

The Global Appliance Company



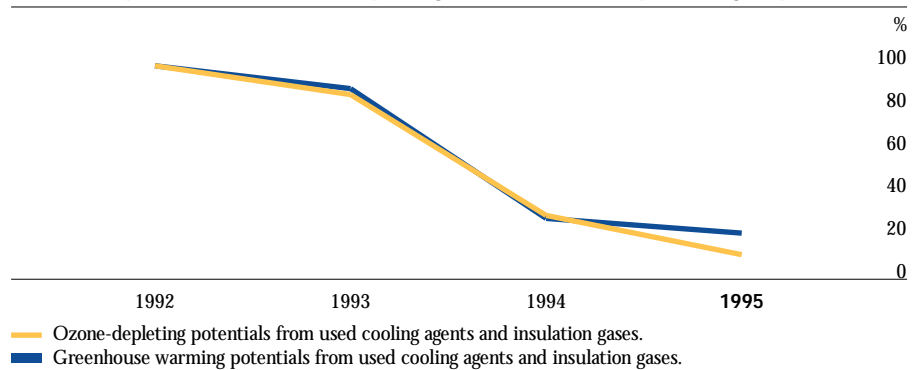
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Environmental milestones 1995

- We launched several environmentally sound products that are market leaders. They include the AEG dishwasher with the market's lowest water consumption and noise level; new catalyzer-equipped products from Husqvarna with significantly reduced fuel consumption; quieter electric lawn mowers and lawn trimmers, and new absorption refrigerators that use up to 40% less energy.
- Between 1993-95 we phased out CFCs ("hard freons") from production in Europe and the United States. We continue to phase out HCFCs ("soft freons"). By the end of 1995, we had completed the work in Europe on household refrigerators and freezers, as well as absorption refrigerators.
- We established a Group staff to oversee environmental questions. The staff will elaborate our environmental strategy and environmental policy, and assist in introducing them into the business strategies of the product lines.
- We decided to base our environmental management system on ISO 14001, the international standard. In 1996 ISO 14001 will become the global standard for environmental management.
- Environmental management systems at several of our facilities were certified during the year in accordance with the British standard BS 7750 and EMAS, the European Union regulation for environmental monitoring and accounting. Electrolux Food Service Equipment in Alingsås became the first ever company certified in Sweden.

Electrolux phase-out of ozone-depleting substances in all product groups



The chart shows relative reductions in ozone-depletion potential and greenhouse effects of total amount of cooling agents and insulation gases used by the Electrolux group from 1992-95. In these calculations, we have taken into account the specific ozone-depleting and greenhouse potentials of these substances as determined by UNEP estimates.

This is Electrolux

Electrolux makes daily life easier, safer and more convenient for customers the world over.

We are the No. 1 global producer of white goods products such as refrigerators, washing machines, stoves and vacuum cleaners.

We are the No. 1 global producer of forestry and gardening products, including lawn mowers, garden tractors, and chainsaws.

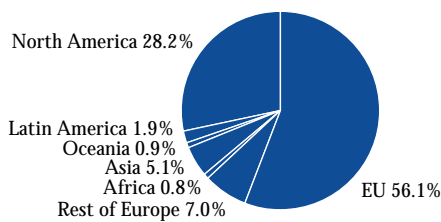
We are the No. 1 global producer of commercial equipment for food service, refrigeration and industrial laundering.

Every year, our worldwide staff of 112,000 produces and sells more than 55 million appliances and equipment, resulting in sales of more than SEK 110 billion. Electrolux has companies in more than 60 countries, with more than 90% of total sales occurring outside the home market of Sweden.

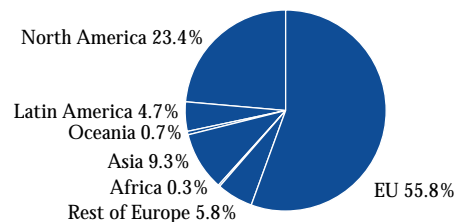
Household Appliances	Commercial Appliances	Outdoor Products
<p>This business area primarily includes all white goods, such as refrigerators, freezers, stoves, ovens, washing machines and dishwashers. White goods accounted for 75% of sales in 1995, and nearly 50% of total Group sales.</p>	<p>The main operations comprise food service equipment for restaurants and institutions, as well as laundry equipment for apartment buildings, laundry rooms and commercial laundries. These products account for nearly 75% of sales in this business area.</p>	<p>This business area includes garden equipment as well as chainsaws and other products for forestry work. Garden equipment includes lawn mowers and garden tractors, as well as portable equipment such as lawn trimmers and leaf blowers.</p>

- The industrial products business area is not included in core operations.

Worldwide sales



Employees worldwide



Sales by business area, billions of SEK	1995	%	1994	1993
Household appliances	75,209	64.9	66,272	58,888
Commercial equipment	11,081	9.6	10,467	10,531
Outdoor products	15,902	13.7	15,237	13,638
Industrial products	13,608	11.8	16,028	17,064
Totals	115,800	100.0	108,004	100,121

Message from the Group President and CEO



Leif Johansson
President and CEO

“Environmental protection is a long-term question of survival for individuals, companies and society. Activities must be adapted to nature’s own limitations in terms of resource use and pollution. Environmental care must be a cornerstone in our operations and characterize our daily work.”

That statement outlines the environmental vision that Electrolux formulated in 1992. This goal underlines policy and strategies that determine how we put the vision into practice.

The laws of nature are immutable. Our activities and products shall be adapted to nature’s own cycle. We will satisfy customer needs without jeopardizing prospects for future generations.

We are convinced that companies adapting to environmental imperatives can maintain and even improve profitability. Adaptation gives us the best prospect for long-term survival.

That is why we decided to lead development toward environmentally sound technologies, at every stage, and in all product areas. Our aim, always, is to use the best available technologies. This not only will meet the challenge of our environmental vision. It will also provide competitive advantages, while improving opportunities to create value for shareholders.

Each year, Electrolux sells around 55 million products. Customer requirements are changing because of enhanced environmental awareness. Customer values are reflected in requirements that will

affect our success. We can be certain that future generations will be more knowledgeable and environmentally aware.

To pioneer development means influencing it. Our environmental activities are directed at anticipating legislation pending in several areas. As market leader, we want to carry out strategic priorities and product development that hasten market demand for environmental orientation. Those products at the forefront of environmental suitability will largely constitute our basic assortment within five years.

Credibility means we need a holistic view of the product life cycle—from raw materials processing and refinement to usage and recovery. This total approach is especially important since 80% to 90% of the environmental impact during the life cycles of our products occurs during their usage.

The total approach perspective also means that environmental questions cannot be referred to a few experts or a particular function. We want to integrate environmental imperatives into management strategy, and into the thousands of decisions that all our employees make.

For many years, industry regarded environmental issues as a threat. Those days are behind us. I am convinced that ecology and economy are two sides of the same coin. All over the world, environmental activities are significant in corporate development. At Electrolux, we regard this as an opportunity and a catalyst in achieving our goals for the benefit of customers, shareholders and employees.

Leif Johansson

Introduction

Per Grunewald
Senior Vice President
Environmental Affairs



“The ultimate purpose of our proactive Environmental Strategy is to create shareholder value based on sustainable competitive advantages, responding to growing awareness and expectations among our customers.”

Environmental management concretizes our visions, values and ambitions to meet and exceed customer expectations, while providing shareholders good dividends on risk capital.

Our newly instituted environment staff is developing strategies for the entire Group in cooperation with operational units. Competence and technology now being developed will enhance our competitiveness, both in the short- and long-term.

A long process of change has commenced. Most of our strategies have been determined. We are now working intensively to integrate them into our operations. We are coordinating and facilitating these strategies into our product lines, companies and factories. We are continuing to improve work methodologies.

This environmental report provides an overview of our values and policies. It describes ongoing work in developing structures, knowledge, methods and tools for environmental implementation.

The work proceeds on the basis of integration, step-by-step implementation, measurability and scientifically based principles:

- Environmental activity is integral to our business strategies. It is also

integral to the value-added chain that starts with raw materials and concludes with product usage and recycling.

- Step by step, we are synchronizing environmental activities with development of long-term commercial and technical solutions.
- Our activities will be measured by systems that take into account the entire value-added chain — focusing on the environmental effects as well as business results.
- Our aims and methods will be built on the latest, scientifically verified procedures. We strive for long-term improvements both for the environment and our customers.

This document is our first formal environmental report. It aims at improving understanding of our working methods, and describes the results we are achieving. We will issue an environmental report every year. We hope it helps create confidence among interested parties dealing with Electrolux.

This report explains how we have succeeded so far in reducing environmental impact. Product usage, in partic-

ular, has considerable impact — 80% to 90% in the perspective of a life cycle. That is why we detail our efforts to improve the environmental performance of products. We also explain internal environmental activities linked to processes and factories.

This report encompasses the entire Group with the exception of Gränges, which is regarded as a financial undertaking.

Electrolux is a global company. We are found in virtually every country, each with its own culture and legal system. We are also expanding rapidly in new markets, usually through acquisition. Our corporate culture is an extremely complex reality consisting of old and new units and operations with very different stages of maturity — particularly in the environmental field.

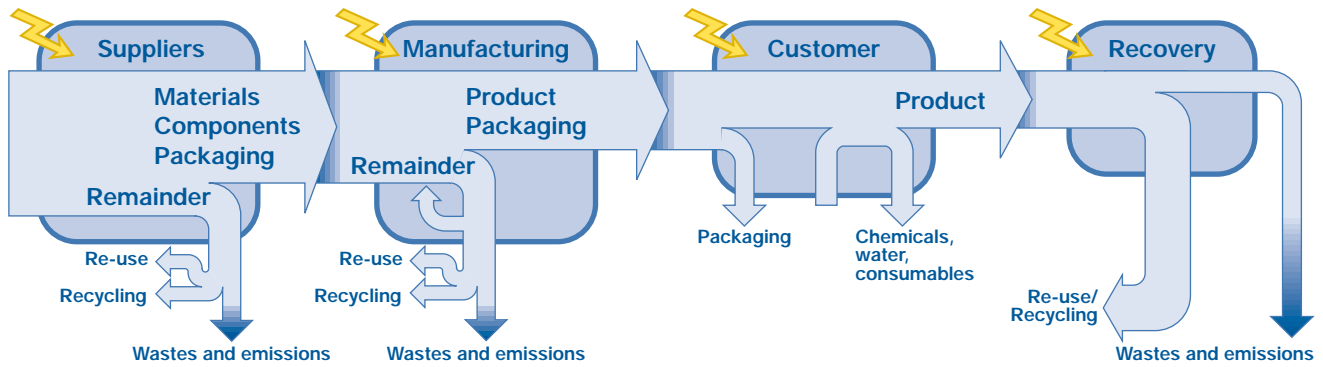
That does not affect our environmental goals. These goals apply to all our operations. But the pace of change obviously varies from country to country.

This report reflects our structures for implementing environmental strategies. The report is also meant to create meaningful dialogues with the world beyond our doors.

Per Grunewald

Electrolux and the environment

Total approach based on the life cycle philosophy...



Our efforts are founded on a holistic approach to the environmental impact of products during their entire life cycle. We are working toward a sustainable society characterized by effective production and based on life cycles. Environmental work includes the flow of materials and energy. This starts with suppliers and continues through the entire value-added process, including wastes and emissions.

Total approach

Viewpoints about environmental activities have changed in the past 10 years. Manufacturing facilities and referral sites were then regarded as problems.

