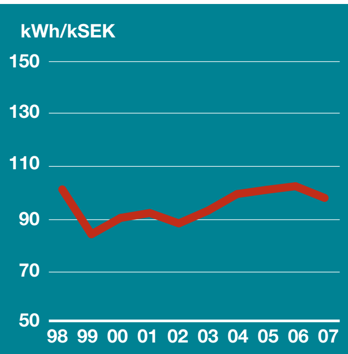
Electrolux qualified for US energy-tax credits for the sale of Energy Star appliances. The credits are available for Energy Star appliances made in the US in 2006 and 2007.

Direct material balance

Data from 53 manufacturing units, %	**2007**	2006	2005	2004	2003
Finished products (incl. packaging)	91.92	91.74	92.28	91.41	90.89
Material and energy recycling (external)	7.09	7.24	6.54	7.25	7.91
Waste to landfill (non-hazardous)	0.82	0.83	0.97	1.1	0.95
Hazardous waste	0.15	0.17	0.19	0.2	0.19
Emission to air	0.016	0.025	0.02	0.034	0.046
Emission to water	0.001	0.003	0.003	0.003	0.006
Total incoming material	**100**	**100**	**100**	**100**	**100**

In 2007, the high utilization of material in production was maintained.

Total energy/added value



Manufacturing data covers 98% of the majority-owned production facilitites world-wide, unless otherwise indicated. Since the degree of environmental impact is dependent on the volume of production, some indicators are calculated in relation to added value, which is defined as the difference between total production cost and the cost of direct material.

Workplace Code of Conduct

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

Ethical employer and business partner

The Group has established policies and procedures aimed at guaranteeing fair business practices and consistent monitoring of related performance in regard to social responsibility.

Workplace Code of Conduct

In 2007, Code of Conduct training was conducted for human resource, purchasing and other managers in Asia/Pacific, Poland and Brazil. Electrolux Brazil also initiated a local program to inform all Electrolux employees in the country about the global standards in the Code.

The process of reviewing internal Code of Conduct performance continued in 2007. Units in Thailand and China have been audited on-site by internal specialists. In addition, audits in Mexico and Romania were conducted by third parties.

Internal communication and monitoring

The Group has developed an electronic assessment tool, Awareness-Learning-Feedback-Assessment (ALFA), in order to support internal implementation of the Workplace Code of Conduct and to continuously monitor Electrolux units regarding compliance.

In 2007, the ALFA tool was deployed in all Electrolux business sectors to measure how units have progressed in their work with the Code. Business sectors receive feedback as well as suggestions for areas of improvement.

Health and safety

Individual business sectors are responsible for ensuring that health and safety is effectively managed. Local units are responsible for taking action and reporting data in accordance with local laws.

The performance of individual units is monitored and evaluated at Group level in several ways. The ALFA tool is used to assess the current status of health and safety as well as related management practices.

At Electrolux factory facilities, health and safety is monitored through the Electrolux Manufacturing System (EMS).

Responsible sourcing

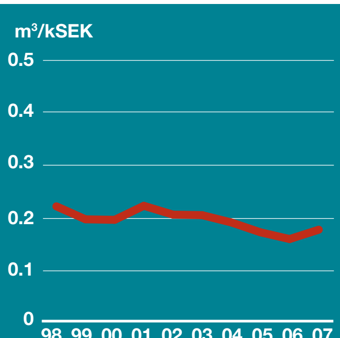
The Electrolux Responsible Sourcing Program helps ensure that suppliers live up to the values defined in the Electrolux Code of Conduct and Environmental Policy. In 2007, the program placed particular focus on activities in Asia. Follow-up audits were carried out with all active Chinese suppliers that were audited in 2005 and 2006. A reduction in the number of non-conformances was recorded in 2007. Training of purchasers and commodity managers was also conducted in China, Thailand and Sweden. The program in Asia will be extended to Latin America and Eastern Europe in 2008.

Restructuring

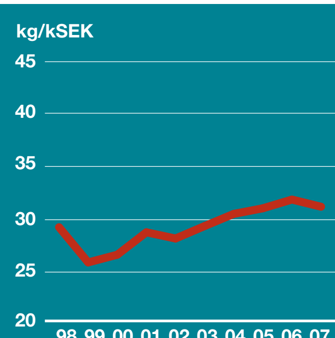
To stay competitive and access new markets, Electrolux is shifting location of production. A decision to close factories or downsize production affects individuals and communities. Responsibly managing the consequences of these decisions is an Electrolux priority.

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 government authorities.

Treated water/added value



CO_2 added value



The Group's CO_2 emissions per added value decreased slightly between 2006 and 2007.

