PUBLIC

U.S. V. AB ELECTROLUX ET AL.

United States' Opening Statement

Substantial Lessening of Competition Leads to Price Increases for Consumers

PRE-MERGER PRICING

Substantial Lessening of Competition Leads to Price Increases for Consumers

POST-MERGER PRICING

Summary: the Evidence Will Show that the Merger Likely Would Substantially Lessen Competition

- Merger brings together two of the three iconic appliance manufacturers
- Under Supreme Court and D.C. Circuit case law, harm is presumed
- Defendants cannot rebut the United States' case
  - The Presumption actually understates the likely harm
  - Entry, efficiencies, retailers, and Whirlpool/Maytag do not establish that the merger would benefit consumers

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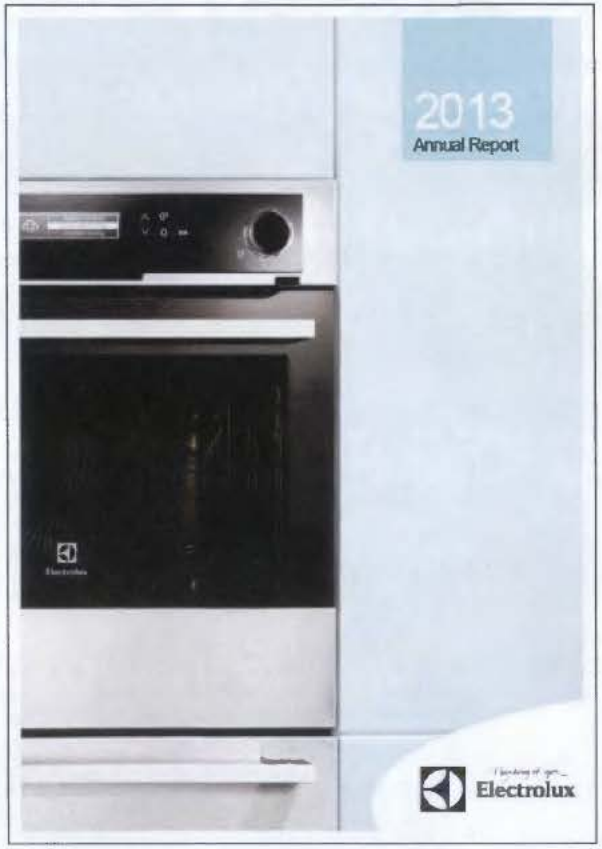
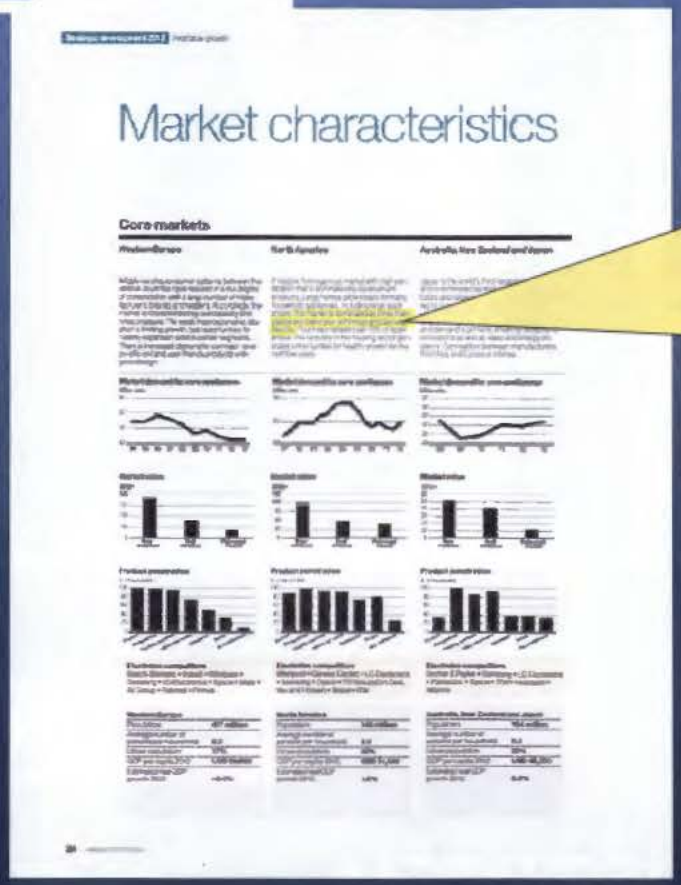
Electrolux, GE, and Whirlpool Are the Dominant Appliance Manufacturers in North America



PX00001

Electrolux, GE, and Whirlpool Are the Dominant Appliance Manufacturers in North America

Electrolux



Market characteristics

Core markets

PX00001 at -026

The market is dominated by three manufacturers: Electrolux, Whirlpool and General Electric.

