

Merloni Elettrodomestici



A European Company

 ARISTON  INDESIT

HIGHLIGHTS - Merloni Elettrodomestici at a glance

Commercial presence

Subsidiaries in 21 countries

Annual sales

12 mn appliances

Turnover

3 md €

Major Brands

2 global: Ariston, Indesit

3 regional: Scholtès, Stinol, Hotpoint

Product lines

Cookers, refrigerators,
washing machines, dishwashers
dryers (free standing and built-in)

Production

19 plants in 7 countries + 2 start-ups

Sales by area

Western Europe: 67%

Central and Eastern Europe and

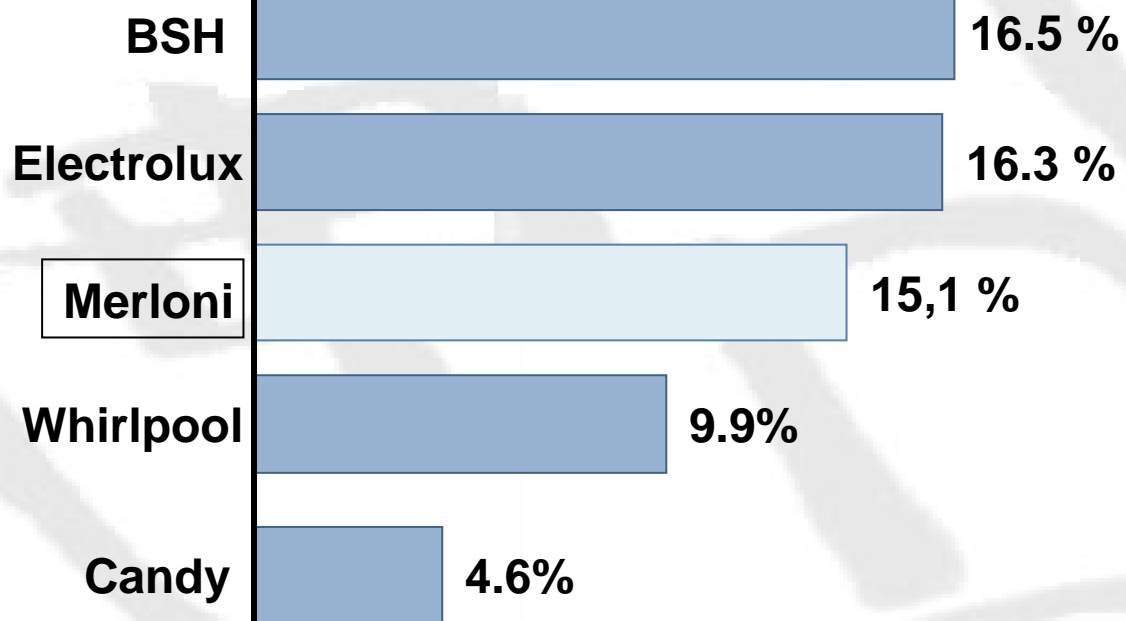
Overseas Markets: 33%

Employees

20,000

WHITE GOODS SECTOR - MARKET SHARES IN EUROPE

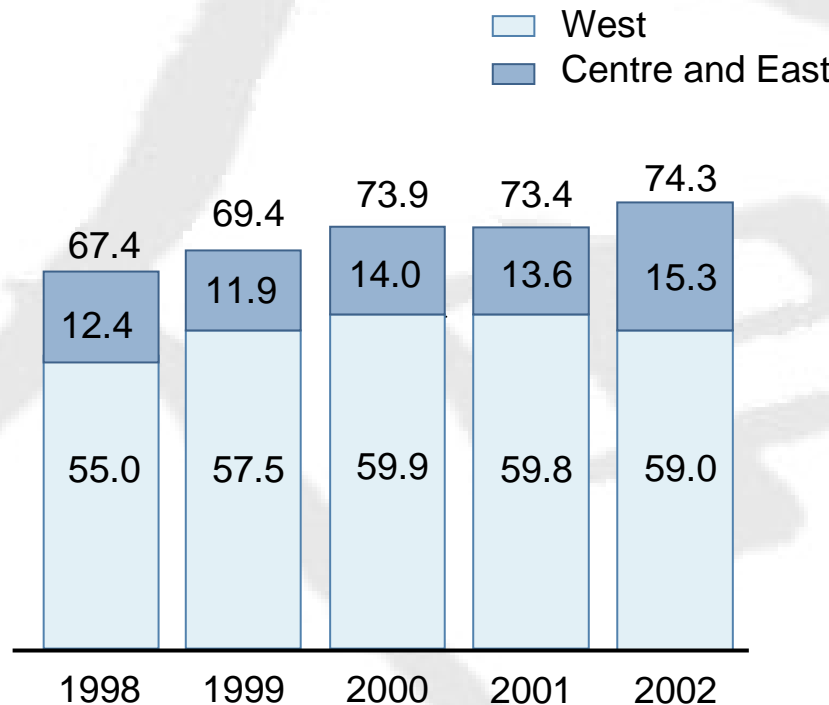
1st Quarter 2003



WHITE GOODS SECTOR - EUROPEAN MARKET

European market

Mln units



**two years
of flat
demand**

Western Europe

- Population: 320 million
- Average per capita GDP : \$ 24,000
- Main feature: substitution market
- Built-in: 33%

Central and Eastern Europe

- Population: 430 million
- Average per capita GDP : \$ 3,100
- Main feature: upgrading of installed appliances base
- Washing machine penetration: 55% of families

2003: Il mercato europeo

VOLUMI:

Ovest **+3.3%**

Est **+14.4%**

Totale **+6.0%**

PREZZO MEDIO:

Lavatrici

-5.3%

-26€

Lavastoviglie

-6.1%

-31€

VALUTE:

€ vs £: **+10%**

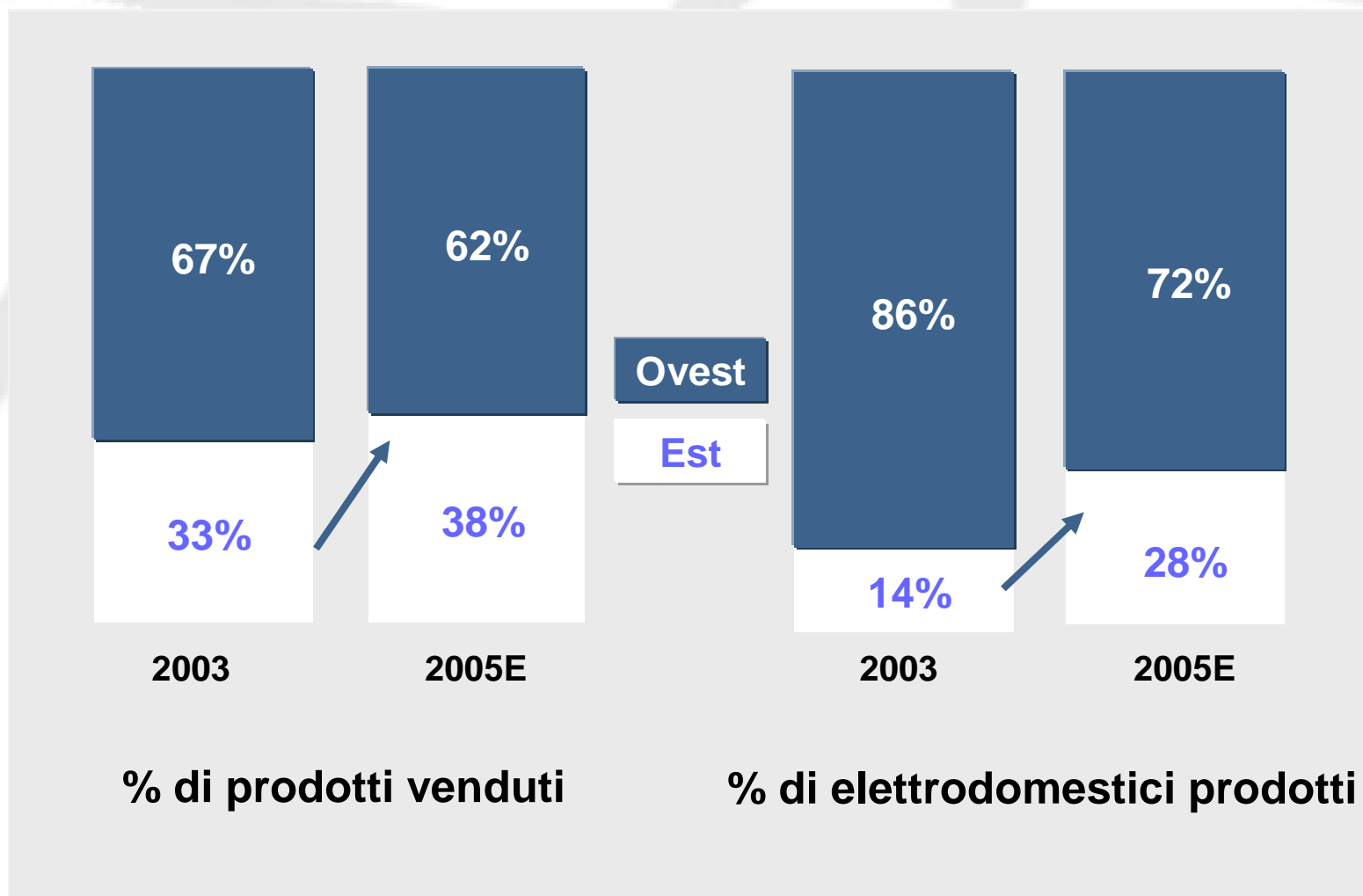
€ vs \$: **+20%**

€ vs sloty: **+14%**

€ vs rublo: **+16%**

UNA COMPETIZIONE SEMPRE PIU' DURA

Ribilanciare la produzione e le vendite tra Europa dell'Ovest ed Europa dell'Est



HIGHLIGHTS - PRODUCTION FACILITIES IN EUROPE



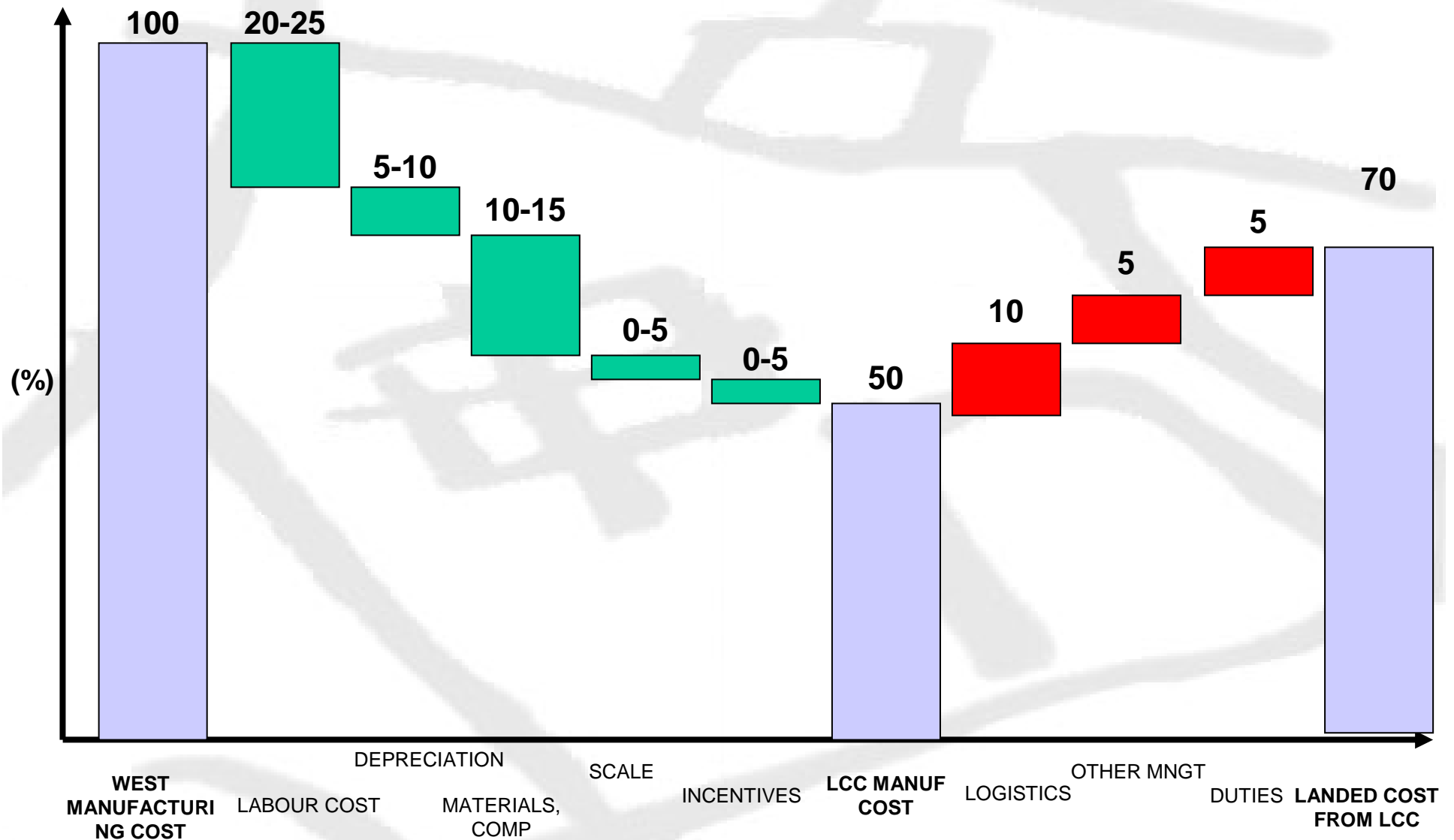


