



# Whirlpool Corporation Q4 and Year-End 2007 Financial Review

*February 5, 2008*



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## Agenda

- ▶ Overview

- ▶ Jeff Fettig – Chairman & Chief Executive Officer

- ▶ North American Operations

- ▶ Mike Todman – President, North America

- ▶ International Operations

- ▶ Jeff Fettig – Chairman & Chief Executive Officer

- ▶ Financial Review & 2008 Outlook

- ▶ Roy Templin – EVP & Chief Financial Officer

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## 2007 Performance Summary

- ▶ Record revenue and earnings  
...growth driven by Maytag, innovation and international
- ▶ Maytag Integration
  - ▶ Efficiencies exceeded targets
  - ▶ Integration complete
  - ▶ Focus on growth
- ▶ Innovation
  - ▶ 2007 revenues > \$2.5 billion
  - ▶ Pipeline strong
- ▶ Material and oil-related costs escalate
  - ▶ Strong productivity
  - ▶ Cost-based pricing and product mix
- ▶ Global Demand
  - ▶ U.S. demand declines accelerate
  - ▶ Europe slows
  - ▶ Strong growth in emerging markets

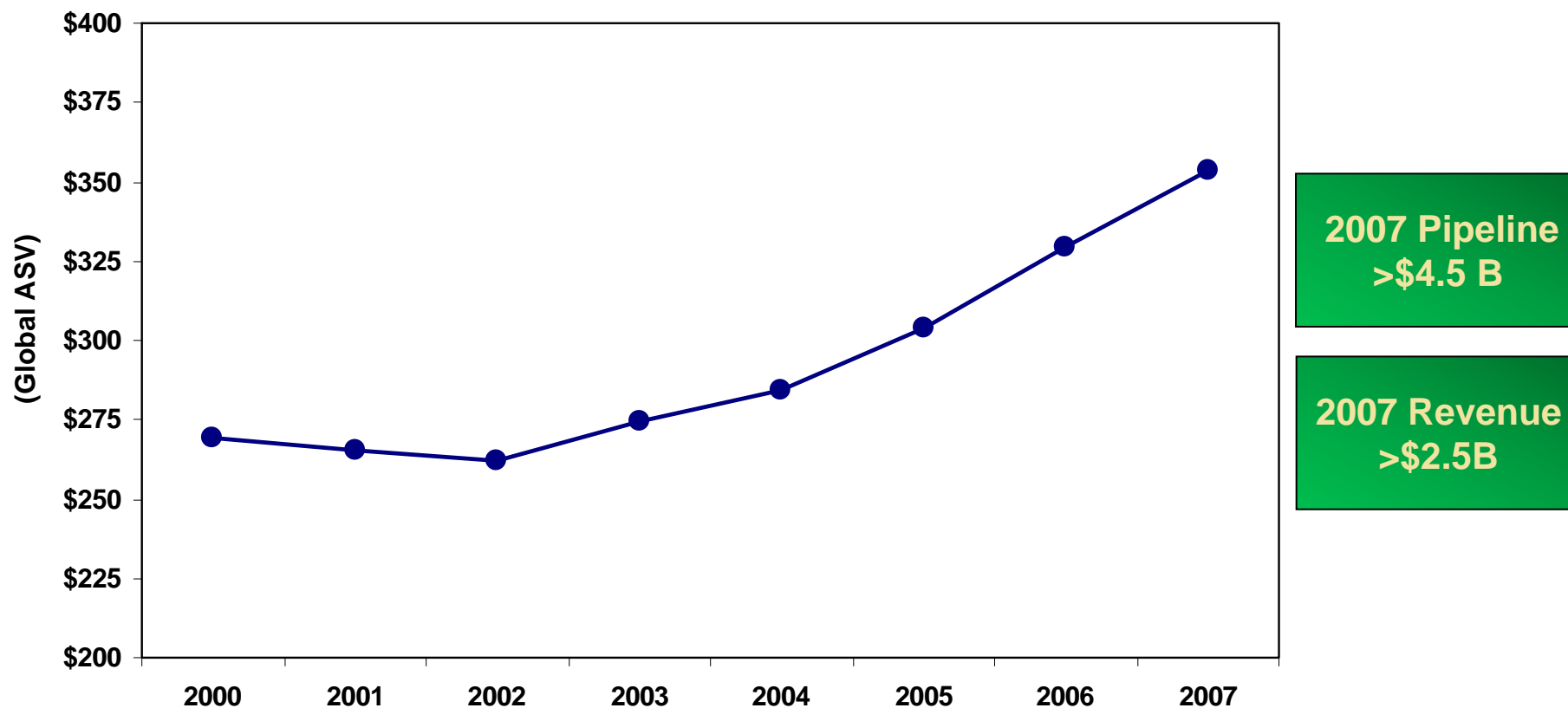
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## 2007 Financial Highlights

- ▶ Record revenue of \$19.4 billion...+7% year-over-year
- ▶ Record full year EPS of \$8.10...+28% year-over-year
- ▶ Strong balance sheet...repaid \$243 million in debt
- ▶ Returned \$502 million to shareholders in 2007

