

Consolidated Statements of Operations

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the company. Management’s Discussion and Analysis and other sections of this report may contain forward-looking statements that reflect our current views with respect to future events and financial performance.

Certain statements contained in this annual report and other written and oral statements made from time to time by the company do not relate strictly to historical or current facts. As such, they are considered “forward-looking statements” which provide current expectations or forecasts of future events. Such statements can be identified by the use of terminology such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “could,” “possible,” “plan,” “project,” “will,” “forecast,” and similar words or expressions. Our forward-looking statements generally relate to our growth strategies, financial results, product development and sales efforts. These forward-looking statements should be considered with the understanding that such statements involve a variety of risks and uncertainties, known and unknown, and may be affected by inaccurate assumptions. Consequently, no forward-looking statement can be guaranteed, and actual results may vary materially.

Many factors could cause actual results to differ materially from the company’s forward-looking statements. Among these factors are: (1) competitive pressure to reduce prices; (2) the ability to gain or maintain market share in intensely competitive global markets; (3) the success of our global strategy to develop brand differentiation and brand loyalty; (4) our ability to control operating and selling costs, and to maintain profit margins during industry downturns; (5) the success of our Latin American businesses operating in challenging and volatile environments; (6) continuation of our strong relationship with Sears, Roebuck and Co. in North America, which accounted for approximately 21% of our consolidated net sales of \$11 billion in 2002; (7) currency exchange rate fluctuations; (8) social, economic and political volatility in developing markets; (9) continuing uncertainty in the North American, Latin American, Asian and European economies; (10) changes in North America’s consumer preferences regarding how appliances are purchased; (11) the effectiveness of the series of restructuring actions the company has announced and/or completed through 2002; and (12) the threat of terrorist activities or the possibility of war.

We undertake no obligation to update every forward-looking statement, and investors are advised to review disclosures in our filings with the Securities and Exchange Commission. It is not possible to foresee or identify all factors that could cause actual results to differ from expected or historic results. Therefore, investors should not consider the foregoing factors to be an exhaustive statement of all risks, uncertainties, or factors that could potentially cause actual results to differ.

Year Ended December 31 – Millions of dollars except per share data	2002	2001	2000
Net sales	\$ 11,016	\$ 10,343	\$ 10,325
Expenses			
Cost of products sold	8,464	7,925	7,838
Selling, general and administrative	1,736	1,639	1,651
Intangible amortization	14	28	29
Product recall costs	9	295	–
Restructuring costs	101	150	–
Operating Profit	692	306	807
Other income (expense)			
Interest income and sundry	(54)	(51)	(50)
Interest expense	(143)	(162)	(180)
Earnings from continuing operations before income taxes and other items	495	93	577
Income taxes	193	43	200
Earnings from continuing operations before equity earnings and minority interests	302	50	377
Equity in earnings (loss) of affiliated companies	(27)	(4)	3
Minority interests	(13)	(12)	(13)
Earnings from continuing operations	262	34	367
Discontinued operations, net of tax	(43)	(21)	–
Cumulative effect of change in accounting principle, net of tax	(613)	8	–
Net earnings (loss)	\$ (394)	\$ 21	\$ 367
Per share of common stock			
Basic earnings from continuing operations	\$ 3.86	\$ 0.51	\$ 5.24
Discontinued operations, net of tax	(0.62)	(0.32)	—
Cumulative effect of change in accounting principle, net of tax	(9.03)	0.12	—
Basic net earnings (loss)	\$ (5.79)	\$ 0.31	\$ 5.24
Diluted earnings from continuing operations	\$ 3.78	\$ 0.50	\$ 5.20
Discontinued operations, net of tax	(0.62)	(0.31)	—
Cumulative effect of change in accounting principle, net of tax	(8.84)	0.12	—
Diluted net earnings (loss)	\$ (5.68)	\$ 0.31	\$ 5.20
Dividends	\$ 1.36	\$ 1.36	\$ 1.36
Weighted-average shares outstanding: (millions)			
Basic	67.9	66.7	70.2
Diluted	69.3	68.0	70.6

See notes to consolidated financial statements

Consolidated Balance Sheets

December 31 – Millions of dollars	2002	2001
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 192	\$ 316
Trade receivables, less allowances (2002: \$94; 2001: \$93)	1,781	1,515
Inventories	1,089	1,110
Prepaid expenses and other	64	59
Deferred income taxes	83	176
Other current assets	118	135
Total Current Assets	3,327	3,311
<b>Other assets</b>		
Investment in affiliated companies	7	117
Goodwill, net	161	685
Other intangibles, net	182	23
Deferred income taxes	437	354
Prepaid pension costs	43	208
Other assets	136	217
	966	1,604
<b>Property, plant and equipment</b>		
Land	87	56
Buildings	954	886
Machinery and equipment	4,793	4,372
Accumulated depreciation	(3,496)	(3,262)
	2,338	2,052
Total Assets	\$ 6,631	\$ 6,967