OUR EXPERIENCE IN EASTERN COUNTRIES

Merloni Elettrodomestici History in East

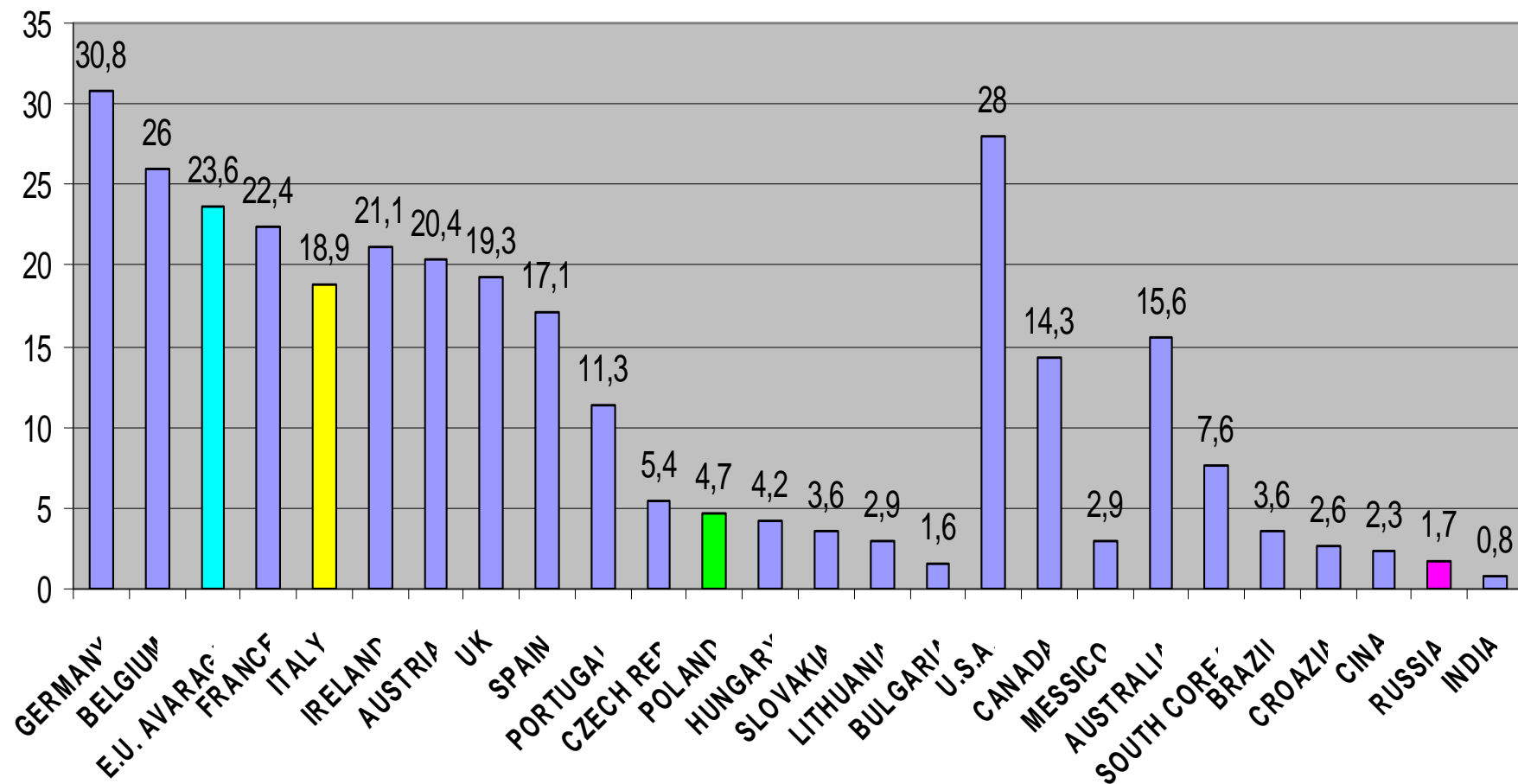
- **1999** START-UP OF A NEW COOKING PLANT IN LODZ (POLAND)
- **2000** ACQUISITION OF 1 REFRIGERATORS PLANT IN LIPETSK (RUSSIA)
- **2004**
 - START-UP OF E NEW WASHING MACHINES PLANT IN LIPETSK (RUSSIA)
 - START-UP OF A NEW REFRIGERATORS PLANT IN LODZ (POLAND)