***Delivered record results in a challenging economic environment***

## Innovation: Whirlpool Growth Engine



***Since 2002, ASV has increased at a compound annual growth rate of 6%***

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## Global Economic Trends

- ▶ Weak to negative demand in large mature economies
- ▶ Strong demand growth in emerging markets
- ▶ Continued unprecedented material and commodity inflation
- ▶ Major currency movements

***Challenging conditions in a volatile global economy***

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## Whirlpool Well-Positioned to Succeed in this Environment

- ▶ Geographical diversity
  - ▶ Strong global operating platform
  - ▶ Global demand positive
  
- ▶ Leading global consumer brands
  - ▶ Supported by a strong cadence of innovation
  - ▶ Investing to create consumer demand
  
- ▶ Strong established global cost platform
  - ▶ Strong productivity capabilities
  - ▶ Global supply chain
  
- ▶ Experienced global management team

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## 2008 Performance Outlook

- ▶ U.S. demand down 3-5%...Europe flat
- ▶ Emerging markets stable...strong growth
- ▶ Material and oil-related costs increase ~ \$350 million
- ▶ Weakening U.S. dollar
- ▶ Weak first half economic conditions...moderate second half improvement

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## 2008 Priorities

- ▶ Outperform market **growth** by leveraging strong brands, innovation and consumer investments to drive revenue growth
- ▶ Deliver record **productivity**
- ▶ Adjust **cost structure** and production capacity to expected demand levels
- ▶ Cost-based **price** adjustments globally

## 2008 Guidance

### 2008 Guidance

**Earnings per Share**

**\$8.50 - \$9.00**

**Free Cash Flow**

**\$600 - \$650 million**



# North America



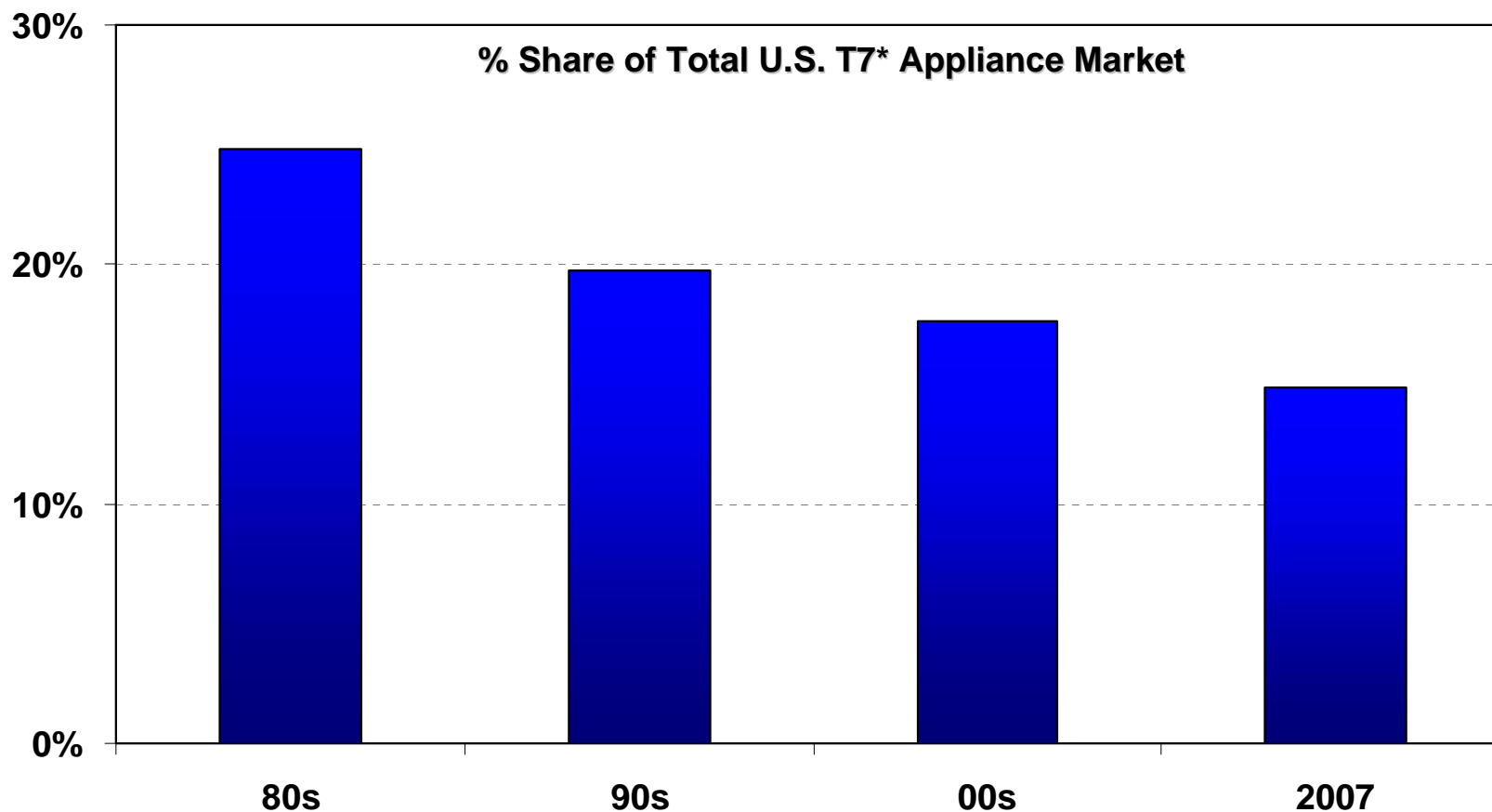
## North America Q4 Operating Performance

