



EVERY HOME ... EVERYWHERE



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Our Vision:

Every Home ... Everywhere
with Pride, Passion, Performance

We create the world's best home appliances, which make life easier and more enjoyable for all people. Our goal is a Whirlpool product in every home, everywhere. We will achieve this by creating:

Pride ... in our work and each other

Passion ... for creating unmatched customer loyalty for our brands

Performance ... results that excite and reward global investors with superior returns

We bring this dream to life through the power of our unique global enterprise and our outstanding people ... working together ... everywhere.

About Our Company:

Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances. The company manufactures in 13 countries and markets products in more than 170 countries under major brand names such as *Whirlpool*, *KitchenAid*, *Roper*, *Estate*, *Bauknecht*, *Ignis*, *Laden*, *Inglis*, *Brastemp* and *Consul*. Whirlpool is also the principal supplier to Sears, Roebuck and Co. of many major home appliances marketed under the *Kenmore* brand name.

Financial Summary

<i>(dollars in millions, except per share data)</i>	<i>1998</i>	<i>1997</i>	<i>% Change</i>
Net sales	\$ 10,323	\$ 8,617	19.8%
Net earnings (loss) from continuing operations	\$ 310	\$ (46)	NA
Per share on a diluted basis	\$ 4.06	\$ (0.62)	
Net earnings (loss) Per share on a diluted basis	\$ 4.25	\$ (0.20)	NA
Net earnings excluding non-recurring items	\$ 310	\$ 238	30.3%
Per share on a diluted basis	\$ 4.06	\$ 3.15	
Stockholders' equity	\$ 2,001	\$ 1,771	13.0%
Total assets	\$ 7,935	\$ 8,270	(4.1)%
Return on equity	17.2%	(0.8)%	
Return on equity excluding non-recurring items	16.5%	12.0%	
Return on assets	4.6%	(0.7)%	
Return on assets excluding non-recurring items	4.3%	2.7%	
Book value per share	\$ 26.16	\$ 23.71	10.3%
Dividends per share	\$ 1.36	\$ 1.36	
Average dividend yield	2.3%	2.5%	
Share price			
High	\$ 75 ¹ / ₄	\$ 69 ¹ / ₂	
Low	\$ 43 ¹¹ / ₁₆	\$ 45 ¹ / ₄	
Close	\$ 55 ³ / ₈	\$ 55	0.7%
Total return to shareholders <i>(five-year annualized)</i>	(1.2)%	6.8%	
Shares outstanding (in 000's)	76,089	75,262	
Number of stockholders	13,584	10,171	
Number of employees	58,630	61,370	

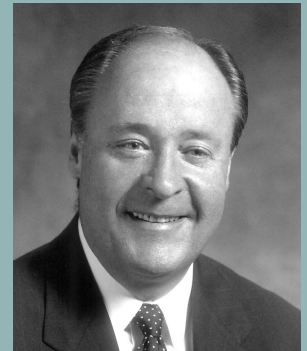
C H A I R M A N ' S L E T T E R

To Our Stakeholders: 1998 represented a year of significant performance improvement, building on the progress we established in 1997. In total, earnings from continuing operations, absent non-recurring items, have increased 94 percent over this two-year period. A year-over-year increase of 37 percent in 1998, was particularly noteworthy, given the widespread economic downturns affecting our Brazilian business, much of our Asian operations, as well as the Central European markets that we serve. We believe that the strength of our combined global business, our well-positioned consumer brands and the outstanding efforts of Whirlpool people worldwide effectively overcame the economic and industry challenges that we faced and delivered a year of solid performance.

Net sales for the year reached a record \$10.3 billion, 20 percent ahead of 1997's high of \$8.6 billion. Earnings from continuing operations exclusive of non-recurring items, totaled \$310 million, or \$4.06 per diluted share, up 37 percent from \$226 million, or \$2.99 per diluted share in 1997.

Our market leading North American business produced record profitability, driven by a healthy appliance industry environment, solid performance from our strong brands, and significant new product introductions in the fabric care, refrigeration and dishwashing categories under our *Whirlpool* and *KitchenAid* brands. In addition, North America delivered record levels of quality improvement, productivity increases and cost reductions through the focused efforts of our manufacturing, technology and procurement organizations. These efforts and momentum will continue, and along with new consumer-focused product and service introductions, should assure a continuation of our solid performance.

Whirlpool Europe continued its strong year-over-year performance improvement trend, reporting a 125 percent increase in operating profit from 1997 levels. The European business also continued to grow the *Whirlpool* brand market position, which remains the single largest selling appliance brand across both Western and Central Europe. This position was further strengthened in 1998 with strong introductions of newly designed chest freezers, refrigerators, microwave ovens and



DAVID R. WHITWAM
CHAIRMAN OF THE
BOARD AND CHIEF
EXECUTIVE OFFICER

C H A I R M A N ' S L E T T E R

clothes washers under both the *Whirlpool* and *Bauknecht* brands. In addition, broad based cost reductions and solid productivity improvements throughout the business led to significant margin improvement. We expect this improvement to continue in our European business throughout 1999.

As mentioned above, poor economic conditions in much of Latin America, particularly in Brazil, drove appliance industry sales down about 15 percent from 1997 levels. Despite these market place challenges, our regional profit performance, on a relative basis, was strong. Our exceptional brand and market position strength, an aggressive cost and productivity focus, and an array of well-received new product introductions under our *Brastemp* and *Consul* brands in the air conditioning, clothes washing and refrigeration categories drove this strong performance. Although we expect a challenging 1999 in Brazil, our view continues to be that our Brazilian and total Latin American businesses remain well positioned to perform solidly in that environment.

In Asia, a strategically important appliance market, we continued to show progress. Year-over-year operating results improved 73 percent as we completed execution of several previously announced restructuring actions, which allowed us to deal effectively with the difficult economic conditions we experienced in most of the region.

Whirlpool of India experienced strong growth, pushed by the introduction of the first CFC free no-frost refrigerator designed and built specifically for the Indian market. This important Whirlpool brand product helped us grow our leading appliance market position. Whirlpool SMC, our Shunde, China microwave oven joint venture, exported more than one million microwave ovens, a record, to both our North American and European operations for sale under several of our brand names, as well as under the *Kenmore* brand for Sears, Roebuck and Co. Importantly, we expect further improvements in Asia and anticipate that the region will perform at a breakeven level or better in 1999.

Even as we assess our 1998 progress around the globe, it is helpful to use our company's past as a lens for viewing its future. Since our company's founding in 1911, there have been three clear periods

C H A I R M A N ' S L E T T E R

of development. Without question, we believe that today we are beginning the next, and most important period in our proud history.

The first period of development lasted from our founding until about 1950 and is characterized by our building strong capabilities in product design and manufacturing technology with a strong focus on cost and quality. Whirlpool Corporation was largely only a supplier of laundry products to Sears, Roebuck and Co. during this period.

The second period of development, which lasted nearly forty years, saw the company expand its product line from only laundry products into a full line of major home appliances. In addition to continuing a strong relationship with Sears, Roebuck and Co., the company also introduced appliances under the *Whirlpool* brand name, among others. This was an important first step in beginning to build a close, multi-decade relationship with the American consumer and was also a period of strong growth for Whirlpool Corporation.

The third period of development has lasted for most of the decade of the nineties, during which we built the most significant global position in the worldwide major home appliance industry. This global position provides Whirlpool Corporation with the capability for solid growth and value creation. We have the number one market position in North America and Latin America, the number three and growing position in Europe, and a strong position for growth in Asia. Today our global market position is approximately 40 percent larger than our closest competitor.

We believe that this platform offers a unique level of competitive advantage for our worldwide brands, technologies, products, processes and the skills and capabilities of our people. Perhaps most importantly, it also provides us with an unparalleled foundation to move into the fourth period in the strategic development of Whirlpool Corporation.

This annual report begins to tell the story of this fourth period based on the following vision, which guides the men and women of Whirlpool Corporation, every day, everywhere.



C H A I R M A N ' S L E T T E R

Every Home ... Everywhere with Pride, Passion, Performance

*P*ride ... in our work and each other

*P*assion ... for creating unmatched customer loyalty for our brands

*P*erformance ... results that excite and reward global investors with superior returns

Simply stated, this vision requires that, over time, our strategies and execution will take our brands, products and expanded customer focused services into every home, everywhere in the world.

The quest to achieve this vision has led to new customer insights and to a passion for fulfilling individual customer requirements in each market that we serve. These insights are leading our people to find customer solutions that are unique, and that go beyond product design to include all of the elements necessary to drive outstanding and unmatched loyalty for our brands, products and services. Creating such innovative solutions and loyalty to our brands requires that our global resources be leveraged more than ever before. Importantly, this vision requires a focus on, and commitment to, growth and ever increasing levels of value creation for our shareholders. It is not an annual or short-term effort, but rather one that will build momentum and power as we go forward.

Translating this ambitious vision into strategies and plans that achieve all of its elements has become the task of the company's leadership group. The execution of these strategies rests in the hands of all of our people. Today we measure our progress against each element of this vision in the following ways:

Pride ... is measured by a rigorous process of determining the commitment, capabilities and contributions of all of our people;

Passion ... for creating unmatched customer loyalty is measured by growth in revenues, market position and brand loyalty measurements;

Performance ... and results that reward shareholders are measured by economic value added (EVA) and earnings growth.

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The specific targets and measures against these areas form the basis of our performance measurement system, where we track our progress quarterly and annually. Each salaried employee's compensation and rewards are based on achievement against these objectives. This alignment and approach helps assure continual progress towards the achievement of our vision.

We remain unquestionably committed to our aggressive strategy and bold vision of a Whirlpool product in every home, everywhere. And, we are more confident than ever before of the ability of our people to fully execute it.

Much has been accomplished over the last eight decades to build the fundamental capabilities of Whirlpool Corporation and the global platform from which we can continue to leverage our growth and value creation. We enter 1999 with a strong start on this next phase of Whirlpool's history. We also enter with the confidence that our course is correct and sustainable. Undoubtedly, some of our major appliance markets will continue to be challenged by economic conditions. Just as in 1998, however, we believe the strength of our global business platform, guided by our vision, strategies and the capabilities and commitment of Whirlpool people worldwide, will continue to deliver growth and solid performance, in 1999 and beyond.

On a personal note, I would like to recognize the retirement of Vice Chairman, Bill Marohn, after 34 years of service to Whirlpool Corporation. His leadership and dedication have contributed much to Whirlpool's emergence as the world's leading home appliance company.



David R. Whitwam
Chairman of the Board and Chief Executive Officer
February 12, 1999



N O R T H A M E R I C A

In 1998, Whirlpool North America posted another fine year of performance, delivering records in sales, units shipped, and most importantly, profits. These results were driven by our unending focus on understanding consumers' needs and wants and by, again, improving our cost structure while dramatically increasing productivity, even as competition remained intense.

Our insights into consumer habits led to several important North American product introductions in 1998. First, following in-depth research among both consumers and contract home builders, we successfully launched the *Whirlpool Gold* brand, a superior, feature-rich full line of appliances that represents the best of *Whirlpool* brand technology and styling. This important brand extension is designed for busy consumers who always buy the best and helped the company's contract building business grow at a double-digit rate.

We followed with the introduction of our new *Whirlpool* brand side-by-side refrigerator with a built-in, easy-to-use, water filtration system, making water and ice taste better. Our new microwave hood combination, an over-the-range microwave oven with the largest usable capacity in the industry, was first introduced through Sears, Roebuck and Co. under the *Kenmore* brand name. The next generation of this product, which is now available under our *Whirlpool* brand, was recognized as the industry leader by a top consumer product rating publication.

The *KitchenAid* brand also made gains in 1998 following the successful launch of its *Architect*



ABOVE: Whirlpool Gold
BRAND SIDE BY SIDE
REFRIGERATOR

LEFT: KITCHENAID
BRAND BUILT-IN OVENS

OPPOSITE: WHIRLPOOL
BRAND RESOURCE SAVER
WASHER

PRINCIPAL BRANDS:

WHIRLPOOL

KITCHENAID

ROPER

ESTATE

N O R T H A M E R I C A

Series, a line of all stainless-steel appliances. This brand extension, featuring highly designed stainless steel wrap-around-style control panels, was the result of extensive consumer and trade partner research. Our *KitchenAid* brand small appliance line, led by its time-honored stand mixer, remained in tremendous demand by trade partners who feel the presence of *KitchenAid* brand products in their stores is a strong consumer attraction. This exceptional, small appliance brand was successfully launched in Europe in 1998, with particularly encouraging results in Germany and France. The *KitchenAid* brand name has also been extended to cookware, and to a four-cup coffee maker that has made its way into upscale hotel chains where it has been a marked success.

Perhaps our most important product launch of the year came in September, when we introduced the *Whirlpool* brand *Resource Saver* Wash System clothes washer. The *Resource Saver* washer is the first top-loading automatic clothes washer to be designated an ENERGY STAR appliance, meeting the demanding energy saving standards established by the U.S. Department of Energy and the Environmental Protection Agency. The new product qualifies for ENERGY STAR by achieving up to 56 percent in energy savings and up to 47 percent in water savings, or possible total savings of up to \$90 per year. The *Resource Saver* washer is also priced significantly below other high-efficiency washers, often hundreds of dollars less.

Our Consumer Services business, which specializes in helping consumers both before and after a purchase, also continued to bring new and enhanced consumer-focused programs to the market. At Inglis Limited, our Canadian subsidiary, we reported a third consecutive year of record sales and

N O R T H A M E R I C A

profits. Vitromatic, our Mexican joint venture, continued to improve its operating capabilities and product quality, even while facing an economic slowdown late in the year, which curtailed what was a robust industry.

Without question, a considerable measure of our success in North America was the result of the continued globalization of our organization, particularly our ability to leverage our global product development efforts and global supply agreements. And we continued to benefit from our Operational Excellence program, Whirlpool's "Six Sigma" methodology for improving quality in processes, while also significantly enhancing productivity, reducing costs and shortening cycle times across the enterprise. Today more than 70 people have been certified as "experts" in Operational Excellence, which uses sophisticated analytical methods to drive fundamental improvements. This program has already produced significant cost and quality results in North America, and during 1998, we began to expand its use at our other regional businesses.

These and other efforts show how energized and enthused our people are today. Still, we are not satisfied, and we know we can do even better. Our people are, time and again, taking their expertise and achievement to higher levels as we carry out our ambitious vision.



*W*hirlpool Europe continued to drive outstanding quarter-over-quarter and year-over-year improvements in profitability in 1998. We also reported significant gains in sales and increased our unit shipments, all while continuing to refine our operations and improve productivity. Strong performances in the key markets of Western Europe also pushed margins and profits higher for the year. Importantly, these achievements far outpaced the appliance industry as a whole in Europe.

Our performance improvement was driven by a combination of actions, including improving the mix of higher margin products, continuing to focus on meeting consumer needs with our principal brands – *Whirlpool*, *Bauknecht*, *Ignis* and *Laden* – and drawing on the company's global strength in product development and procurement.

These and other factors have made the *Whirlpool* brand the number one brand of appliances across the continent. This is a remarkable accomplishment considering the *Whirlpool* brand was significantly less recognized in Europe just ten years ago.