Electrolux and GE Combined Would Dominate Cooking Appliances

Electrolux

Redacted

PX00882 at -002

Based on both Elux's and GE's strength in REF and CKG, the combined entity would have a dominant position as market leader in those two categories.

REDACTED Recognizes Electrolux/GE Would Be Dominant in Cooking

REDACTED

REDACTED Recognizes GE/Electrolux Would Be Dominant in Cooking

REDACTED

REDACTED Recognizes Electrolux/GE Would Be Dominant in Cooking

REDACTED

Whirlpool Supports the Merger

Whirlpool

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FD (Fair Disclosure) Wire

December 17, 2014 Wednesday

TRANSCRIPT: 121714a5569341.741

LENGTH: 19643 words

HEADLINE: Whirlpool Corp Investor Day - Final

BODY:

Corporate Participants

* Chris Conley

Whirlpool Corporation - Senior Director of IR

* Jeff Fettig

Whirlpool Corporation - Chairman and CEO

* Michael Todman

Whirlpool Corporation - President of Whirlpool International

* Marc Bitzer

Whirlpool Corporation - Vice Chairman

* Mike Todman

Whirlpool Corporation - Vice Chairman

* Larry Venturelli

Whirlpool Corporation - EVP and CFO

Conference Call Participants

* Megan McGrath

PX00009

Whirlpool Supports the Merger

Whirlpool

M&A coming, how does that go into your plans for growing top line and being competitive looking forward?

MARC BITZER: You know, Megan, to that point, in short, we actually see what's happening right now as an opportunity for us. Now let me expand on this point.

The GE Electrolux acquisition, which, as you know, is not yet approved and will probably still take some time to improve, but that's not us to make a decision, we see both in the short-term and the long-term that actually has an overall positive outcome for us from a competitive perspective.

First of all, the next six to nine months or whenever -- however long it takes us gives us tangible opportunity in the marketplace, and we see those cases already rising right now. But in the long-term -- actually in particular if you look at the presentation in 2018, Electrolux is an ethical, a value-driven company, and as such, it's a competitor still. But you also know they also have quarterly earnings to make. They have annual earnings to make. They are ethical. They abide by the law, and that, in a competitive landscape, I would say is generally good news.

CHRIS CONLEY: Okay. Next question? Let's go with Ken Zener.

KEN ZENER, ANALYST, KEYBANC CAPITAL MARKETS: Good morning, gentlemen. Ken Zener at KeyBanc. Given what's happening in Russia, I realize you have laid out a large architecture here, but I wonder if you could help us relate here, Michael, you talked about you guys are used to dealing with volatility in Latin America, delivering 9%, 10% margin, giving us 11% margin targets for that region. Clearly there has been a lot of volatility there, and third-quarter volumes were down 10% or 15%. You get 15% of positive price.

For all of us in the room, given what Russia is and I think you said you had roughly 5800 million exposure in Russia. That's not pro forma though, so it's going up, right? So if you could just highlight it, that would be with Indesit, that would be useful. But specifically, tell us how you think about how Russia differs from volatility in Latin America, how your cost position might be different, and how your market share impacts your volatility?

MIKE TODMAN: Very timely question. Let me talk to macro and then I would like Marc to speak specifically about Russia. As I said, volatility is not new. It's been pretty extreme the last couple of weeks in currencies, and commodities, in oil, in all those kinds of things. And I will be the first person to say it, we're not very good about predicting those things. And if we thought we were, I would be really worried because we never are.

So our ability to respond I think is the key. And we do -- Latin America is a great example of -- over time, how we -- kind of in my mind is the curve of change is always going to happen, and our job is to be at the front end of that curve. And so if the external environment changes, we have to readily adapt. And so that's been quite-quite our Latin America model, but that's also been our India model, too, by the way. Those are two big emerging markets.

Russia for us is largely new. We had a little presence, but with Indesit, the weight of Russia was much, much bigger. Globally though, I would just say Russia is used to probably less than 3% of our revenues next year. So -- and I don't want to minimize it, but first let's dimension it, and Marc, you might then speak in more detail about it.