During 2007, factory closures were announced for Fredericia (Denmark) and Spennymoor (United Kingdom). In addition, Electrolux has completed the closure of facilities in Nuremberg (Germany), Adelaide (Australia) and Torsvik (Sweden), that was announced in 2006. Approximately 650 employees were affected. The restructuring procedure was applied at all decisions. Employees were offered pre-retirement schemes, training programs and career coaching that were tailored to their situations.

Setting up operations in emerging economies brings positive changes to local communities. It creates indirect impacts by prioritizing local suppliers, encouraging global suppliers to establish a presence, and by transfering cutting edge technologies to new markets.

Consumer safety and quality assurance

Both consumer safety and quality assurance are included in procedures for evaluating suppliers, product design, selecting materials, testing finished products and monitoring product performance.

The Group has a comprehensive system for collecting information on all safety-related incidents and analyzing them to identify root causes and effects. The majority of these incidents do not represent any risk for the consumer.

Analyses of safety-related incidents have provided the Group with an understanding of how accidents occur. This expertise is integrated in all product development. If analysis reveals a potential problem, the matter is brought to a Sector Product Safety Advisory Committee for evaluation and advice on corrective measures, if needed.

In order to qualify for use, components and products sourced from external suppliers are subject to a 20 step procedure.

Before a product designed by Electrolux goes into production it is subject to a number of qualification tests and quality assurance activities. It is systematically tested throughout production to ensure that it complies with safety and quality criteria. The customer's experience with the product is followed up through the Electrolux Quality Evaluation System. Knowledge gained is fed back into design and production processes.

Sustainability on the web

- Electrolux 2007 Sustainability Report (May, 2008)
- Complete formulations of Electrolux codes and policies
- Communication on Progress, a report on how Electrolux applies the ten principles of the UN Global Compact
- Global Reporting Initiative (GRI) cross-reference (May, 2008)
- Environmental and social responsibility performance indicators
- Restricted Materials List (RML)
- Environmental legislation affecting the Group's operations

www.electrolux.com/sustainability

ALFA evaluations group-wide

	Sent to	Responses
Production units	54	54
Offices/warehouses	89	89
Total	**143**	**143**

Includes all factories and warehouses with more than 30 employees.

Health and safety

	2007	2006
Number of work-related injuries[1]	17.7	13.9
Number of workdays lost due to occupational injuries[1]	251	275
Number of work-related fatalities[2]	1	0

[1] Per million hours worked.
[2] A maintenance worker fatality occured on July 19, 2007, in Nyíregyhaza, Hungary.

The table illustrates key health and safety data for the Group´s operations. In 2007, data was collected covering 53 production facilities and 22 warehouses corresponding to 44,552 employees. The total number of work-related injuries was 1,386 during 2007.

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.

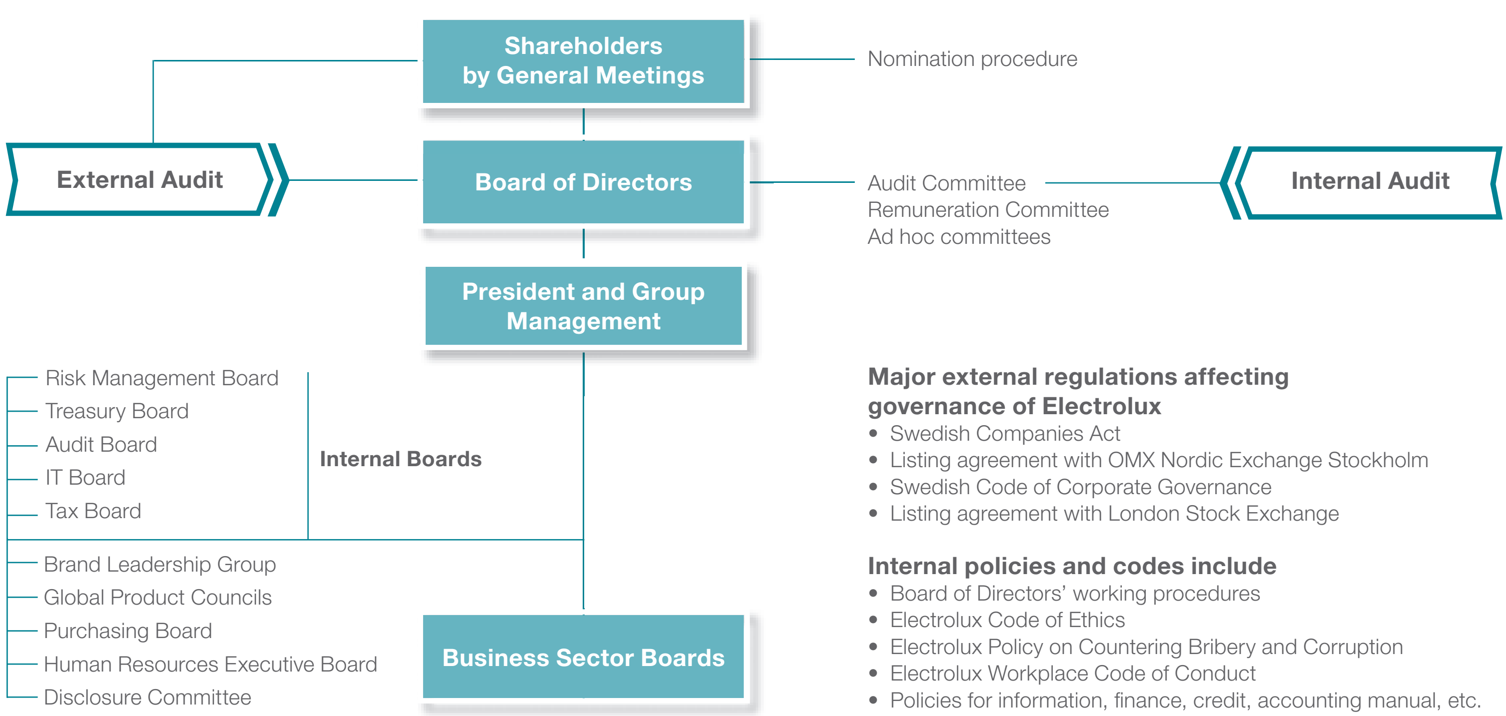
Electrolux applies the code. This corporate governance report is drawn up as a part of the application. The report has not been audited by the Group's external auditors.