An intense focus on consumers was evident in several new product launches in 1998. We successfully introduced a new *Whirlpool* brand front-loading washing machine, with improved accessibility and better energy and water use. The company's new free standing refrigerator line gives consumers new colors and aesthetics along with improved space management features. Our exclusive *Talent* microwave oven, in high demand for its ease of use and outstanding cooking performance,



ABOVE: WHIRLPOOL
BRAND TALENT
MICROWAVE OVEN



LEFT: BAUKNECHT
BRAND CLOTHES DRYER

OPPOSITE: WHIRLPOOL
BRAND DISHWASHER

PRINCIPAL BRANDS:

WHIRLPOOL

BAUKNECHT

IGNIS

LADEN



E U R O P E

continued to have strong consumer and trade partner acceptance.

We also brought to market a new chest freezer design, which has quickly become the top consumer choice in the European marketplace. And our latest *Bauknecht* brand cooktops claim best-in-class performance with stylish, easy-to-clean design.

Being named the exclusive supplier of major home appliances for IKEA, the leading European – and increasingly global – home and office furnishings retailer, was another high point for Whirlpool Europe in 1998. Whirlpool Europe's unmatched capabilities in manufacturing, distribution and the leading position of the *Whirlpool* brand in Europe were key factors in winning this prestigious contract. In addition, our European marketing and sales team forged new relationships with several other pan-European trade partners who should help further boost our performance in 1999.

Already the leader in the emerging markets of Central Europe, Whirlpool Europe further strengthened its position in 1998 with sales growth, improved market position and profitability, despite volatility in many of these markets. Our emerging markets team, drawing on the company's global resources and its own experience and expertise, has clearly demonstrated an ability to manage rapid change in these important markets. Overall, our emerging markets team continued to build a sustainable competitive advantage in Central Europe and other markets it serves.

We expect to continue our 1998 momentum into 1999 as we aggressively pursue revenue growth with new and existing trade partners, further improve our cost structure and drive the highest levels of product and consumer satisfaction in the European appliance industry. New products under



E U R O P E

development in cooking, dishwashing and laundry will continue to provide consumers superior performance and value under our already strong brand names.

Our European employees' dedication and commitment to consumers and trade partners have allowed us to make great strides in our first ten years in Europe. Not only has our approach already made the *Whirlpool* brand the top consumer choice in Europe, it leaves us well positioned to create higher levels of value by translating our growing knowledge of consumer needs into a clear, and sustainable, competitive advantage.



L A T I N A M E R I C A

Fundamentally weak economic conditions in Brazil and other Latin American countries caused a 15 percent drop in Latin American appliance industry shipments in 1998. Despite this negative industry change, our Latin American operations remained strongly profitable, even though year-over-year sales and unit shipments declined.

Over the course of the year we took the necessary steps to face a tough business environment. More specifically, we lowered the structural costs of our Latin American business through a series of actions involving virtually every aspect of the operation, from implementing a new enterprise wide computer system to training more than 100 engineers in our operational excellence program. These actions, among others, led to our achieving an improvement in our field call rate, an increase in productivity and additional benefits from our global procurement programs. Perhaps most importantly, we demonstrated a distinct ability to respond quickly and successfully to a changing marketplace.

We are confident that, in time, the economy, as well as our industry, will return to growth. When that occurs, we are well positioned in Latin America to reap substantial rewards. Even after the industry downturn, our market position in Latin America remains more than two times larger than our closest competitor.

The positive performance in 1998 was also due to our unfaltering focus on exceeding consumer needs. More than one year ago we began major investments to renew our entire product line. Since that



ABOVE: BRASTEMP
BRAND DISHWASHER

LEFT: BRASTEMP BRAND
CLOTHES WASHER

OPPOSITE: BRASTEMP
BRAND REFRIGERATOR

PRINCIPAL BRANDS:

BRASTEMP

CONSUL



L A T I N A M E R I C A

time, we have launched several new products, all reflecting deep consumer insights and preferences for style, innovation and world-class performance. These include all new or totally redesigned clothes washers, refrigerators, air conditioners, cooking ranges and microwave ovens. Regarding clothes washers, our new line includes an innovative electronic interface, an internal water heater – the first of its kind in the world for vertical axis washers, step cycle washing programs and new designs that consumers strongly prefer.

After considerable consumer research, we also brought to market a new microwave oven family featuring our exclusive “crisp” technology. The microwave oven is built in Brazil using design specifications and technology from the company’s global microwave oven business unit located in Sweden and is based on a product platform that we currently build in China. In less than six months, this new product has captured the top spot with Brazilian consumers, surpassing even our traditional price premiums. As always, each branded product launch was supported with an aggressive advertising campaign to garner further consumer attention and acceptance.

Additional efforts to create a distinct and powerful brand image with consumers included the launch of a co-branded credit card, extended warranties on our entire product line and the launch of a centralized call center. Our call center is a new concept that is designed to handle every consumer need from product and warranty information to service and repair scheduling. We believe the call center will give us a powerful tool for developing an even richer understanding of consumer needs, not only at the time of purchase, but throughout the product life cycle as well. The extended warranty program,

L A T I N A M E R I C A

together with other service initiatives, will enable us to build a two-way relationship with the consumer and better anticipate and serve their future needs.

Based on research and on our efforts to attract and keep consumers for life, we have established several objectives to improve our performance in 1999. Among the most exciting is our intent to replicate the leading position of our Brazilian brands in other Latin American markets. To this end, we have already expanded our presence in countries like Chile. Among other initiatives is our plan to increasingly leverage our global enterprise on a regional scale, certainly one of the factors that allowed us to perform as well as we did in 1998.

Our Latin American unit is well equipped to deliver continued success. We enjoy an unparalleled position with consumers through our market-leading brands, which companies in any industry would envy. And, we are confident that the strength of our management team will allow us to perform well no matter what the economic environment.

While the Latin American market remains under stress and the timing of economic recovery is uncertain, we have the plans in place to deliver good performance in 1999 and beyond. Importantly, we believe no one in the appliance industry is better positioned today, or for the future, to deliver superior shareholder returns in this region, which eventually will resume its place as one of the fastest-growing markets in the world.

Whirlpool Gold

6:40

SENSOR ONE TOUCH

BAKED POTATO FRESH VEGETABLE FROZEN VEGETABLE

BEVERAGE DINNER PLATE SOUP

QUICK MENU CHOICE

REHEAT DEFROST COOK

COOK OVER WARM HOLD ADD MINUTE

1 2 3 4 5
6 7 8 9 0

TIMER SET TIMER OFF

10T TROUBLE SHOOT OFF

LOCK UNLOCK

The company's 1998 performance in Asia further strengthened its position to grow in the world's largest home appliance market. In fact, our progress resulted in a 73 percent improvement in operating performance for the year. We also recorded substantial operational improvements following our extensive efforts to refine our structure and lower our costs throughout the region, especially as we faced turbulent economic conditions. Further, we believe that in 1999 our Asian business will perform at a breakeven level or better.

In India, we had an excellent year of revenue growth and took several steps to improve our position with consumers. Following a brand name transfer, we have established the *Whirlpool* brand as the leading appliance brand in India. Quarter-by-quarter, the brand has gained recognition and acceptance among Indian consumers. We continued to make significant improvements in productivity, quality and product offering in both our refrigeration business as well as in our washing machine business, and improved our market position in both product categories.

After commissioning our newest production facility in Pune, India, we launched the first no-frost and CFC-free refrigerator built in India for Indian consumers. This industry leading *Whirlpool* brand product received a tremendous reception from Indian consumers, allowing us to capture a significant portion of this good-growth product category. We also introduced a new front-loading automatic clothes washer from Europe, expanding our offerings to consumers.

Our Indian business team also made significant strides in both quality and service satisfaction



ABOVE: WHIRLPOOL
BRAND CLOTHES
WASHER



LEFT: WHIRLPOOL BRAND
REFRIGERATOR

OPPOSITE: WHIRLPOOL
GOLD BRAND MICROWAVE
OVEN HOOD
COMBINATION

PRINCIPAL BRAND:
WHIRLPOOL

after conducting in-depth research to better understand consumers from the earliest steps in the purchase process to how the product is used and serviced. We intend to translate the results of this groundbreaking research into products and services that deliver even greater value.

In 1998, the company's Asia Pacific region included several of the most volatile markets in the world. Consumer demand for durable products, including home appliances, dropped by 40 percent in some countries. Although our sales were lower on a year-over-year basis, we performed exceptionally well, reporting higher profits. Our flexible approach allowed us to adapt quickly to the tough economic conditions we faced. We continued to trim our costs and focus our product line on those products with the greatest consumer appeal. In total, these moves strengthened our long-term position for growth and higher profits when markets begin their expected recovery. The strength of our global enterprise was particularly valuable in the Asia Pacific region as it gave us the flexibility and speed needed to maintain a competitive edge. Here also, we demonstrated an ability to respond quickly and successfully to change.

In China, our performance in 1998 reflected our continued efforts to establish the *Whirlpool* brand, even as we repositioned our operations in this highly competitive and exceptionally important market. We also took steps to improve our cost structure as we completed the restructuring that was announced last year. Accordingly, we have intensified our focus on Whirlpool Narcissus, which manufactures automatic washers, and Whirlpool Shunde SMC, which manufactures microwave ovens.

With Whirlpool Shunde SMC, our microwave business has become a true global production center. Last year, we produced more than one million units for sale under the *Whirlpool* brand in North

America and Europe. A highlight for the year was the production of a totally new over the range microwave oven, using a design from our global microwave oven business unit in Sweden. This exciting new product was first sold in the United States under the *Kenmore* brand name at Sears, Roebuck and Co., and is now available under the *Whirlpool* brand. This high-volume, high profit margin product is certainly a telling example of leveraging our global capability. We also sell, under the *Whirlpool* brand name, a growing number of microwave ovens to Chinese consumers and have plans in place to further grow this portion of our business in 1999. Domestic sales of *Whirlpool* brand products are an important factor in our ongoing efforts to build awareness with Chinese consumers.

With Whirlpool Narcissus, we manufacture a wider array of washing machines, under the *Whirlpool* brand, than is generally available from any other manufacturer in China. We are able to do this by taking advantage of the company's global network for product-development activities – including research, design and technology development – in China. Continuous improvement, new product developments and our growing sales, have the ability to further improve our performance in 1999.

We have made great progress in Asia. This could only have been accomplished by the commitment of our people throughout this region. Despite tough economic conditions, volatile markets, and significant change, their pride and passion for the consumer delivered a solid year of improvement, while positioning us for future growth in the world's largest home appliance market.

NORTH AMERICA



MAJOR WHIRLPOOL BRANDS

ACROS*
ADMIRAL (CANADA)
CROLLS*
COOLERATOR
ESTATE
INGLIS
KITCHENAID
ROPER
SPEED QUEEN (CANADA)
SUPERMATIC*
WHIRLPOOL
WHIRLPOOL GOLD

PRINCIPAL PRODUCTS

AUTOMATIC DRYERS
AUTOMATIC WASHERS
BUILT-IN OVENS
DEHUMIDIFIERS
DISHWASHERS
FREEZERS
ICE MAKERS
MICROWAVE OVENS
RANGES
REFRIGERATORS
ROOM AIR CONDITIONERS
TRASH COMPACTORS

*USED WITH PERMISSION

COMPANY, AFFILIATE OPERATIONS

★ HEADQUARTERS
GLOBAL AND NORTH AMERICAN
HEADQUARTERS
BENTON HARBOR, MICHIGAN

INGLIS LTD.
MISSISSAUGA, CANADA

▲ JOINT VENTURES
VITROMATIC S.A.
MONTERREY, MEXICO

● MANUFACTURING
BENTON HARBOR, MICHIGAN
CELAYA, MEXICO
CLYDE, OHIO
EVANSVILLE, INDIANA
FINDLAY, OHIO
FORT SMITH, ARKANSAS
GREENVILLE, OHIO
LA PORTE, INDIANA
LAVERGNE, TENNESSEE
MARION, OHIO
MONTERREY, MEXICO
MONTMAGNY, QUEBEC
OXFORD, MISSISSIPPI
PUEBLA, MEXICO
REYNOSA, MEXICO
TULSA, OKLAHOMA

LATIN AMERICA

MAJOR WHIRLPOOL BRANDS

BRASTEMP
CONSUL
ESLABON DE LUJO
SEMER
WHIRLPOOL

PRINCIPAL PRODUCTS

AUTOMATIC DRYERS
AUTOMATIC WASHERS
DISHWASHERS
FREEZERS
MICROWAVE OVENS
RANGES
REFRIGERATORS
ROOM AIR CONDITIONERS

COMPANY, AFFILIATE OPERATIONS

★ HEADQUARTERS
BRASMOTOR S.A., MULTIBRAS S.A.
SAO PAULO, BRAZIL

EMBRACO, S.A.
JOINVILLE, BRAZIL

WHIRLPOOL ARGENTINA
BUENOS AIRES, ARGENTINA

● MANUFACTURING
CABO DE SANTO, AGOSTINHO
JOINVILLE, BRAZIL
MANAUS, BRAZIL
SAN LUIS, ARGENTINA
SANTA CATARINA, BRAZIL
SAO PAULO, BRAZIL



EUROPE



MAJOR WHIRLPOOL BRANDS

BAUKNECHT
IGNIS
LADEN
WHIRLPOOL

PRINCIPAL PRODUCTS

AUTOMATIC DRYERS
AUTOMATIC WASHERS
DISHWASHERS
FREEZERS
MICROWAVE OVENS
RANGES
REFRIGERATORS

COMPANY, AFFILIATE OPERATIONS

★ HEADQUARTERS
COMERIO, ITALY

▲ JOINT VENTURES
RIVA DI CHIERI, ITALY

● MANUFACTURING
AMIENS, FRANCE
CALW, GERMANY
CASSINETTA, ITALY
COMERIO, ITALY
ISITHEBE, SOUTH AFRICA
NAPLES, ITALY
NEUNKIRCHEN, GERMANY
NORRKÖPING, SWEDEN
POPRAD, SLOVAKIA
SCHORNDORF, GERMANY
SIENA, ITALY
RIVA DI CHIERI, ITALY
TRENTO, ITALY

ASIA

MAJOR WHIRLPOOL BRANDS

NARCISSUS*
SMC*
WHIRLPOOL

PRINCIPAL PRODUCTS

AUTOMATIC WASHERS
MICROWAVE OVENS

*USED WITH PERMISSION

COMPANY, AFFILIATE OPERATIONS

★ HEADQUARTERS
ASIAN HEADQUARTERS
HONG KONG, CHINA

NEW DELHI, INDIA

▲ JOINT VENTURES
WHIRLPOOL NARCISSUS
(SHANGHAI) CO. LTD.
SHANGHAI, CHINA

WHIRLPOOL SHUNDE SMC
MICROWAVE PRODUCTS CO. LTD.
SHUNDE, CHINA

● MANUFACTURING
FARIDABAD, INDIA
PONDICHERRY, INDIA
PUNE, INDIA
SHANGHAI, CHINA
SHUNDE, CHINA



MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

The consolidated statements of earnings summarize operating results for the last three years. This section of Management's Discussion and Analysis highlights the main factors affecting changes in operating results during the three-year period. Unless otherwise noted, all comparisons are to 1997 and 1996 excluding discontinued operations, restructuring and other non-recurring items [see "Discontinued Operations, Non-Recurring Items and Net Earnings/(Loss)"].