A total approach now prevails. This includes global, regional and local ecosystems and human impact and interaction. The impact of products in a life cycle perspective is a key question. We are working towards a sustainable society based on productivity and life cycle philosophy.

Our environmental work is holistic. It is the basis for development of visions, strategies, methodologies and an understanding of operations. It is inspired by the life cycle philosophy and systems overview found in the principles for sustainable development put forth by The Natural Step Foundation.

We are developing tools and methods to systematically assess the total environmental impact of products and operations. With these procedures, we will be able to identify and prioritize measures. Electrolux has also actively participated in developing methods for life cycle analysis.

The function in focus

The total approach focuses on the product, its function and usage. Determining environmental impact in relation to product performance is essential in selecting appropriate environmental initiatives and priorities.

All our products share a common characteristic. They satisfy human needs by performing a function that makes daily life easier and more comfortable. Products use energy. In many cases, they rely on water and chemicals such as lubricants, and laundry and dishwashing detergents.

Energy and additives have their own life cycles with varying degrees of environmental impact. Life cycle analyses shows that the environmental impact of a product in use is far greater than during manufacturing or recycling. This insight has helped us prioritize work that systematically reduces the total environmental impact of a product. But we never neglect small environmental problems just because there are larger ones. We work tirelessly to reduce environmental impact in all stages of the life cycle.

What is Electrolux doing for the environment?

Resources and the eco-systems

We want to reduce our use of resources—fossil resources (metals, oil and minerals), liquid resources (water) and renewable resources (plant life, forests).

The debate about resources used to focus on the depletion of oil and coal. The discussion now tends to be directed toward questions of despoliation or destruction caused by emissions and pollution. We must reduce emissions by deal-

ing more sensibly with resource usage. We must protect our eco-system, recover harmful substances, and create a life cycle for materials as we move toward greater efficiency.

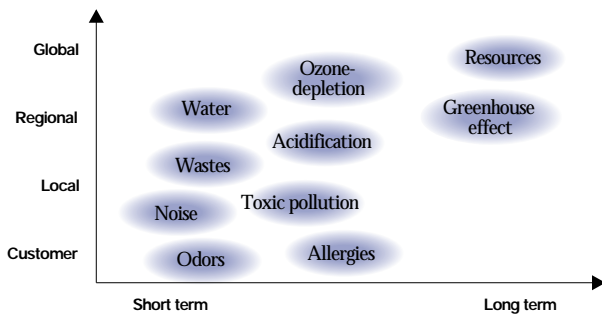
Electrolux products are primarily made from metals, glass and plastics, which are derived from fossil resources. We are developing and fine-tuning the life cycle for materials, and recycling. We also want to adapt product usage to nature's requirements by using resources more effectively, using energy sources better, shifting to acceptable chemicals and additives, or rendering usage of harmful substances unnecessary.

Climate and atmosphere

Over the past decade, intensive extraction and utilization of fossil fuels have demonstrated that human activity affects the earth's atmosphere.

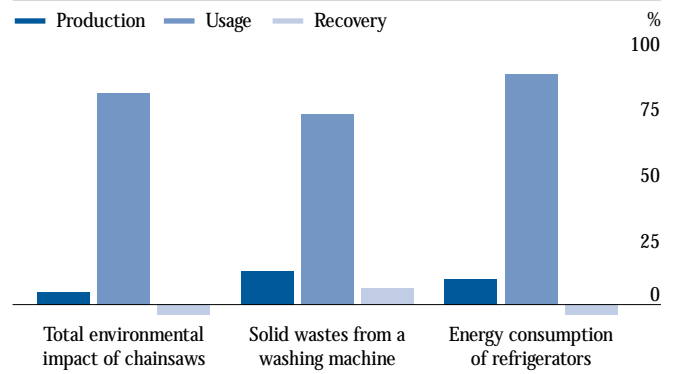
- Increasing numbers of researchers believe that emissions of carbon dioxide, methane, CFCs and other greenhouse gases will alter the climate.
- Release of chlorinated and brominated compounds such as CFCs periodically depletes the ozone layer which shields us from hazardous ultraviolet radiation.
- Substances such as sulfur and nitrous oxides released primarily

... which encompasses total environmental effects



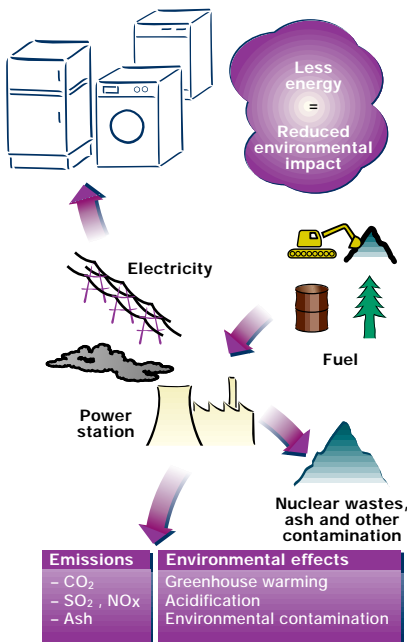
The holistic approach means we consider both long-term global environmental questions, as well as close-at-hand problems experienced directly by customers.

Environmental impact is greatest when the product is used



Systematic analysis of the life cycles of our products shows that usage usually accounts for the biggest impact on the environment. Bars on the left illustrate a life cycle analysis utilizing EPS methods. Middle bars summarize wastes by weight and the bars on the right summarize energy usage.

from combustion processes result in smog, acid rain and fertilizer saturation. Emissions from solvents and other hydrocarbons result in smog and ground ozone, creating health hazards and environmental damage.



We have taken many initiatives to reduce atmospheric emissions, including the phasing-out of solvents and CFCs. Most importantly, though, we are making our products more energy-efficient. They consume less fuel, derived either directly or indirectly from electricity production. This reduces emissions into

the atmosphere. Exhaust gas filters and catalyzers also reduce some types of emissions from our motorized products. In addition, we release fewer emissions by transporting materials and products by rail instead of truck, whenever possible.

Water and soil

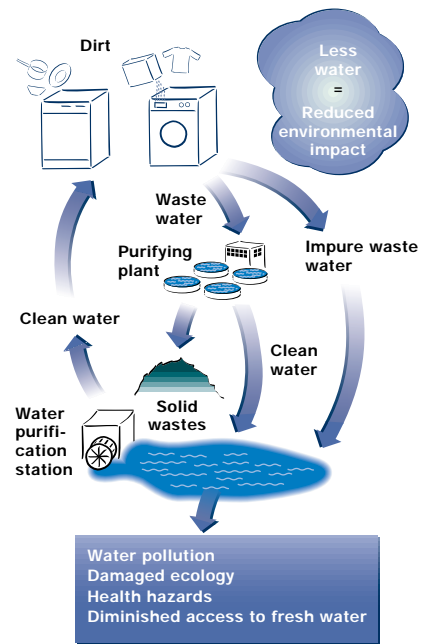
Water pollution damages the environment and diminishes available resources. Emissions have affected animal and plant life in seas and lakes. In addition fresh water is a scarce commodity, over-exploitation, release of chemicals and heavy metals contribute to eutrophication and acidification reducing available reserves.

Many land areas have higher concentrations of detrimental substances because of direct emissions of chemicals and metals. The circulation of air and water disperses these substances over vast areas.

For decades, Electrolux has sought to improve our production processes in order to reduce emissions into water. We are putting pressure on our suppliers to follow suit.

With our washing machines and dishwashers, water consumption has decreased dramatically. At the same time, washing detergents have become friendlier.

The risk of dispersion of harmful substances means that we try not to use



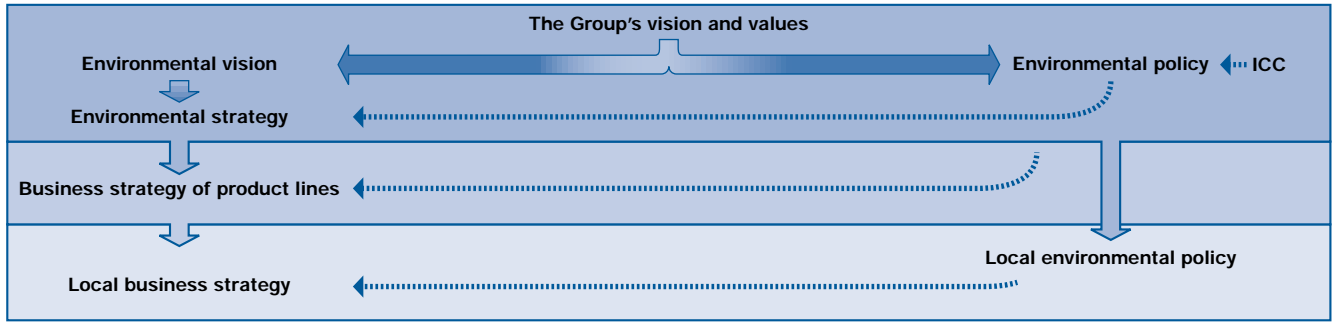
them. At the same time, we are creating a cycle for materials and safe waste handling.

Human environment

We should not define the environmental concept too narrowly. We are also dealing with the work environment and the customer's immediate environment—along with the more ecologically-framed questions. That is why we also take into account ergonomics, noise, vibrations and odors when dealing with the work environment issue. Hence, quiet dishwashers and vibration-free forestry equipment are also included in our total perspective.

Environmental vision, environmental policy and environmental strategy

Environmental work within the Group



Electrolux achieved its position of global leadership primarily through acquisition of other companies over the years. A cornerstone of our continuing development is a corporate culture built on a shared vision and shared values.

We are developing all our strategies and activities within the frame of our established visions and values. This plan describes products Electrolux will sell, and which features we will integrate into our work patterns and corporate culture. One of the five key values expresses the strategic importance of the environmental question. The other four provide guidelines for conducting environmental work.

Environmental vision and policy

The values comprising our environmental policy are linked to the principles for sustainable development adopted by the United Nations environment conference in 1992 in its Rio Declaration on the environment and development. Other important sources of inspiration have been the International Chamber of Commerce's 16 principles for sustainable development, as well as The Natural Step Foundation's basic principles and systems conditions.

Our environmental policy applies to all operations worldwide. Local policies apply in various situations, but are subordinate to basic global policy. We also assist in interpreting or clarifying complex questions and, in some cases, communicate this externally.

Environmental strategy

Operationally, our strategy reaches down to the product line level. Strategy is determined at the Group level in some instances, and is then applied to all operations worldwide. Product line strategies are tailored to specific conditions.

We have formulated a concise but far-reaching environmental strategy. Electrolux pledges to:

- be a leader and driver in environmentally sound technology, products and processes.
- actively develop demand through use of environmentally sound products.

Leading development means we will be able to offer customers the most environmentally suitable alternative. At the same time, we will continually improve all products and processes.

To encourage demand is a challenging task in those markets where environmental awareness is still in its infancy. There are only a few countries, in Europe, where environmental considerations influence consumer demand. But development in this direction is definitely underway in many other countries.

The ultimate aim of our environment strategy is creating value for shareholders. We build enduring competitive advantages by increasing customer awareness. Good examples are product performance and competitive solutions that gradually reduce environmental

impact, compared to solutions from competitors.

Society is being forced to forge firmer links between environmental impact and costs. As a global leader, Electrolux can help introduce better environmental standards. Increasing competitive pressure means accelerating the rate of transition. The abandonment of ozone-depleting substances in refrigerators in Europe has occurred in just half the time required by legislation.