(USD in millions)	Fourth Quarter		Better/(Worse)	
	2007	2006*	2006	%
<b>Net Sales</b>	3,044	3,064	(20)	(1)%
<b>Operating Profit</b>	175	123	52	41%
<b>Operating Margin %</b>	5.7%	4.0%	1.7 pts	

- **Lower than expected demand in U.S. ... industry down ~6% for quarter and YTD period**
- **Execution of Maytag growth plans continue**
- **Significantly higher material and oil-related costs**
- **Continued strong acquisition efficiency realization and cost controls**

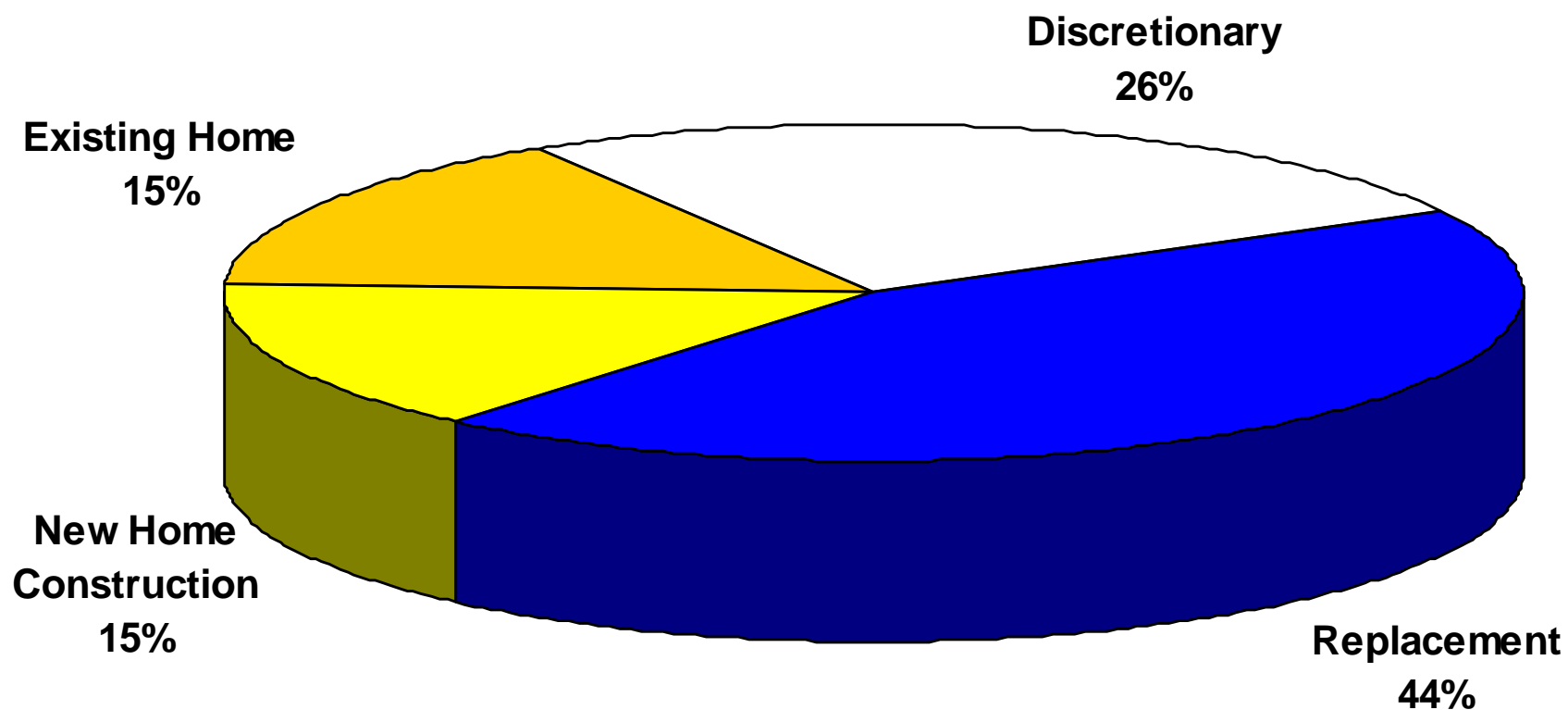
\* 2006 results reflect previously disclosed business reclassification.