The company's investment in its Brazilian subsidiary, Brasmotor S.A., is accounted for on a consolidated basis for the full year 1998 and the last two months of 1997. Prior to the consolidation, the Brazilian operations were accounted for on an equity basis. Prior to the fourth quarter of 1997, the company's Brazilian operations were reported on a one-month lag. In the fourth quarter of 1997, this one-month reporting lag was eliminated and the Brazilian results for the year ended December 31, 1997 included activity for 13 months. The effect of eliminating the one-month lag increased 1997 net earnings \$5 million.

Net Sales

Net sales were \$10.3 billion in 1998, an increase of 20% over 1997. Excluding the impact of consolidating Brasmotor and currency fluctuations, net sales were up 4%. North American unit volumes were up 10%, in an industry that was up nearly 9%. North American sales were up 6% due to increased volume, partially offset by competitive price pressures and mix. North American industry shipments are expected to be flat in 1999. European unit volumes were up 7% over 1997 while the industry was up 4%. European sales in U.S. dollars were up 4%. Excluding the effect of currency fluctuations, sales were up nearly 8% year-over-year due to higher volumes and improved product and brand mix that is driving higher average sales value. European industry shipments are expected to be up 2% in 1999.

Net sales were \$8.6 billion in 1997, including two months of sales related to consolidating Brasmotor, an increase of 1% over 1996. Excluding currency fluctuations and the consolidation of Brasmotor, net sales were down 1%. North American unit volumes were up 1% over 1996, in an industry that was up less than 1%. North American sales were down 1%, due to competitive pricing partially offset by increased

volume and favorable product mix. European unit volumes were up 4%, which was in line with the industry growth. European sales in U.S. dollars were down 6% compared to 1996; however, excluding the effect of currency fluctuations, sales were up more than 8% year-over-year. Sales growth in Europe, in local currency, reflected stabilization of the declining price realization that affected the industry in 1996.

Expenses

Gross margin percentage improved by nearly one percentage point in 1998. North American gross margin percentage improved due to increased volume, productivity improvements and reduced material costs, partially offset by price deterioration. European gross margin improved due to the benefits of restructuring plus manufacturing efficiencies and reduced material costs.

Gross margin percentage improved over one percentage point in 1997. North American gross margin percentage improved principally due to manufacturing efficiencies, effective cost control management and reduced material costs, partially offset by price deterioration. Price realization combined with improved product mix, effective cost control management and reduced material costs improved the European gross margin percentage nearly three percentage points in 1997.

Selling and administrative expenses as a percent of net sales improved by over one percentage point in 1998 versus 1997 due to restructuring savings and other cost reduction initiatives, partially offset by pretax provisions totaling \$28 million in Brazil related to increased credit risk as a number of retailers sought protection from creditors under the Brazilian equivalent of Chapter 11. North American expenses as a percentage of net sales improved on higher sales and cost reduction efforts. European expenses as a percent of net sales improved by nearly two percentage points due to higher sales and reduced costs mainly from restructuring and further efficiency savings.

Selling and administrative expenses as a percent of net sales were flat in 1997 compared to 1996. The North American and European percentages were both essentially flat with the prior year.

Other Income and Expense

Interest and sundry income (expense) for 1998 was favorable to 1997 primarily due to the inclusion of interest income from the company's Brazilian operations, which typically hold larger balances of cash

MANAGEMENT'S DISCUSSION AND ANALYSIS

equivalents relative to the size of the business. Partly offsetting this was an increase in interest expense from 1997, which was also primarily driven by the consolidation of the company's Brazilian operations.

Interest and sundry income (expense) for 1997 was favorable compared to 1996, but was almost fully offset by the increase in interest expense.

Income Taxes

The effective tax rate for continuing operations was 37% in 1998 compared to 44% in 1997 and 62% in 1996. The lower tax rate in 1998 compared to 1997 is due to the impact of consolidating Brasmotor, the recognition of certain tax benefits in Europe and Brazil, and the lower impact of permanent tax differences resulting from higher earnings. The lower effective tax rate in 1997 compared to 1996 is due to the diminished impact of permanent items resulting from higher pretax earnings, the impact of consolidating Brasmotor as well as certain tax loss benefits.

Including restructuring charges and non-recurring charges, the effective tax (benefit) rates for 1997 and 1996 were (5)% and 70%, respectively.

Equity in Affiliated Companies

Equity earnings were \$1 million, \$72 million and \$93 million in 1998, 1997 and 1996. The decrease in 1998 is due primarily to the consolidation of Brasmotor starting in the last two months of 1997. The 1997 decline primarily reflected a slowdown in the previously robust growth in the Brazilian appliance industry partially offset by Befiex, a Brazilian government export incentive program, and other tax benefits.

Earnings from Continuing Operations

Excluding non-recurring items, earnings from continuing operations for 1998, 1997 and 1996 were as follows:

<i>(millions of dollars, except per share data)</i>	1998	1997	1996
Earnings from continuing operations	\$ 310	\$ 226	\$ 160
Diluted earnings per share	4.06	2.99	2.13
Basic earnings per share	4.09	3.02	2.15

Discontinued Operations, Non-Recurring Items and Net Earnings/(Loss)

During 1998, the company recorded an after-tax gain of \$15 million or \$.19 per diluted share related to the sale of consumer financing and European inventory financing assets to Transamerica Distribution Finance Corporation (TDF), concluding a series of transactions to dispose of its financing business initiated in the fourth quarter of 1997. Over the two years 1998 and 1997, the company recorded total after-tax gains of \$57 million or \$.74 per diluted share related to these transactions.

In 1997, an after-tax and minority interests restructuring charge of \$232 million or \$3.07 per diluted share and an after-tax and minority interests special operating charge of \$40 million or \$.54 per diluted share were incurred to better align the company's cost structure within the global home-appliance marketplace. A discontinued operations after-tax charge of \$22 million or \$.29 per diluted share, an after-tax gain on business dispositions of \$42 million or \$.55 per diluted share and discontinued earnings of \$12 million or \$.16 per diluted share were also recorded. Refer to Notes 3 and 10 to the accompanying consolidated financial statements.

In 1996, an after-tax restructuring charge of \$19 million or \$.25 per diluted share was incurred to improve the company's long-term cost competitiveness and profitability in the North American refrigeration market and in Asia. Discontinued earnings of \$15 million or \$.19 per diluted share were also recorded.

Including discontinued operations and non-recurring items, net earnings/(loss) for 1998, 1997 and 1996 were as follows:

<i>(millions of dollars, except per share data)</i>	1998	1997	1996
Net earnings (loss)	\$ 325	\$ (15)	\$ 156
Diluted earnings (loss) per share	4.25	(.20)	2.08
Basic earnings (loss) per share	4.29	(.20)	2.10

Cash Flows

The statements of cash flows from continuing operations reflect the changes in cash and equivalents for the last three years by classifying transactions into three major categories: operating, investing and financing activities.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Activities

The company's main source of liquidity is cash from operating activities consisting of net earnings from operations adjusted for non-cash operating items such as depreciation and changes in operating assets and liabilities such as receivables, inventories and payables.

Cash provided by operating activities was \$763 million, \$593 million and \$545 million in 1998, 1997 and 1996. The increase in 1998 from 1997 is primarily due to higher earnings, adjusted for depreciation and minority interests, partially offset by spending for restructuring. The increase in 1997 from 1996 is primarily due to favorable performance in inventory, accounts payable, income tax payable and other operating accounts.

Investing Activities

The principal recurring investing activities are property additions. Net property additions for continuing operations were \$523 million, \$378 million and \$336 million in 1998, 1997 and 1996. The increase in 1998 from 1997 principally resulted from the consolidation of Brasmotor. These expenditures were primarily for equipment and tooling related to product improvements, more efficient production methods and equipment replacement for normal wear and tear.

In 1997, the company began construction of a new \$86 million facility in Pune, India to manufacture no-frost refrigerators for the South Asia appliance market. The facility began commercial production in the first quarter of 1998.

Refer to Note 2 to the accompanying consolidated financial statements for discussion of business dispositions and acquisitions during the last three years.

Financing Activities

Dividends to shareholders totaled \$102 million, \$102 million and \$101 million in 1998, 1997 and 1996.

The company's net borrowings decreased by \$423 million in 1998, excluding the effect of currency fluctuations, resulting primarily from proceeds related to the WFC asset sales. Also during 1998, the company redeemed \$40 million of WFC preferred stock.

The company's net borrowings decreased by \$1,069 million in 1997, excluding currency translation and \$132 million of borrowings net of cash assumed in acquisitions, resulting primarily from proceeds related to the WFC asset sales. The 1997 borrowing activities for continuing operations included the first quarter repayment of \$113 million of outstanding subordinated zero-coupon convertible notes, financed through the issuance of additional commercial paper.

The company's net borrowings increased by \$171 million in 1996, excluding currency translation and \$25 million of borrowings assumed in acquisitions, primarily to fund property additions and origination of financing receivables. The increase included a \$244 million issuance of 7 3/4% debentures maturing in 2016.

Financial Condition and Other Matters

The financial position of the company remains strong as evidenced by the December 31, 1998 balance sheet. The company's total assets are \$7.9 billion and stockholders' equity is \$2.0 billion.

The overall debt, net of cash, to invested capital ratio (debt ratio) of 34.6% was down from 42.1% in 1997 due primarily to the proceeds related to the WFC asset sales used to repay debt and improved cash flows. The company's debt continues to be rated investment grade by Moody's Investors Service Inc., Standard and Poor's and Duff & Phelps.

Market Risk

The company is exposed to market risk from changes in foreign currency exchange rates, domestic and foreign interest rates, and commodity prices, which can impact its operating results and overall financial condition. The company manages its exposure to these market risks through its operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Derivative financial instruments are viewed as risk management tools and are not used for speculation or for trading purposes. Derivative financial instruments are entered into with a diversified group of investment grade counterparties to reduce the company's exposure to nonperformance on such instruments.



MANAGEMENT'S DISCUSSION AND ANALYSIS

The company manages a portfolio of domestic and cross currency interest rate swaps that serve to effectively convert U.S. Dollar (USD) denominated debt into that of various European currencies. Such local currency denominated debt serves as an effective hedge against the European cash flows and net assets that exist today and that are expected to be generated by the European business over time. (Refer to Notes 1 and 7 for the accounting treatment for, and a detailed description of, these instruments.) Domestic and cross currency interest rate swaps in this portfolio are sensitive to changes in foreign currency exchange rates and interest rates. As of December 31, 1998, a ten percent appreciation of the USD versus the European currencies alone would have resulted in an incremental unrealized gain on these contracts of \$57 million. The converse event would have resulted in an incremental unrealized loss on these contracts of \$100 million. As of December 31, 1998, ten percent favorable shifts in interest rates alone to each swap would have resulted in an incremental unrealized gain of \$13 million. The converse events would have resulted in an incremental unrealized loss of \$10 million.

The company uses foreign currency forward contracts and options from time to time to hedge the price risk associated with firmly committed and forecasted cross-border payments and receipts related to its ongoing business and operational financing activities. The value of these contracts moves in a direction opposite to that of the transaction being hedged, thus eliminating the price risk associated with changes in market prices. Foreign currency contracts are sensitive to changes in foreign currency exchange rates. At December 31, 1998, ten percent unfavorable exchange rate movements in the company's portfolio of foreign currency forward contracts would have resulted in an incremental unrealized loss of \$43 million while ten percent favorable shifts would have resulted in an incremental unrealized gain of \$43 million. Consistent with the use of these contracts, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions. The company had no foreign currency options outstanding at December 31, 1998.

The company manages a portfolio of domestic interest rate swap contracts that serve to effectively convert long-term, fixed rate USD-

denominated debt into floating rate LIBOR-based debt. The company also uses commodity swap contracts to hedge the price risk associated with firmly committed and forecasted commodities purchases which are not hedged by contractual means directly with suppliers. As of December 31, 1998, a ten percent increase or decrease in interest rates would not have resulted in a material gain or loss. Ten percent favorable shifts in copper and zinc prices would have resulted in an incremental \$4 million gain and \$4 million loss, respectively.

Brasmotor's long-term debt carries a floating interest rate that periodically reprices driving the carrying value to approximate the fair value. As of December 31, 1998, a ten percent increase or decrease in interest rates would not have resulted in a material gain or loss. The company's USD-denominated debt is sensitive to currency exchange rates. Refer to the Latin America section below.

The company's sensitivity analysis reflects the effects of changes in market risk but does not factor in potential business risks.

The company has external sources of capital available and believes it has adequate financial resources and liquidity to meet anticipated business needs and to fund future growth opportunities such as new products, acquisitions and joint ventures.

Latin America

In January 1999, the company's Brazilian operations faced significant financial and operational difficulties due to high interest rates and the devaluation of Brazil's currency, the *real*. The company's financial strategy is to minimize the long-term cost of capital within Latin America by borrowing primarily in USD and believes that short-run exchange rate fluctuations on USD-denominated debt are acceptable risks compared to the long-term cost of funding in local currencies.

Consistent with the above strategy, the company's Brazilian subsidiary currently maintains a significant level of cash that is invested in local currency. The primary reason for holding cash in Brazil is the desire to hold a reasonable safety stock of cash in case of an economic downturn and the resultant difficult credit markets. The secondary reason is that the company has significant historical earnings in Brazil that cannot be economically repatriated due to minority shareholder positions and tax costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On January 26, 1999, the company announced that the foreign currency loss in the first quarter 1999 could be approximately \$0.015 per diluted share for each 1% in devaluation from the exchange rate in effect immediately prior to the devaluation of the *real* and the change in the Brazilian government's foreign exchange policy in January 1999. The company also announced at that time that it expected the full year 1999 devaluation of the Brazilian currency to be approximately 30%.

The company's after-tax share of the benefits of a Brazilian government export incentive program (Befiex) was \$15 million in 1998. In 1997, the company recorded \$34 million in Befiex and other tax benefits. The Befiex program ended in mid July 1998.

On May 15, 1998, the company announced it was exploring a full array of strategic business options involving Empresa Brasileira de Compressorres S.A. (Embraco), a hermetic compressor manufacturing subsidiary with approximately \$800 million in sales for 1998. The review, which is still ongoing, includes the possible sale of Embraco.

In December 1996, a favorable decision was obtained by Multibrás S.A. Eletrodomesticos (Multibrás) and Embraco with respect to additional export incentives in connection with the Befiex program. In April 1997, Multibrás and Embraco submitted tax-credit claims for about 447 million *reais* (equivalent to US\$440 million as of December 1996) relating to the favorable decision for exports from July 1988 through December 1996. This amount is impacted by exchange rate fluctuations, offset by accrued interest. The Brazilian court must render a final decision on the amount, timing and payment method of any final award. The company has not recognized any income relating to the claims involving sales prior to 1997 because the timing and payment amount of such claims is uncertain.

Year 2000

An issue affecting the company and most other companies is whether computer systems and applications will properly process dates beyond the Year 2000. In 1996, the company began assessing the effect of this issue on its operations and has since utilized the services of outside consultants in this effort. In 1998, the company appointed a new Chief Information Officer, who has as one of his key responsibilities the

global coordination of the company's efforts to assess the Year 2000 problem and implement the necessary changes.

The company currently does not anticipate any material adverse effect on its computer software systems as a result of the Year 2000 problem. Key internal computer systems have been evaluated for Year 2000 compliance and regional remediation plans have been developed. Work is underway to replace or upgrade key internal systems to ensure they remain operational up to and beyond December 31, 1999. All critical computer systems are expected to be Year 2000 compliant by the second quarter of 1999. The company anticipates that Year 2000 remediation projects will be successfully completed according to plan and that the costs of such projects will not be material to the company. The cumulative cost of projects dedicated solely to Year 2000 remediation is approximately \$19 million and is currently expected to reach close to \$32 million by December 31, 1999. These costs do not include the cost of upgrading systems for other business reasons; such upgrades will usually provide the additional benefit of making the systems Year 2000 compliant.