More efficient resource utilization can also create enduring competitive advantages. The concept "more for less" characterizes the direct link in the system to economics, and embraces virtually everything—from the energy efficiency of a product to efficiency in major factory systems.

Application of strategy and policy in the developing world

Electrolux is rapidly growing in Eastern Europe, Asia, South America and Africa. In these new markets, environmental awareness is still low. The competitors are usually local, with limited understanding of environmental questions.

Since our environmental policy is global, we will contribute both know-how and capital to provide more environmentally-suited technology. Deficiencies in local industries and social structures may sometimes slow down the transition to better environmental technology.

Vision of the Environment

Protection of the environment is a key to long-term survival for the individual, for corporations and for society in general. All our activities must be adapted with regard to the limits that nature can accept in the form of resource consumption and pollution. Care for the environment will be a continuous component of our operations as well as the hallmark of our daily work.

Growth in consumption of non-renewable raw materials and natural resources cannot continue indefinitely. Our operations and our products must be integrated in a cycle, so that we can satisfy the needs of our customers without jeopardizing the prospects for future generations. The keywords for our operations are therefore resource-efficiency and recycling. We are going to meet our customers' expectations for safe, environmentally sound products, and we will actively distribute information aimed at stimulating demand for these products.

Good profitability generates resources for the development of technology that makes a dynamic contribution to a harmonious relationship between society and nature. Resource-efficient production and far-sighted product development will contribute to maintaining our competitive position in the future as well.

Environmental policy

Responsibility

Our role as a company is to fulfill the needs of society that generate demand for our products. This involves a responsibility for contributing to sustainable development by continuously improving our products and our production processes from an environmental perspective.

Precaution

Precaution must be our guide for all development and production within the Group, in order to avoid irrevocable environmental impact. This requires a cautious approach to activities which might have a serious environmental impact.

Total Approach

We must adopt a total approach in our operations, based on knowledge of every phase of the life cycles of our products, from raw materials and production to use and recycling. We must choose the options that minimize negative environmental impact as well as consumption of raw materials and energy.

Preparedness

Our business development must include an active commitment to development and marketing of products with the least possible environmental impact. As we continuously acquire more knowledge and promote our environmental efforts, we will also be prepared to meet future environmental needs.

Priorities

Our development will involve continuous gradual reduction of the environmental impact of our operations. Our work must be goal-oriented and cost-effective. We will assign priority to our environmental investments on the basis of what is most appropriate in terms of ecology.

Market Leader

Active, far-sighted research and development will enable us to continuously offer products that meet high environmental expectations. An active commitment to the environment, which integrates care for the environment in all our operations and involves a contribution from all our employees, will keep us competitive and will strengthen our position as market leader.

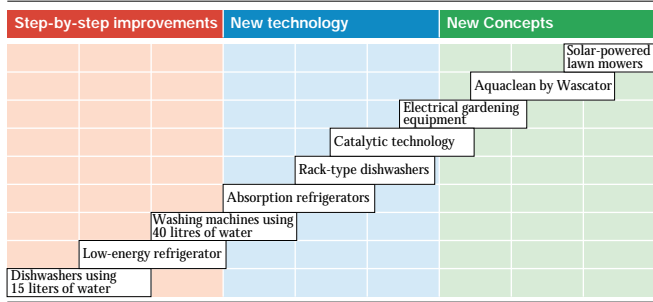
Profitability

Effective use of resources will be a decisive criterion for profitability. Good profitability is a prerequisite for our environmental activities, as it generates resources for investment and development.

Every product line manager is responsible for preparing an action program to insure that the above policy is carried out. The Electrolux Environmental Affairs Committee is responsible for development and interpretation of this policy and for monitoring its implementation.

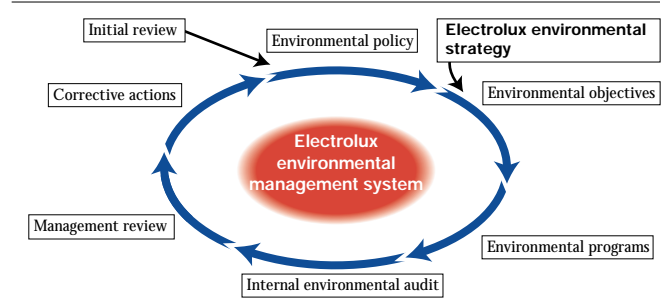
Methods and resources for environmental activities

Product development in three stages for improved environmental performance



Successive environmental performance improvements have been made within existing product concepts. Big improvements can often be made when new technology is introduced. The biggest improvements occur when the new product concept is used to obtain the same function.

Electrolux environmental management system for continuous improvements



The environmental management system at Electrolux is based on ISO 14001. A systematic approach to work that incorporates Group strategy will result in continuous improvements.

Integration of environmental and business strategy

Our analyses suggest that the industrial world is at the threshold of comprehensive environmental adaptation. Calls for still greater environmental vigilance will mean important changes in commercial and competitive conditions. In the future, successful companies will need to identify and explore the threats and opportunities these changes imply for their operations.

Electrolux 20 product lines have various preconditions affecting their business operations. These involve customers, products, markets, and the institutional, social and economic environments. The same holds true for environmental considerations. The degree of awareness, knowledge and regulations varies considerably between customer categories and countries.

The management of each product line must identify the preconditions that apply to the specific commercial situations. These preconditions affect how product lines are integrating environmental management with their overall business strategies.

In 1993, plans were drawn up explaining how each product line would deal with the most urgent environmental questions. These plans have been continually revised and updated.

In 1995, our environmental affairs staff introduced a method that simplifies identification and handling of environmentally related threats and opportunities—in the short and long-term. The method is called the Environmental Change Program (ECP). It is based on future scenarios in different environmental issues.

Two product lines tested the method in 1995—Floor Care Appliances and Commercial Cleaning Appliances. Other product lines are now using the method, which we are refining further.

We are introducing a new procedure for obtaining an overview of the business strategies for product lines. This will integrate other strategies, including the environmental. From then on, individual environmental plans will cease being reported separately, and a first step toward integration will be completed.

Research and development

Research and product development is perhaps one of the most important areas for successful environmental work in the future. How our products actually perform is decisive for our total impact on the environment. That is why continual product improvement is basic to carrying out our environmental strategy.

Our environmental work is based on integration implemented in stages, with measurable and scientifically-based procedures. This is particularly true for research and development. Development will be founded on a scientifically-based understanding of the environmental impact our products exert seen in a life cycle approach. Parallel to this knowledge is the requirement by the market as the basis for projects which result in new product ideas, new technologies or improvement of existing products. Only when the project has been evaluated against various factors—including environmental strategy—can we begin to develop, manufacture and sell the products.

We deal with environmental questions within the framework of the Integrated Product Development Process (IPDP). This is our model for research and product development. This model gives product developers routines and tools to systematically incorporate the environment into their work. They get, among other things, support for project specifications and target formulation, design handbooks, checklists and control points for various phases in the development project. These routines are also integrated into the environmental management system we are introducing.

We distinguish between three levels of innovation:

1. Continual improvements to existing products by fine-tuning existing technologies and materials. This can mean improved energy performance, reduced water consumption or reductions in exhausts.
2. Introduction of new technologies for improving existing products. Examples are electronics and sensors for control of processes in products, Direct Spray for water control in washing machines, catalyzers for chainsaws, and vacuum technology for refrigerator insulation panels.
3. Conceptual changes that redefine the functions of the product. Here, we can make the most significant environmental changes. Examples are the automatic solar-driven lawn mower, and the system that replaces traditional dry cleaning



Five factories were certified during the year. The Electrolux Food Service factory in Alingsås, Sweden, became the first in Sweden to receive the environmental management certificate.



Nordwaggon, partly owned by Electrolux, is an important component in the Group system for international transport of goods in Europe.

with water-based cleaning. These new technologies will set new standards in years to come.

Environmental management system

In 1995, Electrolux decided to institute ISO 14001 as the environmental management system for all facilities before the year 2000. We chose ISO 14001 because it is the only global system. If a local market wants to recognize another system such as EMAS adopted by the European Union, we can adapt, of course.

We currently have some 150 facilities worldwide, including many new ones, that will introduce the environmental management system. The time frame depends on local conditions.

Environmental management systems were instituted and certified at five installations in 1995 in accordance with the British standard BS 7750, and EMAS.

The factory in Alingsås was the first in Sweden, and the Vallenoncello factory first in its line of business in Italy. By year's end, some 20 units were preparing for certification. More than half are expected to be certified in 1996.

Successful environmental work requires a monitoring system that enables management to set targets, draw up action plans and follow up on results.

There are currently two standards (BS7750 and ISO 14001) and the EU's EMAS regulation which describe how such a system should be set up and used. There are many similarities between these standards and the ISO 9001 quality standard.

Basic to these systems is environmental management. It has two dimensions.

On one level, environmental management systems is a management tool: Management defines environmental aspects and policy; sets targets; operational plans and measurements; internally audits the system; judges its effectiveness, and adjusts course settings. This is the aspect of the system that brings about environmental improvements.

The work procedures are documented in the second dimension. Every time an aspect of the production process has an environmental consequence, the work methodology should be documented. Employees should be trained to use the appropriate work routines.

When the system is introduced and operational, it can be certified in accordance with BS 7750 or ISO 14001, or registered in accordance with EMAS. An independent organization reviews the system's effectiveness and results at least once a year.

BS 7750 is a British standard and the oldest. ISO 14001 corresponds almost precisely. But since ISO 14001 is global, it is expected to be the dominant standard in the future. EMAS has won considerable standing in Germany. It differs somewhat from the others, especially the requirement for external environmental reporting audited by an independent organization.

Investments and costs for research and development

The consequences of our environmental strategy mean that the environmental approach will characterize all our operations. This is true, in particular, for research and development. Integration also

embraces investments in facilities.

Against this background, the possibilities are restricted for closely measuring what an environmental investment really is. That type of singling out would undermine the strategy of integration. In other words, environmental efforts must be intertwined with all work and all investments.

In 1995 we invested more than SEK 5 billion in facilities and new products. These investments were made with due regard to routines, policy guidelines and direct application of our environmental policy. The investments will help improve our overall environmental performance.

Those areas where environmental issues significantly influence investments are primarily product development, including investments in tooling and new production technologies.

Suppliers

We ask our suppliers to operate in accordance with the same basic environmental principles as we do. The environmental management system ISO 14001 also stipulates evaluation of the environmental activities of suppliers.

Our purchasing departments will assess the suppliers' facilities. The development units will assess their components and environmental performance based on our environmental targets for product development.

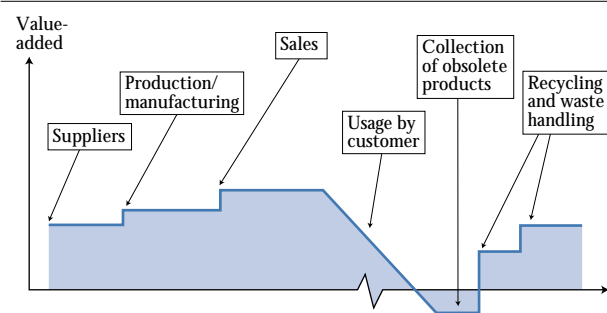
In 1996, we will supplement our global supplier assessments with environmental aspects, regardless of whether the purchasing units have introduced certified environmental management systems.

