Proactive Environmental Work Creates Value

PER GRUNEWALD, SENIOR VICE PRESIDENT, ENVIRONMENTAL AFFAIRS

Five years after the establishment of Electrolux Group Environmental Affairs and the issue of the first Environmental Report, we can look back on an exciting and rewarding period of challenges, hard work and accomplishments. Some of the most fascinating developments during these past years have taken place within information technology. New IT-solutions have opened up new business opportunities for Electrolux, both for increased resource efficiency and better communications. It is now proper to move from a separate printed Environmental Report to a dynamic, continuous forum for information on the Internet. The environmental section of our web site, will offer a steady up-date of environmentally related news, year specific data and background information such as the Electrolux Environmental Vision, Policy and Strategy, as well as an overview of activities and accomplishments from previous years. We have also integrated environmental reporting with our overall financial reporting. For 1999, we have expanded the environmental section in the Group Annual Report to include production-related measurements.

Functional Sales Create Focus

IT has also opened up other opportunities. Last year, Electrolux, together with Ericsson, formed a joint venture – e2 HOME – to develop solutions for the intelligent home, combining IT solutions such as the Internet and new standards like Bluetooth with the latest in appliances. We have also started a pilot of a new business model that we call Functional Sales on the island of Gotland in Sweden. Together with the energy utility company Vattenfall, Electrolux offers a pay-per-wash option for the participants' laundry needs. This gives everyone the chance to pay for only the "function" of Clean Clothes. At the same time it creates incentives for reducing energy and detergent consumption. An additional benefit is the flexibility this offers customers as they can subscribe to additional functions or upgrade to washers with larger capacity. This is the first test in the world of this concept. I strongly believe that Functional Sales will spread to other areas and may change the way we look at appliances – and services.

Refurbishment – Beyond Recycling

An important step towards minimizing the environmental impact of appliances was taken during the year, with the introduction of refurbishment of white goods in Sweden. More than 4 000 damaged or used products that otherwise would have been scrapped have been refurbished at our factory in Motala, Sweden and resold to consumers. This offers them the choice of cheaper appliances while optimizing material use and generating profits for the Group. Similar projects are in operation in Luton, England and for vacuum cleaners and chainsaws at two facilities in North America.

Ecology is Economy

One of the cornerstones of our environmental approach is that the major environmental impact of our products occurs during use, not during production. This has led us to focus on developing more resource-efficient products. And it has turned environmental work into business opportunities. Private consumers and professional users benefit directly from an environ-

mentally high performing product since lower energy consumption also means lower utility bills. For the environment, the biggest benefit would be to replace old, inefficient products with new efficient white goods in every household. This message is central to our marketing and increasingly appreciated by consumers and retailers.
Electrolux has developed - and placed on the Internet - EcoEco Savings, a useful tool that describes and calculates the reduced environmental impact and cost saving potential of high efficiency Electrolux Group appliances. It also calculates economic and ecological savings from replacing old appliances.

Environmental Work Generates Profits
When we developed the proactive Electrolux environmental strategy five years ago, one important goal was to be able to monitor and assess our own performance. To this end we developed a set of Environmental Performance Indicators (EPI's). Green Range, which has been calculated for our European white goods operations for several years, shows this year that products with the best environmental performance accounted for 21 percent of sales, and for 31 percent of profits. This represents a steady trend and is an important proof that environmental work generates profitability. We are now able to conclude that our work has been successful in making consumers aware of the link between environmental impact and cost-of-use. The figures also show that product development has created results. As the Green Range segment now has reached over 20 percent, we will tighten the criteria for next year, to include what is only the top range according to a more current standard.