The company also has completed an assessment of its products and does not anticipate that any significant problems will be experienced with the appliances it manufactures due to the Year 2000 issue. Appliances produced by the company generally do not have calendar date systems and therefore are not likely to experience failures caused by the millennium date change.

The company has surveyed its key suppliers to understand their plans to address the Year 2000 problem. The company will continue monitoring its suppliers to determine the availability of components and raw materials as the millennium approaches; however, suppliers could have significant Year 2000 problems that could adversely affect the company. The company is also in the process of creating business teams in each of its regions around the world to consider the contingency plans that may be necessary for this issue, particularly with regard to delays that may occur with supplier orders. Additionally, building and equipment infrastructure compliance is still being assessed.

Although the company believes that it can address Year 2000 readiness issues related to its operations, there still may be disruptions



MANAGEMENT'S DISCUSSION AND ANALYSIS

that are unforeseen. These issues create risks for the entire business community with a wide range of opinions on the effect of the Year 2000 issue on the overall global economy. The effect of the problem on transportation systems and government agencies, among others, are risks that cannot be adequately assessed or addressed to eliminate the risk of the Year 2000 issue for the company. As a result, while it is difficult for the company to appraise the likelihood, or the impact on its business, of the risks of the Year 2000 problem, the company does not believe its risks are greater than or different from other companies with similar operations.

Over the past several months, the company has taken further steps to increase the global coordination of its Year 2000 compliance program and has appointed a global project manager to oversee the Year 2000 compliance efforts of the company's operations in each region. As part of this global coordination, an outside consultant has completed a review of the internal Year 2000 efforts of the company's operations in each of its regions around the world. The review indicated that the company's major business units in its key markets of Europe, North America and Latin America are following reasonable plans to address the Year 2000 issue. The outside consultant's review also indicated that the company's business units in India and China will need more attention compared to the other regions in order to implement the company's Year 2000 program, and the company intends to increase its Year 2000 efforts in these two business units over the next several months. However, due to the low level of automation in the company's India and China operations and the operations of the supply base in these countries, the Year 2000 issue will not be as significant a problem in these countries as in other parts of the world.

The above section, even if incorporated by reference into other documents or disclosures, is a Year 2000 Readiness Disclosure as defined under the Year 2000 Information and Readiness Disclosure Act of 1998.

Euro Currency Conversion

On January 1, 1999, eleven member nations of the European Union began the conversion to a common currency, the "euro." The company has significant manufacturing operations and sales in these countries. The introduction of the euro may have the following effects on the company's business operations.

The competitive structure of the industry may change as the single currency eliminates short-term cost advantages or disadvantages due solely to currency fluctuation.

The euro will eliminate transaction gains and losses on accounts receivable and payable with third parties located within the participating countries. Because the company operates and sells throughout the affected countries, it believes these impacts will tend to offset each other and not have a material impact on overall results.

Prices to customers may converge throughout the affected countries, although the company believes that in recent years competitive pressures have to some extent eliminated price differences solely caused by the lack of price transparency.

Internal computer system and business processes will need to be changed to accommodate the new currency. The company has established a cross-functional team, guided by an executive-level steering committee, to address these issues. It currently plans to make changes in two phases. In the first phase, from 1999 to 2001, the company will have the capability to bill customers and pay suppliers in euro, but will continue to maintain its accounts in the national currencies. In 2002, all remaining operational and financial systems will be converted to the euro. The cost of the first phase is not material; the cost of the second phase has not been estimated at this time.

Operating efficiencies should ultimately result from reduction of the complexity of doing business in multiple currencies. No estimate of these efficiencies has been made.

CONSOLIDATED STATEMENTS OF EARNINGS

<i>Year ended December 31 (millions of dollars, except per share data)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
Net sales	\$ 10,323	\$ 8,617	\$ 8,523
<u>Expenses</u>			
Cost of products sold	7,805	6,604	6,623
Selling and administrative	1,791	1,625	1,557
Intangible amortization	39	34	35
Restructuring costs	—	343	30
	9,635	8,606	8,245
Operating Profit	688	11	278
<u>Other Income (Expense)</u>			
Interest and sundry	136	(14)	(23)
Interest expense	(260)	(168)	(155)
Earnings (Loss) Before Income Taxes and Other Items	564	(171)	100
Income taxes (benefit)	209	(9)	70
Earnings (Loss) from Continuing Operations Before Equity Earnings and Minority Interests	355	(162)	30
Equity in affiliated companies	1	67	93
Minority interests	(46)	49	18
Earnings (Loss) from Continuing Operations	310	(46)	141
Earnings (loss) from discontinued operations (less applicable taxes)	—	(11)	15
Gain on disposal of discontinued operations (less applicable taxes)	15	42	—
Net Earnings (Loss)	\$ 325	\$ (15)	\$ 156
Per share of common stock:			
Basic earnings (loss) from continuing operations	\$ 4.09	\$ (0.62)	\$ 1.90
Basic net earnings (loss)	\$ 4.29	\$ (0.20)	\$ 2.10
Diluted earnings (loss) from continuing operations	\$ 4.06	\$ (0.62)	\$ 1.88
Diluted net earnings (loss)	\$ 4.25	\$ (0.20)	\$ 2.08
Cash dividends	\$ 1.36	\$ 1.36	\$ 1.36

See notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

December 31 (millions of dollars)

1998

1997

Assets
Current Assets

Cash and equivalents	\$ 636	\$ 578
Trade receivables, less allowances of \$116 in 1998 and \$156 in 1997	1,711	1,565
Inventories	1,100	1,170
Prepaid expenses and other	268	191
Deferred income taxes	167	215
Net assets of discontinued operations	—	562
Total Current Assets	3,882	4,281

Other Assets

Investment in affiliated companies	108	100
Intangibles, net	936	916
Deferred income taxes	262	220
Other	329	378
	1,635	1,614

Property, Plant and Equipment

Land	77	92
Buildings	900	969
Machinery and equipment	4,534	4,201
Accumulated depreciation	(3,093)	(2,887)
	2,418	2,375
Total Assets	\$ 7,935	\$ 8,270

**Liabilities and
Stockholders' Equity**
Current Liabilities

Notes payable	\$ 905	\$ 1,332
Accounts payable	1,079	987
Employee compensation	271	265
Accrued expenses	870	858
Restructuring costs	117	212
Current maturities of long-term debt	25	22
Total Current Liabilities	3,267	3,676

Other Liabilities

Deferred income taxes	152	190
Postemployment benefits	622	598
Other liabilities	192	188
Long-term debt	1,087	1,074
	2,053	2,050

Minority Interests

	614	773
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Stockholders' Equity

Common stock, \$1 par value:		
250 million shares authorized	83	82
Paid-in capital	321	280
Retained earnings	2,024	1,801
Unearned restricted stock	(3)	(6)
Accumulated other comprehensive income	(183)	(149)
Treasury stock – 6 million shares at cost in 1998 and 1997	(241)	(237)
	2,001	1,771

Total Liabilities and Stockholders' Equity	\$ 7,935	\$ 8,270
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See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Year ended December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
<u>Operating Activities</u>			
Net earnings (loss)	\$ 325	\$ (15)	\$ 156
Depreciation	399	322	318
Deferred income taxes	26	(208)	(32)
Equity in net earnings of affiliated companies, less dividends received	(1)	(51)	(84)
Gain on business dispositions	(25)	(70)	—
Provision for doubtful accounts	29	89	52
Amortization of goodwill	39	34	35
Restructuring charges, net of cash paid	(99)	267	(42)
Minority interests	46	(49)	(18)
Changes in assets and liabilities, net of effects of business acquisitions and dispositions:			
Trade receivables	(184)	(145)	58
Inventories	73	177	(7)
Accounts payable	89	20	(21)
Other - net	46	222	130
Cash Provided by Operating Activities	\$ 763	\$ 593	\$ 545

	<i>1998</i>	<i>1997</i>	<i>1996</i>
<u>Investing Activities</u>			
Net additions to properties	\$ (523)	\$ (378)	\$ (336)
Net change in financing receivables and leases	—	706	(265)
Net assets of discontinued operations	—	(562)	—
Acquisitions of businesses, less cash acquired	(121)	179	(27)
Net decrease in investment in and advances to affiliated companies	—	13	15
Business dispositions	587	1,038	—
Other	—	(8)	(32)
Cash Provided by (Used for) Investing Activities	(57)	988	(645)
<u>Financing Activities</u>			
Proceeds of short-term borrowings	19,112	31,479	24,911
Repayments of short-term borrowings	(19,519)	(32,439)	(24,847)
Proceeds of long-term debt	290	102	316
Repayments of long-term debt	(306)	(211)	(209)
Repayments of non-recourse debt	—	(8)	(13)
Dividends	(102)	(102)	(101)
Proceeds from the sale of preferred stock	(40)	—	25
Other	(83)	47	(2)
Cash Provided by (Used for) Financing Activities	(648)	(1,132)	80
Increase (Decrease) in Cash and Equivalents	58	449	(20)
Cash and Equivalents at Beginning of Year	578	129	149
Cash and Equivalents at End of Year	\$ 636	\$ 578	\$ 129

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<i>(millions of dollars)</i>	<i>Common Stock</i>	<i>Treasury Stock / Paid-In Capital</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Retained Earnings</i>	<i>Total</i>
Balances, January 1, 1996	\$ 81	\$ (6)	\$ (61)	\$ 1,863	\$ 1,877
Comprehensive income					
Net income				156	156
Foreign currency items, net of tax of \$ 28			(15)		(15)
Comprehensive income					141
Common stock issued	—	9			9
Dividends declared on common stock				(101)	(101)
Balances, December 31, 1996	\$ 81	\$ 3	\$ (76)	\$ 1,918	\$ 1,926
Comprehensive income (loss)					
Net income (loss)				(15)	(15)
Foreign currency items, net of tax (benefit) of \$ (36)			(73)		(73)
Comprehensive income (loss)					(88)
Common stock issued	1	34			35
Dividends declared on common stock				(102)	(102)
Balances, December 31, 1997	\$ 82	\$ 37	\$ (149)	\$ 1,801	\$ 1,771
Comprehensive income					
Net income				325	325
Foreign currency items, net of tax (benefit) of \$ (18)			(34)		(34)
Comprehensive income					291
Common stock issued	1	40			41
Dividends declared on common stock				(102)	(102)
Balances, December 31, 1998	\$ 83	\$ 77	\$ (183)	\$ 2,024	\$ 2,001

See notes to consolidated financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 • Summary of Principal Accounting Policies

Nature of Operations: Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances. The company manufactures in 13 countries under 11 major brand names and markets products to distributors and retailers in more than 170 countries.

Principles of Consolidation: The consolidated financial statements include all majority-owned subsidiaries. Investments in affiliated companies are accounted for by the equity method. All intercompany transactions have been eliminated upon consolidation.

In 1997, the company increased its voting ownership to a majority interest in its Brazilian affiliate, Brasmotor S.A. As a result, the Brazilian operations are consolidated as of November 1, 1997. Prior to that date, the Brazilian operations were accounted for on an equity basis.

Discontinued Operations: In 1997, the company discontinued its financial services business; as a result, the statement of earnings, balance sheet and cash flow reflect this business as a discontinued operation.

Use of Estimates: Management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition: Sales are recorded when product is shipped to distributors or directly to retailers.

Cash and Equivalents: All highly liquid debt instruments purchased with a maturity of three months or less are considered cash equivalents.

Inventories: Inventories are stated at first-in, first-out (FIFO) cost, except U.S. production inventories which are stated at last-in, first-out (LIFO) cost and Brazilian inventories which are stated at average cost. Costs do not exceed realizable values.

Property, Plant and Equipment: Property, plant and equipment are stated at cost. Depreciation of plant and equipment is computed using the straight-line method based on the estimated useful lives of the assets.

Intangibles: The cost of business acquisitions in excess of net tangible assets acquired is amortized on a straight-line basis principally over 40 years. Non-compete agreements are amortized on a straight-line basis over the terms of the agreements. Accumulated amortization totaled \$258 million and \$211 million at December 31, 1998 and 1997. Should circumstances indicate the potential impairment of goodwill, the company would compare the carrying amount against related estimated undiscounted future cash flows to determine if a write-down to market value or discounted cash flow value is required.

Research and Development Costs: Research and development costs are charged to expense as incurred. Such costs were \$209 million, \$181 million and \$197 million in 1998, 1997 and 1996.

Advertising Costs: Advertising costs are charged to expense as incurred. Such costs from continuing operations were \$179 million, \$155 million and \$142 million in 1998, 1997 and 1996.

Foreign Currency Translation: The functional currency for the company's international subsidiaries and affiliates is the local currency. Prior to January 1, 1998, Brazil was considered hyperinflationary and its results were remeasured into U.S. dollars.

In January 1999, the company's Brazilian operations faced significant financial and operational difficulties due to high interest rates and the devaluation of Brazil's currency, the *real*. The company's financial strategy is to minimize the long-term cost of capital within Latin America by borrowing primarily in USD, and believes that short-run exchange rate fluctuations on USD-denominated debt are acceptable risks compared to the long-term cost of funding in local currencies.

Consistent with the above strategy, the company's Brazilian subsidiary currently maintains a significant level of cash that is invested in local currency. The primary reason for holding cash in Brazil is the desire to hold a reasonable safety stock of cash in case of an economic downturn and the resultant difficult credit markets. The secondary reason is that the company has significant historical earnings in Brazil that cannot be economically repatriated due to minority shareholder positions and tax costs.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On January 26, 1999, the company announced that the foreign currency loss in the first quarter 1999 could be approximately \$0.015 per diluted share for each 1% in devaluation from the exchange rate in effect immediately prior to the devaluation of the *real* and the change in the Brazilian government's foreign exchange policy in January 1999.

Derivative Financial Instruments: The company uses derivative financial instruments to manage the economic impact of fluctuations in interest rates, foreign currency exchange rates and commodity prices. To achieve this, the company enters into interest rate and cross currency interest rate swaps, foreign currency forward contracts and options, and commodity swaps.

The company's hedging strategy for the foreign currency exchange risk associated with its investment in Europe is based on projected foreign currency cash flows over periods up to ten years. The company uses interest rate and cross currency interest rate swaps to effectively convert a portion of the company's U.S. dollar denominated debt into various European currencies. The company's investment in Europe and the foreign currency portion of these cross currency interest rate swaps are revalued in dollar terms each period to reflect current foreign currency exchange rates with gains and losses recorded in the equity section of the balance sheet. To the extent that the notional amounts of these contracts exceed the company's investment in Europe, the related mark-to-market gains and losses are reflected currently in earnings. The net translation loss recognized in other income, including the gains and losses from those contracts not qualifying as hedges, was \$12 million, \$8 million and \$14 million in 1998, 1997 and 1996. The amounts receivable from or payable to counterparties to the swaps, offsetting the gains and losses recorded in equity or earnings, are recorded in long-term debt. The company also uses domestic interest rate swaps to manage the duration and interest rate characteristics of its outstanding debt. The interest component of the swaps, which overlay a portion of the company's interest payments on outstanding debt, is not carried at fair value in the financial statements. The interest differential paid or received is recognized as an adjustment to interest expense. Gains and losses on the interest component of terminated swaps are deferred in noncurrent liabilities

and amortized as an adjustment to interest expense over the remaining term of the original swap. In the event of early extinguishment of debt, any realized or unrealized gains or losses from related swaps would be recognized in income concurrent with the extinguishment.