Moving east -why



SHIFT WORKERS- HOURLY LABOUR COST INDUSTRIAL SECTOR

Figures in €



Moving east –value creation

$$\text{E.V.A.}^R = \text{N.O.P.A.T.} - \text{W.A.C.C.} \times \text{CAPITAL EMPLOYED}$$

↓
INSTABLE

↓
HIGH RISK!!
HIGH INTEREST
RATE

↓
THE LOWER THE
BEST!!!

↓
LEAN
ORGANIZATION

CULTURE: some issues

- Language barriers (very high)
- The bigger the factory the more efficient
- High division of work (high specialization vs low management)
- Level of autonomy (strong sense of hierarchy with the boss deciding all)
- Law and bureaucracy have many constraints
- Sense of belonging to the company (\$)
- Link with corporate staff and industrial system
- No local suppliers system
- But Talent Availability

HR VALUE CREATION



**CREATING THE TEAM IS A REAL
BUSINESS LEVERAGE!**

Merloni Elettrodomestici










Merloni Indesit Polska









Poland

- Population – 38 million – Poland is the largest economy in CEE
- Area – 312k km²
- Political system – parliamentary democracy
- Capital – Warsaw – 1,6 million citizens
- 1Euro = 4,58 PLN
- Unemployment rate for YTD 2004 – 19,8%

Poland - Market Share – FS – Groups

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>YTD 2004</u> (DEC - JAN)
 Whirlpool	31,0%	21,2% ↓	23,6% ↑	21,4% ↓
 Amica	20,2%	20,6% ↑	20,7% □	21,0% ↑
 Merloni Eletrodomestici	3,0%	6,3% ↑	10,4% ↑	14,9% ↑
 Mastercook	10,0%	10,3% ↑	9,3% ↓	13,3% ↑
 Electrolux	9,0%	10,0% ↑	7,8% ↓	6,2% ↓
 BOSCH	7,8%	7,6% □	7,5% □	6,1% ↓
 ARDO	8,8%	7,9% ↓	5,8% ↓	4,6% ↓

Poland - Market Share – BI – Groups

	<u>TOT 2001</u>	<u>TOT 2002</u>		<u>YTD 2003</u>	
	35,1%	33,4%	↓	34,6%	↑
	11,3%	12,8%	↑	14,2%	↑
	9,2%	12,6%	↑	12,8%	↑
	12,3%	10,4%	↓	8,7%	↓
	10,2%	7,8%	↓	8,4%	↑
	7,9%	6,1%	↓	6,8%	↑
	6,5%	9,5%	↑	6,7%	↓
	4,2%	3,9%	↓	2,8%	↓

Lodz Plant



Cooking Factory 1999

Start: December 1998

- ✓ Recruitment of the key managerial and specialists positions
- ✓ Intensive Italian course
- ✓ 5 months in Italy on the training

Launching the production: 09 September 1999

Cooking Factory 1999

The development of the “founders” after 3 years

Technical Manager	→	Technical Manager
Quality Documentation Spec.	→	Quality Manager
Maintenance Specialist	→	Cost & Investment Spec.
Process Implementation Spec.	→	Mechanics Manager
Technologist	→	R&D Manager
HR Manager	→	HR Manager

Our clients

The products made in our plant are destined to 25 countries. The cookers, which are destined on the market, perform all necessary conditions concerning safety, application and using.

✓ 84% of production is exported:

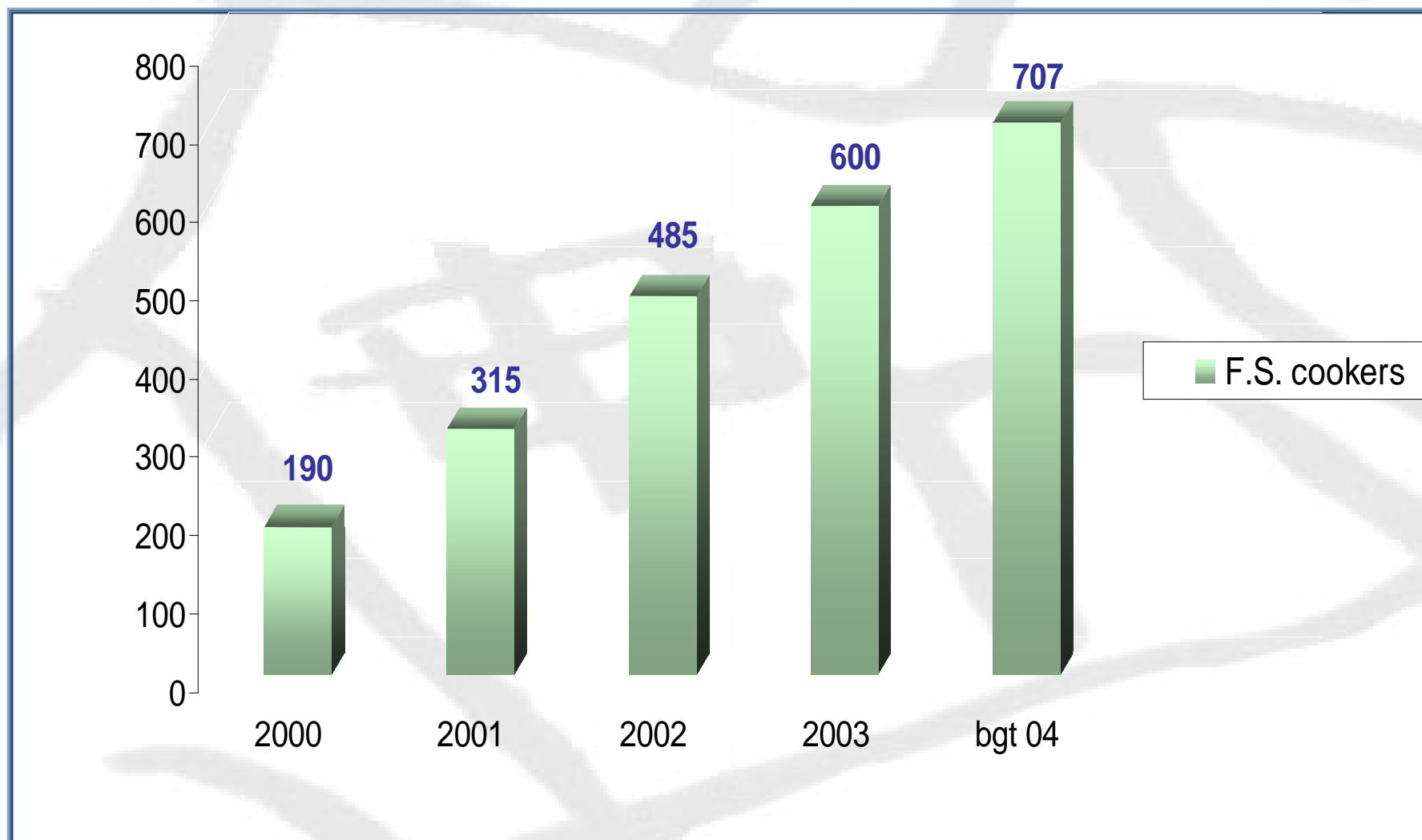
the biggest markets are:

C.S.I.

France

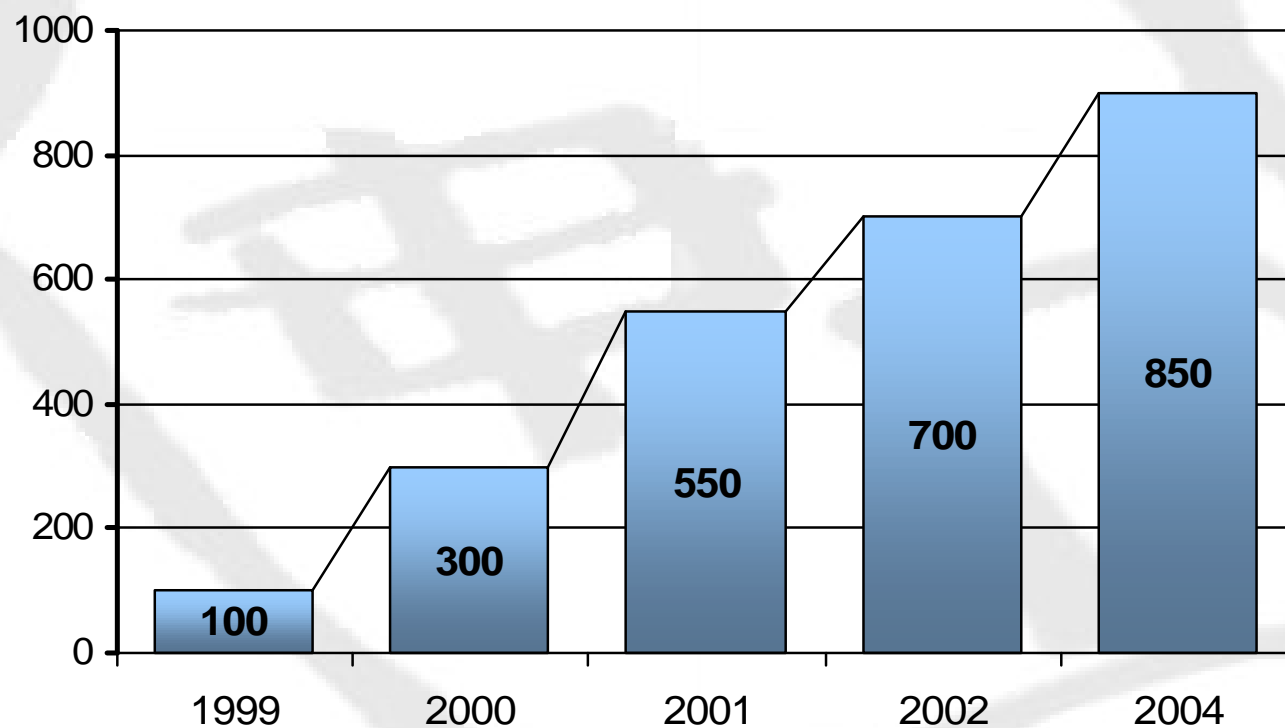
U.K.