## New Home Construction Trends



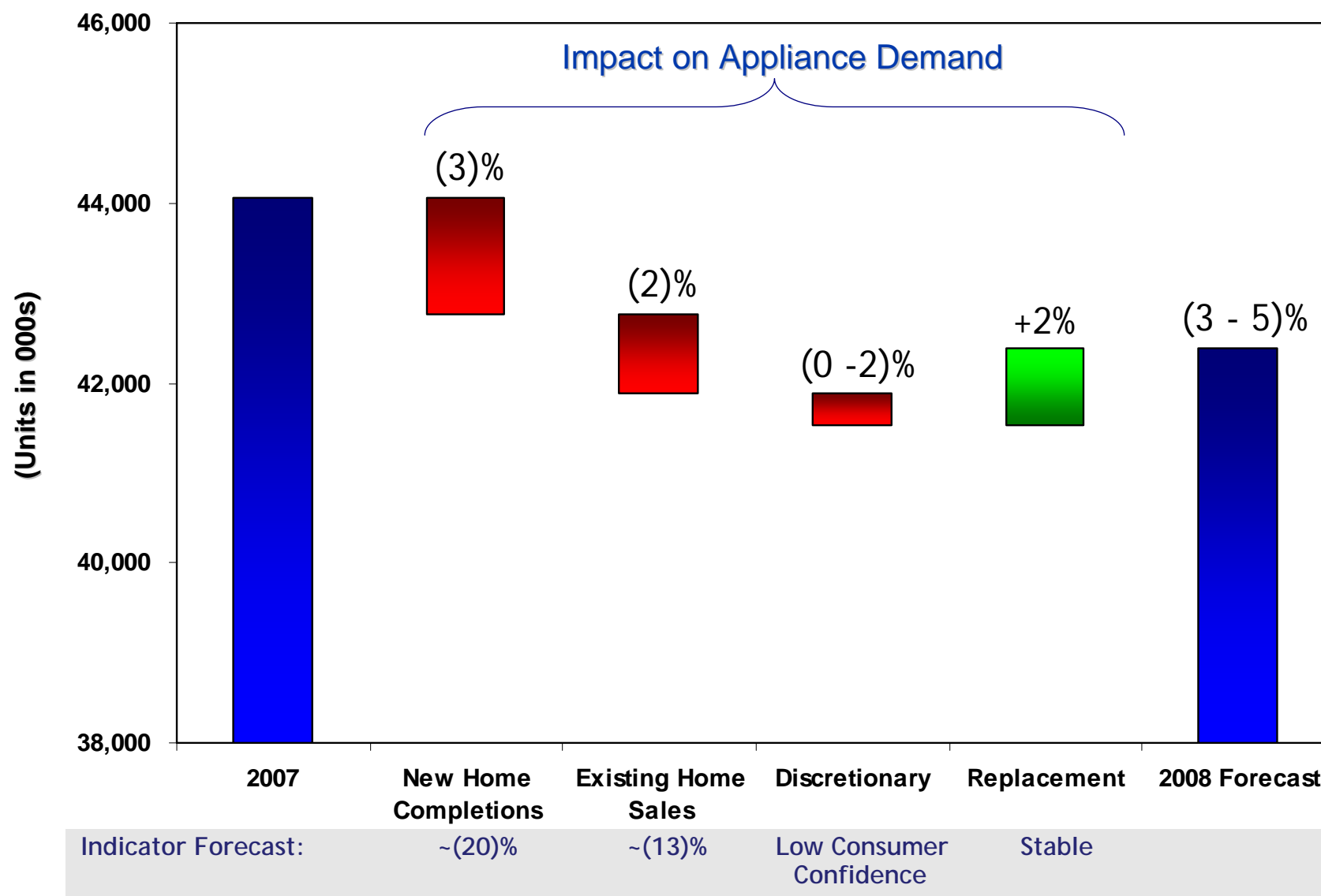
***New Home Construction has steadily declined  
as a component of U.S. appliance industry demand...***