New Products are High Performers
The over all improvement in environmental performance is measured by the EPI Fleet Average, which measures average improvement from year to year, and confirms the increasing share of the Green Range. Electrolux refrigerators and freezers sold in Europe during 1999 featured six percent higher energy efficiency than the year before. For combined refrigerator/freezers the increase was four percent, and for chest freezers 13 percent. The corresponding figure for washing machines was five percent. Every year, we present a number of new appliances with leading environmental performance. During 1999, we introduced a new dishwasher, which boasts an "A" classification for energy efficiency and washing as well as drying performance. With only 42 dB the AEG Öko Favorit 80800 is the quietest dishwasher in the world and has won tests in 14 countries. A new Electrolux combi refrigerator/freezer that will be launched shortly consumes only 219 kWh a year. This equals annual savings of about 50 Euro compared to the average product in the European Union. In Professional Appliances, Wascator now offers a washing machine for shared laundry facilities labeled with the Nordic Swan.

E-Tech is Outdoors to Stay
Starting this year, our Husqvarna and Jonsered operations will introduce their own performance indicator, similar to Green Range. For outdoor products, a good environmental indicator is also the share of products equipped with the unique E-tech technology. The E-tech was developed by Husqvarna and combines efficient engine technology with a new type of catalytic converter and reduces emissions well beyond the stringent existing emission limits in the US and those expected in Europe. In 1996, one percent of the portable landscape maintenance equipment (combustion engine brushcutters, trimmers, edgers, hedgetrimmers, blowers, polesaws and augers) from

Husqvarna and Jonsered were equipped with E-tech. This figure rose sharply to 60 percent in 1997, to 66 percent in 1998 and as of 1999, 83 percent of these products had E-tech.

Global Technology Creates Advantage

E-tech is one example of advanced innovative product development within the Group, made possible by the global and open structure we maintain. Another example of cross border use of technology is the front loading, horizontal axis washing machine from our American company Frigidaire Home Products, the Gallery Tumble Action Washer. In North America, washing machines are normally top loading with vertical axis agitation, but Frigidaire took advantage of technology developed in Europe and has been successful on the market for several years with a machine that features substantial savings in water consumption. Presuming that all of the more than 500,000 washers of this model in home use wash one load a day annual savings of more than 2.5 billion gallons of water would result. Our Brazilian operations are leading the way in South America by introducing the same technology there. This year, Frigidaire will present their Next Generation of refrigerators which will reduce energy usage by as much as 30% from current models. This accomplishment is the result of substantial investments and broad technology exchange within the Group.

Ozone Safe on New Markets

In Brazil, we received two important awards during the year for leading the development in energy efficiency and phase out of ozone depleting substances. Also in China, another huge new market, it is a pleasure to announce that we have phased out all CFCs (freons) as well as HCFCs (soft freons) from our refrigerators and freezers. These rapid improvements have been made possible by the strengths that come from our global structure and from determined environmental work within the Group.

More Efficient Production

Though we have put our main focus on making our products more efficient, lots of time and effort has also been invested in improving the processes at our production sites. The process of implementing Environmental Management Systems at all production units is continuing and is now about to be extended to both North and South America. The result is shown by our production related environmental performance indicators. Energy and water consumption data have been aggregated on Group level since 1988, and from 1995 we extended the reports to cover other environmental aspects, such as coating processes and use of solvents and oil. For 1999 our data show a clear trend of decreased consumption of both energy and water, as well as related CO_2-emissions, in relation to added value. I believe that the Group's major restructuring has been an important factor in this accomplishment thanks to the increased efficiency it has generated. In other words, fewer, more efficient factories produce more products with less environmental impact. This confirms our view that environmental work actually is about creating value; about creating more for less.