The company also uses foreign currency forward contracts to hedge payments due on cross currency interest rate swaps and intercompany loans and, along with foreign currency options, to hedge material purchases, intercompany shipments and other commitments. In addition, the company hedges a portion of its contractual requirements of certain commodities with commodity swaps. These contracts are not carried at fair value in the financial statements as the related gains and losses are recognized in the same period and classified in the same manner as the underlying transactions. Any gains and losses on terminated contracts are deferred in current liabilities until the underlying transactions occur.

The company deals only with investment-grade counterparties to these contracts and monitors its overall credit risk and exposure to individual counterparties. The company does not anticipate nonperformance by any counterparties. The amount of the exposure is generally the unrealized gains in such contracts. The company does not require, nor does it post, collateral or security on such contracts.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement requires recording all derivative instruments as assets or liabilities, measured at fair value. This standard is effective for all companies for fiscal years beginning after June 15, 1999. The company is in the process of evaluating this Statement and does not currently believe it will have a material impact on the company's financial position.

Net Earnings Per Common Share: Earnings per share amounts, for all periods, have been presented to conform to Financial Accounting Standards Board Statement No. 128, "Earnings Per Share," requirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides the computation of basic and diluted earnings (loss) per share:

<i>December 31 (millions of dollars, except per share data)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
<u>Numerator</u>			
Net earnings (loss):			
Continuing operations	\$ 310	\$ (46)	\$ 141
Discontinued operations	15	31	15
Numerator for basic earnings (loss) per share	325	(15)	156
Effect of dilutive securities:			
Convertible debt	–	–	4
Numerator for diluted earnings (loss) per share	\$ 325	\$ (15)	\$ 160
<u>Denominator</u>			
For basic earnings (loss) per share			
weighted-average shares outstanding	75.8	74.7	74.3
Effect of dilutive securities:			
Employee stock options	0.7	–	0.7
Convertible debt	–	–	2.2
Dilutive potential common shares	0.7	–	2.9
Denominator for diluted earnings (loss) per share	76.5	74.7	77.2
Basic earnings (loss) from continuing operations	\$ 4.09	\$ (0.62)	\$ 1.90
Basic earnings (loss)	4.29	(0.20)	2.10
Diluted earnings (loss) from continuing operations	\$ 4.06	\$ (0.62)	\$ 1.88
Diluted earnings (loss)	4.25	(0.20)	2.08

Note 2 • Business Acquisitions and Dispositions

In September 1998, the company completed a transaction to sell 75% of its majority-owned air conditioning joint venture in Shenzhen, China, for \$13 million, to Electra Consumer Products Ltd., a leading European manufacturer of air conditioners. Shenzhen Whirlpool Raybo Air-Conditioner Industrial Co. Ltd. was a joint venture formed in 1995. After completion of the sale, the company will continue to hold 20% of the joint venture. The joint venture will continue to sell products under the *Whirlpool* brand in China for a period of three years while it introduces the *Electra* brand. No significant gain or loss was recognized from this transaction.

During 1998, the company increased its ownership stake in its Brazilian subsidiaries by purchasing \$43 million of additional shares.

In July 1998, the company purchased the remaining 35% ownership in Shunde SMC Microwave Products Co., Ltd. (SMC), a Chinese manufacturer and marketer of microwave ovens, for about \$60 million in cash. The company now owns 100% of SMC.

In March 1998, the company increased its majority ownership interest to 80% in Whirlpool Narcissus Co., its Chinese joint venture that manufactures washing machines, for approximately \$12 million in cash.

In November 1997, the company completed the purchase of approximately 33% of the voting shares, as well as preferred, or non-voting shares of the company's Brazilian affiliate, Brasmotor S.A., for \$217 million. The shares, combined with the existing holdings, gave the company a controlling interest of approximately 66% of the voting shares of Brasmotor. Brasmotor is the parent company of Multibrás S.A. Eletrodomesticos (Multibrás), which has the leading market share position in Latin America, and Empresa Brasileira de Compressores S.A. (Embraco), the world's second largest hermetic compressor manufacturer.

In September 1997, the company reached a definitive agreement to sell the inventory, consumer, and international financing businesses of Whirlpool Financial Corporation (WFC). (Refer to Note 3).

In September 1996, the company acquired 100% of Gentech Trading (Pty.) Ltd., a South African company, for about \$27 million –

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

\$2 million of cash and \$25 million of assumed debt. Renamed Whirlpool South Africa, the company manufactures refrigerators and markets manufactured and imported appliances under the *Whirlpool* and local *KIC* brand names.

In May 1996, two of the company's majority-owned subsidiaries in India, Kelvinator of India (KOI) and Whirlpool Washing Machines Limited (WWML), were merged and renamed Whirlpool of India (WOI). As part of the merger plan, the company purchased an additional interest in WWML for \$12 million in April 1996. In 1998, the company merged Whirlpool Financial India Ltd. into WOI thereby increasing its ownership percentage in WOI to 82%.

The above acquisitions have been accounted for as purchases and their operating results have been consolidated with the company's results since the dates of acquisition. The proforma consolidated operating results reflecting these acquisitions for the full year would not have been materially different from reported amounts.

Note 3 • Discontinued Operations

In 1997, the company discontinued its financing operations and reached an agreement to sell the majority of WFC's assets in a series of transactions. The company completed the following sales in 1997: certain inventory floor planning financing assets, international factoring assets and certain consumer financing receivables. The company recorded a discontinued pretax gain of \$70 million (\$42 million after-tax) related to these transactions. A \$36 million pretax operating charge (\$22 million after-tax) was also recorded in 1997 to provide an additional reserve for certain retained WFC aerospace assets.

During 1998, the company also sold the following assets which were previously held by WFC: international factoring assets, consumer financing receivable assets, certain aerospace financing assets and the European inventory financing assets. These transactions resulted in the company recording a discontinued pretax gain of \$25 million (\$15 million after-tax), and concluded the series of sales transactions. Over the two years 1998 and 1997, the company recorded total after-tax gains of \$57 million or \$.74 per diluted share related to these sale transactions.

Note 4 • Inventories

<i>December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>
Finished products	\$ 960	\$ 1,015
Work in process	54	69
Raw materials	279	304
	1,293	1,388
Less excess of FIFO cost over LIFO cost	193	218
	\$ 1,100	\$ 1,170

LIFO inventories represent approximately 23% and 24% of total inventories at December 31, 1998 and 1997.

Note 5 • Affiliated Companies

The company has a 49% direct voting interest in a Mexican company (Vitromatic, S.A. de C.V.) and direct voting interests ranging from 20% to 40% in several other international companies principally engaged in the manufacture and sale of major home appliances or related component parts. Prior to consolidation of the company's Brazilian subsidiary for the last two months of 1997 (refer to Note 1), its results were reflected as equity earnings of affiliated companies.

Equity in the net earnings (loss) of affiliated companies, net of related taxes, is as follows:

<i>(millions of dollars)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
Brazilian affiliates	\$ (1)	\$ 60	\$ 92
Mexican affiliate	1	5	(3)
Other	1	2	4
Total equity earnings	\$ 1	\$ 67	\$ 93

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 • Financing Arrangements

The company enters into and utilizes numerous uncommitted credit lines from banks and other financial institutions in the normal course of funding of its operations. To ensure that the company has access to adequate and competitive financing under unusual market conditions, the company also enters into committed credit lines backed by formal agreements with counterparties deemed to be reliable. At December 31, 1998, the company had committed credit lines of approximately \$1.2 billion, of which \$960 million was available, in place with maturities ranging from one month to four years. Generally, the banks are compensated for their credit lines by a fee and do not require formal compensating balances.

Notes payable consist of the following:

<i>December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>
Payable to banks	\$ 732	\$ 558
Commercial paper	153	752
Other	20	22
	\$ 905	\$ 1,332

The weighted average interest rate on notes payable was 7.60% and 7.37% at December 31, 1998 and 1997.

Although its operating assets have been divested, WFC remains a legal entity with preferred stock arrangements, included within minority interests in the consolidated balance sheet, as follows:

	<i>Number of Shares</i>	<i>Face Value</i>	<i>Annual Dividend</i>	<i>Mandatory Redemption Date</i>	<i>Date of Issuance</i>
Series B	350,000	\$100	\$6.55	9/1/2008	8/31/1993
Series C	250,000	\$100	\$6.09	2/1/2002	12/27/1996

The preferred stockholders are entitled to vote together on a share-for-share basis with WFC's common stockholder. Preferred stock dividends are payable quarterly. At its option, WFC may redeem the Series B at any time on or after September 1, 2003 or at any earlier date for Series C. The redemption price for each series is \$100 per share plus any accrued unpaid dividends and the applicable redemption premium if redeemed early. Commencing September 1, 2003, WFC must pay \$1,750,000 per year to a sinking fund for the benefit of the Series B preferred stockholders, with a final payment of \$26,250,000 due on or before September 1, 2008. There is no sinking fund requirement for the Series C preferred stock. In September 1998, WFC paid \$40,555,000, consisting of \$40,000,000 face value plus \$555,000 accrued but unpaid dividends, to redeem its entire Series A preferred stock. The redemption payment was financed with existing WFC cash balances.

The company and WFC are parties to a support agreement. Pursuant to the agreement, if at the close of any quarter WFC's net earnings available for fixed charges (as defined) for the preceding twelve months is less than a stipulated amount, the company is required to make a cash payment to WFC equal to the insufficiency within 60 days of the end of the quarter. The support agreement may be terminated by either WFC or the company upon 30 days notice provided that certain conditions are met. The company has also agreed to maintain ownership of at least 70% of WFC's voting stock.

Long-term debt consists of the following:

<i>December 31 (millions of dollars)</i>	<i>Maturity</i>	<i>Interest Rate</i>	<i>1998</i>	<i>1997</i>
Debentures	2008 and 2016	7.8 and 9.1%	\$ 368	\$ 368
Senior notes	2000 and 2003	9.0 and 9.5	400	400
Medium-term notes	1999 to 2006	8.9 to 9.1	25	25
Mortgage notes	1999 to 2012	6.3 to 6.6	64	65
Brazilian bank note	2000 to 2004	12.1	131	33
Other			124	205
			1,112	1,096
Less current maturities			25	22
			\$1,087	\$1,074

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Annual maturities of long-term debt in the next five years are \$25 million, \$293 million, \$83 million, \$35 million and \$33 million.

The company paid interest, including a portion recorded as discontinued operations, on short-term and long-term debt totaling \$290 million, \$242 million and \$228 million in 1998, 1997 and 1996.

Note 7 • Fair Value of Financial Instruments

The following methods and assumptions were used in estimating fair values of financial instruments:

Cash and Equivalents and Notes Payable: The carrying amounts approximate fair values.

Long-term Debt and WFC Preferred Stock: The fair values are estimated using discounted cash flow analyses based on incremental borrowing or dividend yield rates for similar types of borrowing or equity arrangements. The WFC preferred stock carrying amount approximates fair value.

Derivative Financial Instruments: The fair values of interest rate swaps, cross currency interest rate swaps, foreign currency forward contracts and option collars and commodity swaps are based on quoted market prices.

The carrying amounts and fair values of financial instruments for which the fair value does not approximate the liability carrying amount are as follows:

<i>December 31 (millions of dollars)</i>	<i>1998</i>		<i>1997</i>	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
Long-term debt (including current portion)	\$ 1,152	\$ 1,257	\$ 1,174	\$1,280
Derivative financial instruments (notional amounts indicated):				
Hedges of net investment in Europe including converted debt:				
Interest rate and cross currency interest rate swaps (\$1,182 million in 1998; \$1,390 million in 1997)	(40)	(7)	(78)	(42)
Foreign currency forward contracts (\$19 million in 1998; \$7 million in 1997)	—	(1)	—	—
Domestic interest rate swaps (\$120 million in 1998; \$240 million in 1997)	—	(2)	—	(4)
Transaction hedges:				
Foreign currency forward contracts (\$424 million in 1998; \$736 million in 1997)	—	(9)	—	(2)
Hedges with commodity swaps (\$23 million in 1998; \$19 million in 1997)	—	(2)	—	1
WFC interest rate and cross currency swaps (\$— million in 1998; \$30 million in 1997)	—	—	—	—
Total long-term debt	\$ 1,112	\$ 1,236	\$ 1,096	\$1,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 1998, interest rate and cross currency interest rate swaps effectively convert \$662 million of U.S. dollar denominated debt into European currency denominations (\$329 million - German marks, \$300 million - French francs, \$33 million - Swiss francs). About 39% of this converted debt has floating rates and 61% has fixed rates. Floating rates received range from LIBOR less .08% to LIBOR, and floating rates paid range from local currency LIBOR to local currency LIBOR plus 3.09%. Fixed rates received range from 5.93% to 7.20%, and fixed rates paid range from 5.13% to 7.98%. The swaps mature within eight years.

At December 31, 1998, one domestic interest rate swap effectively converts \$120 million of fixed rate debt into floating rate debt. Fixed rates received are 6.99%. Floating rates paid are LIBOR. The domestic interest rate swap matures within four years.

Foreign currency forward contracts mature within one day to two years and involve principally European and North American currencies. Copper and zinc commodity swaps mature within two years.

Note 8 • Shareholders' Equity

In addition to its common stock, the company has 10 million authorized shares of preferred stock (par value \$1 per share), none of which is outstanding.

Consolidated retained earnings at December 31, 1998 included \$21 million of equity in undistributed net earnings of affiliated companies.

The cumulative translation component of stockholders' equity represents the effect of translating net assets of the company's international subsidiaries offset by related hedging activity net of tax. Conversion of notes, stock option transactions and restricted stock grants account for the changes in paid-in capital.

One Preferred Stock Purchase Right (Rights) is outstanding for each share of common stock. The Rights, which expire May 22, 2008, will become exercisable 10 days after a person or group (an Acquiring Person) has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding common stock (the Trigger Date) or 10 business days after the commencement, or public

disclosure of an intention to commence, of a tender offer or exchange offer by a person that could result in beneficial ownership of 15% or more of the outstanding common stock. Each Right entitles the holder to purchase from the company one one-thousandth of a share of a Junior Participating Preferred Stock, Series B, par value \$1.00 per share, of the company at a price of \$300 per one one-thousandth of a Preferred Share subject to adjustment.

If a person becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights that are or were beneficially owned by the Acquiring Person (which will thereafter be void), shall thereafter have the right to receive upon exercise of such Right that number of shares of common stock (or other securities) having at the time of such transaction a market value of two times the exercise price of the Right. If a person becomes an Acquiring Person and the company is involved in a merger or other business combination transaction where the company is not the surviving corporation or where common stock is changed or exchanged or in a transaction or transactions in which 50% or more of its consolidated assets or earning power are sold, proper provision shall be made so that each holder of a Right (other than such Acquiring Person) shall thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right. In addition, if an Acquiring Person, does not have beneficial ownership of 50% or more of the common stock, the company's Board of Directors has the option of exchanging all or part of the Rights for an equal number of shares of common stock in the manner described in the Rights Agreement.