Methods and resources for environmental activities



Our American companies have developed a returnable container system that is used between the various factories and suppliers.

Value-added chain for products



To bring about concrete environmental and economic solutions in the future.

Logistics and transport

An operation the size of Electrolux requires transport of considerable quantities of components to production sites, and delivery of products to customers.

During the year, we developed our own analysis system of the environmental impact of transport operations. This involved quantifying emissions for complete transport chains, including the effects of loads measured as CO, CO₂, NO_x, SO₂, HCs and particles. The system is a complement to the analysis of internal and external transport conditions.

Analysis shows that rail transport offers important environmental benefits. Energy usage, emissions and demands on surface area are reduced. Safety increases.

We pursued a rail strategy in Europe for many years. Electrolux owns 50 % of the private rail company Nordwaggon AB. The company operates, among other things, special cars for our European white goods transport. Some 75 % of our international white goods traffic in Europe moves by rail. We plan to increase that percentage. We are also increasing collective consignments. Finished products and components for manufacture are relying increasingly on common carriers. We are doing a great deal to increase the efficiency of goods flow. Our American factories use a standardized reusable package system for components. This reduces the need for packaging material.

Intercontinental transport relies to a great extent on ships. In the longer term, sea transport will also play a greater role in moving goods regionally.

But most products reach customers by road transport because of existing infrastructures.

Recycling

Electrolux annually produces about 55 million products. Sooner or later they are no longer serviceable. An important question for the future is the re-use of the materials comprising these products—metals, plastics and other substances. In this perspective, much remains to be done. We are talking about business development, design of recycling sites, information transfers and logistics, improvement of existing recycling processes or developing new ones.

The life of our products is usually split up among many players.

They look for the best economic return without very much cooperation among themselves; recycling and processing of wastes is generally something that no one wants to deal with.

Our view is that products have continuous value, and are excellent sources of raw materials after final use. By focusing on the net value of the products (market prices) at the time of recycling—rather than on the technical questions in recycling—we want to provide market forces with the opportunity to close the life cycle of materials. We believe recycling should be included in the very same business environment as other aspects of the product life cycle.

Electrolux and our partners are developing commercial systems for recycling. We want to create conditions that are ecologically and economically sound. We

have started pilot projects and introduced feasible commercial systems in several countries. The systems are built on coordinated logistics for delivery and recovery. Electrolux in Switzerland offers free collection of products when delivering new ones. Our German companies provide similar services. Other product lines such as Food Service Equipment in Sweden are conducting pilot programs. Several projects are getting underway in 1996.

Consideration is paid to materials selection when designing facilities for recycling, as well as dismantling opportunities and suitability for scrapping. Undesirable materials are removed. Information and labeling of materials facilitate recycling.

Recycling processes are being developed rapidly. It is our responsibility to contribute, since we understand the products so well. Cooperation with the recycling industry makes solutions all the more effective. Easy access to information about our products and their composition also contributes to improved recycling.

Communication

We communicate on three levels: corporate (of which this report is an example), brand level and product level.

Since most environmental impact occurs during product usage, we have decided to prioritize communications about the environmental performance of the products.

Our environment strategy is to develop, produce and market leading pro-

Raw material sources for future products



Electrolux products contain attractive and recyclable material. By refining design and development of recycling processes, a greater portion of our products can be re-used at lower costs, with the least possible degeneration of materials quality.

ducts from an environmental perspective. A key to the strategy is to thoroughly explain the importance of protecting the environment and how our activities impact it. That is why we are developing information systems and methods for environmental communications that are based on transparency, differentiation and function. This means that:

- We seek open product-related communications based on analysis and scientifically-based facts.
- Communications should make it possible for the customer to make product comparisons at the point of purchase.
- Communications shall describe environmental impact in relation to product function. It then becomes possible to gauge environmental impact and product usefulness.

In 1995, The EU introduced a system for energy labeling of refrigerator products. The system permits customers to compare products in the store. Similar systems are also in the pipeline for dish-washers, washing machines and stoves.

Buyers in the construction, real estate and retail industries are requesting environmental declarations for products. We are developing methods to offer these statements when rendering tenders.

Cooperation

Electrolux participates in collaborative arrangements with various degrees of environmental linkage. We participate in external activities—for instance, with

The Natural Step Foundation. We cooperate in research with universities, technical institutes and research bodies in many countries.

Many collaborative arrangements are formalized, and aim to systematically extend our pool of knowledge. We are also contributing expertise in projects that aim at scientific methodological development and practical application of environmental measures such as eco-labeling and recycling.

We encourage all employees to become involved in external environmental activities to support exchanges of knowledge and rising awareness of environmental issues.

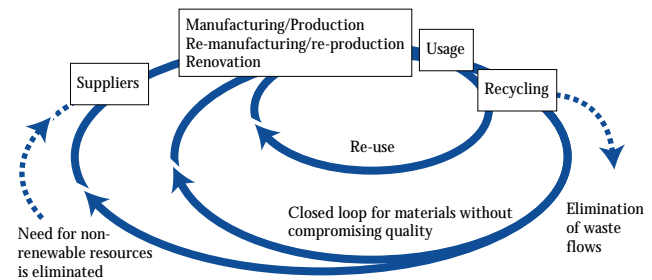
An important aspect of external environmental cooperation is local activities at work sites. These activities often involve sponsorship and have a conservationist tone. In Italy, for instance, we cooperate with the World Wide Fund for Nature (WWF).

Training

So far we have conducted environmental training on the regional and local levels, partly within the EMS system and partly in special programs. In 1993, we carried out a comprehensive program in Scandinavia attended by 600 staff. We have also conducted courses in Germany and Switzerland.

In the autumn of 1996 a comprehensive Group program involving interactive training will be put in place. In this case, we are using our electronic network. The program will be complemented by product and function-oriented training at the

Vision for a closed loop material cycle



In the future, added value is tied more to the function than to product or material flows.

product level.

Targets and measuring methods

The targets we formulate and the measuring instruments we use to monitor target fulfilment are the logical result of our holistic approach to environmental management.

As mentioned earlier, our environmental monitoring system accords with ISO 14001, corresponding to our environmental platform. At the Group level, we have developed three product-linked measuring tools. They will be linked to our economic development:

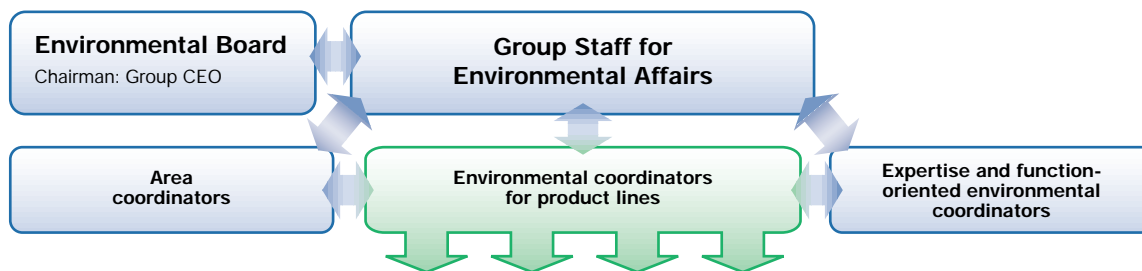
- The share of leading environmentally sound products
- Improvement of products from year to year
- Practical recycling possibilities

The product lines will use the measuring tools, and within each area quantitative targets will be set in relation to business strategies. Targets and measuring tools are primarily intended for internal monitoring. In the longer perspective, we will also provide external reporting at the Group level.

We formulate targets and measure target fulfilment for product lines and production unit levels in accordance with ISO 14001. Group Environmental Affairs monitors the environmental work of product lines, and works toward integration of environmental questions into business strategies and business development of product lines. About half of the products were monitored in this way in 1995.

Methods and resources for environmental activities

Environmental organization at Electrolux



Organization

Our environmental organization introduces and integrates environmental policy and strategy into operational management for all product lines. Working more with processes rather than functions, for example product development, logistics and marketing makes the integration process easier.

We are now introducing environmental strategies into our processes.

The core of our environmental organization consists of environmental coordinators. They report directly to product line management. In most cases, a coordinator has other responsibilities, but in the case of many larger product lines, the job as environmental coordinator is full time.

The product lines have, in varying degrees, devised their own environment networks. They correspond to the requirements of ISO 14001 and will be ready in the next three years. The exception is our operation in North America, which to a large extent already has an active organization.

We are organizing the environmental groups by region. This set-up complements our product line groups. In addition, there are several environmental coordinators operating at the functional level. In all, there are some 70 coordinators.

The environmental board chaired by the Group CEO has overall responsibility for our environmental activities.

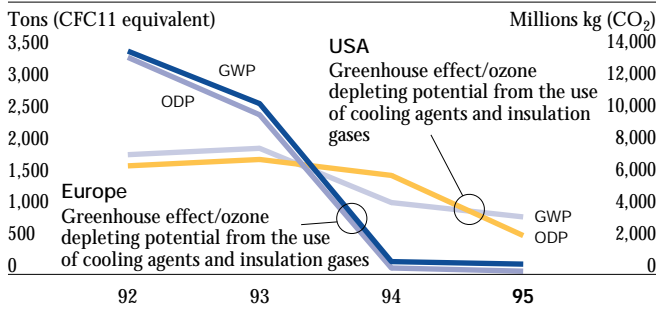
Since 1995, development of strategies and preparation of policy questions have been delegated to a new unit, Environmental Affairs. Their mission:

- Further develop environmental strategies and policies at the Group level for approval by the environmental board.
- Accelerate integration of environmental strategies into the business strategies of product lines.
- Develop and coordinate environmental competence and experience.
- Assume responsibility for external communications on environmental questions.
- Insure that our environmental policy is observed, and, in certain cases, make operational decisions.

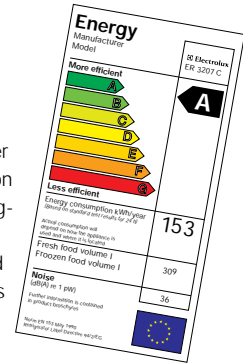
The Group staff consists of individuals who work through the network of the environmental coordinators. This encourages integration of environmental work throughout the Group.

Environmental achievements

Electrolux phasing-out of ozone-depleting substances in refrigerators and freezers in the United States and Europe



A new EU system for eco-labeling of household appliances came into force in 1996. All refrigerators, freezers, and refrigerator/freezer units will bear a label providing information on energy usage and fresh food volume of refrigerating compartments. Energy efficiency is ranked in seven classes where A is best and G worst. About 500 of our European models belong to class A or B.



Household Appliances

The Household Appliances business area is decisive for the Group's total environmental impact, because it accounts for 65 % of total sales. Between 80 - 90 % of environmental impact occurs when customers use these products.

Environmental considerations for these products include energy and water consumption, chemicals, noise, materials and recycling. Product development stands at the forefront in environmental work, and has definitely resulted in improved product performance.

Our life cycle perspective also means that we scrutinize materials and recycling processes. We are simplifying product design, with fewer parts and more recyclable materials.

We have washing machines and dishwashers that are market leaders from the environmental point of view. This includes energy and water consumption and noise levels. Electronic monitoring control has reduced energy use in all product areas.