Moving Ahead

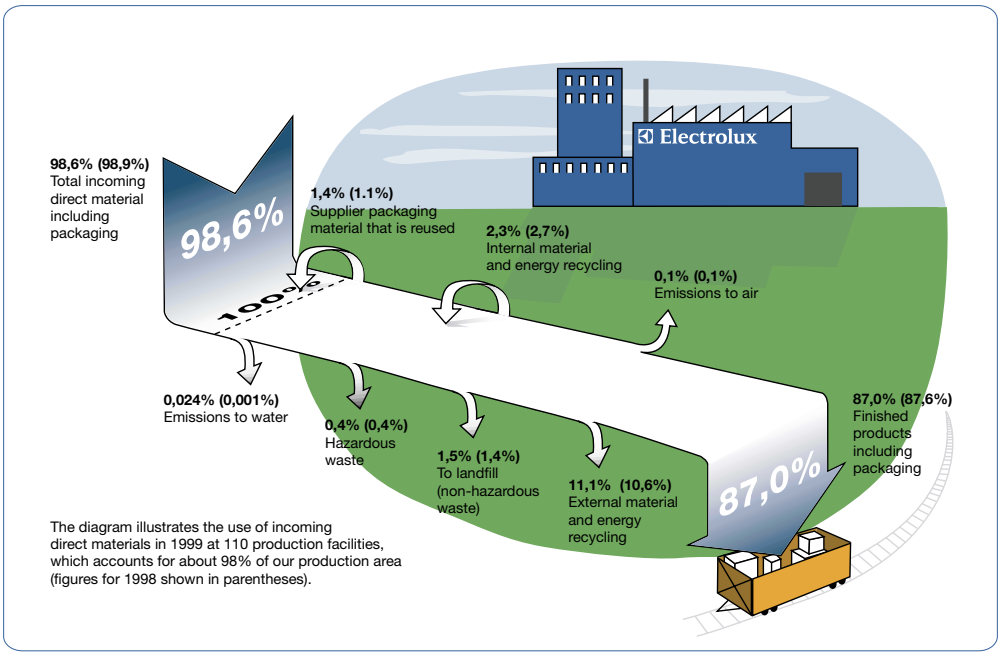
The Group's environmental work is now almost fully integrated into the business processes, and responsibility lies with the business sectors. The common ground is our Corporate Environmental Minimum Requirements, but concrete implementation and new initiatives vary depending on product group, business structure and geography.

Thus, after five years, the first and most important phase of Electrolux environmental work has been accomplished. Important new challenges lie ahead. One example is the ongoing discussion about Producer Responsibility, or take back of used appliances. Our position is that, if introduced, such a system must be market driven and encourage product development through future oriented and individual responsibility.

Creating Value

The Electrolux share has been selected by several popular environmental investment funds, and by the Dow Jones Sustainability Index. All this confirms that our environmental strategy combined with hard work throughout the organization is having positive effect. The praise and prizes we have received, and the clear accomplishments indicated by our key ratios, combine to demonstrate that proactive environmental work creates value, for customers, for shareholders and for society as a whole.

PER GRUNEWALD
SENIOR VICE PRESIDENT
ENVIRONMENTAL AFFAIRS



Direct Material Balance

Direct Material Balance 1999 - Statistics

Reported data covers more than 98% of total manufacturing area. Estimates are used where data is missing. Values <0.49 are set to 0. The material balance is calculated as: Direct material = Finished products + External restflow + Emissions to air and water. Emissions to air do not include CO_2 emissions. Some corrections have been made for previous years.

