

North America Operating Review

> **United States, Canada and Mexico**



> *KitchenAid* stand mixer
An American culinary icon, the *KitchenAid* stand mixer, year in and year out, retains its position as one of the most recognizable kitchen appliances – and does so with colorful pizzazz, such as this 2002 tangerine favorite.



> *Whirlpool Satina* look
Giving the stainless steel look without the hassles of stainless steel, the *Whirlpool Satina* finish refrigerator is a breeze to clean, hides fingerprints and keeps the family message board alive by attracting magnets.

KEY STATISTICS

- > No. 1 position in the industry
- > \$7.3 billion in 2002 sales
- > \$830 million in 2002 operating profit
- > Approximately 32,000 employees

BRANDS

United States *KitchenAid, Whirlpool, Roper by Whirlpool Corporation, Estate, Gladiator*
Canada *Inglis, Whirlpool, KitchenAid*
Mexico *Whirlpool, Acros, Supermatic, Crolls*

PRINCIPAL PRODUCTS

Air Purifiers, Automatic Dryers, Automatic Washers, Built-in Ovens, Countertop Appliances, Dehumidifiers, Dishwashers, Freezers, Hot Water Heaters, Ice Makers, Microwave Ovens, Ranges, Refrigerators, Room Air Conditioners, Trash Compactors

HEADQUARTERS

Benton Harbor, MI

MANUFACTURING LOCATIONS

United States LaVergne, TN; Findlay, OH; Marion, OH; Greenville, OH; Clyde, OH; Benton Harbor, MI; Evansville, IN; Fort Smith, AR; Tulsa, OK; Oxford, MS
Canada Montmagny, QU
Mexico Monterrey, Reynosa, Celaya, Puebla

NEW PRODUCTS INTRODUCED IN 2002

- > *Whirlpool* – *Polara* refrigerated range; Family Studio concept of appliances and cabinetry; *Duet* fabric-care system; *Satina* refrigerator; *Personal Valet* clothes vitalizing system; microwave hood combination with *AccuWave* technology
- > *KitchenAid* – *briva* in-sink dishwasher; stand mixers in tangerine, lavender and other colors; a blade coffee grinder; kitchen textiles; a new line of toasters; a self-designed dishwasher; a 36-inch built-in oven; counter-depth, bottom-mount refrigerator
- > *Gladiator* – GarageWorks appliances and organizing components for the garage



> **David L. Swift** Executive Vice President, North American Region

In the United States, record-low interest rates and the resulting consumer spending powered the economy – as well as the appliance industry – throughout the year. Growth in the U.S. major home appliance industry outpaced the record level set in 2001 by nearly 7 percent.

Whirlpool's North American operations led the industry with a remarkable performance in 2002, bettering the previous year's all-time records for sales and operating profit. For the year, total revenue of \$7.3 billion increased 11 percent. Much of the improvement was based on the success of new product introductions and cost savings from productivity improvements and restructuring.

Another significant achievement in 2002 was Whirlpool's successful integration of Mexico-based Vitromatic S.A. de C.V. – now called Whirlpool Mexico – which the company acquired last year. The acquisition has given Whirlpool greater access to the fast-growing market in Mexico, and enhanced our export and supply positions throughout the hemisphere. During the fourth quarter of the year, Whirlpool Mexico delivered brand-share growth and record sales.

Whirlpool Canada also delivered an exceptional year of strong revenue and operating performance.

Particularly satisfying in 2002 was the continued acceptance by consumers of our leading brands, especially *Whirlpool* and *KitchenAid*, both of which recorded strong revenue growth.

Through our strong consumer brands, Whirlpool North America introduced a number of innovative products and services to our customers in 2002. The introductions, as well as other new developments in non-product areas of customer relationships, helped drive a record *Whirlpool* brand share. *KitchenAid* brand also made strong strides in further positioning itself as one of North America's leading top-of-the-line brands for both major and portable appliances.

The innovations are part of Whirlpool's strategy of building customer loyalty by applying a deeper, fundamental understanding of our customers' needs, desires and lifestyles. A prime example is the *Whirlpool Duet* clothes washer and dryer pair (*HE3t* under Sears, Roebuck and Co.'s *Kenmore Elite* brand), which was launched nationwide in 2002. The *Duet* washer blends European front-load technology with a striking design that appeals to U.S. consumers interested in large-load wash capacity, excellent energy efficiency and cost savings, and the best overall fabric-care performance.