Prior to the Trigger Date, the Board of Directors of the company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right, payable in cash, shares of common stock or any other consideration deemed appropriate by the Board of Directors. Immediately upon action of the Board of Directors ordering redemption of the Rights, the ability of holders to exercise the Rights will terminate and such holders will only be able to receive the redemption price.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Until such time as the Rights become exercisable, the Rights have no voting or dividend privileges and is attached to, and does not trade separately from, the common stock.

The company covenants and agrees that it will cause to be reserved and kept available at all times a sufficient number of shares of Preferred Stock (and following the occurrence of a Triggering Event, shares of common stock and/or other securities) to permit the exercise in full of all Rights from time to time outstanding.

Note 9 • Stock Option and Incentive Plans

The company's stock option and incentive plan permits the grant of stock options and other stock awards covering up to 13.4 million shares to key employees of the company and its subsidiaries, of which 5.5 million shares are available for grant at December 31, 1998. The plan authorizes the grant of both incentive and nonqualified stock options and, further, authorizes the grant of stock appreciation rights and related supplemental cash payments independently of or with respect to options granted or outstanding. Stock options generally have 10 year terms, and vest and become fully exercisable over a two to three year period after date of grant. An Executive Stock Appreciation and Performance Program (ESAP), a Restricted Stock Value Program (RSVP), a Career Stock Program (CSP) and a Key Employee Retention Program (KERP) have been established under the plan. Performance awards under ESAP, RSVP and KERP are generally earned over multiyear time periods upon the achievement of certain performance objectives or upon a change in control of the company. CSP awards are earned at specified dates during a participant's career with the company or upon change in control of the company. ESAP awards are payable in cash, common stock, or a combination thereof when earned. RSVP and KERP grant restricted shares, which may not be sold, transferred or encumbered until the restrictions lapse. CSP grants phantom stock awards which are redeemable for shares of the company's common stock upon the recipient's retirement after attaining age 60 and are subject to certain noncompetition provisions. Outstanding restricted and phantom

shares totaled 731,000 with a weighted-average grant-date fair value of \$48.06 per share at December 31, 1998 and 882,400 with a weighted-average grant-date fair value of \$46.07 per share at December 31, 1997. Expenses under the plan were \$17 million, \$21 million and \$3 million in 1998, 1997 and 1996.

Under the Nonemployee Director Stock Ownership Plan, each nonemployee director is automatically granted 400 shares of common stock annually and is eligible for a stock option grant of 600 shares if the company's earnings meet a prescribed earnings formula. This plan provides for the grant of up to 200,000 shares as either stock or stock options, of which 133,000 shares are available for grant at December 31, 1998. The stock options vest and become exercisable six months after date of grant. There were no significant expenses under this plan for 1998, 1997 or 1996.

The company maintains an employee stock option plan (PartnerShare) that may grant substantially all full-time U.S. employees a fixed number of stock options that vest over a three year period and may be exercised over a 10 year period. PartnerShare authorizes the grant of up to 2.5 million shares of which 500,000 shares are available for grant at December 31, 1998.

Stock option and incentive plans are accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Generally, no compensation expense is recognized for stock options with exercise prices equal to the market value of the underlying shares of stock at the date of grant. Compensation expense is recognized for ESAP, RSVP and CSP awards based on the market value of the underlying shares of stock when the number of shares is determinable.

Had the company elected to adopt recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," under which

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

stock options are accounted for at estimated fair value, proforma net earnings (loss) and diluted net earnings (loss) per share would be as follows:

<i>December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
Net earnings (loss)			
As reported	\$ 325	\$ (15)	\$ 156
Proforma	318	(21)	153
Diluted net earnings (loss) per share			
As reported	\$ 4.25	\$ (0.20)	\$ 2.08
Proforma	4.16	(0.28)	2.04

The fair value of stock options used to compute proforma net earnings (loss) and earnings (loss) per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model with the following assumptions for 1998, 1997 and 1996: expected volatility factor of .216, .183 and .183; dividend yield of 2.4% for all three years; risk-free interest rate of 4.5%, 5.5% and 5.5% and a weighted-average expected option life of 5 years for all three years.

A summary of stock option information follows:

	<i>1998</i>		<i>1997</i>		<i>1996</i>	
<i>December 31 (thousands of shares, except per share data)</i>	<i>Number of Shares</i>	<i>Weighted- Average Exercise Price</i>	<i>Number of Shares</i>	<i>Weighted- Average Exercise Price</i>	<i>Number of Shares</i>	<i>Weighted- Average Exercise Price</i>
Outstanding at Jan. 1	4,230	\$ 47.06	4,127	\$ 46.31	3,397	\$ 43.99
Granted	919	61.83	1,360	45.78	1,282	50.62
Exercised	(770)	44.88	(842)	39.83	(331)	34.06
Canceled or expired	(259)	49.81	(415)	50.12	(221)	53.99
Outstanding at Dec. 31	4,120	\$ 50.59	4,230	\$ 47.06	4,127	\$ 46.31
Exercisable at Dec. 31	2,534	\$ 47.65	2,308	\$ 46.43	2,438	\$ 42.43
Fair value of options granted during the year		\$ 12.67		\$ 9.26		\$ 10.24

Of the outstanding options at December 31, 1998, 578,000 shares granted prior to 1993 (all of which are exercisable at a weighted-average exercise price of \$34.54) have exercise prices ranging from \$24.75 to \$37.50 and a weighted-average remaining contractual life of 2.8 years, while 3,542,000 shares granted subsequent to 1992 (of which 1,956,000 shares are currently exercisable at a weighted-average exercise price of \$51.53) have exercise prices ranging from \$45.75 to \$63.13 and a weighted-average remaining contractual life of 7.8 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 • Restructuring and Other Special Charges

During 1997, the company incurred restructuring costs of \$343 million (\$244 million cash costs and \$99 million noncash costs) to better align the company's cost structure within the global home-appliance marketplace. Pretax restructuring charges of \$172 million, \$101 million, \$35 million, \$25 million and \$10 million relate to the company's European, Asian, Latin American, corporate and North American operations, respectively. More than 60% of the cash costs have been paid to date, with the remainder to be paid in 1999. The restructuring charge includes the elimination of about 7,900 global positions, of which more than 6,000 positions have been eliminated to date. The impact of 1997 restructuring costs after-tax and minority interests was \$232 million or \$3.07 per diluted share.

In 1997, the company also recognized special charges of \$62 million (\$53 million of which affected operating profit), principally due to the adjustment of the carrying value of receivables and inventory, primarily in Europe and Asia. The impact of 1997 special operating charges on continuing operations after-tax and minority interests was \$40 million or \$.54 per diluted share. In addition, discontinued operations results included a pretax charge of \$36 million, after-tax charge of \$22 million or \$.29 per diluted share to provide a reserve for certain WFC aerospace assets.

In 1996, the company incurred restructuring costs of \$30 million (\$18 million noncash costs and \$12 million cash costs) related to streamlining a North American refrigerator manufacturing operation, transferring Asian research and engineering to the manufacturing locations and relocating the Whirlpool Asian headquarters. About 50% of the cash costs were paid in 1996, and the remainder paid in 1997. The restructuring charge included the elimination of 850 positions of which 100% have been eliminated. Total 1996 after-tax charges were \$19 million or \$.25 per diluted share.

Note 11 • Income Taxes

Income tax provisions from continuing operations are as follows:

<i>Year ended December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
Current:			
Federal	\$ 132	\$ 78	\$ 72
State and local	22	20	17
Foreign	40	26	7
	194	124	96
Deferred:			
Federal	10	(27)	(7)
State and local	6	(3)	1
Foreign	(1)	(103)	(20)
	15	(133)	(26)
	\$ 209	\$ (9)	\$ 70

Domestic and foreign earnings (loss) before income taxes and other items from continuing operations are as follows:

<i>Year ended December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
Domestic	\$ 407	\$ 288	\$ 288
Foreign	157	(459)	(188)
	\$ 564	\$ (171)	\$ 100

Earnings (loss) before income taxes and other items, including discontinued operations (refer to Note 3), were \$589 million, \$(178) million and \$130 million for 1998, 1997 and 1996, respectively.

Reconciliations between the U.S. federal statutory income tax rate and the consolidated effective income tax (benefit) rate for earnings before income taxes and other items for continuing operations are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<i>Year ended December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
U.S. federal statutory rate	35.0 %	(35.0)%	35.0 %
Impact of restructuring charge	—	18.2	(0.5)
State and local taxes, net of federal tax benefit	5.3	8.8	12.4
Nondeductible goodwill amortization	1.1	2.3	9.9
Excess foreign taxes (benefits)	(1.0)	(4.0)	(5.8)
Unrecognized prior year deferred tax assets and carryforwards	(1.9)	(5.1)	(6.2)
Foreign dividends and subpart F income	2.2	(5.9)	10.1
Foreign government tax incentive	(4.0)	—	—
Unbenefited operating losses	3.3	10.9	23.2
Nondeductible interest	—	—	4.3
Research tax credits	(0.2)	(0.6)	(9.0)
Other items	(2.7)	5.4	(3.3)
Effective income tax (benefit) rate	37.1 %	(5.0)%	70.1%

Inclusive of discontinued operations, the effective income tax (benefit) rate was 37.3%, (6.9)% and 61.9% for 1998, 1997 and 1996, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the company's deferred tax liabilities and assets are as follows:

<i>December 31 (millions of dollars)</i>	<i>1998</i>	<i>1997</i>
Deferred tax liabilities:		
Property, plant and equipment	\$ 158	\$ 166
Financial services leveraged leases	125	126
Software costs	15	—
Other	37	23
Total deferred tax liabilities	335	315
Deferred tax assets:		
Postretirement obligation	170	161
Reserves	18	17
Restructuring costs	58	68
Product warranty accrual	33	20
Receivable and inventory allowances	33	97
Prepaid expenses	19	11
Loss carryforwards	148	125
Employee compensation	39	35
Other	45	24
Total deferred tax assets	563	558
Valuation allowances for deferred tax assets	(19)	(25)
Deferred tax assets, net of valuation allowances	544	533
Net deferred tax assets	\$ 209	\$ 218

The company has recorded valuation allowances to reflect the estimated amount of net operating loss carryforwards, restructuring costs and other deferred tax assets which may not be realized.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The company provides deferred taxes on the undistributed earnings of foreign subsidiaries and affiliates to the extent such earnings are expected to be remitted. Generally, earnings have been remitted only when no significant net tax liability would have been incurred. No provision has been made for U.S. or foreign taxes that may result from future remittances of the undistributed earnings (\$498 million at December 31, 1998) of foreign subsidiaries and affiliates expected to be reinvested indefinitely. Determination of the deferred income tax liability on these unremitted earnings is not practicable as such liability, if any, is dependent on circumstances existing when remittance occurs.

The company paid income taxes of \$239 million in 1998, \$23 million in 1997 and \$102 million in 1996. The increase in 1998 is due to increased earnings as 1997 included \$343 million in pretax restructuring charges.

At December 31, 1998, the company has foreign net operating loss carryforwards of \$367 million which are primarily nonexpiring.

Note 12 • Pension and Postretirement Medical Benefits Plans

The company maintains both contributory and noncontributory defined benefit pension plans covering substantially all North American and Brazilian employees and certain European employees. Benefits are based primarily on compensation during a specified period before retirement or specified amounts for each year of service. The company's present funding policy is to generally make the minimum annual contribution required by applicable regulations. Assets held by the plans consist primarily of listed common stocks and bonds, government securities, investments in trust funds, bank deposits and other investments.

The company also currently sponsors a defined benefit health-care plan that provides postretirement medical benefits to full time U.S. employees who have worked 10 years and attained age 55 while in service with the company. The Plan is currently noncontributory and contains cost-sharing features such as deductibles, coinsurance and a lifetime maximum. The company does not fund the plan. No significant postretirement medical benefits are provided by the company to non-U.S. employees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(millions of dollars)	<i>Pension Benefits</i>		
	1998	1997	1996
Change in benefit obligation			
Benefit obligation			
as of January 1	\$1,255	\$1,057	\$1,091
Service cost	49	41	40
Interest cost	91	84	80
Plan participants' contributions	1	1	1
Amendments	30	35	14
Business combinations	—	160	—
Actuarial (gain) loss	28	36	(46)
Benefits paid	(86)	(152)	(113)
Curtailments	(14)	(14)	(4)
Special termination benefit	(2)	17	6
Foreign currency exchange rate changes	(8)	(10)	(12)
Benefit obligation as of December 31	\$1,344	\$1,255	\$1,057
Change in plan assets			
Fair value of plan assets			
as of January 1	\$1,452	\$1,322	\$1,246
Actual return on plan assets	292	207	187
Business combinations	—	72	—
Employer contribution	17	7	6
Plan participants' contributions	1	1	1
Benefits paid	(86)	(152)	(113)
Foreign currency exchange rate changes	(4)	(5)	(5)
Fair value of plan assets as of December 31	\$1,672	\$1,452	\$1,322

(millions of dollars)	<i>Postretirement Medical Benefits</i>		
	1998	1997	1996
Change in benefit obligation			
Benefit obligation			
as of January 1	\$ 388	\$ 382	\$ 378
Service cost	10	10	11
Interest cost	29	29	28
Plan participants' contributions	—	—	—
Amendments	—	—	—
Business combinations	—	—	—
Actuarial (gain) loss	22	(15)	(20)
Benefits paid	(21)	(18)	(15)
Curtailments	—	—	—
Special termination benefit	—	—	—
Foreign currency exchange rate changes	—	—	—
Benefit obligation as of December 31	\$ 428	\$ 388	\$ 382
Change in plan assets			
Fair value of plan assets			
as of January 1	\$ —	\$ —	\$ —
Actual return on plan assets	—	—	—
Business combinations	—	—	—
Employer contribution	21	18	15
Plan participants' contributions	—	—	—
Benefits paid	(21)	(18)	(15)
Foreign currency exchange rate changes	—	—	—
Fair value of plan assets as of December 31	\$ —	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(millions of dollars)	<i>Pension Benefits</i>		
	1998	1997	1996
Reconciliation of prepaid (accrued) cost and total amount recognized			
Funded status			
as of December 31	\$ 328	\$ 197	\$ 265
Unrecognized actuarial (gain) loss	(471)	(365)	(338)
Unrecognized prior service cost	71	83	54
Unrecognized transition asset	22	33	(21)
Prepaid (accrued) cost as of December 31	\$ (50)	\$ (52)	\$ (40)
Prepaid cost at December 31	114	98	72
Accrued benefit liability at December 31	(173)	(159)	(116)
Intangible asset	2	3	1
Other	7	6	3
Total recognized as of December 31	\$ (50)	\$ (52)	\$ (40)

Weighted average assumptions as of December 31

Discount rate	5.5 to 9.0%	6.0 to 9.0%	6.5 to 9.0%
Expected return on assets	6.0 to 9.5%	4.5 to 9.5%	6.5 to 9.5%
Rate of compensation increase	2.0 to 8.0%	2.5 to 9.0%	2.5 to 9.0%

(millions of dollars)	<i>Postretirement Medical Benefits</i>		
	1998	1997	1996
Reconciliation of prepaid (accrued) cost and total amount recognized			
Funded status			
as of December 31	\$ (428)	\$ (388)	\$ (382)
Unrecognized actuarial (gain) loss	8	(14)	1
Unrecognized prior service cost	—	—	—
Unrecognized transition asset	—	—	—
Prepaid (accrued) cost as of December 31	\$ (420)	\$ (402)	\$ (381)
Prepaid cost at December 31	—	—	—
Accrued benefit liability at December 31	(420)	(402)	(381)
Intangible asset	—	—	—
Other	—	—	—
Total recognized as of December 31	\$ (420)	\$ (402)	\$ (381)

Weighted average assumptions as of December 31

Discount rate	7.25%	7.75%	8.00%
Medical costs trend rate:			
For year ending December 31	7.00%	8.00%	8.00%
Ultimate (year 2000)	6.00%	6.00%	6.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(millions of dollars)	<i>Pension Benefits</i>		
	1998	1997	1996
Components of net periodic benefit cost			
Service cost	\$ 49	\$ 41	\$ 40
Interest cost	91	84	80
Expected return on plan assets	(112)	(103)	(103)
Recognized actuarial (gain) loss	(8)	(7)	(7)
Amortization of prior service cost	9	8	7
Amortization of transition assets	—	(3)	(4)
Net periodic benefit cost	29	20	13
Curtailments	(7)	(13)	(4)
Special termination benefits	2	17	6
Settlements	(3)	(29)	(7)
Total cost	21	(5)	8

(millions of dollars)	<i>Postretirement Medical Benefits</i>		
	1998	1997	1996
Components of net periodic benefit cost			
Service cost	\$ 10	\$ 10	\$ 11
Interest cost	29	29	28
Expected return on plan assets	—	—	—
Recognized actuarial (gain) loss	—	—	—
Amortization of prior service cost	—	—	—
Amortization of transition assets	—	—	—
Net periodic benefit cost	39	39	39
Curtailments	—	—	—
Special termination benefits	—	—	—
Settlements	—	—	—
Total cost	39	39	39

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$86 million, \$67 million and \$6 million, respectively, as of December 31, 1998, \$312 million, \$221 million and \$140 million, respectively, as of December 31, 1997, and \$144 million, \$101 million and \$63 million, respectively, as of December 31, 1996.