December 31 – Millions of dollars	2002	2001
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Notes payable	\$ 221	\$ 148
Accounts payable	1,631	1,427
Employee compensation	273	252
Deferred income taxes	100	102
Accrued expenses	664	623
Restructuring costs	122	77
Accrued product recalls	—	239
Other current liabilities	283	195
Current maturities of long-term debt	211	19
Total Current Liabilities	3,505	3,082
<b>Other liabilities</b>		
Deferred income taxes	117	177
Pension benefits	358	143
Postemployment benefits	487	480
Product warranty	57	45
Other liabilities	198	160
Long-term debt	1,092	1,295
	2,309	2,300
<b>Minority interests</b>		
	78	127
<b>Stockholders' equity</b>		
Common stock, \$1 par value:	87	86
Authorized – 250 million shares		
Issued – 87 million shares (2002); 85 million shares (2001)		
Outstanding – 68 million shares (2002); 67 million shares (2001)		
Paid-in capital	582	480
Retained earnings	1,985	2,470
Accumulated other comprehensive income (loss)	(999)	(697)
Treasury stock – 19 million shares (2002); 18 million shares (2001)	(916)	(881)
Total Stockholders' Equity	739	1,458
Total Liabilities and Stockholders' Equity	\$ 6,631	\$ 6,967

See notes to consolidated financial statements

## Consolidated Statements of Cash Flows

Year ended December 31 – Millions of dollars	2002		2001		2000
<b>Operating activities</b>					
Net earnings (loss)	\$	(394)	\$	21	\$ 367
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:					
Cumulative effect of a change in accounting principle		613		(8)	–
Equity in earnings (losses) of affiliated companies, less dividends received		27		4	(3)
Loss on disposition of assets		32		33	15
Loss on discontinued operations		43		21	–
Depreciation and amortization		405		396	400
Changes in assets and liabilities, net of business acquisitions:					
Trade receivables		(67)		116	(348)
Inventories		101		(26)	(80)
Accounts payable		63		230	221
Product recalls		(239)		239	–
Restructuring charges, net of cash paid		33		74	(43)
Taxes deferred and payable, net		157		(129)	11
Tax paid on cross currency interest rate swap gain		(86)		–	–
Other – net		124		53	(95)
Cash Provided by Operating Activities	\$	812	\$	1,024	\$ 445
<b>Investing activities</b>					
Capital expenditures	\$	(430)	\$	(378)	\$ (375)
Acquisitions of businesses, less cash acquired		(179)		–	(283)
Proceeds of cross-currency interest rate swaps		–		209	–
Cash Used for Investing Activities	\$	(609)	\$	(169)	\$ (658)
<b>Financing activities</b>					
Net proceeds (repayments) of short-term borrowings	\$	(165)	\$	(790)	\$ 628
Proceeds of long-term debt		6		301	326
Repayments of long-term debt		(30)		(80)	(408)
Dividends paid		(91)		(113)	(70)
Purchase of treasury stock		(46)		(43)	(427)
Other – net		3		72	27
Cash Provided by (used for) Financing Activities	\$	(323)	\$	(653)	\$ 76
Effect of Exchange Rate Changes on Cash and Equivalents	\$	(4)	\$	–	\$ (10)
Increase (Decrease) in Cash and Equivalents	\$	(124)	\$	202	\$ (147)
Cash and Equivalents at Beginning of Year		316		114	261
Cash and Equivalents at End of Year	\$	192	\$	316	\$ 114

See notes to consolidated financial statements

## Consolidated Statements of Changes in Stockholders' Equity

Millions of dollars	Common Stock	Treasury Stock/ Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total	
Balances, January 1, 2000	\$ 84	\$ (42)	\$ (443)	\$ 2,268	\$	1,867
Comprehensive income						
Net earnings				367		367
Minimum pension liability adjustments, net of tax of \$4			(5)			(5)
Foreign currency items, net of tax of \$15			(47)			(47)
Comprehensive income						315
Common stock repurchased		(427)				(427)
Common stock issued		25				25
Dividends declared on common stock				(96)		(96)
Balances, December 31, 2000	\$ 84	\$ (444)	\$ (495)	\$ 2,539	\$	1,684
Comprehensive loss						
Net earnings				21		21
Cumulative effect of change in accounting principle, net of tax of \$7			(11)			(11)
Unrealized loss on derivative financial instruments, net of tax of \$2			(6)			(6)
Minimum pension liability adjustments, net of tax of \$4			(7)			(7)
Foreign currency items, net of tax of \$3			(178)			(178)
Comprehensive loss						(181)
Common stock repurchased		(43)				(43)
Common stock issued	2	86				88
Dividends declared on common stock				(90)		(90)
Balances, December 31, 2001	\$ 86	\$ (401)	\$ (697)	\$ 2,470	\$	1,458
Comprehensive loss						
Net loss				(394)		(394)
Unrealized loss on derivative financial instruments			(3)			(3)
Minimum pension liability adjustments, net of tax of \$100			(151)			(151)
Foreign currency items			(148)			(148)
Comprehensive loss						(696)
Common stock repurchased, net of reissuances		(35)				(35)
Common stock issued	1	102				103
Dividends declared on common stock				(91)		(91)
Balances, December 31, 2002	\$ 87	\$ (334)	\$ (999)	\$ 1,985	\$	739

See notes to consolidated financial statements