Other new and exciting innovations for 2002 included the *Whirlpool Polara* range, the world's first refrigerated range, and the *KitchenAid briva* dishwasher, a unique in-sink dishwasher. The *Polara* range received wide attention for offering a genuine solution to busy parents who want to enjoy sit-down dining with their families, but have little time in their schedules to prepare the meals. The *briva* in-sink dishwasher complements the culinary enthusiasts who need quick and easy cleaning solutions without having to run their much larger conventional dishwashers.

Dozens of other new-to-market products and solutions were introduced during the year. Among the highlights were *Whirlpool Gladiator* GarageWorks, a total organizing and appliance system for the garage, and *Whirlpool* Family Studio, a suite of cabinetry and fabric care innovations that transform the traditional laundry space into a center for family gathering and activity.

Whirlpool also introduced the new *Satina* stainless-look refrigerator, which delivers the aesthetic appeal of stainless steel without its drawbacks. The *Satina* finish is easy to clean, masks irksome fingerprints and holds magnets that keep messages in place.



> *Whirlpool* Family Studio

The *Whirlpool* Family Studio is a center of home activity that also serves as an efficient, functional fabric care space. Customers make use of breakthrough fabric-care products, such as the *Whirlpool Personal Valet* clothes vitalizer, which are smartly integrated within attractive cabinetry. Family Studio gives home builders, designers and remodelers the innovative products and design flexibility to meet the unique space requirements of their customers.

- A > The *Whirlpool ImPress* ironing station features an easy-to-access, adjustable board, storage for an iron while it cools, and automatic shut-off controls.
- B > The *Whirlpool SinkSpa* jetted sink gently cleans delicate garments and other hand-washables with specially designed water jets.
- C > The *Whirlpool DryAire* drying cabinet shaves hours off the air-drying process for heavy woolens and bulky garments, while gently drying delicates.
- D > The *Whirlpool Duet* washer and dryer pair delivers stylish design, unbeatable water and energy efficiency, and time-saving washing capacity.

To effectively display and explain this type of new innovation to consumers, Whirlpool and an increasing number of its North American trade partners and contract-home builders present these products in unique store and model-home formats that enhance the purchase experience. These displays break away from traditional “sea of white” retail formats and invite consumers to become more engaged in buying and understanding how Whirlpool appliances can benefit their lives. Consumer demand for Whirlpool innovation has helped the company build and strengthen its leading position with the region’s top value-added distribution partners.

Taking customer involvement even further, Whirlpool opened the *Inspirence* studio in Atlanta, a 6,000-sq.-ft. facility that has working kitchen and laundry displays, and features the latest products from *Whirlpool* and *KitchenAid*. The *Inspirence* studio gives customers, builders, architects, designers and trade partners a hands-on appliance experience, while giving Whirlpool employees more insight into customer needs and desires.

Inspirence studio expands upon the company’s hands-on approach to interacting with customers. The *KitchenAid Experience* store in Greenville, Ohio, also provides customers with an interactive environment that features *KitchenAid* major and portable appliances. Visitors can discover the history of the *KitchenAid* brand, participate in cooking classes, and shop for *KitchenAid* portable appliances and cooking accessories.

Additionally, Whirlpool sponsors the House of Innoventions at Innoventions at Epcot®, the ever-changing theme park of discovery at the Walt Disney World® Resort in Lake Buena Vista, Florida. Millions of guests each year tour the popular attraction that showcases the latest in home innovation, including a prototype Internet-ready refrigerator from *KitchenAid*.

In addition, the company has been using design and style as a strategic tool to create appealing visual connections with consumers on the retail floor. The design community is taking note as well. The Smithsonian Institution’s Cooper-Hewitt National Design Museum presented Whirlpool with the 2002 National Design Award for Corporate Achievement – one of many prestigious design awards that the company received during the year.

The company continues to offer consumers a full range of energy-efficient products that reduce home energy costs. Whirlpool’s ENERGY STAR® qualified appliances, such as the *Whirlpool Duet* washer and dryer and *Conquest* refrigerator, provide exceptional levels of energy efficiency that meet or exceed government guidelines.

An ongoing fundraising partnership between KitchenAid and the Susan G. Komen Breast Cancer Foundation generated more than half a million dollars in 2002 for the fight against breast cancer. Each sale of a pink *KitchenAid* stand mixer generates an additional \$50 donation to the Komen Foundation. Since 2001, KitchenAid has raised more than \$1 million through the sale of the mixer.