Product groups

- Refrigerators, freezers, refrigerators/freezers
- Dishwashers, washing machines, dryers
- Stoves, ovens, microwave ovens, ranges, hobs, hoods
- Vacuum cleaners
- Leisure appliances
- Room air conditioning units
- Sewing machines
- Kitchen/bathroom cabinets
- Compressors

Refrigerators, freezers, refrigerators/freezers

Important environmental issues

- Energy
- Cooling agents and insulation gases
- Noise
- Recycling

In recent years the phasing-out of CFCs and HCFCs in Europe has been a priority. It is strongly supported by public opinion and legislation. In 1993 we were the first manufacturer to introduce a complete product range that eliminated ozone-depleting substances.

Since then, technical development of alternative cooling agents and insulation materials has proceeded swiftly. In 1994,

we completely changed the way we manufactured our European refrigerators/freezers. We are moving toward the same goal for our production in America. Reduction of ozone-depleting substances in our refrigerators and freezers corresponds to at least 4 million kilos of CFC 11 yearly.

Phasing-out of CFCs has significantly reduced the negative effect on the ozone layer—along with the introduction of our new low-energy products. The authorities are tightening regulation of energy consumption. Stricter legislation is expected to eliminate poorly performing products in both Europe and the United States.

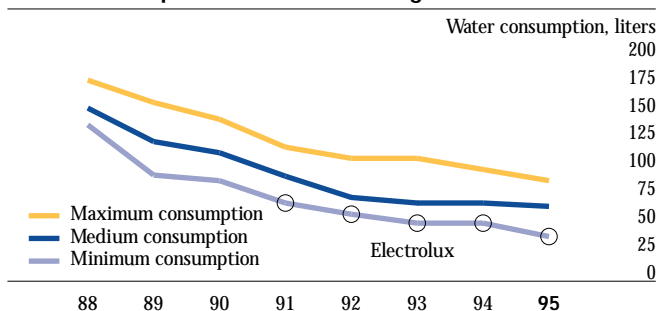
Our conversion to better cooling agents and insulation materials contin-

ues. We are gradually phasing out R134a as a cooling agent in favor of isobutane, a hydrocarbon that is ozone-safe. Its contribution to the greenhouse effect is insignificant. About 30% of European production is now based on isobutane. In Europe, we also are using cyclopentane as insulation gas, another hydrocarbon without harmful effects to the ozone layer.

We are determined to improve the technological opportunities and market conditions for recycling. This work involves design and choice of materials. We have reworked the composition of materials and use fewer fixed parts. This makes dismantling easier when refrigeration units are scrapped.

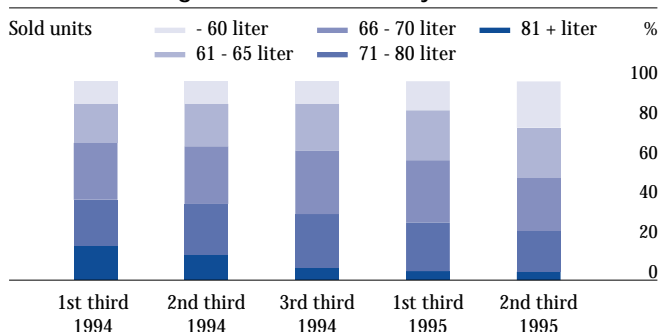
Environmental achievements

Water consumption trends for washing machines



This chart shows the trend in water consumption of washing machines on the European market, where Electrolux has been leader in recent years.

Sales of washing machines in Germany



Success in Germany points to the potential for water-efficient washing machines.

Electrolux has also been a driving force in development technology to deal with cooling agents and insulation gases in old refrigerators. We have set up Svensk Freonättervinning (Swedish Freon Recovery) and contributed to a similar system in Switzerland.

Dishwashers, washing machines, dryers

Important environmental issues

- Energy
- Water
- Detergents
- Noise
- Recycling

Thanks to technical advances, 1995 saw the launch of products that significantly improved environmental performance.

Cutting-edge technology is an important avenue for success, because it often becomes tomorrow's standard.

An example is a new front-loading washing machine that uses only 40 liters of water—just half of what standard products consume, and 20% less than the best competitor. A new technology saves the last cycle's rinse water, and uses it for the next load of laundry. Water volume is automatically adjusted to the load throughout the entire washing cycle. A special spray technology using water circulation saves time, energy and water.

Another example is the new AEG dishwasher, the quietest on the market, which consumes very little electricity

and water. In addition, many components are made from recycled plastic.

Analysis of customer behavior shows that environmental development is linked closely to the market. Germany is a trendsetter. This market has reacted most positively to the introduction of environmentally improved products.

Water-efficient washing machines, for instance, are capturing new market shares all the time.

Stoves, ovens, microwave ovens, ranges, hoods

Important environmental issues

- Energy
- Choice of materials
- Recycling
- Emissions in kitchens

The greatest environmental impact is caused by energy that is used in daily household work. In recent years, product development has been directed toward saving energy. We have introduced electronic controls that reduce energy consumption, including utilizing surplus heat in the oven itself. In an AEG model, the oven compartment can be divided into smaller compartments, which saves energy.

Cleaning of ovens and other "hot" products has long been troublesome, requiring environmentally unfriendly chemicals. We have now developed catalytic enamel and pyrolysis agents that burn away grease and residues at a very high temperature. Other improvements

include more effective fans, carefully selected materials and simpler design for recycling purposes.

An important aspect of Electrolux policy is teaching the customer how to save energy. Boiling water with a lid on the saucepan, for instance, results in energy savings of up to 80%. Other simple measures include using the correct size pan on the hot plate, using the least possible amount of water in cooking, and utilizing residual heat by turning off the oven or the hot plate earlier.

Vacuum cleaners

Important environmental issues

- Energy
- Suction efficiency/filtering
- Noise
- Allergies
- Materials selection

AEG, Volta, Progress and Electrolux launched new models in 1995 with energy-efficient motors. Up to 80% of the plastic parts were made of recycled materials.

For many years we have worked to reduce the noise level and improve filtration. Multiple filter systems and the HEPA filter mean the exhaust air is often cleaner than surrounding air in the room.

We have commenced delivery of vacuum cleaners packed three to a package. Customers carry their cleaners home in a cloth bag that can also be used for other purposes.



New washing machine from Electrolux with a special tank for water recovery offers the lowest water consumption on the market.



Energy-efficient stove from AEG has an oven cavity that can be divided to decrease energy consumption.



Delivering vacuum cleaners in a three-pack saves packaging materials. Customers get a reusable cloth bag to carry the cleaner home with them.

Leisure products

Important environmental issues

- Energy
- Recycling
- Noise

Electrolux is by far the world's biggest manufacturer of absorption refrigerators used primarily in hotels and recreational vehicles. Absorption technology makes it possible to produce small, materials-efficient and completely silent electric or gas refrigerators.

Our new bar refrigerator MiniBar uses considerably less energy than earlier generations. Energy use is reduced by up to 40% because of advanced electronic controls and a new type of vacuum panel used in insulation.

CFCs and HCFCs were completely phased out in the autumn of 1994. We now use cyclopentane as insulation gas.

Compressors

Important environmental issues

- Energy
- Cooling agents
- Recycling
- Noise

Electrolux is the world's biggest manufacturer of compressors used in the cooling systems of refrigerators and freezers. Environmental work has concentrated on energy efficiency and phasing out of CFCs.

Several years of development have

resulted in a family of highly effective compressors which save considerable energy. We also have compressor technology for new, non-CFC-based cooling agents. We now offer a complete line of compressors for the new cooling agents isobutane and R134a.

Air conditioning

Important environmental issues

- Energy
- Cooling agents
- Noise
- Recycling

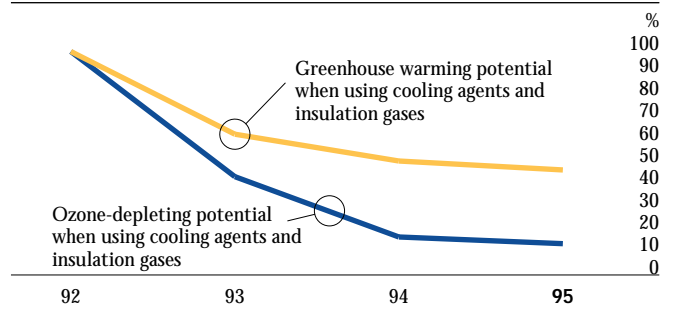
Environmental work has been primarily directed toward reducing energy consumption and noise. The present series from our Edison factory in the United States uses about 18% less energy than corresponding models 10 years ago. Noise levels have also been reduced by about 5 decibels—making these products the quietest on the American market.

Environmental achievements



AquaClean is an environmental alternative to dry cleaning. The method involves washing in water with biodegradable detergents.

Phasing out of ozone-depleting substances used in commercial refrigeration



Commercial Appliances

Companies and organizations offering laundry services and cleaning services, as well as food storage, preparation and cooking. They all use our products for many hours each day. Environmental impact occurs mainly through usage, and certainly exceeds that of household products.

Important environmental issues are energy and water consumption, chemicals used in dishwashing and laundering, recycling, and the work environment.

Efforts to reduce environmental impact are based on studies of daily usage of the products. Technical innovation is the most important means. Innovations include monitoring and optimization of processes in products to reduce resource usage as well as encourage the use of more environmentally friendly chemicals. Environmental improvement is intimately linked to user economy, since reduced resource utilization pays off in the form of lower costs—even if the new products initially cost somewhat more.

Product groups

- Industrial laundry equipment
- Food service equipment
- Commercial refrigeration equipment
- Commercial cleaning equipment

Industrial laundry equipment

Important environmental issues

- Energy
- Water
- Laundry detergent
- Dry cleaning
- Recycling considerations
- Working environment (noise, heat, and odors)

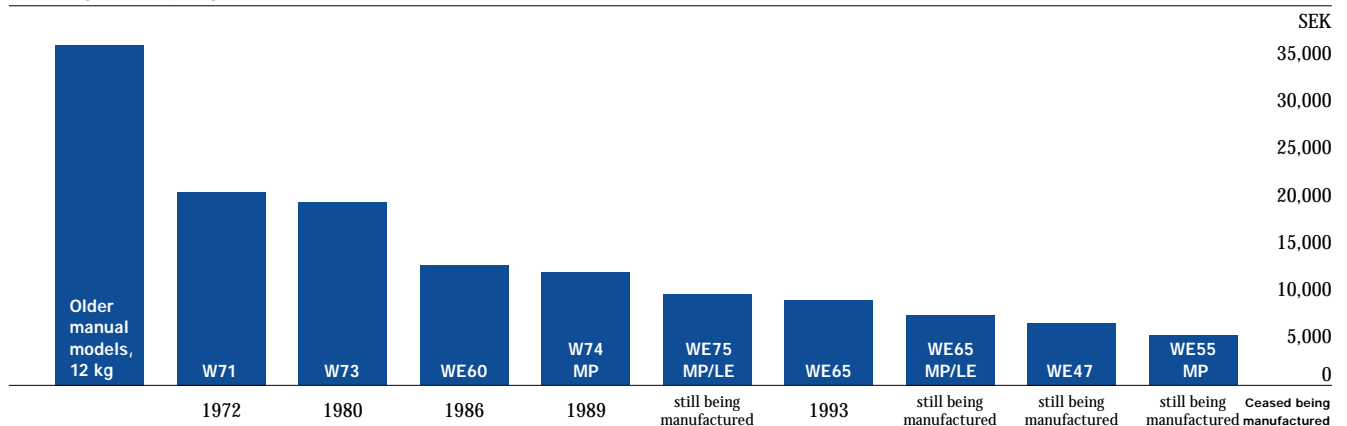
For many years energy savings and other environmental measures have significantly reduced laundry costs. The yearly cost of a machine made in the early 70s—with the same washing volume—is four times as high as current machines.