Lodz Plant - pcs.x 1000



Lodz Plants

Employment Increase



NEW Refrigerators Factory 2004

January 2004 – internal support from cooking factory

Assembling Supervisor —→ Operation Manager

Line Supervisor —→ Assembling Supervisor

Production Trainee —→ Process Supervisor

Jolly —→ Line Supervisor

„Conduttore Impianto” —→ Section Supervisor

**Recruitment for the cooling plant – March 2004 –
11 employees**

NEW Cooling Factory 2004



NEW Cooling Factory 2004

Intensive Italian course – 105 hours in March

Training in Italy – from April 2004 till September 2004

Individual Tutor, program includes:

Structure of Merloni Eldo

Production & R&D

Act The role (on the job)

Soft Skills Training

NEW Cooling Factory 2004

October 2004 – lunching the production





Merloni Elettrodomestici

RdQ 2003

Fabriano, December 19th 2003

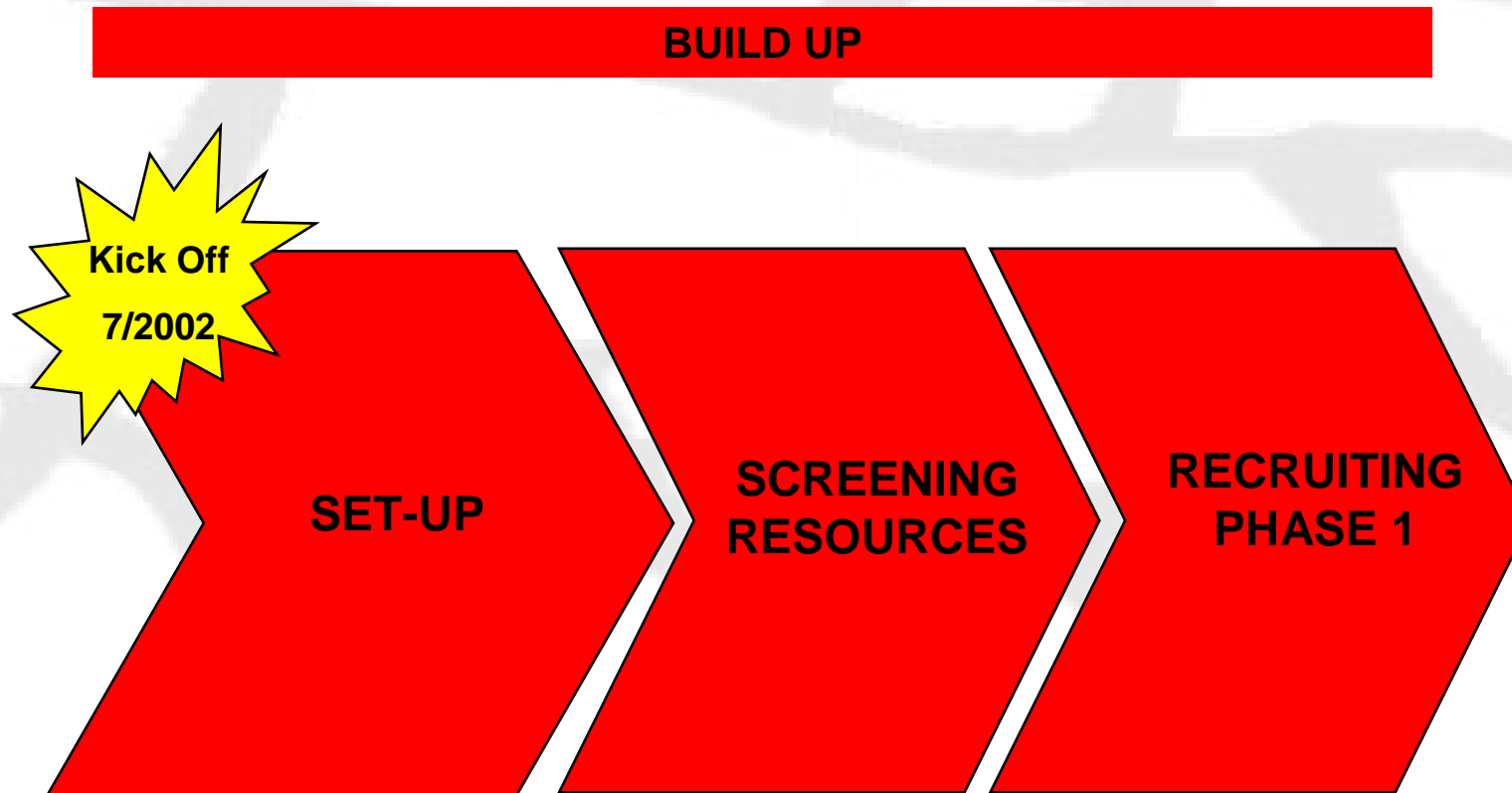
Gian Luca Grondona

**BUILDING A TEAM AS A
BUSINESS LEVERAGE...**

