

Europe Operating Review



Michael A. Todman
Executive Vice President and
President, Whirlpool Europe

Significant New Product Introductions:



- **6th Sense Technology:** Introduced in 2004, Whirlpool's unique 6th Sense technology has been applied across all product lines (such as this refrigerator) to save time and energy for users, while also providing them choice, flexibility, simplicity and excellent results in their household tasks.



- The *Whirlpool JetChef* three-in-one oven combines conventional, steam and microwave technology for high-speed cooking, while 6th Sense technology adjusts the settings for the best results based on the food type.



- The *Whirlpool Progressive Collection* provides cutting-edge technology in a complete range of innovative products with clean, essential design, using stylish, functional glass and stainless steel.

Whirlpool Europe achieved significant performance improvements in 2004, with revenue up 13.8 percent to \$3.1 billion and operating profit increasing 34.5 percent to \$166 million.

The continued performance improvement is due in part to the successful pan-European expansion of our built-in appliance business, reflected in a 17-percent increase in the number of units sold last year. The strong growth rates of our two major pan-European kitchen trade partners, IKEA and Alno, contributed to this success. Innovative *Whirlpool* brand products like the 6th Sense product line, the new *JetChef* three-in-one oven and the *Mini-BI* built-in oven contributed to the performance improvement, while record levels of productivity during 2004 also helped offset increased material costs in the region.

Whirlpool Europe's core strategy continues to focus on effectively building lifelong customer loyalty across all of the varied markets of the region. In 2004, we began consolidation of the company's 32 different market organizations into a few key "market regions" to improve our efficiency and execution of our customer loyalty initiatives. The new organization of combined markets will also reduce complexity, improve execution and bring about cost efficiencies.

During 2004, we continued to strengthen our regional operating position through strategic changes to our manufacturing footprint and the continued application of Lean Manufacturing and Six Sigma. Our people used these tools to achieve record productivity last year. In Central Europe, we expanded production of refrigerators and dishwashers in Wroclaw, Poland—which also is the site of our new cooking manufacturing facility, currently under construction.

We significantly strengthened our trade-partner relationships in 2004 while marking our 15th anniversary of business and brand

leadership in the region. Whirlpool Europe welcomed more than 2,000 European retail trade partners and members of the media at an award-winning event that strengthened brand positioning in the region, unveiled *in.kitchen*—our concept kitchens of the future—and presented product innovations, such as the new *Whirlpool* brand Progressive Collection line of kitchen appliances.

Lastly, we're proud to have leveraged Whirlpool Corporation's long-standing commitment to social causes and its successful relationship with Habitat for Humanity International in 2004 by launching a building and product-donation program in Europe.

Outlook

Consumer demand for our products and brands, especially the *Whirlpool* brand, is expected to result in improved regional sales growth. Our built-in appliance business should continue to contribute to our performance during the year. We also are carrying out plans to mitigate higher raw material costs and improve profitability through price increases, productivity improvements and innovation. We anticipate modest industry shipment growth across Europe in 2005.

Awards:

- The European Incentive & Business Travel & Meeting Exhibition awarded Whirlpool Europe the "Best Business to Business Event" for "Experience the Vision," Whirlpool Europe's 15th anniversary event held in Cannes, France, in March 2004.
- Whirlpool France won the 2004 Janus de la Santé award in partnership with Handicap Zero, a well-known French charity dedicated to the blind.