## 2007 Industry Demand Components



*...new home construction now ~ 15% of total industry demand.*

# 2008 U.S. Industry Outlook (T7\*)

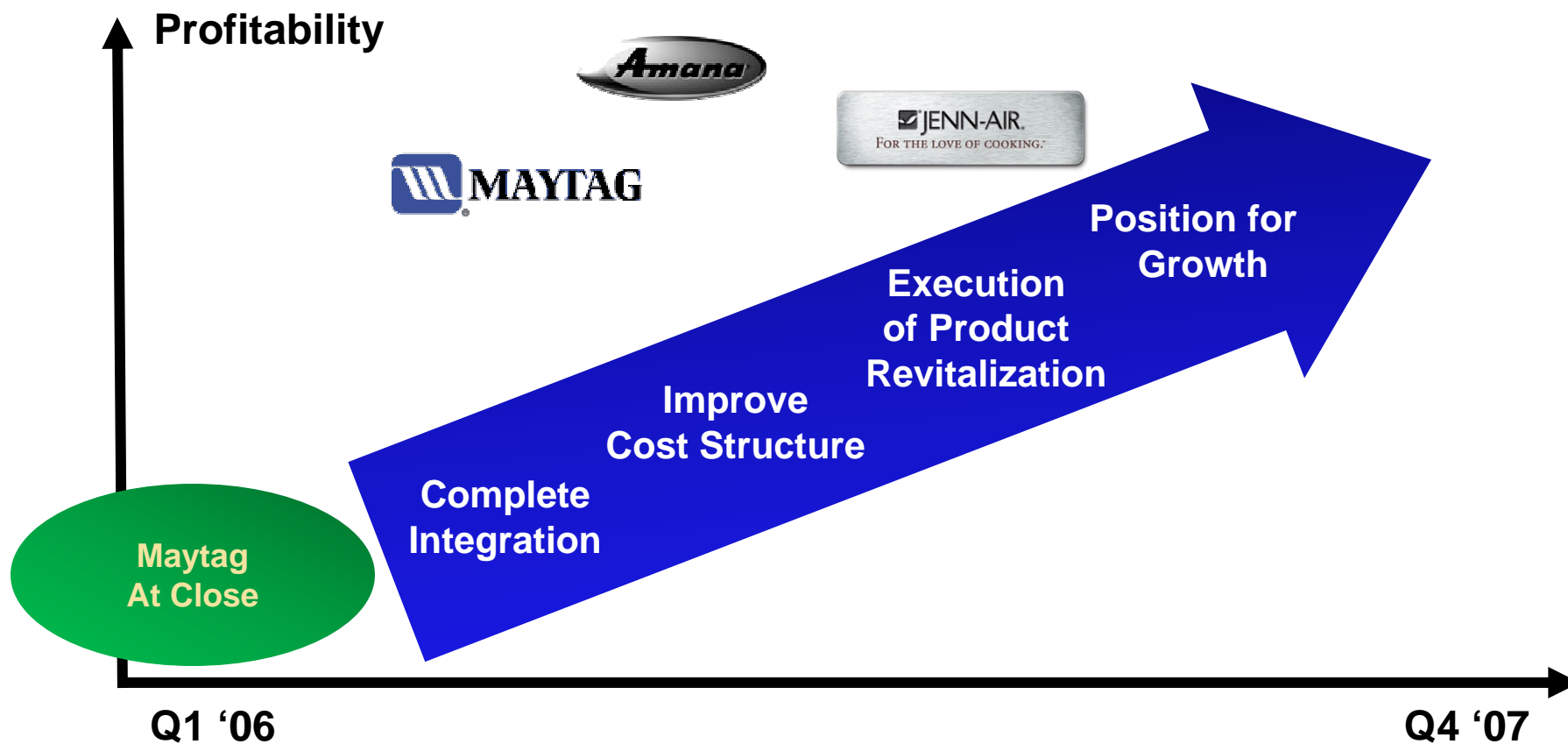


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## 2008 Priorities














- ▶ Accelerate growth of Maytag brands
- ▶ Successful launch of 72 new product innovations
- ▶ Increased brand investments driving consumer demand
- ▶ Cost-based price increases
- ▶ Strong productivity
- ▶ Cost structure changes to balance production and demand

# Revitalizing the Maytag Business



***2008 Maytag consumer investment and product innovation will drive growth in 2008 and beyond.***

# Maytag Brand Revitalization - Laundry

<i>Maytag Brand Quality and Innovation will Drive Profitable Growth</i>										
Model Line Evolution	\$699	\$799	\$899	\$999	\$1099	\$1299	\$1399	\$1499	\$1599	
2007		<b>MFWZ400T</b> 	<b>MFWZ600T</b> 	<b>MFW9800T</b> 						
2008	<b>MFWZ400T</b> 	<b>MFWZ400T</b>  Classic Red	<b>MFWZ600T</b> 	<b>MFWZ600T</b>  Ocean Sapphire	<b>MHWE300V</b> 	<b>MHWE300V</b>  Classic Red	<b>MHWE500V STEAM</b> 	<b>MHWE500V STEAM</b>  Ocean Sapphire	<b>MHWE600V STEAM</b> 	<b>MHWE600V STEAM</b>  Oxide