Whirlpool continued its partnership with Habitat for Humanity in 2002 by donating approximately 11,000 appliances to Habitat homes built in North America. Whirlpool donates an ENERGY STAR® qualified refrigerator and free-standing range to every Habitat home built in North America. Through Habitat, Whirlpool has helped improve the lives of more than 15,000 families.

Europe Operating Review

> Europe, Middle East and Africa



> *Whirlpool* and *Bauknecht* built-in ovens

The newest line of built-in ovens from *Whirlpool* and *Bauknecht* takes elegance and practicality to the next level. The ovens use select materials, such as stainless steel, formed into a variety of stylish designs that are easy to use and clean.



> *Max! Advance* microwave oven

A prime example of the innovations that can be gleaned from consumer insight, the award-winning *Whirlpool Max! Advance* microwave oven incorporates a rounded, space-saving shape, along with an on-door control panel and rear ventilation system.

KEY STATISTICS

- > No.3 position in Western and Central Europe
- > \$2.2 billion in 2002 sales
- > \$81 million in 2002 operating profit
- > Approximately 14,000 employees

BRANDS

Whirlpool, *Bauknecht*, *Ignis*, *Polar*, *Laden* in France, *KIC* in South Africa

PRINCIPAL PRODUCTS

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

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

NEW PRODUCTS INTRODUCED IN 2002

- > *Whirlpool* – *Max! Advance* microwave oven, *Axent* microwave oven, a new line of built-in ovens, *Dreamspace* washing machine, *Conquest* side-by-side refrigerator
- > *Bauknecht* – *big* washing machine, free-standing LCD washing machine, *Glide* telescopic, decorative hood



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

Whirlpool Europe's operations continued to make solid improvement in challenging economic and market environments throughout the region. Revenue of \$2.2 billion was up 7 percent from 2001. Operating profit improved significantly.

The increasing consumer demand for the *Whirlpool* brand – the No. 1 appliance brand throughout the region – and cost savings from restructuring changes and productivity improvements contributed to the improvement. Better working capital and asset utilization by the operations led to strong, positive cash flow for the full year.

Over the last 12 months, Whirlpool Europe has been responding to economic and market conditions within the region by reshaping both its business and operating footprint. The effort has resulted in a more competitive operating position, additional resources for investments in innovation, and continued growth of our leading brands and market positions.

With the 2002 acquisition of Polar S.A., Whirlpool Europe gained a strategic, low-cost manufacturing position in Poland that will serve the entire region. The company expects its manufacturing strategy, combined with annual savings from the restructuring initiative, to result in improved contributions and productivity on an ongoing basis.

Also in 2002, the operation continued to advance its brand strategy. *Whirlpool* brand is the No. 1 brand in Europe, representing 70 percent of total revenues. Whirlpool now has the leading position in France, Ireland, Portugal, the Benelux region and Central Europe.

Among the new product innovations in 2002 were versions of the popular *Whirlpool Duet* washer that is sold in the United States. Launched under the *Whirlpool* and *Bauknecht* brands as *Dreamspace* and *big*, respectively, the European versions of the *Duet* washer provide the same benefits and high level of performance with designs and features that appeal to European consumers.

Another innovation is the European version of the *Whirlpool Conquest* side-by-side refrigerator. The *Conquest* refrigerator was specially designed and manufactured to meet the needs of European consumers, including energy savings, size and design aesthetics.

Whirlpool and *Bauknecht* brands introduced a new range of built-in ovens, which combine elegance and advanced technology with special design features that simplify their use and cleaning. *Whirlpool* brand also introduced the *Max! Advance* microwave oven, which was launched in the second half of the year shortly after capturing France's prestigious Janus award for outstanding design.

At Hometech 2002, the major international home appliance fair, Whirlpool Europe showcased new products and presented Whirlpool-sponsored research analyzing emerging domestic trends in Europe and consumer interaction with home appliance technology.

Whirlpool Europe's design team continued to win critical design acclaim for its futuristic appliance concept work. Coming off its earlier "Macrowave: New Frontiers for the Modern Microwave," the company unveiled "Project F," visionary concepts for future fabric-care products. The company uses these and other concept projects to gain consumer insights for ongoing innovation and product development efforts.