		Input	Output								
				Internal restflow		External restflow				Emissions to	
Country/ Region	No. of facilities	Direct material	Finished products	Recycled	Incinerated	Recycled	Incinerated	Landfill	Hazardous waste	Air	Water
Austria	1	35,356	26,074	0	0	8,804	0	50	428	0	0
Denmark	3	11,639	9,190	108	0	2,289	101	11	48	0	0
Finland	1	37	15	1	0	3	0	18	0	0	0
France	6	58,247	53,456	24	0	3,540	5	885	343	17	1
Germany	9	196,491	167,572	552	0	27,152	761	148	842	15	0
Great Britain	2	34,205	29,957	307	0	3,216	0	810	190	30	2
Hungary	4	79,763	70,952	751	0	6,835	0	1,676	248	52	0
Italy	16	658,502	561,124	51,305	0	84,942	559	4,948	6,644	283	2
Luxembourg	1	3,575	3,440	5	0	123	0	11	0	1	0
Netherlands	1	200	153	0	0	44	0	0	3	0	0
Norway	2	6,051	5,035	0	0	915	12	78	11	0	0
Romania	1	12,277	8,851	0	2	1,671	0	1,649	73	32	0
Spain	3	119,218	101,616	0	0	16,582	0	983	12	25	0
Sweden	17	147,516	126,281	3,692	0	15,502	2,462	1,768	1,466	37	0
Switzerland	2	7,887	6,371	4	0	1,328	95	0	89	5	0
Europe, total	69	1,370,963	1,170,088	56,748	2	172,946	3,995	13,036	10,396	497	6
North America	22	1,437,624	1,266,660	9,237	0	138,368	194	30,959	120	865	459
South America	7	116,932	105,974	1,758	0	9,859	35	284	297	247	236
Asia	10	81,940	73,106	538	11	7,873	0	620	72	242	28
Other	2	1,604	1,604	0	0	0	0	0	0	0	0
Total 1999	110	3,009,064	2,617,431	68,281	13	329,045	4,224	44,899	10,885	1,851	728
Total 1998	97	2,476,145	2,170,169	67,576	4	246,488	14,885	33,832	9,258	1,500	13
Total 1997	143	2,556,520	2,183,491	23,733	1,305	307,830	17,602	36,088	8,804	2,071	634
Total 1996	144	2,361,560	2,073,920	64,941	1,282	231,232	15,651	25,981	11,443	3,270	63
Total 1995	135	2,368,260	2,097,964	32,905	2,703	230,309	3,338	24,203	8,778	3,591	77

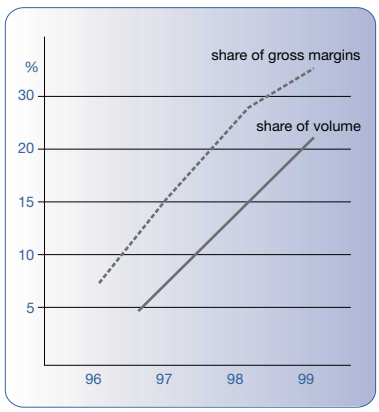
Per Business Area

Country/ Region	No. of facilities	Input	Output								
				Internal restflow		External restflow				Emissions to	
		Direct material	Finished products	Recycled	Incinerated	Recycled	Incinerated	Landfill	Hazardous waste	Air	Water
Household	76	2,636,075	2,309,584	65,520	13	275,180	3,804	35,555	9,798	1,458	695
Professional	21	68,779	57,479	19	0	8,431	170	2,562	99	37	1
Outdoor	13	304,210	250,368	2,743	0	45,434	250	6,781	988	356	33
Total 1999	110	3,009,064	2,617,431	68,281	13	329,045	4,224	44,899	10,885	1,851	728

Direct material input consists mainly of steel, plastics and components. Recycled waste is mainly steel and plastics. All hazardous waste (mainly oils, solvents and other chemical) is handled according to local regulations, often treated by external contractors. Data for 1999 comprise reports from more than 98% of the total manufacturing area, as compared to around 85% for previous years. This also affects all figures not calculated against added value or heated area.

Green Range

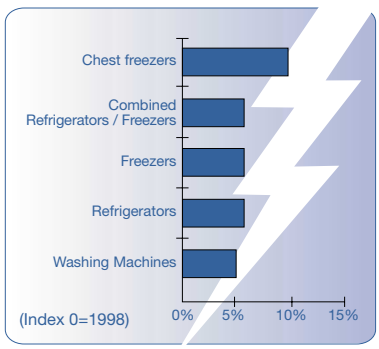
The Environmental Performance Indicator Green Range, which has been calculated for white goods in Europe for four consecutive years, confirms the trend from earlier calculations. Within this sector, products with the best environmental performance accounted for 21% of all sold units, but for 31% of gross margin. In other words, products with low environmental impact generate higher profits. As the Green Range accounted for more than 20% of all sold units in 1999 in this sector, the criteria will be tightened in future calculations to better reflect the absolute top range's performance.