Key Statistics

- No. 3 position in Western and Central Europe
- \$3.1 billion in 2004 sales
- \$166 million in 2004 operating profit
- Approximately 14,000 employees

Brands

Whirlpool, Bauknecht, Ignis, Polar, Laden

Locations

Operations Center:
Comerio, Italy

Manufacturing Locations:

France Amiens
Germany Neunkirchen, Schorndorf
Italy Naples, Siena, Cassinetta, Trento

Poland Wroclaw

Slovakia Poprad

South Africa Isithebe

Sweden Norrköping

Principal Products

Automatic Dryers, Automatic Washers, Built-in Hobs, Built-in Ovens, Dishwashers, Free-standing Cookers, Freezers, Microwave Ovens, Ranges, Refrigerators

Latin America Operating Review



Paulo F. M. Periquito
Executive Vice President and
President, Latin America

Significant New Product Introductions:



- The *Brastemp 6th Sense* technology line is a new portfolio of refrigerators, ranges and washing machines - each one with unmatched design, technology and performance. The *Brastemp You* refrigerator, which includes *6th Sense* technology, is the first fully customizable refrigerator in Latin America.



- The *Consul* frost-free refrigerator with water dispensing combines convenience ease of use and an affordable price.



- The new *Consul Séc Fácil* is the brand's first laundry dryer and combines drastically reduced clothes drying time with low energy consumption.

Whirlpool Latin America expanded our market share during 2004, driven by strong consumer demand for our brands, several innovative new product launches and targeted customer loyalty actions.

Regional revenue of \$1.7 billion increased 24 percent compared to 2003. Operating profit of \$65 million declined 27 percent, due primarily to increases in the costs of key commodities and logistics.

Our efforts to drive customer loyalty were most clearly seen in the new innovations and products introduced during the year. For example, we introduced the *6th Sense* appliance control technology in products across the *Brastemp* portfolio of refrigerators, ranges and washing machines. We also brought to market the first customizable *Brastemp* refrigerator that gives consumers the ability to pick the exact colors and features they want.

Innovations from *Consul* brand led to an expanded fabric care line in 2004 with the launch of the brand's first clothes dryer. Other *Consul* brand product introductions included a new water-dispensing refrigerator and *Consul's* first ceiling fan—which extends the brand to other areas of the home.

Consul brand unveiled its new brand positioning campaign as part of a loyalty-building initiative that recognizes the importance and decision-making role of women in the home. The campaign presents *Consul* products depicted in the artwork created by four Brazilian female folk artists.

Our Multibrás subsidiary instituted an integrated management system that gives suppliers the information they need to deliver the continual improvements in quality, technology and productivity.

As a key production source for Whirlpool's global manufacturing network, we were particularly proud to receive independent certification of our manufacturing processes in the areas of the environment, health and safety and quality management (ISO 9001, ISO 14001 and OHSAS 18001).

During 2004, our operation exported more than 27 percent of our production to Whirlpool markets worldwide. Through the application of the company's Lean Manufacturing process, our regional manufacturing organization turned in a strong year of productivity.

Whirlpool's Brazil-based compressor operation, Embraco, maintained its global market leadership during 2004, as reflected in a 25-percent market share. The operation also improved its position in the commercial refrigeration segment by introducing 17 new products to the market, including environmentally compliant carbon dioxide compressors.

Outlook

Whirlpool Latin America expects continued sales growth driven by a moderate increase in overall demand, strong brands and innovative product launches in 2005. Exports will continue to be a priority for the region as we continue to leverage our manufacturing cost and quality position within Whirlpool's global operating platform. We also expect improved profitability based on achieving further price increases and delivering significant productivity gains.

Awards:

- *Brastemp* was again recognized as one of the most important brands in Brazil in 2004. According to a "Top of Mind" survey compiled by the newspaper *Folha de São Paulo*, the brand ranked fourth for the 14th consecutive year. In the same ranking, *Consul* was the most mentioned brand in the refrigerator category for the 13th year and was among the top three growing ratio brands.
- Multibrás was recognized for the eighth time on the list of "Top 100 Best Companies to Work for" in Brazil, by *Exame*, the major business magazine in Brazil.
- Multibrás was recognized by the *Carta Capital* magazine and the *Interscience Informação e Tecnologia Aplicada* as one of "The most admired (companies) in Brazil" in the home appliances segment.