The U.S. pension plans provide that in the event of a plan termination within five years following a change in control of the company, any assets held by the plans in excess of the amounts needed to fund accrued benefits would be used to provide additional benefits to plan participants. A change in control generally means one not approved by the incumbent board of directors, including an acquisition of 25% or more of the voting power of the company's outstanding stock or a change in a majority of the incumbent board.

Certain European subsidiaries maintain termination indemnity and special severance plans. The cost of these plans, determined in accordance with local government specifications, was \$15 million in 1996. The costs in 1997 and 1998 before restructuring charges were immaterial due to a lower termination rate than prior years.

The company maintains a 401(k) defined contribution plan covering substantially all U.S. employees. Company matching contributions for domestic hourly and certain other employees under the plan, based on the company's annual operating results and the level of individual participant's contributions, amounted to \$7 million, \$6 million and \$7 million in 1998, 1997 and 1996.

The medical cost trend significantly affects the reported postretirement benefit cost and benefit obligations. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

<i>(millions of dollars)</i>	<i>One-percentage-point increase</i>	<i>One-percentage-point decrease</i>
Effect on total service cost and interest cost components	\$ 3	\$ (3)
Effect on postretirement benefit obligation	\$ 31	\$ (29)

Note 13 • Contingencies

The company is involved in various legal actions arising in the normal course of business. Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will not have a material adverse effect on the company's financial position.

The company is a party to certain financial instruments with off-balance-sheet risk, which are entered into in the normal course of business. These instruments consist of financial guarantees, repurchase agreements and letters of credit. The company's exposure to credit loss in the event of nonperformance by the debtors is the contractual amount of the financial instruments. The company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Collateral or other security is generally required to support financial instruments with off-balance-sheet credit risk.

At December 31, 1998 the company had \$219 million in recourse obligations of finance receivables related to the discontinued operations of WFC (refer to Note 3) and \$155 million in guarantees of customer lines of credit at commercial banks.

At December 31, 1998, the company had noncancelable operating lease commitments totaling \$237 million. The annual future minimum lease payments are detailed below.

<i>(millions of dollars)</i>	<i>Annual Expense</i>
1999	\$ 61
2000	50
2001	35
2002	28
2003	24
Thereafter	39
	\$ 237

The company's rent expense was \$81 million, \$82 million and \$74 million for the years 1998, 1997 and 1996, respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 • Business Segment Information

The company adopted the Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," during the fourth quarter of 1998. Statement No. 131 established standards for reporting information about operating segments in annual financial statements and in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment.

The company identifies such segments based upon geographical regions of operations because each operating segment manufactures home appliances and related components, but serves strategically different markets. The chief operating decision maker evaluates performance based upon each segment's operating income, which is defined as income before interest income or interest expense, taxes and minority interests. Intersegment sales and transfers are generally at current market prices, as if the sales or transfers were to third parties. The "Other" segment primarily includes corporate expenses and eliminations.

The company generally evaluates business segments based on net sales, not including intersegment appliance sales. Intersegment sales are included in Other/Eliminations. Latin America consists of the company's Brazilian subsidiaries in 1997 and 1998. Total assets are those assets directly associated with the respective operating activities. Other assets consist principally of assets related to corporate activities, including the equity investment in Brazil in 1996 and the assets of discontinued operations held for sale in 1997.

Substantially all of the company's trade receivables are from distributors and retailers.

Sales activity with Sears, Roebuck and Co., a North American major home appliance retailer, represented 17%, 20% and 21% of consolidated net sales in 1998, 1997 and 1996. Related receivables were 16%, 17% and 24% of consolidated trade receivables for December 31, 1998, 1997 and 1996.

The company conducts business in two countries which individually comprised over ten percent of consolidated net sales and total assets within the last three years. The United States represented 50%, 57% and 58% of net sales for 1998, 1997 and 1996, respectively, while Brazil totalled 20% for 1998. As a percentage of total assets, the United States accounted for 53%, 64% and 79% at the end of 1998, 1997 and 1996. Brazil accounted for 24% and 28% of total assets at the end of 1998 and 1997, respectively. The company's Brazilian affiliates were consolidated in November of 1997 and therefore not included in both 1996 calculations and only in the the total asset calculation for 1997.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<i>(millions of dollars)</i>	<i>North America</i>	<i>Europe</i>	<i>Latin America</i>	<i>Asia</i>	<i>Other and Eliminations</i>	<i>Total Whirlpool</i>
Geographic Segments						
Net sales						
1998	\$ 5,599	\$ 2,439	\$ 2,090	\$ 313	\$ (118)	\$ 10,323
1997	\$ 5,263	\$ 2,343	\$ 447	\$ 400	\$ 164	\$ 8,617
1996	\$ 5,310	\$ 2,494	\$ –	\$ 461	\$ 258	\$ 8,523
Intangible amortization						
1998	\$ 3	\$ 16	\$ 6	\$ 4	\$ 10	\$ 39
1997	\$ 3	\$ 16	\$ 1	\$ 4	\$ 10	\$ 34
1996	\$ –	\$ 19	\$ –	\$ 4	\$ 12	\$ 35
Depreciation						
1998	\$ 143	\$ 94	\$ 126	\$ 15	\$ 21	\$ 399
1997	\$ 145	\$ 110	\$ 3	\$ 13	\$ 51	\$ 322
1996	\$ 145	\$ 107	\$ –	\$ 13	\$ 53	\$ 318
Restructuring costs and special charges						
1998	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
1997	\$ –	\$ –	\$ –	\$ –	\$ 396	\$ 396
1996	\$ –	\$ –	\$ –	\$ –	\$ 30	\$ 30
Operating profit (loss)						
1998	\$ 630	\$ 122	\$ 120	\$ (17)	\$ (167)	\$ 688
1997	\$ 546	\$ 54	\$ 22	\$ (62)	\$ (549)	\$ 11
1996	\$ 545	\$ (15)	\$ –	\$ (70)	\$ (182)	\$ 278
Total assets						
1998	\$ 2,091	\$ 2,298	\$ 2,499	\$ 722	\$ 325	\$ 7,935
1997	\$ 2,046	\$ 1,999	\$ 2,403	\$ 672	\$ 1,150	\$ 8,270
1996	\$ 2,020	\$ 2,501	\$ –	\$ 722	\$ 2,772	\$ 8,015
Capital expenditures						
1998	\$ 188	\$ 78	\$ 239	\$ 25	\$ 12	\$ 542
1997	\$ 128	\$ 84	\$ 49	\$ 100	\$ 17	\$ 378
1996	\$ 148	\$ 103	\$ –	\$ 63	\$ 22	\$ 336

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 • Quarterly Results of Operations (Unaudited)*

(millions of dollars, except per share data)	Three Months Ended			
	December 31	September 30	June 30	March 31
1998:				
Net sales	\$ 2,735	\$ 2,539	\$ 2,585	\$ 2,464
Cost of products sold	\$ 2,045	\$ 1,929	\$ 1,962	\$ 1,870
Earnings from continuing operations	\$ 83	\$ 78	\$ 81	\$ 68
Net earnings	\$ 83	\$ 78	\$ 84	\$ 80
Per share of common stock:				
Basic earnings from continuing operations	\$ 1.10	\$ 1.03	\$ 1.07	\$.91
Basic net earnings	\$ 1.10	\$ 1.03	\$ 1.11	\$ 1.06
Diluted earnings from continuing operations	\$ 1.09	\$ 1.02	\$ 1.05	\$.90
Diluted net earnings	\$ 1.09	\$ 1.02	\$ 1.10	\$ 1.05
Dividends paid	\$.34	\$.34	\$.34	\$.34
Stock price:				
High	\$ 59 ¹ / ₂	\$ 69 ¹⁵ / ₁₆	\$ 75 ¹ / ₄	\$ 70
Low	\$ 43 ¹¹ / ₁₆	\$ 45	\$ 62 ⁷ / ₁₆	\$ 50 ³ / ₈
Close	\$ 55 ³ / ₈	\$ 47	\$ 68 ³ / ₄	\$ 68 ¹¹ / ₁₆

Restructuring and other special charges described in Note 10 reduced third and fourth quarter 1997 earnings from continuing operations by \$258 million and \$14 million, respectively. Discontinued operations included a third quarter after-tax charge of \$22 million to provide a reserve for certain WFC assets and a \$42 million after-tax gain in the fourth quarter for the sale of WFC assets (refer to Note 3).

Fourth quarter 1997 included two months of consolidated Brazilian results, \$5 million related to the elimination of the Brazil one-month lag in reported equity earnings and \$8 million related to a pension settlement gain.

(millions of dollars, except per share data)	Three Months Ended			
	December 31	September 30	June 30	March 31
1997:				
Net sales	\$ 2,510	\$ 2,043	\$ 2,074	\$ 1,990
Cost of products sold	\$ 1,887	\$ 1,593	\$ 1,588	\$ 1,536
Earnings (loss) from continuing operations	\$ 50	\$ (200)	\$ 61	\$ 43
Net earnings (loss)	\$ 92	\$ (218)	\$ 65	\$ 46
Per share of common stock:				
Basic earnings (loss) from continuing operations	\$.67	\$ (2.68)	\$.82	\$.57
Basic net earnings (loss)	\$ 1.24	\$ (2.93)	\$.87	\$.62
Diluted earnings (loss) from continuing operations	\$.66	\$ (2.68)	\$.81	\$.57
Diluted net earnings (loss)	\$ 1.22	\$ (2.93)	\$.86	\$.62
Dividends paid	\$.34	\$.34	\$.34	\$.34
Stock price:				
High	\$ 66 ¹⁵ / ₁₆	\$ 69 ¹ / ₂	\$ 55 ¹ / ₄	\$ 52 ¹ / ₂
Low	\$ 51 ⁷ / ₈	\$ 48	\$ 45 ¹ / ₄	\$ 46
Close	\$ 55	\$ 66 ⁵ / ₁₆	\$ 54 ⁹ / ₁₆	\$ 47 ⁵ / ₈

* The first three quarters of 1997 earnings per share amounts have been restated to reflect WFC as a discontinued operation, and to comply with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." As a result of the company's 1997 full year net loss, diluted earnings per share on a year-to-date basis does not equal the sum of the individual quarters' diluted earnings per share.



REPORT OF ERNST & YOUNG LLP,
INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Whirlpool Corporation
Benton Harbor, Michigan

We have audited the accompanying consolidated balance sheets of Whirlpool Corporation as of December 31, 1998 and 1997, and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Brasmotor S.A. and its consolidated subsidiaries, whose statements reflect total assets of \$2,500 million and \$2,200 million as of December 31, 1998 and 1997, respectively and net earnings of \$58 million, \$41 million and \$120 million for the years ended December 31, 1998, 1997 and 1996, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for Brasmotor S.A. and its consolidated subsidiaries, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Whirlpool Corporation at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Chicago, Illinois
January 21, 1999

REPORT BY MANAGEMENT ON THE
CONSOLIDATED FINANCIAL STATEMENTS

The management of Whirlpool Corporation has prepared the accompanying financial statements. The financial statements have been audited by Ernst & Young, independent auditors, whose report, based upon their audits and the reports of other independent auditors, expresses the opinion that these financial statements present fairly the consolidated financial position, results of operations and cash flows of Whirlpool and its subsidiaries in accordance with generally accepted accounting principles. Their audits are conducted in conformity with generally accepted auditing standards.

The financial statements were prepared from the company's accounting records, books and accounts which, in reasonable detail, accurately and fairly reflect all material transactions. The company maintains a system of internal controls designed to provide reasonable assurance that the company's accounting records, books and accounts are accurate and that transactions are properly recorded in the company's books and records, and the company's assets are maintained and accounted for, in accordance with management's authorizations. The company's accounting records, policies and internal controls are regularly reviewed by an internal audit staff.

The audit committee of the board of directors of the company, which is composed of five directors who are not employed by the company, considers and makes recommendations to the board of directors as to accounting and auditing matters concerning the company, including recommending for appointment by the board the firm of independent auditors engaged on an annual basis to audit the financial statements of Whirlpool and its majority-owned subsidiaries. The audit committee meets with the independent auditors at least three times each year to review the scope of the audit, the results of the audit and such recommendations as may be made by said auditors with respect to the company's accounting methods and system of internal controls.