Green Range

Fleet Average

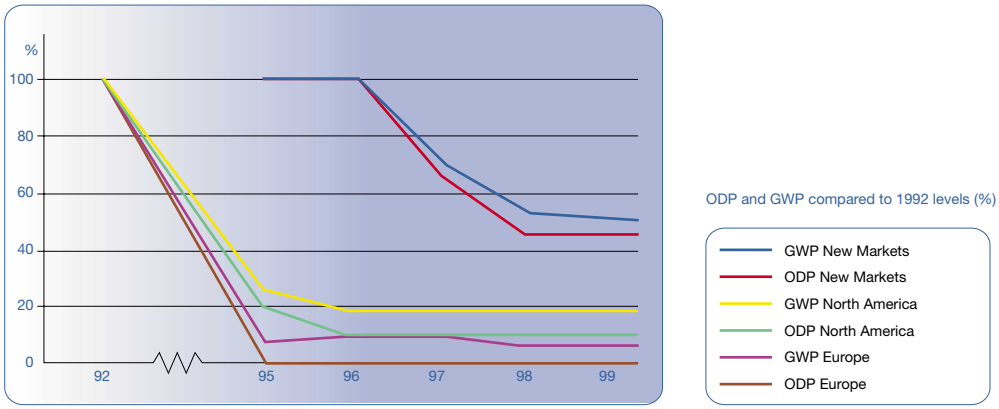
The Environmental Performance Indicator Fleet Average, used for different white goods in Europe, measures the average improvement from year to year. In 1999, Electrolux refrigerators and freezers sold in Europe featured six percent higher energy efficiency than the year before. For combined refrigerators/freezers the improvement was four percent and for chest freezers 13 percent. The corresponding figure for washing machines was five percent. This means substantial savings in energy, as well as in related CO_2 emissions.



Improvement of energy efficiecy index 1999

Phase out of substances with ozone depleting and global warming potential

The white-goods market in the industrialized countries is totally free of CFC, i.e. hard freons. Electrolux has been a leader in this development, and since 1995 the Group's refrigerators and freezers in Europe have not contained any substances that can damage the ozone layer. From 1995 to 1999 the Group acquired refrigerator plants in the new markets in Brazil, India and China where CFC was used in production. During 1999, both CFC and HCFC were entirely phased out of production in China. Conversion of production in India and Brazil is continuing, and investments were made during 1999. In Brazil, Electrolux received an award in 1999, for leadership in CFC-free refrigerators. During 1999, CFC was entirely phased out of the Group's production of refrigerators in Brazil.



Phase out of substances w. ozone depleting and global warming potential

The graph shows the relative change in ozone depleting and global warming potential in refrigerants and insulating gases used in the Group's products from 1992 to 1999. The annual calculations are based on the ODP and GWP equivalents of different substances, as defined by the United Nations Environment Program (UNEP). In order to adjust for changes in production structure and enable annual comparisons, values are normalized against the total amount of used substances. The year 1992 is set as index 100%. The curve reflects the transition from CFC, via HCFC to HFC and HC in Europe, where today HC dominates. In North America, HCFC and HFC are still dominant. In the new markets, all substances are present.

Coating process

Use of processes (pre-treatment and coating). One facility may perform several chritical processes.