# Innovation by Brand



**72 new product launches planned for 2008**



# International

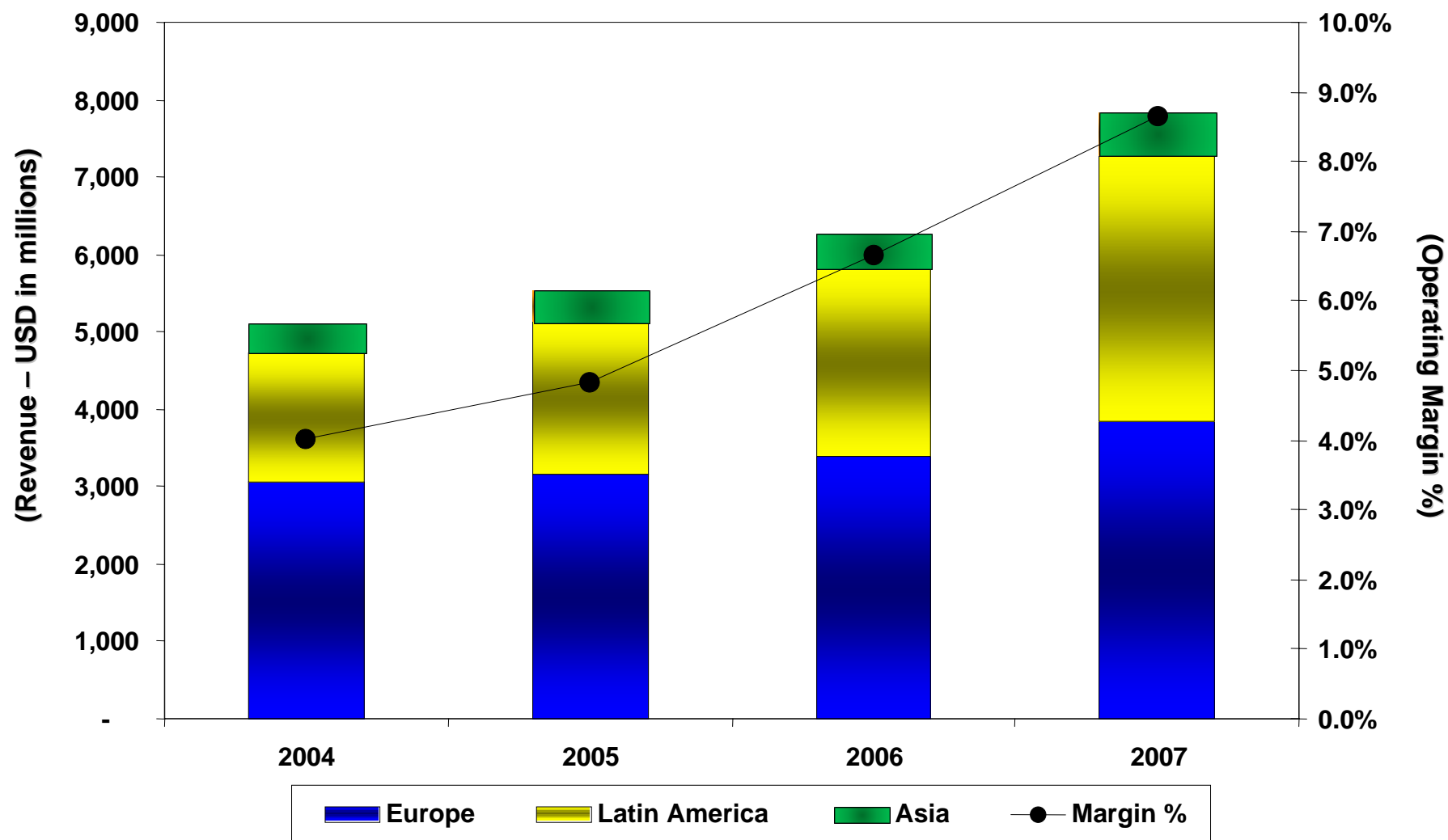


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## 2007 Performance Summary

- ▶ Record revenue and profit
  - ▶ Full year revenues grew over 19%
  - ▶ Full year margins expanded by over 2 points
  
- ▶ Strengthened international operating platform
  - ▶ Global product innovation leverage
  - ▶ Access to best cost supply base

## Strong International Trends



## Europe Q4 Operating Performance

	Fourth Quarter		Better/(Worse)	
	2007	2006*	2006	%
Net Sales	1,121	998	123	12%
Operating Profit	73	60	13	22%
Operating Margin %	6.5%	6.0%	0.5 pts	

- *Record revenue and earnings*
- *Operating margin expansion driven by favorable productivity gains and innovation*
- *Extended Whirlpool brand leadership position*

\* 2006 results reflect previously disclosed business reclassification.

## Latin America Q4 Operating Performance

	Fourth Quarter		Better/(Worse)	
	2007	2006*	2006	%
Net Sales	1,048	806	242	30%
Operating Profit	156	90	66	73%
Operating Margin %	14.9%	11.2%	3.7 pts	

- *Record revenue ... significant operating margin expansion*
- *Capitalized on strong market trends*
- *Progress through the region...balanced portfolio*

\* 2006 results reflect previously disclosed business reclassification.

## Asia Q4 Operating Performance

	Fourth Quarter		Better/(Worse)	
	2007	2006*	2006	%
Net Sales	155	123	32	26%
Operating Loss	(4)	(2)	(2)	(43)%
Operating Margin %	(2.3)%	(2.0)%	(0.3) pts	

- **Strong revenue...India leads growth**
- **Demographic trends continue to drive significant future growth opportunities...positioning the region to capitalize on these trends**

\* 2006 results reflect previously disclosed business reclassification.