Ralph F. Hake
Senior Executive Vice President and Chief Financial Officer
February 12, 1999

ELEVEN-YEAR CONSOLIDATED STATISTICAL REVIEW

<i>(millions of dollars, except share and employee data)</i>	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Consolidated Operations											
Net sales	\$10,323	\$ 8,617	\$ 8,523	\$ 8,163	\$ 7,949	\$ 7,368	\$ 7,097	\$ 6,550	\$ 6,424	\$ 6,138	\$ 4,306
Operating profit (1)	\$ 688	\$ 11	\$ 278	\$ 366	\$ 370	\$ 504	\$ 447	\$ 353	\$ 300	\$ 377	\$ 227
Earnings (loss) from continuing operations before income taxes and other items	\$ 564	\$ (171)	\$ 100	\$ 214	\$ 269	\$ 418	\$ 334	\$ 256	\$ 177	\$ 281	\$ 210
Earnings (loss) from continuing operations	\$ 310	\$ (46)	\$ 141	\$ 195	\$ 147	\$ 257	\$ 179	\$ 139	\$ 45	\$ 169	\$ 146
Earnings (loss) from discontinued operations (2)	\$ 15	\$ 31	\$ 15	\$ 14	\$ 11	\$ (28)	\$ 26	\$ 31	\$ 27	\$ 18	\$ (52)
Net earnings (loss) (3)	\$ 325	\$ (15)	\$ 156	\$ 209	\$ 158	\$ 51	\$ 205	\$ 170	\$ 72	\$ 187	\$ 94
Net capital expenditures	\$ 542	\$ 378	\$ 336	\$ 483	\$ 418	\$ 309	\$ 288	\$ 287	\$ 265	\$ 208	\$ 166
Depreciation	\$ 399	\$ 322	\$ 318	\$ 282	\$ 246	\$ 241	\$ 275	\$ 233	\$ 247	\$ 222	\$ 143
Dividends	\$ 102	\$ 102	\$ 101	\$ 100	\$ 90	\$ 85	\$ 77	\$ 76	\$ 76	\$ 76	\$ 76
Consolidated Financial Position											
Current assets	\$ 3,882	\$ 4,281	\$ 3,812	\$ 3,541	\$ 3,078	\$ 2,708	\$ 2,740	\$ 2,920	\$ 2,900	\$ 2,889	\$ 1,827
Current liabilities	\$ 3,267	\$ 3,676	\$ 4,022	\$ 3,829	\$ 2,988	\$ 2,763	\$ 2,887	\$ 2,931	\$ 2,651	\$ 2,251	\$ 1,374
Working capital	\$ 615	\$ 605	\$ (210)	\$ (288)	\$ 90	\$ (55)	\$ (147)	\$ (11)	\$ 249	\$ 638	\$ 453
Property, plant and equipment—net	\$ 2,418	\$ 2,375	\$ 1,798	\$ 1,779	\$ 1,440	\$ 1,319	\$ 1,325	\$ 1,400	\$ 1,349	\$ 1,288	\$ 820
Total assets	\$ 7,935	\$ 8,270	\$ 8,015	\$ 7,800	\$ 6,655	\$ 6,047	\$ 6,118	\$ 6,445	\$ 5,614	\$ 5,354	\$ 3,410
Long-term debt	\$ 1,087	\$ 1,074	\$ 955	\$ 983	\$ 885	\$ 840	\$ 1,215	\$ 1,528	\$ 874	\$ 982	\$ 474
Stockholders' equity	\$ 2,001	\$ 1,771	\$ 1,926	\$ 1,877	\$ 1,723	\$ 1,648	\$ 1,600	\$ 1,515	\$ 1,424	\$ 1,421	\$ 1,321
Per Share Data											
Basic earnings (loss) from continuing operations before accounting change	\$ 4.09	\$ (0.62)	\$ 1.90	\$ 2.64	\$ 1.98	\$ 3.60	\$ 2.55	\$ 2.00	\$ 0.65	\$ 2.44	\$ 2.11
Diluted earnings (loss) from continuing operations before accounting change	\$ 4.06	\$ (0.62)	\$ 1.88	\$ 2.60	\$ 1.95	\$ 3.47	\$ 2.46	\$ 1.98	\$ 0.65	\$ 2.44	\$ 2.10
Diluted net earnings (loss) (3)	\$ 4.25	\$ (0.20)	\$ 2.08	\$ 2.78	\$ 2.10	\$ 0.71	\$ 2.81	\$ 2.41	\$ 1.04	\$ 2.70	\$ 1.36
Dividends	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.36	\$ 1.22	\$ 1.19	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10
Book value	\$ 26.16	\$ 23.71	\$ 25.93	\$ 25.40	\$ 23.21	\$ 23.17	\$ 22.91	\$ 21.78	\$ 20.51	\$ 20.49	\$ 19.06
Closing Stock Price – NYSE	\$ 55½	\$ 55	\$ 46¾	\$ 53¼	\$ 50¼	\$ 66½	\$ 44½	\$ 38¾	\$ 23½	\$ 33	\$ 24¾

ELEVEN-YEAR CONSOLIDATED STATISTICAL REVIEW

<i>(millions of dollars, except share and employee data)</i>	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Key Ratios (4)											
Operating profit margin	6.7 %	0.1 %	3.3 %	4.5 %	4.7 %	6.8 %	6.3 %	5.4 %	4.7 %	6.1%	5.3 %
Pre-tax margin (5)	5.5 %	(2.0)%	1.2 %	2.6 %	3.4 %	5.7 %	4.7 %	3.9 %	2.8 %	4.6 %	4.9 %
Net margin (6)	3.0 %	(0.5)%	1.7 %	2.4 %	1.8 %	3.5 %	2.5 %	2.1 %	0.7 %	2.8 %	3.4 %
Return on average stockholders' equity (7)	17.2 %	(0.8)%	8.2 %	11.6 %	9.4 %	14.2 %	13.1 %	11.6 %	5.1 %	13.7 %	7.2 %
Return on average total assets (8)	4.6 %	(0.7)%	1.8 %	3.0 %	2.8 %	4.0 %	3.3 %	2.9 %	1.4 %	4.9 %	2.9 %
Current assets to current liabilities	1.2	1.2	0.9	0.9	1.0	1.0	0.9	1.0	1.1	1.3	1.3
Total debt-appliance business as a percent of invested capital (9)	34.6 %	38.5 %	42.6 %	43.3 %	34.4 %	31.6 %	41.7 %	46.1 %	37.6 %	39.2 %	20.5 %
Price earnings ratio	13.0	—	22.4	19.2	23.9	21.2	15.9	16.1	22.6	12.2	18.2
Interest coverage (10)	3.0	0.7	2.4	3.1	4.0	5.0	3.4	2.9	2.0	3.6	6.2
Other Data											
Number of common shares outstanding (in thousands):											
Average-on a diluted basis	76,507	74,697	77,178	76,812	77,588	76,013	75,661	72,581	69,595	69,461	69,435
Year-end	76,089	75,262	74,415	74,081	73,845	73,068	70,027	69,640	69,465	69,382	69,289
Number of stockholders (year-end)	13,584	10,171	11,033	11,686	11,821	11,438	11,724	12,032	12,542	12,454	12,521
Number of employees (year-end)	58,630	61,370	48,163	45,435	39,016	39,590	38,520	37,886	36,157	39,411	29,110
Total return to shareholders (five year annualized) (11)	(1.2%)	6.8%	6.3%	20.8%	12.0%	25.8%	17.0%	6.7%	2.8%	11.3%	4.4%

- (1) Restructuring and special operating charges were \$405 million in 1997, \$30 million in 1996 and \$250 million in 1994 (refer to Note 10).
- (2) The Company's financial services business was discontinued in 1997 and the kitchen cabinet business was discontinued in 1988.
- (3) Includes cumulative effect of accounting changes: 1993 – Accounting for postretirement benefits other than pensions of (\$180) million or (\$2.42) per diluted share.
- (4) Excluding gain from discontinued operations in 1998, return on average stockholders' equity was 16.5%, and return on average total assets was 4.3%. Excluding non-recurring items, selected 1997 Key Ratios would be as follows: a) Operating profit margin – 4.7%, b) Pre-tax margin – 2.7%, c) Net margin – 2.6%, d) Return on average stockholders' equity – 12%, e) Return on average total assets – 2.7%, f) Interest coverage – 3.0%.
- (5) Earnings from continuing operations before income taxes and other items, as a percent of sales.
- (6) Earnings from continuing operations before accounting change, as a percent of sales.
- (7) Net earnings before accounting change, divided by average stockholders' equity.
- (8) Net earnings before accounting change, plus minority interest divided by average total assets.
- (9) Debt less cash and equivalents divided by debt, stockholders' equity and minority interests less cash and equivalents.
- (10) Ratio of earnings from continuing operations (before income taxes, accounting change and interest expense) to interest expense.
- (11) Stock appreciation plus reinvested dividends.



DIRECTORS & SENIOR MANAGEMENT

Directors

Robert A. Burnett

Chairman and Chief Executive Officer, Retired, Meredith Corp.
Committees: Corporate Governance, Human Resources

Herman Cain

Chairman of the Board, Godfather's Pizza, Inc. and Chief Executive Officer, T.H.E., Inc. and CEO and President, National Restaurant Association
Corporate Governance, Finance

Gary T. DiCamillo

Chairman and Chief Executive Officer, Polaroid Corporation
Audit, Corporate Governance

H. Miguel Etchenique

Chairman of the Board and Chief Executive Officer of Brasmotor S.A.

Allan D. Gilmour

Former Vice Chairman, Ford Motor Co.
Finance, Human Resources

Kathleen J. Hempel

Former Vice Chairman and Chief Financial Officer, Fort Howard Corp. (now Fort James Corp.)
Audit, Finance

Arnold G. Langbo

Chairman of the Board and Chief Executive Officer, Kellogg Co.
Corporate Governance, Human Resources

William D. Marohn

Vice Chairman of the Company

Miles L. Marsh

Chairman and Chief Executive Officer, Fort James Corp.
Audit, Finance

Philip L. Smith

Former Chairman of the Board, President and Chief Executive Officer, Pillsbury Co.
Corporate Governance, Finance

Paul G. Stern

Partner, Thayer Capital Partners, L.L.P.
Audit, Finance

Janice D. Stoney

Former Executive Vice President, Total Quality System, US WEST Communications Group Inc.
Audit, Human Resources

David R. Whitwam

Chairman of the Board and Chief Executive Officer of the Company

Executive Committee

David R. Whitwam

Chairman of the Board and Chief Executive Officer

Ralph F. Hake

Senior Executive Vice President and Chief Financial Officer

Daniel F. Hopp

Senior Vice President, Corporate Affairs and General Counsel

Jeff M. Fettig

President, Whirlpool Europe

Ronald L. Kerber

Chief Technology Officer

Greg A. Lee

Senior Vice President, Human Resources

Paulo F. M. Periquito

Latin American Region

Michael D. Thieneman

North American Region

Senior Officers

Vice Presidents

J. C. Anderson

Group Manufacturing and Technology, Whirlpool North America

Roy V. Armes

Global Procurement Operations

Mark E. Brown

Controller

David R. Butler

Chief Information Officer

Garrick D'Silva

President and Chief Executive Officer, Whirlpool South Asia

Bengt G. Engstrom

Group Manufacturing and Technology, Whirlpool Europe

Ricardo J. Etchenique

Sales, Distribution and Marketing, Multibrás S.A.

Ernesto Heinzelmann

President, Embraco S.A.

Edward J. Herrelko II

Group Sales and Marketing, Whirlpool Europe

Halvar S.W. Johansson

Corporate Technology and Engineering Development

Kenneth W. Kaminski

Small Appliance Business Unit

Gregory T. McManus

Group Sales and Distribution, North America

David J. Mehrbrodt

Group Sales and Distribution, North America

Brian F. Peters

Treasurer

Rudolph S. Provoost

Group Marketing, Whirlpool Europe

Michael A. Todman

Sears Sales and Marketing, North America



STOCKHOLDERS' AND OTHER INFORMATION

Financial Information

Whirlpool Corporation's annual report on Form 10-K, a cassette-tape recording of the annual report to shareholders and other financial information is available free of charge.

If you are not a stockholder of record – that is, if your Whirlpool shares are registered in the name of a broker, bank or other nominee – you must ask that holder to mail stockholder reports directly to you. Company earnings releases for each quarter – typically issued in April, July, October and January – can be obtained by contacting Whirlpool's director, investor relations:

Tom Filstrup, Whirlpool Corporation, 2000 N. M-63, Mail Drop 3001

Benton Harbor, MI 49022-2692

Telephone: 616/923-3189, Fax: 616/923-5038

E-mail: Thomas_C_Filstrup@email.whirlpool.com

Transfer Agent, Shareholder Records, Dividend Disbursements and Corporate Secretary

For information about or assistance with individual stock records, transactions, dividend checks or stock certificates, contact:

First Chicago Trust Company, A Division of Equiserve

P.O. Box 2500, Jersey City, NJ 07303-2500

Telephone: 800/446-2617, E-mail: fctc@em.fcncbd.com, Internet: www.fctc.com

For additional corporate information about the Company contact:

Robert T. Kenagy, Corporate Secretary

Whirlpool Corporation, 2000 N. M-63, Mail Drop 2200

Benton Harbor, MI 49022-2692

Telephone: 616/923-3910, Fax: 616/923-3722

E-mail: Robert_T_Kenagy@email.whirlpool.com

Direct Stock Purchase Plan

As a participant in the DirectSERVICE Investment and Stock Purchase Program, you can be the direct owner of your shares of Whirlpool Common Stock. New shareholders and current participants may make cash contributions of up to \$250,000 annually, invested monthly, with or without reinvesting their dividends, and can sell part of the shares held in the program without exiting the plan. There are modest transaction processing fees and brokerage commissions for purchases, sales and dividend reinvestment. For details, contact First Chicago Trust Company or visit their Direct Stock Purchase Plan Web Site to enroll.

Trustee for 9.1-Percent Notes

The Chase Manhattan Bank N.A.

1 New York Plaza, New York, NY 10081

Trustee for 9.5- and 9-Percent Notes

Citibank N.A., Corporate Trust Office, 120 Wall St., 13th Floor

New York, NY 10043

Annual Meeting

Whirlpool Corporation's next annual meeting is scheduled for Tuesday, April 20, 1999, at 9:30 A.M. (Central Time), at 181 West Madison Street, Seventh Floor, Chicago, IL

Stock Exchanges

Common stock of Whirlpool Corporation (exchange symbol: WHR) is listed on the New York and Chicago stock exchanges.

Stock-Split History

May 1965, 2-for-1; May 1972, 3-for-1; December 1986, 2-for-1

(Example: One hundred shares of Whirlpool common stock purchased in April 1964 equaled 1,200 shares in January 1999.)

Common-Stock Market Price

	High	Low	Close
4Q 1998	\$ 59 1/2	\$ 43 11/16	\$ 55 3/8
3Q 1998	69 15/16	45	47
2Q 1998	75 1/4	62 7/16	68 3/4
1Q 1998	70	50 3/8	68 11/16
4Q 1997	\$ 66 15/16	\$ 51 7/8	\$ 55
3Q 1997	69 1/2	48	66 5/16
2Q 1997	55 1/4	45 1/4	54 9/16
1Q 1997	52 1/2	46	47 3/8

Trademarks

Admiral (Canada), *Architect*, *Bauknecht*, *Consul*, *Coolerator*, *Eslabon de Lajo*, *Estate*, *Ignis*, *Inglis*, *KitchenAid*, *Laden*, *Raybo*, *Resource Saver*, *Roper*, *Semer*, *Speed Queen* (Canada), *Whirlpool* and *Whirlpool Gold* are trademarks of Whirlpool Corporation or its wholly or majority-owned affiliates.

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Acros, *Crolls* and *Supermatic* are trademarks of Vitro S.A. de C.V.

Narcissus is a trademark of Whirlpool Narcissus (Shanghai) Co. Ltd.

SMC is a trademark of Shunde Whirlpool SMC Microwave Products Co. Ltd.

ENERGY STAR is a service mark of the Environmental Protection Agency

Internet Address

Whirlpool financial information, product specifications, remodeling ideas and more are available at Whirlpool's site on the World Wide Web (www.whirlpoolcorp.com).

Whirlpool Corporation General Offices

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Product and Service Information (North America)

KitchenAid brand: 800/422-1230; *Whirlpool* brand: 800/253-1301



WHIRLPOOL CORPORATION

Benton Harbor, Michigan

www.whirlpoolcorp.com

AN EQUAL OPPORTUNITY EMPLOYER