Coating processes

Country/ Region	No. of facilities	No. of facilities with		
		Pretreatmeant	Solvent painting	Enameling
Austria	1	1	0	0
Denmark	3	3	0	1
Finland	1	0	1	0
France	6	5	3	1
Germany	9	8	0	2
Great Britain	2	1	0	1
Hungary	4	4	3	0
Italy	16	8	4	1
Luxembourg	1	0	0	0
Netherlands	1	0	1	0
Norway	2	2	0	1
Romania	1	1	1	1
Spain	3	3	3	2
Sweden	17	11	4	1
Switzerland	2	1	0	0
Europe, total	69	48	20	11
North America	22	17	6	2
South America	7	4	2	0
Asia	10	8	3	2
Other	2	0	0	0
Total 1999	110	77	31	15
Total 1998	97	73	28	12
Total 1997	145	80	41	14
Total 1996	144	79	48	16
Per Business Area				
Household	76	57	23	15
Professional	21	12	7	0
Outdoor	13	8	1	0
Total	110	77	31	15

The surface coating has presented, and still presents, an important improvement area in appliance manufacturing. Data for 1999 comprise reports from more than 98% of the total manufacturing area, as compared to around 85% for previous years. This also affects all figures not calculated against added value or heated area.

Solvents and oils

Use of solvents and oils

Country/ Region	No. of facilities	Use of solvents and oils Kkg		
		Chlorine-based solvents	Volatile organic compounds	Oils
Austria	1	1	0	0
Denmark	3	0	0	10
Finland	1	0	0	0
France	6	34	5	52
Germany	9	11	0	168
Great Britain	2	0	0	35
Hungary	4	4	13	29
Italy	16	0	64	630
Luxembourg	1	0	0	0
Netherlands	1	0	0	0
Norway	2	0	1	8
Romania	1	10	1	3
Spain	3	0	53	1,456
Sweden	17	5	15	113
Switzerland	2	0	1	5
Europe, total	69	64	154	2,704
North America	22	2	257	1,528
South America	7	39	31	344
Asia	10	129	11	496
Other	2	0	0	1
Total 1999	110	234	453	5,073
Total 1998	97	173	239	6,828
Total 1997	145	200	737	4,687
Total 1996	144	190	2,065	4,959

Per Business Area

Household	76	219	375	4,879
Professional	21	15	9	46
Outdoor	13	0	69	148
Total	110	234	453	5,073

Some corrections have been made for previous years. The figure for Volatile Organic Compounds from 1996 has been reduced with 1.127 Kkg from previous reports. Earlier figures included the Euroclean operation, which used VOC as direct material and was later divested. Data for 1999 comprise reports from more than 98% of the total manufacturing area, as compared to around 85% for previous years. This also affects all figures not calculated against added value or heated area.

Production Related Measurements

Production-related measurements have been aggregated on Group level since 1988, to monitor energy and water consumption and related CO_2 emissions at our manufacturing facilities. Since 1995 the reports were expanded to cover other forms of environmental impact, such as use of different solvents and oils, critical processes and material efficiency for the Group. The site measurements for 1999 are based on data from more than 98% of the Group's total manufacturing area.

Because much of the environmental impact depends on production volume, some of the measurements are calculated in relation to added value. Added value is here defined as the difference between total manufacturing costs and direct material costs. This way changes in production structure are not let to affect the statistics, which makes it possible to make comparisons from year to year. The data are not compensated for extraordinary fluctuations in energy consumption (because of a particularly mild winter for example), inflation or exchange rate changes.

The site measurements for 1999 show considerable decrease in energy and water consumption, as well as CO_2 emissions, both in absolute figures and in relation to added value. One likely explanation is the major restructuring program the Group has undergone, which has resulted in overall increase in efficiency. Another likely explanation is the increasing number of facilities with environmental management systems implemented

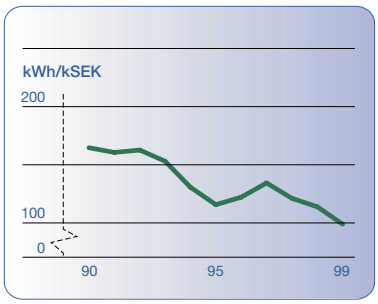
Site measurements

	Energy consumption				
Business area	per added value kWh/kSEK	per heated area kWh/m²	Energy cost as % of added value	CO_2/added value kg/kSEK	Water/ added value m³/kSEK
Household	103	725	2,6	16	0,38
Professional	65	314	2,2	7	0,08
Outdoor	92	601	2,6	7	0,21

The key environmental figures are based on standardized reports from 152 production facilities, warehouses and offices with more than 1.000 square meters of heated area.This represents more than 98 percent of the Group's total manufacturing area.