# Global Innovation by Brand



**174 new product launches in 2008**

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## 2008 Outlook

- ▶ European demand to approximate 2007 levels
  - ▶ Industry Unit Volume flat with 2007
- ▶ Solid growth in Latin America
  - ▶ Industry Unit Volume +5 – 8%
- ▶ Solid growth in Asia
  - ▶ Industry Unit Volume +5 – 10%
- ▶ Commodity prices to remain at elevated levels...implementing cost-based price increases
- ▶ Strong productivity actions



# Financial Overview



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## Fourth-Quarter Summary

### Revenue performance

- + International market demand
- + Foreign currency exchange
- U.S. market demand

### Strong fourth-quarter margin performance

- + Cost efficiencies from Maytag integration
- + Cost productivity gains
- + Foreign currency exchange
- Material and oil-related costs
- U.S. market demand

### One-time items

- + Sale of facility in Latin America (\$15 million gain)
- Increase legal reserves (\$17 million expense)

# Financial Summary

	Fourth Quarter		Better/(Worse)	
	2007	2006	2006	%
<b>Net Sales</b>	<b>5,325</b>	<b>4,954</b>	<b>371</b>	<b>7%</b>
<b>Cost of Goods Sold</b>	<b>4,487</b>	<b>4,259</b>	<b>(228)</b>	<b>(5)%</b>
<b>Gross Margin %</b>	<b>15.7%</b>	<b>14.0%</b>	<b>1.7 pts</b>	
<b>SG&amp;A</b>	<b>484</b>	<b>480</b>	<b>(4)</b>	<b>(1)%</b>
<b>Restructuring</b>	<b>15</b>	<b>15</b>	<b>-</b>	<b>0%</b>
<b>Operating Profit</b>	<b>332</b>	<b>190</b>	<b>142</b>	<b>74%</b>
<b>Operating Margin %</b>	<b>6.2%</b>	<b>3.8%</b>	<b>2.4 pts</b>	

- Gross Margin: Strong productivity and Maytag efficiency realization exceeds increase in material and oil-related costs
- SG&A: Cost controls and efficiency realization
- Fourth-quarter operating margin level highest post-Maytag acquisition

# Financial Summary

	Fourth Quarter		Better/(Worse)	
	2007	2006	2006	%
Operating Profit	332	190	142	74%
Interest Expense	(52)	(50)	(2)	5%
Interest & Sundry Income/(Expense)	(43)	(7)	(36)	NM
Earnings Before Income Taxes	237	133	104	78%
Income Taxes	39	(2)	41	NM
Equity Earnings/(Loss)	(8)	-	(8)	NM
Minority Interest	(3)	(2)	(1)	NM
Earnings from Continuing Operations	187	133	54	41%
EPS - Diluted	\$ 2.38	\$ 1.67	\$ 0.71	43%

- Legal reserves and non-income based taxes increased interest & sundry expense
- Income taxes increased due to prior year adjustments related to global audit settlements and legislative changes

## Working Capital

	<u>12/31/07</u>	<u>9/30/2007</u>	<u>12/31/06</u>
<b>Accounts Receivable</b>	<b>2,604</b>	<b>2,755</b>	<b>2,676</b>
<b>Inventory</b>	<b>2,665</b>	<b>2,934</b>	<b>2,348</b>
<b>Accounts Payable</b>	<b>3,260</b>	<b>3,217</b>	<b>2,945</b>
<b>Working Capital</b>	<b>2,009</b>	<b>2,472</b>	<b>2,079</b>
<b>% of Sales</b>	<b>10.4%</b>	<b>13.2%</b>	<b>11.0%</b>

- Strong improvement in working capital days and as a percentage of sales

# Cash Flow

	Full Year	
	2007	2006
Earnings from Continuing Operations	647	486
Depreciation & Amortization	593	550
Working Capital	92	(24)
Other	(405)	(132)
<b>Cash Provided By Continuing Operating Activities</b>	<b>927</b>	<b>880</b>
Capital Expenditures	(536)	(576)
Proceeds from Sale of Assets/Businesses (non-Maytag)	130	122
<b>Free Cash Flow</b>	<b>521</b>	<b>426</b>

- Positive earnings and working capital
- Increase in pension contributions and cash payments related to a pre-acquisition Maytag product recall

# Shareholder Returns

*(USD in millions)*

	2007				
	1Q	2Q	3Q	4Q	Total
<b>Share Repurchase Program*</b>	-	101	150	117	368
<b>Dividends</b>	34	34	33	33	134
<b>Total</b>	34	135	183	150	502

\* Program resumed during the second quarter of 2007.

## 2008 Guidance

### 2008 Guidance

**Earnings per Share**

**\$8.50 - \$9.00**

**Free Cash Flow**

**\$600 - \$650 million**

# Closing Remarks

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## Key Investment Highlights

- ▶ **#1 position** in global marketplace
- ▶ Leveraging leading **consumer brands**
- ▶ Turning innovation into **profitable growth**
- ▶ **Global** operating platform leverage