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.

At year-end, about 38% of the total share capital was owned by foreign investors.

Source: SIS Ägarservice as of December 31, 2007.

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 Ägarservice 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 depositary 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 Board[1)]

	Nationality	Independence[2)]	Audit Committee	Remuneration Committee	Total remuneration, SEK[3)]	Participation 2007 Board meetings	Participation 2007 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 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: 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, Pågengruppen 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 & Søn 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 Councel 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, se 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:

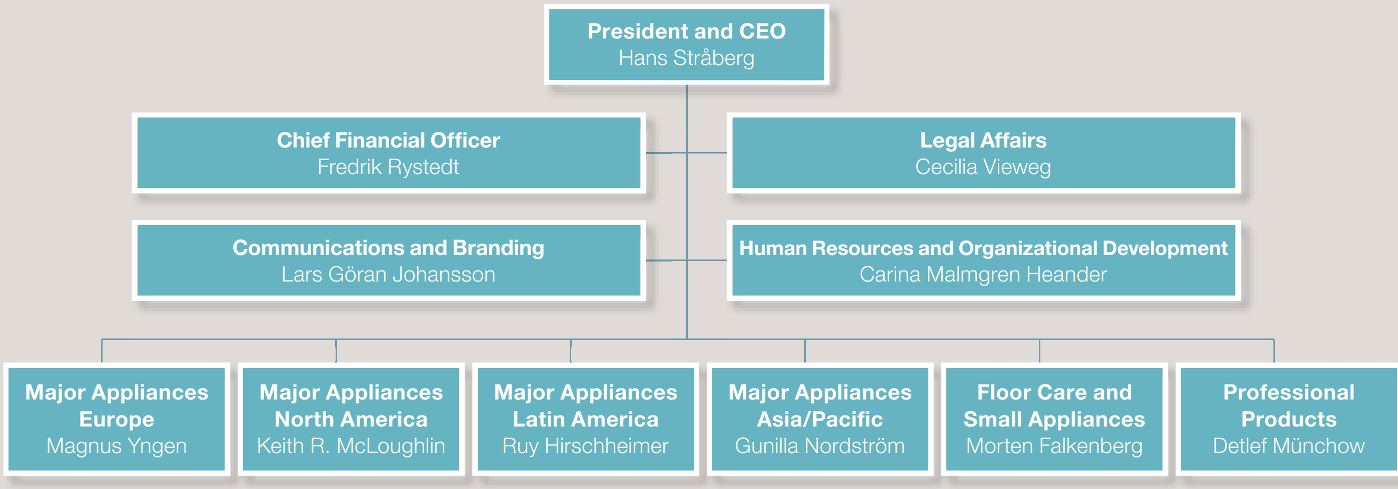
- Overseeing the audit of the financial statements including related disclosures
- Pre-approving audit and non-audit services to be provided by the external auditors
- Reviewing the objectivity and independence of the external auditors
- Overseeing the work of the external auditors, evaluating the external 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 Councel, 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 Wahlin 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