Environmental improvements are characterized by technological innovations that have improved performances

of many different products.

- Microprocessors control and optimize the washing process, which reduces energy consumption.
- Washing loads are electronically weighed to minimize water and energy consumption.
- Thanks to residual moisture control, dryers stop automatically when the load is dry.

Laundry costs per year



The chart shows annual laundry costs expressed in real terms for a Swedish apartment building with 20 households and 10 kg of laundry per week per household. A selection of models from Electrolux Wascator has been chosen.



Rack-type dishwashers from Electrolux Food Service Equipment with energy-saving device.

Automatic switching to low flame when the pan is removed saves energy.



Electrolux EuroClean supplies a series of eco-labeled cleaning solvents.

Other measures, as well, reduce environmental impact. All plastic and rubber parts are marked to facilitate dismantling and recycling. All packaging is made from recycled materials.

We launched AquaClean in 1993, a complement to traditional dry cleaning. It involves washing in water with biodegradable detergents. This eliminates emissions of perchlorethylene which normally is used in dry cleaning. The system has been developed in cooperation with a German research institute.

Commercial refrigeration equipment

Important environmental issues

- Cooling agents and insulation gases
- Energy
- Recycling
- Noise
- Work environment

From 1993-95 we phased out CFCs in all markets. We will soon complete the phase-out of HCFCs. The phase-out of all ozone-depleting chemicals will then be complete.

Phasing out of CFCs also reduces the product's potential contribution to the greenhouse effect. See the diagram at the top of page 16.

Food service equipment

Important environmental issues

- Energy
- Water
- Detergents
- Recycling
- Noise
- Odors
- Work environment

Innovative technology in recent years has reduced energy consumption and resource usage, while also improving the work environment. One example is the new type of rack-type dishwashers that can be equipped to recover heat from waste water and steam. The extra investment pays off in less than one year, through electricity savings of 25 - 30%. The table below shows savings with the ESD option.

Comparison of electricity, water and detergents use in Electrolux rack-type dishwashers

Model	D55	D580	WT150	WT150 w ESD
Year	-82	-93	93-	93-
Electricity	48,740 kWh	45,860 kWh	31,900 kWh	22,114 kWh
Water	166 m ³	151 m ³	100 m ³	100 m ³
Detergents	270 kg	170 kg	140 kg	140 kg

Annual usage data for various generations of rack-type dishwashers from Electrolux Food Service Equipment is measured on the basis of 500 meals/daily.

In 1995 we launched a new oven that utilizes steam in food preparation.

This oven is available for electricity or gas, and is the market leader in performance. Energy consumption is 50% less compared with earlier models, and at least 30% lower than competitive products. Halving of surface temperature and reducing heat loss also improves the work environment. The oven has been awarded a well-known prize in the industry.

Another innovation is our gas stove with burners that automatically switch to low when the pan is removed. Besides saving up to 25% energy, the unit also lowers the heat levels in the kitchen — a common problem in restaurants.

Commercial cleaning equipment

Important environmental issues

- Chemical usage
- Noise
- Ergonomics
- Energy
- Recycling

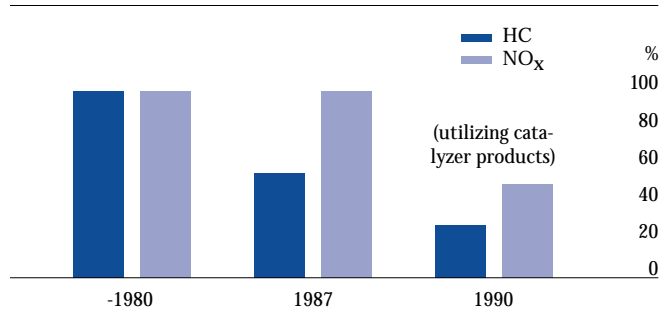
Product development is focused on ergonomic design, noise and the composition of chemical products. Improvements in chemical formulas mean that many chemical products have been eco-labeled. In 1995, our launches included three products that fulfill the requirements of the Swan label. This is the eco-label established by the Nordic Council of Ministers.

Environmental achievements



We use air-cooled two-stroke engines for gasoline powered hand-held equipment. The advantage is an optimal relationship between weight and output, and reliability under extreme conditions.

Exhaust emissions
Professional hand-held small-sized chainsaws



Outdoor Products

For many years this business area has dealt with a broad spectrum of environmental considerations. We have prioritized improvement of the work environment. We have also focused heavily on improving ergonomomy.

New technologies have made it possible to reduce vibrations, improve motor performance and reduce motor weight and noise. We have also reduced emissions by rapidly introducing catalytic technology. In many cases, we have been the first to do so.

The Solar Mower, for instance, entails an entirely new approach that utilizes solar power. Driven by solar cells, its launch has attracted considerable interest.

Product groups

- Saws
- Trimmers and clearing saws
- Lawn mowers
- Leaf blowers and garden vacs
- Cutting machines
- Goods protection

Two-stroke engines

Saws

Important environmental issues

- Work environment (weight, noise and vibrations)
- Atmospheric emissions
- Fuels and lubricants
- Recycling
- Life cycle of organic materials

Meaningful improvements in the environment have occurred over the past 15 years, and particularly with exhaust emissions. The diagram above illustrates normal emissions of HC and NO_x at the beginning of the 1980s. Various improvements have reduced emissions of hydrocarbons and nitrogen oxides by about 60%.

The breakthrough of catalyzer technology has ushered in a new era in the battle against exhaust emissions. In

1990, Husqvarna launched chainsaws with catalytic converters. This was particularly welcomed by users who had experienced respiratory problems.

Together with Aspen Petroleum, Husqvarna has created a specially distilled petroleum that contains 99% less benzene and aromatic hydrocarbons than regular gasoline. Husqvarna is also marketing biologically degradable oil derived from turnip rape. This reduces oil consumption by 40% compared with mineral oil. We sold about 500 tons of our eco-oil in 1995.

More catalyzer products

We strongly believe in the potential of catalyzer technology. We have developed several applications for it. The thermodynamics of engines has been developed and tailored to make catalyzer technology feasible for small motors as well. In 1995, Husqvarna became the first to market brush cutters and trimmers

equipped with the converters. Catalyzers are also featured on riders and mowers.

Electrical and battery products

Important environmental issues

- Work environment (weight, noise and vibrations)
- Energy consumption
- Recycling
- Life cycle of organic materials

Electrical products—both battery-driven and mains—complement our gasoline powered products. An electrical system makes them lighter and quieter, but they do have a shorter user span and are less flexible. Customers usually have their own backyards, and appreciate the low noise levels. Those driven on mains or batteries include chainsaws, trimmers, lawn mowers, leaf blowers and brush cutters.



The program for catalyzer-equipped motor products for gardening equipment was expanded in 1995.

Handling of batteries

Batteries adversely impact the environment if toxic substances like lead and cadmium are not properly disposed of after the batteries cease charging. Electrolux has carried out environmentally sound measures such as:

- Simple dismantling for recycling
- Collections in stores
- Phasing out of nickel cadmium batteries

Solar lawn mower

A new technical advance was made by Electrolux in 1994 with development of the Solar Mower. It is driven on solar cells, replacing gasoline or mains with a renewable energy source.

The Solar Mower integrates developments in several technical areas. Some 34 solar cells transform sunlight into electrical energy. The mower was launched in 1995 on selected markets. We view it as an important advance into tomorrow's technologies.

Noise

Noise is disruptive—particularly at workplaces. Flymo has launched a new generation of quiet lawn mowers and clippers, such as the Venturer rotary blade lawn mower showing a 6 decibel reduction. A reduction of 7 decibels is experienced by the human ear; a halving of the noise level. With the new TC products, the noise level has sunk by 3 decibels. A new leaf blower has a noise

level 3 decibels lower than its predecessor.

BioClip

Husqvarna has launched a new technology for lawn mowers, called BioClip. A mulching blade grinds the grass into tiny bits during clipping. A stream of air then spreads these bits back into the grass, where nature decomposes them. This new composting has created considerable interest, particularly in the United States. The technology is also available for rider lawn mowers. Our company American Yard Products has now introduced the composting blade into its models.

Överum plows

Överum has developed a new generation of plows, the XL. Combined with the heavy furrow press, the plow introduced a new system of cultivation that results in 90% less nitrogen leakage than conventional methods. This also permits plowing in the spring. Labor costs are reduced, compared to other methods, while seeding productivity is increased by 15%.

Goods protection

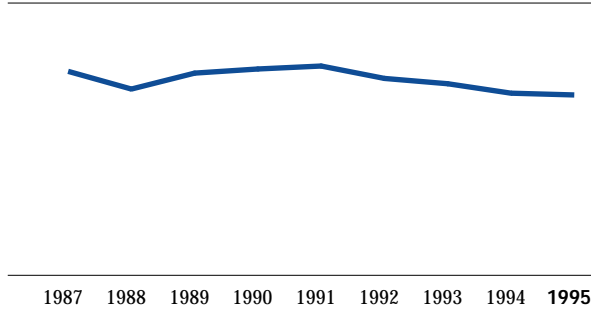
Jonsereds Miljösystem develops, manufactures and markets systems for goods protection and weather protection.

Jonsered is best known for its tarpaulin system, which protects stocks during warehousing, at building sites, and in transport. A rapidly growing

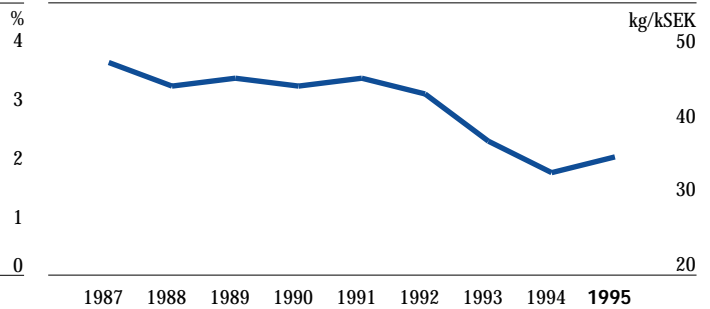
industry consists of systems for "dry" building sites. The entire structure is wrapped in tarpaulin. The work can continue irrespective of weather, while building materials themselves are protected. The savings in time and materials is significant. Another growing market is the system for reusable packaging, where Jonsered has developed solutions for several big retail chains.

Production and facilities

Energy cost for the entire company in % of added value



CO₂ for the entire company per added value



In recent years, Electrolux has continuously improved its environmental performance as measured in energy consumption, water consumption and carbon dioxide emissions (calculated from energy sources used in different countries) in relation to added value. Water consumption has been reduced by more than half. Energy consumption has dropped some 30 % and carbon dioxide emissions nearly as much.

In 1995, however, our environmental impact increased slightly when measured in these terms. Several factors are behind this increase. A certain slowdown in improvements was to be expected because we have now eliminated the most important sources of environmental impact. In addition, we have expanded into new markets during the past two years. Many factories with older technology have been acquired. After a few years of investing in new technology, developing work routines, and transferring knowledge, a noticeable improvement will usually occur in terms of their environmental impact.

Our data is produced by a measuring system for environmental impact in factories, offices and warehouses. This measuring system can never be exact or comprehensive. However, our data still shows a significant and complete picture of considerable progress in the core environmental area.