Latin America Operating Review

> Brazil, Argentina, Chile, Other markets of the Southern Cone



> *Consul* air conditioner
Among the most economic in Latin America, *Consul* air conditioners also are among the quietest, with easy-to-install designs, easy-to-change filters and a quick-cooling system that uniformly cools entire rooms.



> *Brastemp Quality* range
Making cleaning even easier, the new *Brastemp Quality* gas range offers a glassy, scratch-resistant finish that helps customers with one of their most disliked tasks – cleaning the range after meal preparation.

KEY STATISTICS

- > No. 1 market position in the industry
- > \$1.27 billion in 2002 sales
- > \$107 million in 2002 operating profit
- > Approximately 17,000 employees

BRANDS

Whirlpool, Brastemp, Consul, Embraco, Eslabón de Lujo

PRINCIPAL PRODUCTS

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

HEADQUARTERS

São Paulo, Brazil; Buenos Aires, Argentina; Santiago, Chile

MANUFACTURING LOCATIONS

Brazil Manaus, Rio Claro, Joinville, São Paulo
International (Embraco) Riva di Chieri, Italy; Spisska Nova Ves, Slovakia; Beijing, China

NEW PRODUCTS INTRODUCED IN 2002

- > *Brastemp* – *Advantech Wash* automatic washer; Hot Water *Advantech Wash* automatic washer; Stain Removing *Advantech Wash* automatic washer; *De Ville Grill* ranges; *Quality Grill* and *Quality Top Clean* ranges; *Maison Tri Chama* and *Maison Tri Chama Inox* ranges; Bottom Freezer refrigerator
- > *Consul* – *Performer, Ideale, Prattice*, and *Facility* ranges; 7,500 BTU *Timer Classe A*, Electronic, Digital and Split air conditioners; Tabletop Dishwasher; Hooded Oven



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

In Latin America, the economic crisis in Argentina and the political uncertainties in Brazil and other countries within the region led to a dramatic slowdown in consumer spending. Given this environment, revenue of \$1.3 billion declined 15 percent from 2001, or down 4 percent excluding currency translations.

Despite the decline, operating profit as a percentage of sales was only slightly lower than the previous year. During the year, Whirlpool's operations quickly responded to the changing market dynamics by adjusting production rates and inventory levels. The action – combined with significant export growth and cost savings from productivity and restructuring efforts – contributed to the operating margin performance.

Whirlpool's Brazil-based compressor business, Embraco, remained a strong performer for the company. The unit, which also has manufacturing operations in Italy, Slovakia and China, continued to advance its technological and global leadership position. In 2002, exports from the regional operations – which include compressors and major appliances – reached a record high, rising more than 50 percent. The company expects exports from the region will be an increasingly positive factor in the operation's ongoing performance.

Throughout the year, Whirlpool Latin America launched a number of new and innovative products, all of which addressed consumer needs. For instance, *Brastemp* brand reinforced its innovative and trend-setting image through the introduction of a bottom-freezer configuration for refrigerators, which received strong customer praise for its ergonomic design and other features.

Brastemp brand also launched a new line of premium cooking products, such as cook-tops and clothes washer models, which broadened the brand's full-range of product offerings.

Consul brand updated its entire line of products in 2002. Among the highlights were an array of innovative air conditioners, including an attractive, space-saving split-line model; a convenient six-service dishwasher; and the brand's first push into the frost-free refrigeration market.

Brastemp and *Consul* brands also partnered with leading Brazilian companies in implementing brand image-building actions through architectural, decorating and cooking events. Such efforts help maintain the brands' outstanding recognition among consumers, particularly *Brastemp*, which again placed fourth as Brazil's most recognized brand.

Consul brand gained significant recognition for its social responsibility initiative, *Woman CONSULate*. The effort is targeted at improving the lives of disadvantaged women. Since its launch in early 2002, *CONSULate* has recruited more than 350 volunteers and assisted over 20,000 women.

Whirlpool's subsidiary companies in the region – Multibras and Embraco – were cited by a leading Brazilian business magazine for being among the top 100 companies in the country and among the best to work for. Multibras and Embraco are among only seven of the top 100 named to the list for six consecutive years.

Retailers and customers widely commend the company for its outstanding service, especially through its innovative assistance channels, such as Retailers Service Hotline and Urgent Customer Hotline. In addition, through an Internet contact center, customers can arrange for technical-assistance visits, register suggestions and clarify any concerns they may have about the company's products.