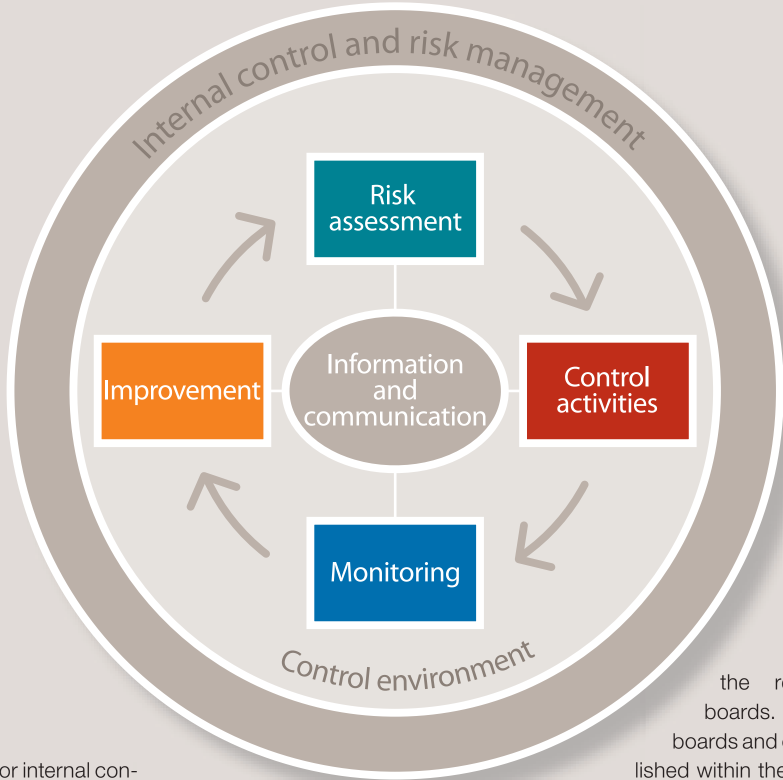
The AGM in 2006 re-elected PricewaterhouseCoopers (PwC) as the Group’s external auditors for a four-year period, until the AGM in 2010. Certified public accountant Peter Clemedtson is the auditor in charge of Electrolux.

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.

Annual General Meeting

The Annual General Meeting will be held at 5 pm on Tuesday, April 1, 2008, 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 VPC AB (Swedish Central Securities Depository & Clearing Organization) on Wednesday, March 26, 2008, and
- give notice of intent to participate, thereby stating the number of assistants attending, to Electrolux no later than 4 pm on Wednesday, March 26, 2008.

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
- 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. Information provided together with the notice will be made subject to computer processing and will be used solely for the Annual General Meeting. Shareholders may vote by proxy, in which case a power of attorney should be submitted to Electrolux prior to the Annual General Meeting.

Shareholders who so wish may order proxy forms from Electrolux under the same address and telephone number as for notice of participation.

Shares registered by trustee

Shareholders, whose shares are registered through banks or other trustees, must have their shares temporarily registered in their own names on Wednesday, March 26, 2008, in order to participate in the Annual General Meeting.

Dividend

The Board has proposed a cash dividend of SEK 4.25 per share and Friday, April 4, 2008, as record day for the dividend. With this record date, it is expected that dividends will be paid from VPC on Wednesday, April 9, 2008, and the last day for trading in Electrolux shares including the right to dividend for 2007 will be Tuesday, April 1, 2008.

Factors affecting forward-looking statements

This report contains "forward-looking" statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such statements include, among others, the financial goals and targets of Electrolux for future periods and future business and financial plans. These statements are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially due to a variety of factors. These factors include, but may not be limited to the following; consumer demand and market conditions in the geographical areas and industries in which Electrolux operates, effects of currency fluctuations, competitive pressures to reduce prices, significant loss of business from major retailers, the success in developing new products and marketing initiatives, developments in product liability litigation, progress in achieving operational and capital efficiency goals, the success in identifying growth opportunities and acquisition candidates and the integration of these opportunities with existing businesses, progress in achieving structural and supply-chain reorganization goals.

www.electrolux.com/ir

On 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 brands as well as about our sustainability work.

Financial reports in 2008

Consolidated results	February 6
Interim report January–March	April 28
Interim report April–June	July 17
Interim report July–September	October 27

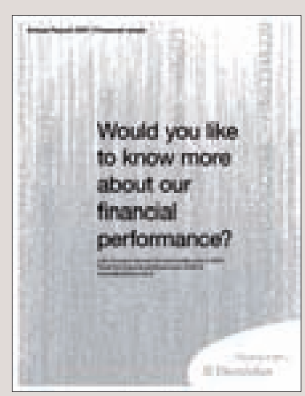
Major events in 2008

Annual report	Beginning of March
Annual General Meeting	April 1

Contacts

Investor Relations	Tel. +46 8 738 60 03 E-mail: ir@electrolux.se

Electrolux Annual Report 2007 consists of two parts: “Operations and strategy“ and “Financial review“.




Temp.
Spin
Cotton
OK
Start/
Pause

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Thinking of you

Electrolux

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