Energy

Energy consumption has decreased both in relation to our total added value and per heated area of surface (see chart).

Today, heating energy accounts for about a third of our energy consumption. All energy consumption affects the environment. Energy systems primarily based on fossil fuels generate carbon dioxide, a greenhouse gas, that together with other emissions can affect the climate.

The development shows continuous improvements that result from conscious savings in processes in the factories. Environmental improvements go hand-in-hand with cost savings. We invest in machinery, processing equipment and buildings. We operate existing factories more effectively by changing operational times, better use of waste heat from processes, better monitoring of heating the facilities. We also build new, more effective factories that replace the older ones.

An important internal key figure is energy cost per added value. This shows a clear improvement during the past decade. Energy costs are now about 3 % of added value on average for the Group.

Carbon dioxide (CO₂)

The steep decline of carbon dioxide emissions reflects to a great extent our reduced consumption of energy. Figures are calculated as the average of the energy consumed in different countries. The countries' selection of primary energy sources influences the carbon dioxide value. Electricity based on coal receives a higher carbon dioxide value than electricity based on nuclear power or renewable energy sources.

We make deliberate decisions when selecting the type of energy for operations and heating—with the aim to get

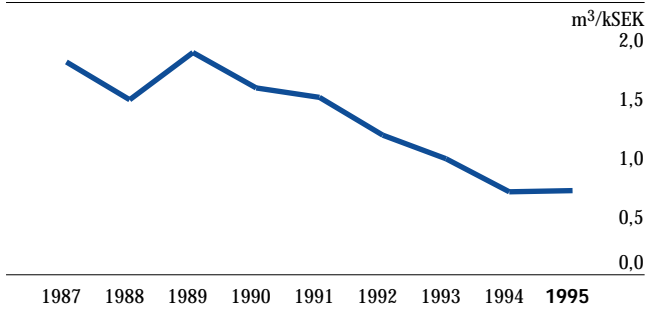
as cost-effective energy as possible. Our utilization of natural gas has improved our environmental performance at the expense of coal and oil. Several plants in Sweden have switched to district heating.

Water

We use water mostly for cooling and flushing in manufacturing processes as well as for testing our washers, driers and dishwashers.

The measurements take into account purchased treated water, or water that we treat in relation to the added value. Again, the illustration shows a continuous decline. From the late 1980s, our water consumption has decreased by more than 50 %. That is the result of daily savings and continual improvements of our processes, equipment and work routines.

Water consumption for the entire company per added value



Key figures, environment

Year	Number of units	Energy consumption				CO ₂ /added value kg/kSEK	Water/added value m³/kSEK
		Per added value kWh/kSEK	Per heated surface kWh/m²	Energy costs % of added value			
1987	91	184	637	3.45	47	1.8	
1988	100	168	630	3.15	44	1.5	
1989	137	166	634	3.42	45	1.9	
1990	150	160	615	3.49	44	1.6	
1991	156	156	609	3.54	45	1.5	
1992	156	149	609	3.33	43	1.2	
1993	165	128	608	3.24	37	1.0	
1994	181	112	585	3.08	33	0.7	
1995	173	117	587	3.05	35	0.7	

Electrolux key figure calculations

Environmental impact in manufacturing units is accounted for at the corporate level with the help of six key measurements combined. At the local level, there are other measurements that reflect local conditions. These are not followed up at the corporate level. Because much of the environmental impact is related to production volume, it is natural that calculations are made in relationship to added value—defined as the difference between total manufacturing costs and direct material costs. The use of added value makes the measurements take into account changes in the production structure, both locally and at the corporate level.

Key figures can briefly be described as:

Energy costs per added value shows the share of energy cost. Measured as a percentage.

Energy consumption per added value shows how much energy is required per 1,000 SEK in value to a product. Measured in kWh/kSEK.

Carbon dioxide emissions per added value shows the amount of carbon dioxide emitted by the energy consumed. The value is calculated, and consideration is given to the different types of energy that are used, as well as the different countries' carbon dioxide equivalents for electricity. Measured as kilograms per kSEK.

Water consumption per added value shows the use of treated water, as measured in cubic meters per 1,000 SEK.

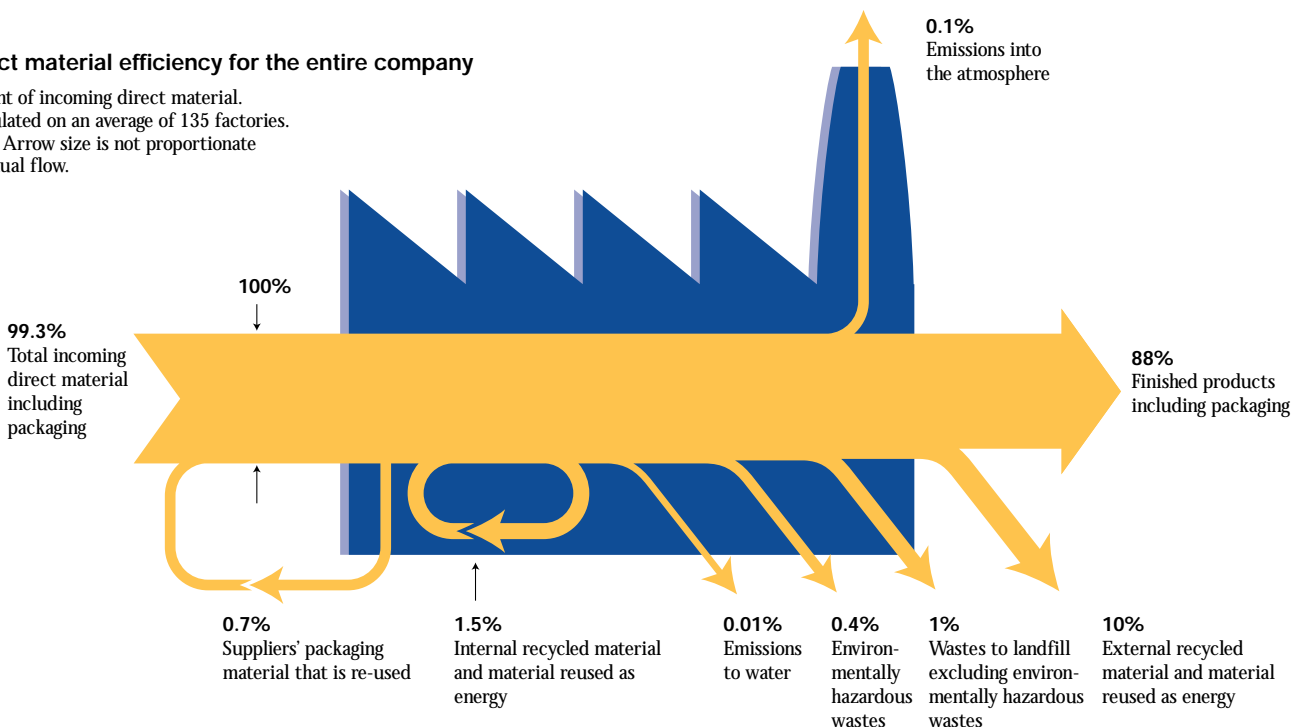
The following key figures not related to added value are also used.

Energy consumption per heated area shows how much energy is used for heating and production per square meter of heated surface. Measured as kilowatt hour per square meter.

Direct material efficiency shows how much direct material is included in the end product (i.e., a measurement of the efficient use of resources). Measured as a percentage. This figure is illustrated with the help of the input-output balance.

Direct material efficiency for the entire company

Percent of incoming direct material. Calculated on an average of 135 factories. Note: Arrow size is not proportionate to actual flow.



Production and facilities

Direct materials flow balance

The material flows balance shows combined resource flow in the Electrolux manufacturing systems. We include 135 units or about 90 % of the surface area in our factories, and their consumption, manufacturing and the residuals of material that either go to landfills or are emitted into the air or water.

The balance measures the efficiency of resource use. The figures show that 113 kilos of material are required to produce 100 kilos of product, for example, a refrigerator or lawn mower. Of those 13 “extra” kilos, 11 go to recycling, mostly as scraps from cutting metal trimmings. The rest goes into landfill or is emitted into the atmosphere or water.

Measurement system for manufacturing and plants

To be able to continuously follow our environmental results as well as direct, monitor and manage, Electrolux has elaborated a series of measurement methods. They register the development at the product line level and of each indi-

vidual unit. Some are well established, for example, measurements for energy and water consumption. Others are under development (e.g., reporting of material balance, wastes and environmentally hazardous substances).

The measurement system is now used to set goals for units, product lines and the entire company with a strong link to business operations. This way, they become integrated with the management system that steers activities toward profitability and increases value for the shareholders.

The system measures products’ environmental development and their prerequisites for recycling. It also measures our environmental impact on manufacturing. Accountability for environmental impact during manufacturing is based on standardized reports from factories and warehouses with more than 1,000 square meters of heated area. In the 1995 report on energy consumption, water consumption and carbon dioxide emissions, about 97% of our total building surface was included. The report has existed for a

decade and is very accurate.

We are now adapting reporting of other types of environmental impact to the requirements that introduction of environmental management systems and environmental certification put. It is based on the analysis of the environmental aspects that is the beginning of the certification process. The most important indicators are followed up at the corporate level. The measurements of other environmental impacts are new for 1995. Figures indicated here are based to a great extent on the estimates made by the factories.

The goal is to have measurements with high reliability within three years.

Accounting of measurements beyond energy, water and carbon dioxide emissions represent about 90% of our total factory surface area. Measurements are reported irrespective of whether the unit has introduced an environmental management system. Sites and product lines involve more environmental measurements than the Group, because many are operations-specific and cannot be aggregated at the corporate level.

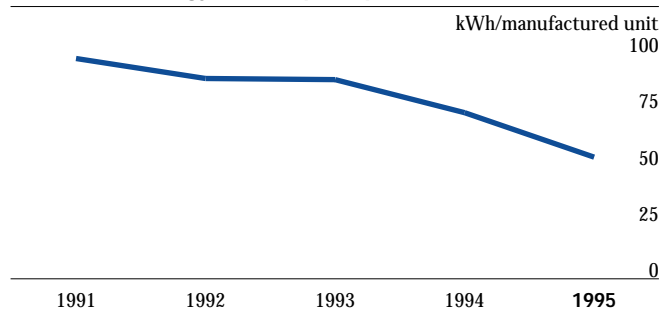
Direct materials flow balance 1995 (in thousands of kilos)

Country, Region	Number of factories	Input		Output						
		Direct material*	Finished products	Waste				Landfill	HW**	
				Internal		External				
Recycled	Incinerated	Recycled	Incinerated							
Austria	3	325	280	0	0	45	0	0	0	0
Denmark	6	3,257	2,573	1	0	618	0	27	39	
Finland	4	8,978	7,968	0	0	798	60	110	21	
France	7	49,344	44,447	2	0	3,819	1,037	20	0	
Germany	9	158,092	136,726	1,226	0	20,314	123	266	541	
Great Britain	3	35,101	30,801	426	0	2,930	0	1,233	9	
Hungary	3	55,418	50,128	5,000	0	3,668	0	1,301	237	
Italy	23	530,736	451,276	3,045	0	72,143	583	3,050	2,459	
Luxembourg	1	4,432	4,390	0	0	40	0	2	0	
Norway	5	11,487	10,266	0	0	1,062	22	133	3	
Spain	5	102,725	85,808	0	0	16,128	10	689	3	
Sweden	23	136,763	118,818	2,342	1,303	12,756	1,097	2,044	653	
Switzerland	4	8,212	6,975	20	0	1,117	120	0	0	
Total Europe	96	1,104,871	950,456	12,062	1,303	135,439	3,052	8,875	3,965	
North America	34	1,074,351	976,609	20,525	1,400	75,835	286	15,038	3,803	
South America	3	171,232	155,903	300	0	13,269	0	290	1,010	
Other	2	18,059	12,293	18	0	5,766	0	0	0	
Total Group	135	2,368,514	2,095,261	32,905	2,703	230,309	3,338	24,203	8,778	

All values are in 1,000 kg. Zero means that the value is less than 1,000 kg. The figures in the chart come from 135 of the company's factories which correspond to about 90% of the company's total surface area in the factories. In some cases, information regarding the balance is based on the factory's estimate when exact data was unavailable.