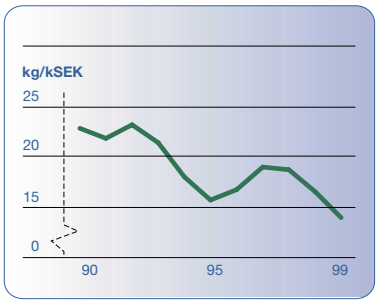
The graphs below show:

Energy consumption per added value. The amount of energy required adding SEK 1,000 value to a product. Measured in kilowatt-hours per SEK 1,000.



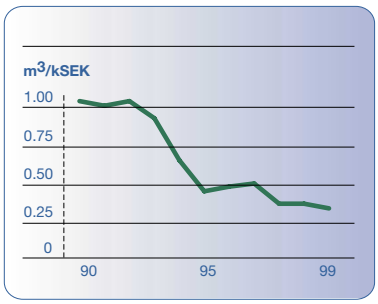
Energy consumption per added value

Carbon dioxide emissions per added value. The amount of carbon dioxide emitted in generating the energy we consume. Different types of energy as well as different countries' carbon dioxide equivalents for electricity are taken into account. It is measured as kilograms per SEK 1,000.



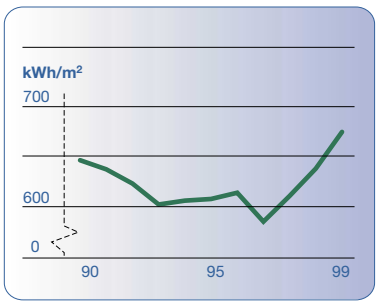
CO_2 per added value

Water consumption per added value. The use of treated water in cubic meters per SEK 1,000.



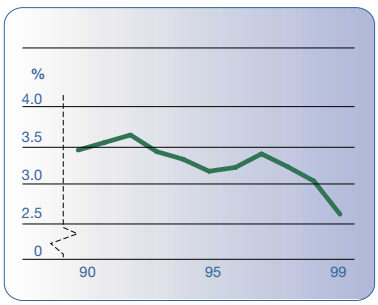
Water per added value

Energy consumption per square meter of heated surface area. Measured as kilowatt-hours per square meter.



Energy consumption per heated area

Energy cost per added value. The share of energy cost measured as a percentage.



Energy costs % of added value

Minimum Requirements Implementation Status - end of 1999

Corporate Minimum Environmental Requirements

What?	How?	Status - end of 1999
Environmental Management Systems	ISO 14001	More than 70 production facilities have completed or commenced implementation of EMS. 40 production facilities certified (equals 41% of the production facility area)
Knowledge and skills	Determine educational needs, roll out education	Different environmental education programs have taken place regionally in all business sectors
Experience sharing	ENVA Network, functional networking, external input	Tool available via the intranet, undergoing reconstruction. Processes for functional networking and external input in place
Performance measurements	Implement Group measurements, identify and develop own measurements	Site measurements implemented in all sectors, aggregated results audited and published in Annual Report. Green Range and Fleet Average implemented in largest business sector. Similar measurements implemented in another sector
Network of coordinators	Responsibility of business sectors	Sector Environmental Responsible appointed in all sectors. Network of coordinators in place
External communication	Environmental and Annual Report, media and stakeholder relations	In place. Information in Annual Report expanded in 1999. CER being replaced with web based information in year 2000