Asia Operating Review

> India, China, Asia /Pacific



> *Whirlpool Jupiter* washer
Among the first widely distributed clothes washers in Asia that use warm water, the *Whirlpool Jupiter* stain-removal washer eliminates most stains, including those from bicycles and cooking oil, and is gentle on woolen garments.



> *Whirlpool* microwave
With ease of use and consumer safety in mind, *Whirlpool* microwave ovens are designed for preparing traditional Indian cuisine and come with a new, unique crisping function to evenly brown breads and other dishes.

KEY STATISTICS

- > Leader among Western companies, with No. 1 market position in India
- > \$391 million in 2002 sales
- > \$14 million in 2002 operating profit
- > Approximately 5,000 employees

BRANDS

Whirlpool

PRINCIPAL PRODUCTS

Washers, Refrigerators, Microwave Ovens, Air Conditioners, Compressors

HEADQUARTERS

Hong Kong, PRC

MANUFACTURING LOCATIONS

India Faridabad, Pune, Pondicherry

China Shanghai, Shunde

NEW PRODUCTS INTRODUCED IN 2002

- > *Whirlpool* – semi-automatic *Whitemagic* washer, front-load *Whitemagic* washer, *Icemagic* refrigerator with *Fast Forward Ice* feature, *Jupiter* front-load and top-load washers, *MagiCool* air conditioners with *Quick Cool* technology



> **Garrick D'Silva** Regional Vice President, Whirlpool Asia

Whirlpool Asia continued to make rapid strides in India and China, the company's largest markets in the region. In particular, the *Whirlpool* brand further increased its market share throughout Asia and especially in India, where the brand is No. 1 in the laundry and refrigeration categories.

For the year, revenue of \$391 million increased 5 percent.

Whirlpool Asia's performance was noteworthy, given the economic uncertainties that prevailed in much of the region throughout the year in this highly competitive marketplace. The company continues to build upon its solid operating foundation in the world's largest and fastest growing home appliance market.

The company's consumer-focused strategy continued to make deeper inroads throughout the region and largely was responsible for Whirlpool Asia's 11-percent unit growth, one of the strongest industry performances in the region.

Dozens of new products were launched during the year, 25 alone in India. Among them was a new line of *Whirlpool Icemagic* refrigerators, with a unique *Fast Forward Ice* feature that makes ice quicker than ever before. A button on the refrigerators' exterior control panel activates the quick-ice system.

Other *Whirlpool* brand introductions in 2002 included a line of *MagiCool* air conditioners, with their *Quick Cool* technology to chill rooms fast, and the *MagiCook* microwave ovens. Following *Quick Cool's* successful launch, the product quickly established a solid position for the *Whirlpool* brand within the air-conditioning segment of the market.

Among the significant introductions in Whirlpool China was the launch of a new *Whirlpool 6th Sense* clothes washer, with sensor washing technology suited to the China market. In addition, we acquired the remaining 20 percent of the shares from our former partner in a washing machine joint venture in Shanghai.

The company also achieved an environmental milestone when Australia's Sustainable Energy Development Association recognized Whirlpool as a responsible manufacturer of energy efficient products, becoming the first appliance maker to receive the endorsement.

During the year, the company continued its steady penetration into China's interior provinces from the country's coastal region, where Whirlpool enjoys an increasingly strong market presence. The company is overcoming the country's structural challenges to product distribution by engaging with strategic trade partners. These trade partnerships will help Whirlpool continue to expand its distribution network and take part in the rapidly growing prosperity of China's domestic market.

Both China and India continued to offer excellent export opportunities for the company. Whirlpool China, for example, manufactures the bulk of the company's global microwave products. In 2002, Whirlpool India began to manufacture and export new *KitchenAid* portable appliances to the United States and elsewhere. Early success with blade coffee grinders led to plans to expand the manufacturing line of *KitchenAid* portables with coffee makers and compact ovens. Whirlpool India continued to maintain its leadership as the country's top exporter of white goods, shipping to more than 40 countries throughout Asia, the Pacific Rim, the Middle East, Africa, Latin America and the Caribbean.

In addition, India and China are emerging as key technology centers in Whirlpool's global technology organization. Besides manufacturing the bulk of the company's microwave products, Whirlpool China also is taking on much of the company's microwave technology development. In India, Whirlpool's Pune plant is focusing on refrigeration and air-conditioning technology, while the Pondicherry facility supports the development of the company's clothes-washing technology.