***Whirlpool is well positioned to perform in a challenging environment in 2008.***



# Appendix



## 2006 Segment Reclassification

	2006 AFTER Corp and Business Realignment					2006 BEFORE Corp and Business Realignment				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>NAR</b>	\$ 196	173	175	123	667	\$ 216	194	195	148	753
<i>% of Sales</i>	9.1%	5.4%	5.4%	4.0%	5.7%	9.8%	5.9%	5.9%	4.7%	6.3%
<b>Europe</b>	\$ 33	42	57	60	192	\$ 35	45	61	61	202
<i>% of Sales</i>	4.6%	5.1%	6.4%	6.0%	5.6%	4.9%	5.6%	6.8%	6.2%	6.0%
<b>LAR</b>	\$ 32	59	56	90	237	\$ 29	54	51	84	218
<i>% of Sales</i>	5.5%	9.2%	8.5%	11.2%	8.8%	5.4%	9.4%	8.6%	11.5%	9.0%
<b>Asia</b>	\$ (4)	(2)	(3)	(2)	(11)	\$ (2)	1	(1)	(1)	(3)
<i>% of Sales</i>	-4.3%	-1.2%	-2.8%	-2.0%	-2.4%	-2.1%	0.4%	-0.8%	-0.3%	-0.6%
<b>Other / Elimination</b>	\$ (56)	(65)	(60)	(81)	(262)	\$ (77)	(87)	(81)	(102)	(347)
<b>Operating Profit</b>	\$ \$201	\$207	\$225	\$190	\$823	\$ \$201	\$207	\$225	\$190	\$823
<i>% of Sales</i>	5.7%	4.4%	4.6%	3.8%	4.5%	5.7%	4.4%	4.6%	3.8%	4.5%

### Cash Flow Reconciliation

The table below reconciles actual 2007 and projected 2008 cash provided by continuing operations determined in accordance with generally accepted accounting principles (GAAP) in the United States to free cash flow, a non-GAAP measure. Management believes that free cash flow provides shareholders with a relevant measure of liquidity and a useful basis for assessing the company's ability to fund its activities and obligations. There are limitations to using non-GAAP financial measures, including the difficulty associated with comparing companies that use similarly named non-GAAP measures whose calculations may differ from the company's calculations. As defined by the company, free cash flow is cash provided by continuing operations after capital expenditures and proceeds from the sale of assets/businesses. Free cash flow does not include proceeds from the sale of Maytag businesses. The projections shown here are based upon many estimates and are inherently subject to change based on future decisions made by management and the board of directors of the company, and significant economic, competitive and other uncertainties and contingencies.

<i>(millions of dollars)</i>	<u>2007</u>	<u>2008</u>
Cash provided by continuing operations	\$927	\$1,150 - \$1,175
Capital expenditures	\$(536)	\$(600) - \$(625)
Proceeds from sale of assets/non-Maytag businesses	\$130	\$50 - \$100
Free Cash Flow	\$521	\$600 - \$650

### About Whirlpool Corporation

Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances, with annual sales of approximately \$19 billion, 73,000 employees, and 72 manufacturing and technology research centers around the world. The company markets *Whirlpool*, *Maytag*, *KitchenAid*, *Jenn-Air*, *Amana*, *Brastemp*, *Consul*, *Bauknecht* and other major brand names to consumers in nearly every country around the world. Additional information about the company can be found at <http://www.whirlpoolcorp.com>.

\*T7 refers to the following household appliance categories: washers, dryers, refrigerators, freezers, dishwashers, ranges and compactors

## Whirlpool Additional Information:

This document contains forward-looking statements that speak only as of this date. Whirlpool disclaims any obligation to update these statements. Forward-looking statements in this document include, but are not limited to, statements regarding expected earnings per share, cash flow, productivity and material and oil-related prices, as well as expectations as to the integration with Maytag Corporation. Many risks, contingencies and uncertainties could cause actual results to differ materially from Whirlpool Corporation's forward-looking statements. Among these factors are: (1) intense competition in the home appliance industry reflecting the impact of both new and established global competitors, including Asian and European manufacturers; (2) Whirlpool's ability to continue its strong relationship with Sears Holding Corporation in North America (accounting for approximately 12% of Whirlpool's 2007 consolidated net sales of \$19.4 billion) and other significant trade customers, and the ability of these trade customers to maintain or increase market share; (3) changes in economic conditions, including the strength of the U.S. building industry and the level of interest rates; (4) the ability of Whirlpool to achieve its business plans, including execution of its Maytag strategy, productivity improvements, cost control, leveraging of its global operating platform, and acceleration of the rate of innovation; (5) fluctuations in the cost of key materials (including steel, oil, plastic, resins, copper and zinc) and components and the ability of Whirlpool to offset cost increases; (6) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (7) our ability to attract, develop and retain executives and other qualified employees; (8) health care cost trends and regulatory changes that could increase future funding obligations for pension and post retirement benefit plans; (9) the cost of compliance with environmental and health and safety regulations; (10) litigation including product liability and product defect claims; (11) the impact of labor relations; (12) Whirlpool's ability to obtain and protect intellectual property rights; (13) the ability of Whirlpool to manage foreign currency fluctuations; and (14) global, political and/or economic uncertainty and disruptions, especially in Whirlpool's significant geographic regions, including uncertainty and disruptions arising from natural disasters or terrorist attacks. Additional information concerning these and other factors can be found in Whirlpool Corporation's filings with the Securities and Exchange Commission, including the most recent annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K.