Key Statistics

- No. 1 market position in the industry
- \$1.7 billion in 2004 sales
- \$65 million in 2004 operating profit
- Approximately 21,000 employees

Brands

Whirlpool, Brastemp, Consul, Embraco, Eslabón de Lujo

Locations

Headquarters: São Paulo, Brazil

Manufacturing Locations:

Brazil Manaus, Rio Claro, Joinville, São Paulo

Embraco (International)

Riva di Chieri, Italy; Spiisska Nova Ves, Slovakia; Beijing, China

Principal Products

Automatic Washers, Compressors, Countertop Appliances, Dishwashers, Fabric Dryers, Freezers, Microwave Ovens, Ranges, Refrigerators, Room Air Conditioners

Asia Operating Review



Mark Hu
Executive Vice President and
President, Whirlpool Asia

Significant New Product Introductions:



- The innovative *Whirlpool Mercury* line of high-capacity clothes washers has quickly become one of China's top-selling washers.



- The *Ice Magic* frost-free refrigerator with *6th Sense* technology is the only refrigerator on the Indian market that senses the loss of cold air and lowers the temperature through its dynamic airflow control system.



- Whirlpool India introduced the world's first frost control refrigerator with *6th Sense* technology, a high-capacity, single-door refrigerator that automatically defrosts the freezer.

In 2004, Whirlpool Asia laid the groundwork for future growth and performance improvement by changing a longstanding trade inventory management practice in India.

Last year, we introduced new trade terms to encourage our trade partners to become more efficient and reduce trade inventory levels. Trade partners responded by reducing their excess inventory, which affected sales and profit for the region. Full-year sales of \$382 million decreased 8.2 percent, and operating profit declined significantly from the prior year.

The new trade terms have resulted in more efficient trade inventory levels and a supply chain directly tied to the demands of the market. In addition, the improved distribution efficiency will allow us to more quickly introduce our slate of innovative new products to consumers in the world's fastest-growing region.

Whirlpool Asia introduced a number of innovative appliances last year, including two new frost control refrigerators with *6th Sense* technology in India, and a new line of *Whirlpool Mercury* high-capacity clothes washers in China. For these and other innovative products, *Whirlpool* brand was featured by SUPERBRANDS, a global brand-ranking organization, in its first edition of India's Superbrands.

Whirlpool India is pursuing opportunities to extend the *Whirlpool* brand, a leading brand in clothes washers and refrigerators, to the cooking category. New products that will be featured include cooking ranges, ovens and electric exhaust hoods.

Our manufacturing facilities in India and China have become key procurement and product sources for the Company's global operating platform. Whirlpool Asia technology centers play a significant role in the company's global technology organization, and increasingly serve markets worldwide with efficient manufacturing and innovation. For example, Whirlpool's plant in Shunde, China, is the company's primary manufacturer for microwave ovens globally, while the washer facility in Shanghai has started exporting products to the Middle East. Exports from Whirlpool India increased 18 percent in 2004, adding another 10 national markets to its expanding export network.

Outlook

For 2005, Whirlpool Asia anticipates strong revenue growth as we introduce new, innovative products and as the company's product distribution network throughout the region continues to expand. Exports from Asia will continue to fuel growth as a significant source for Whirlpool's sales networks.

Price increases have been implemented across the region to address rising material costs. Based on current economic conditions, we expect full-year industry unit shipments to increase 3-to-5 percent.

Awards:

- Whirlpool Asia's clothes washers were recognized by the Chinese government's product-standard agency as among the best performing, high-quality appliances on the market.
- *Whirlpool* brand was featured by SUPERBRANDS, a global brand-ranking organization, in its first edition of India's Superbrands.

Key Statistics

- Leader among Western companies
- \$382 million in 2004 sales
- \$25 million in 2004 operating loss
- Approximately 5,000 employees

Brands

Whirlpool

Locations

Headquarters: Shanghai, PRC

Manufacturing Locations:

India Faridabad, Pune,

Pondicherry

China Shanghai, Shunde

Principal Products

Air Conditioners, Microwave Ovens, Refrigerators, Washers