Rapid environmental improvements at Lehel

Lehel, total energy consumption per unit



Ground cleanup

Following corporate acquisitions, we inspect the environment and test the soil and ground water. If we detect contamination, we initiate a cleanup program together with local authorities.

An example is the acquisition in 1991 of Lehel, the Hungarian manufacturer of refrigerators and freezers. The operation had previously caused widespread contamination in soil and ground water. During a three-year period, we cleaned 120,000 cubic meters of soil polluted by solvents and heavy metals. In addition, we have invested in new pro-

cesses and machines that provided energy savings and reduced water consumption.

The energy consumption curve per produced unit shows a typical pattern at a factory that we have acquired in a new market. The first year's investment often yields dramatic results. After that, manufacturing increases significantly and environmental improvements slow down. After a few more years, the new manufacturing is trimmed and environmental improvements accelerate once again with new preconditions in a new manufacturing situation.

Consumption of oils and solvents in the production process 1995 (in thousands of kilos)

Emissions	
Air	Water
0	0
0	0
21	0
1	20
52	70
128	0
84	0
1,224	1
0	0
1	0
82	5
75	17
0	0
1,668	113
1,164	216
758	2
0	0
3,591	331

Country, Region	Number of factories	Chlorine-based solvents	VOC, volatile organic compounds	Oils
Austria	3	0	0	2
Denmark	6	0	0	14
Finland	4	0	4	6
France	7	33	11	35
Germany	9	15	1	244
Great Britain	3	102	1	518
Hungary	3	16	66	20
Italy	23	67	193	808
Luxembourg	1	0	0	0
Norway	5	0	4	8
Spain	5	6	70	296
Sweden	23	45	786	153
Switzerland	4	3	0	6
Total Europe	96	288	1,136	2,111
North America	34	59	291	1,693
South America	3	79	53	111
Other	2	0	0	5
Total Group	135	426	1,480	3,919

* Direct material bought for production to be included as a product component.

** Hazardous waste (HW) that requires special handling. Different countries have different legislation about environmentally hazardous waste disposal.

Glossary

Acidification. Acid rain increases acid levels in soil and water; Ph levels drop to such an extent that conditions supporting biological life deteriorate or change.

Added value. The value added to a product during the manufacturing process. It is estimated by subtracting the purchased raw materials and component price from the product's final value.

Aggregate. The compilation of results or measurements into a sum or total of more comprehensive value.

Biofuel. A renewable fuel derived from plant life (e.g. wood).

Brominated substances. Organic or carbon compounds combined with bromine. Many substances in this group may be, or have been proven, environmentally hazardous. Examples are flame-retarding additives in plastics and textiles.

BS 7750 (British Standard 7750). The first national standard for environmental management, established by the British Standards Institution. BS 7750 is the precursor to the international standard ISO 14001.

Cadmium (Cd). A toxic heavy metal found, for example, in batteries and pigments. Symptoms of cadmium poisoning are kidney damage and skeletal deformation.

Carbon dioxide (CO₂). Colorless natural gas that is part of nature's cycle. It is extracted from the atmosphere by plants during photosynthesis and released during combustion. People and animals also release carbon dioxide when exhaling. The burning of fossil fuels increases the amount of carbon dioxide in the atmosphere.

Catalytic enamel. A rough surface of catalytic material that coats the interior of an oven, accelerating the breakdown of grease and dirt.

Chlorine-based solvents. Organic solvents containing chlorine and often fluorine. Chlorine-based solvents usually are not fire hazards. Some can have negative health effects and contribute to ozone depletion.

Chlorofluorocarbon (CFCs). Synthetically produced substances containing chlorine, fluorine and carbon used, e.g., to transfer heat and cold for refrigeration and airconditioning. It was also used in the insulation foam for refrigeration appliances. CFC's breakdown stratospheric ozone which protects the earth from harmful UV radiation. CFC's are also powerful greenhouse gases, contributing to global warming. CFC is also known by the trade name "Freon".

CFC is prohibited in industrialized nations since 1996 and will be completely phased out in the future, according to the United Nations "Montreal Protocol". CFC11 and CFC12, also known as R11 and R12 respectively, are the most common CFC gases previously used for refrigerators.

Cooling agent or refrigerant. Substances that transport or remove heat by transformation between gas and liquid during pressure changes.

Cyclopentane. A hydrocarbon (HC) used as insulation gas for polyurethane insulation in refrigerators replacing CFC11. Cyclopentane has no negative impact on the ozone layer, with only a negligible contribution to the greenhouse effect.

Direct material. Material purchased for production as a component of a product.

EMAS. Eco-Management and Audit Scheme. A European Union regulation for voluntary environmental management and environmental audits of industrial activities. Companies can become EMAS-registered by undergoing regular reviews conducted by an accredited independent individual or organization.

Emission. Release or discharge of substances, effluents or pollutants into the environment.

Energy recovery. Recovery of heat formed by the burning of waste material.

Environmental audit and certification. Regular review of an organization's environmental activities. An

independent expert then certifies that the environmental management system in place meets standard requirements (for example, BS 7750 or ISO 14001) for environmental certification.

Environmental management system (EMS). A structured system for environmental management, attained by introducing routines for goal-setting, documentation and follow-up of an organizations activities with effect to the environment.

Environmental performance. The measured results that an organization actually attains through environmental management.

Fossil fuels. Coal, oil, natural gas formed from the remains of ancient animal and plant life. As a finite resource, fossil fuels are consumed far more rapidly than they are formed.

Greenhouse Effect. Through an increase in greenhouse gases in the atmosphere the dissipation of heat from the earth is hampered. This disturbs the balance of the atmosphere, leading to increased temperature and a more unstable climate. The most important greenhouse gases are carbondioxide from coal and oil combustion, methane from rice production and landfills, and CFCs.

Greenhouse Warming Potential (GWP). Measure of the greenhouse effect of gases if these gases were released into the atmosphere. The greenhouse effect is indicated by the CO₂ equivalent by comparing the actual gas with the greenhouse effect of carbon dioxide which is GWP = 1. For example, CFC11 has a GWP of 3,500.

Ground level ozone. Ozone in the stratosphere protects life from ultraviolet radiation. High concentrations at ground level, however, are toxic and hazardous for fauna, flora, human health and buildings. Ground level ozone is formed under certain conditions from emissions of gasoline or solvents.

Halons. Brominated fluorocarbons that are used for fire extinguishers and severely deplete the ozone layer. Use of halons will be prohibited after 1997.

Hazardous waste. Waste requiring special disposal techniques. Different countries have different regulations.

Hydrochlorofluorocarbons (HCFC). Also called "soft freons." Less harmful alternative to CFCs, with approximately 90 percent lower ozone-depleting characteristics and greenhouse warming potential.

Hydrocarbons (HCs). Organic compounds consisting of hydrogen and carbon. Examples are propane, butane and pentane. HCs are replacing CFC, HCFC and HFC in many applications due to no ODP and negligible GWP. HCs are regarded as the best overall refrigerant and insulation gas.

ISO 9000. Standard for quality work from the International Standardization Organization, which inspired the development of the ISO 14000 environmental standard.

ISO 14000. A series of standards for environmental work drawn up by the International Standards Organization. ISO 14000 now touches upon environmental management (e.g., ISO 14001) but, in the future, will include environmental audit and life cycle assessment.

Isobutane. A hydrocarbon used as a cooling agent instead of R12 and R134a. It has no negative impact on the ozone layer, with an insignificant greenhouse effect.

Landfill. A land area where waste is deposited.

Life cycle analysis or assesement (LCA). Methods for determining the environmental impact a product or system exerts during its entire life cycle —from extraction of raw materials through production and usage to recycling.

Nickel (Ni). Metal used in alloys, batteries, surface coatings, and coins. Nickel can cause allergic reactions, while certain gases of nickel compounds are carcinogenic.

Nitrogen (N). The atmosphere is primarily composed of nitrogen gas. Nitrogen is an important building block for all biological life. Nitrogen compounds also are fertilizers, and overly high nitrogen releases results in algae overgrowth. This, in turn, creates a shortage of oxygen when organic substances break down.

Nitrogen oxides (NOx). They contribute to acidification and fertilizer saturation. Nitrogen oxides also contribute to the formation of smog and ground level ozone.

Ozone-depleting potential (ODP). Indicates a substance's potential to destroy the ozone layer. The ODP value indicates the substance's characteristics compared to CFC11 which has an ODP equal to 1.

Ozone-depleting substances (ODS). They break down the earth's protective ozone layers. These substances include CFCs, HCFCs, halons, dinitrogen oxide and several chlorinated solvents such as carbon tetrachloride and methyl chloroform.

Ozone layer. The layer of ozone gases, 15 to 40 km high in the stratosphere, that protects the earth from the sun's harmful ultra-violet radiation.

The ozone layer has been damaged because of the emission of chlorinated and brominated compounds, such as CFCs and halons. The chlorine and bromine in these substances act as catalysts in breaking down ozone molecules.

Perchloroethylene. Chlorinated solvent used in dry cleaning compounds. Perchloroethylene may be carcinogenic, difficult to break down, and toxic in water.

Primary energy. The amount of energy a fuel represents without consideration for loss, for example, in electrical energy production. To produce 1kWh of electric energy, 2 to 2.25 kWh of heat from coal or oil is required. This relationship is called conversion efficiency.

R134a (Hydrofluorocarbon or HFC compound). A cooling agent that has replaced CFC12 (R12) in cooling systems. Has no hazardous effects on the ozone layer, and has a reduced greenhouse effect.

Sulfur dioxides (SO₂). Formed when burning fuels containing sulfur (coal, peat, oil). When mixed with rainwater, sulfur dioxide forms sulfuric acid.

Thermodynamics. A science within physics dealing with the relationships between heat and other forms of energy.

VOG (Volatile Organic Compounds). Organic compounds that easily evaporate and spread throughout the environment. They are often directly or indirectly hazardous to the environment and health. Common examples are xylene and toluene used for cleaning and painting.

Units of measurement

MWh. Millions of watt hours = 1000 kWh.

kWh/kSEK. Thousands of watt hours per thousand kronor.

KWh/m². Kilowatt hour per square meter.

kg/kSEK. Kilogram per thousand kronor.

m³/kSEK. Cubic meter per thousand kronor.

kWh/unit. Kilowatt hour per unit

CO₂ - equivalent. The greenhouse effect of one kilogram of CO₂.

CFC11 equivalent. Ozone-depleting capacity of one kilogram of CFC11.

The Electrolux Environmental Affairs staff welcomes viewpoints on this environmental annual report. We encourage a dialogue with environmentally concerned groups and citizens.

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