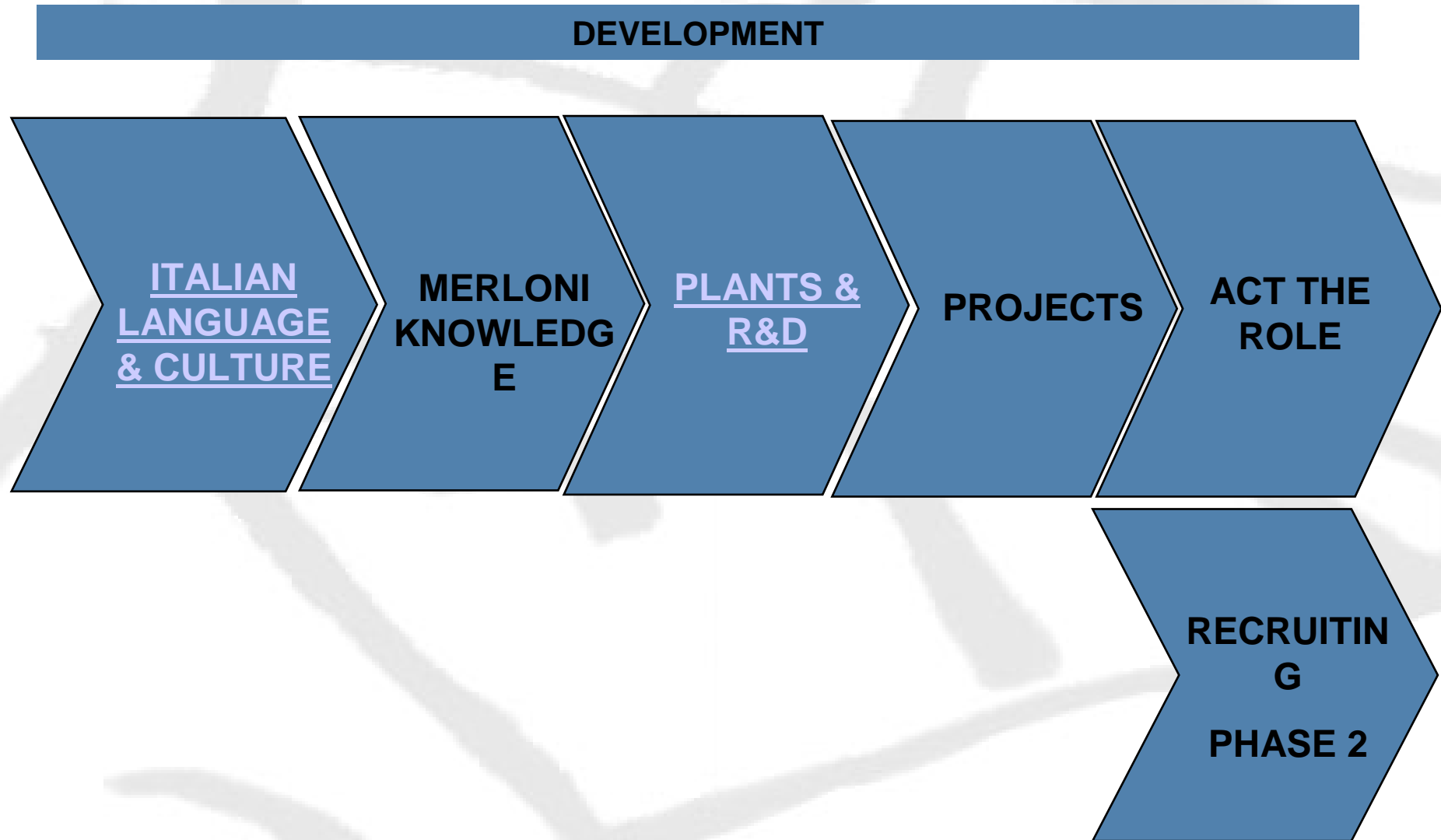
THE "FOUNDERS"
LIPETSK FEBBRAIO 2003



Lipetsk Washing Machine Plant - Team Development



Lipetsk Washing Machine Plant - Team Development





COMUNANZA



BREMBATE



TEVEROLA

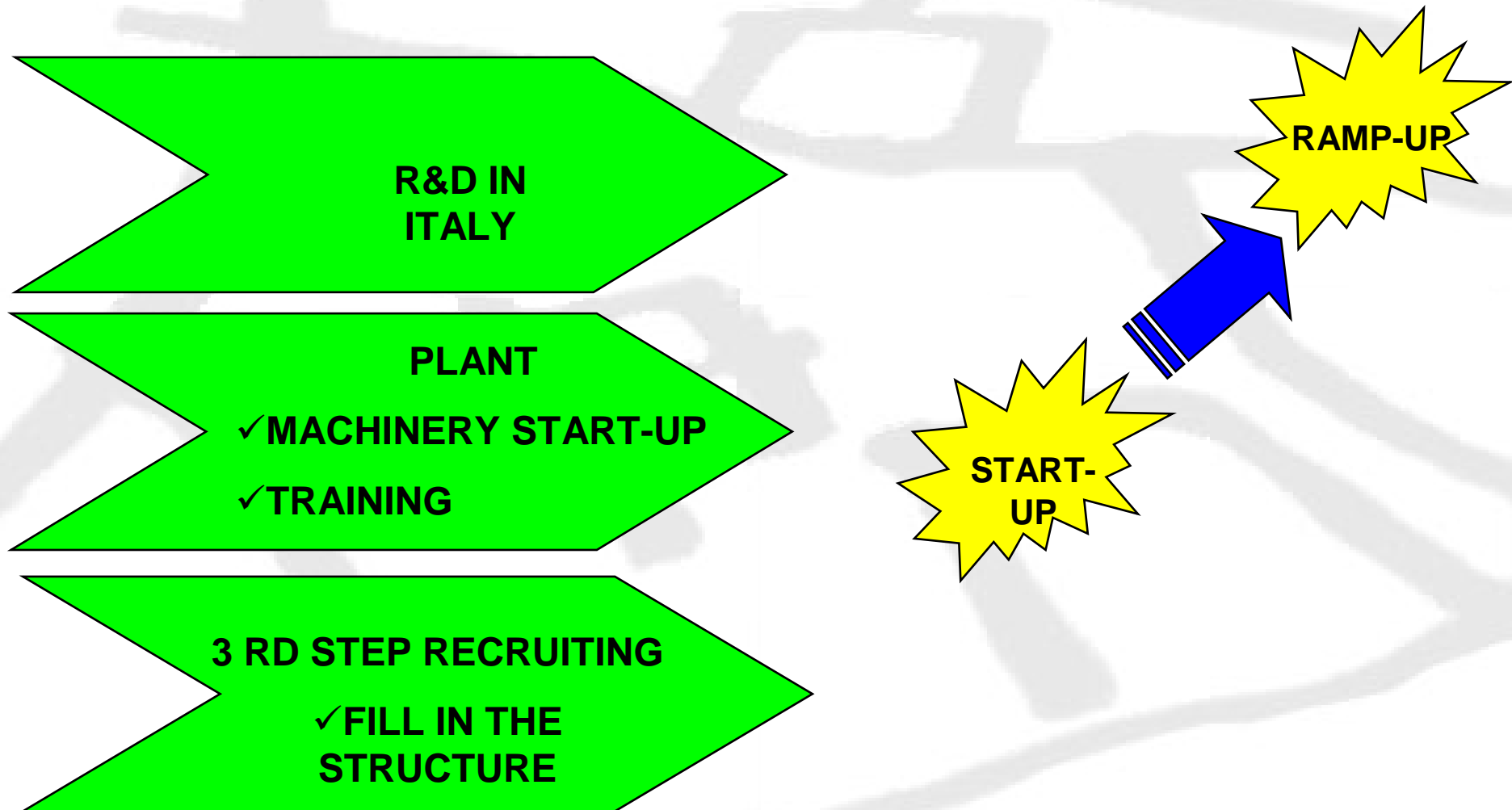


FABRIANO

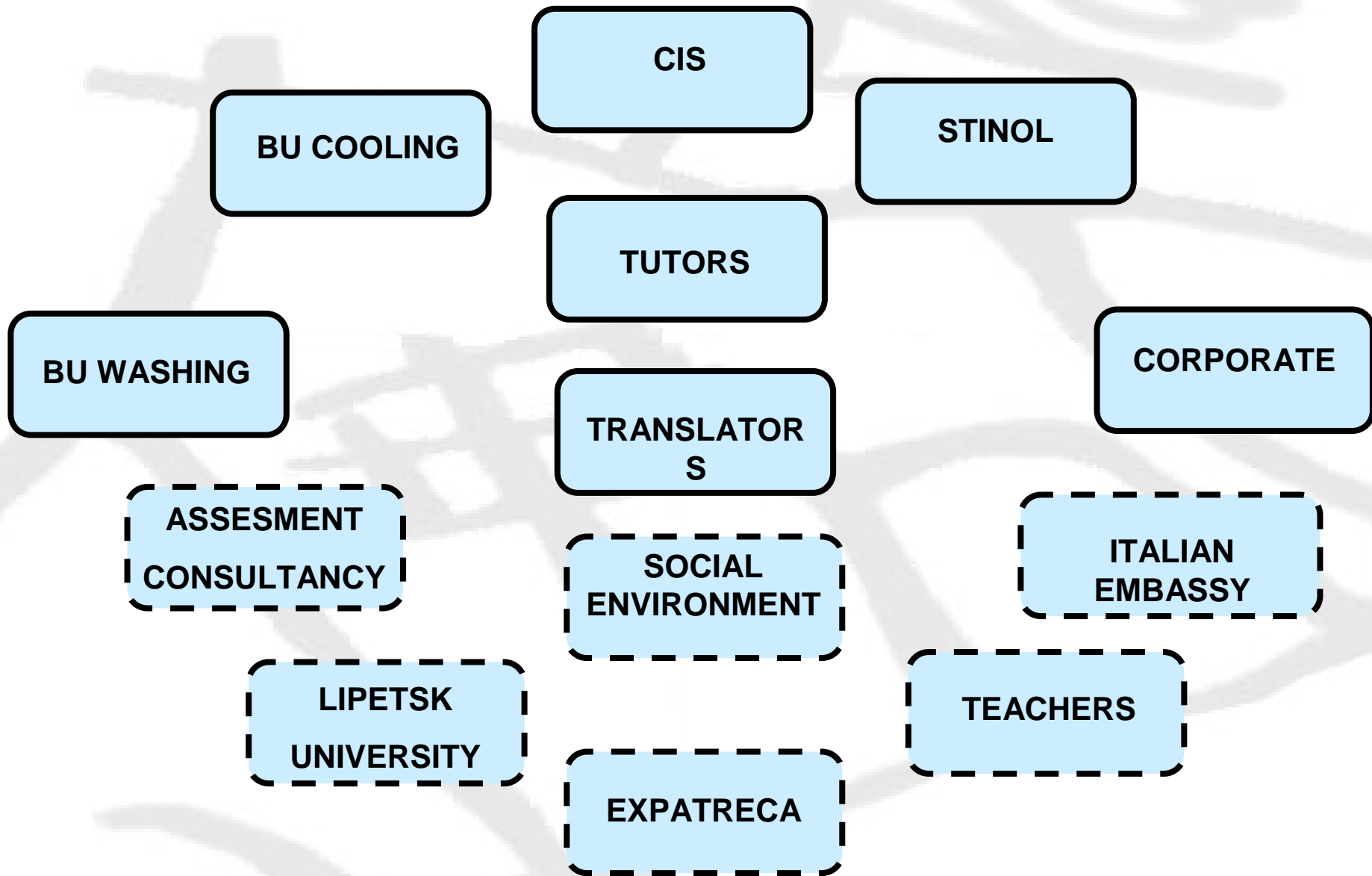


Lipetsk Washing Machine Plant - Team Development

IMPLEMENT



Lipetsk Washing Machine Plant - Team Development



BUILDING THE TEAM – THE MODEL