MARC BITZER: Problem with today's news, it's not surprising that Russia is a key question. Let me first give two fundamental comments and then one more specific operation on what we're doing right now.

DOJ-LIT-00002321-0022

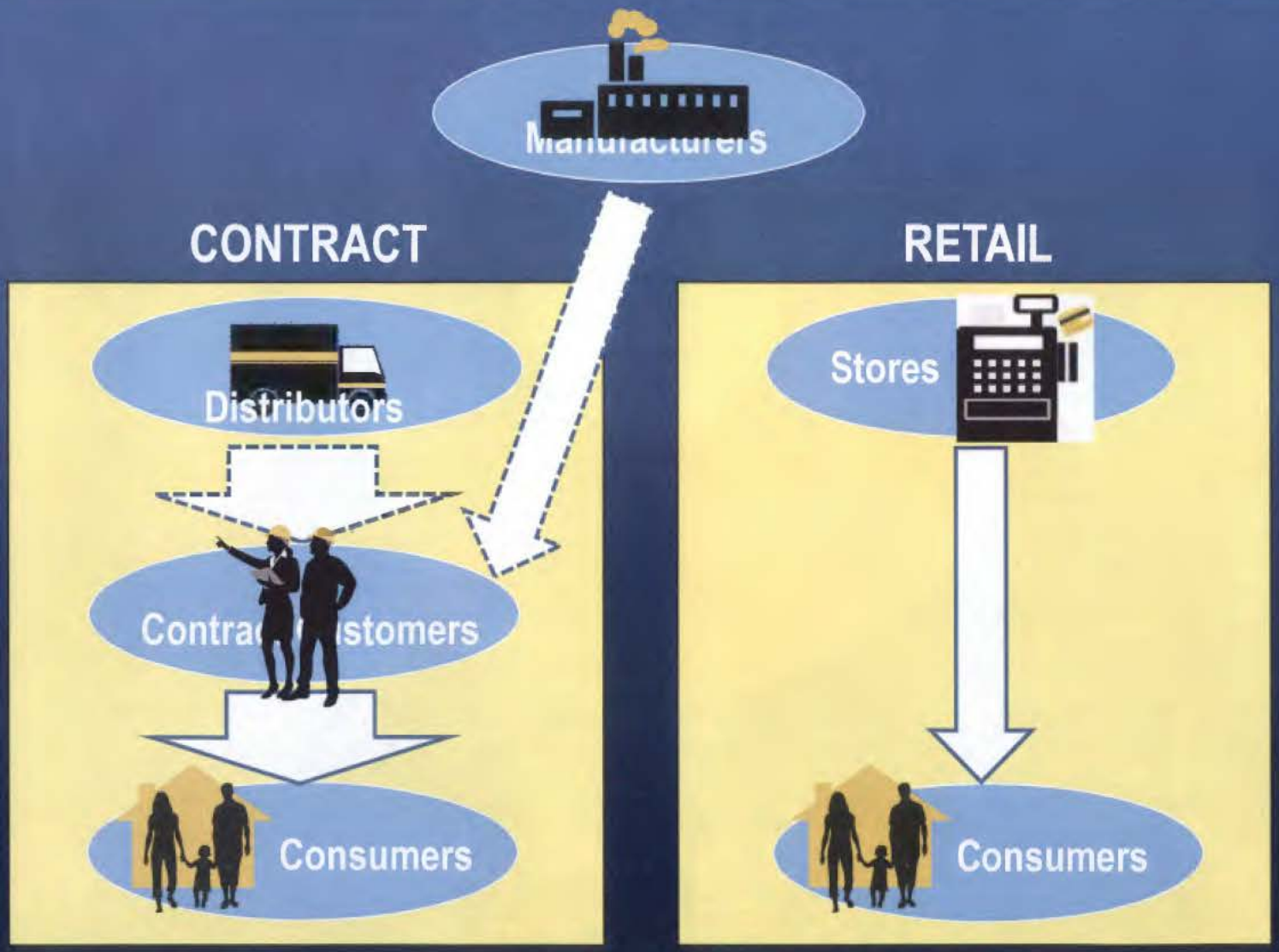
PX00009 at -022

The GE Electrolux acquisition … we see both in the short-term and the long-term that actually has an overall positive outcome for us from a competitive perspective.

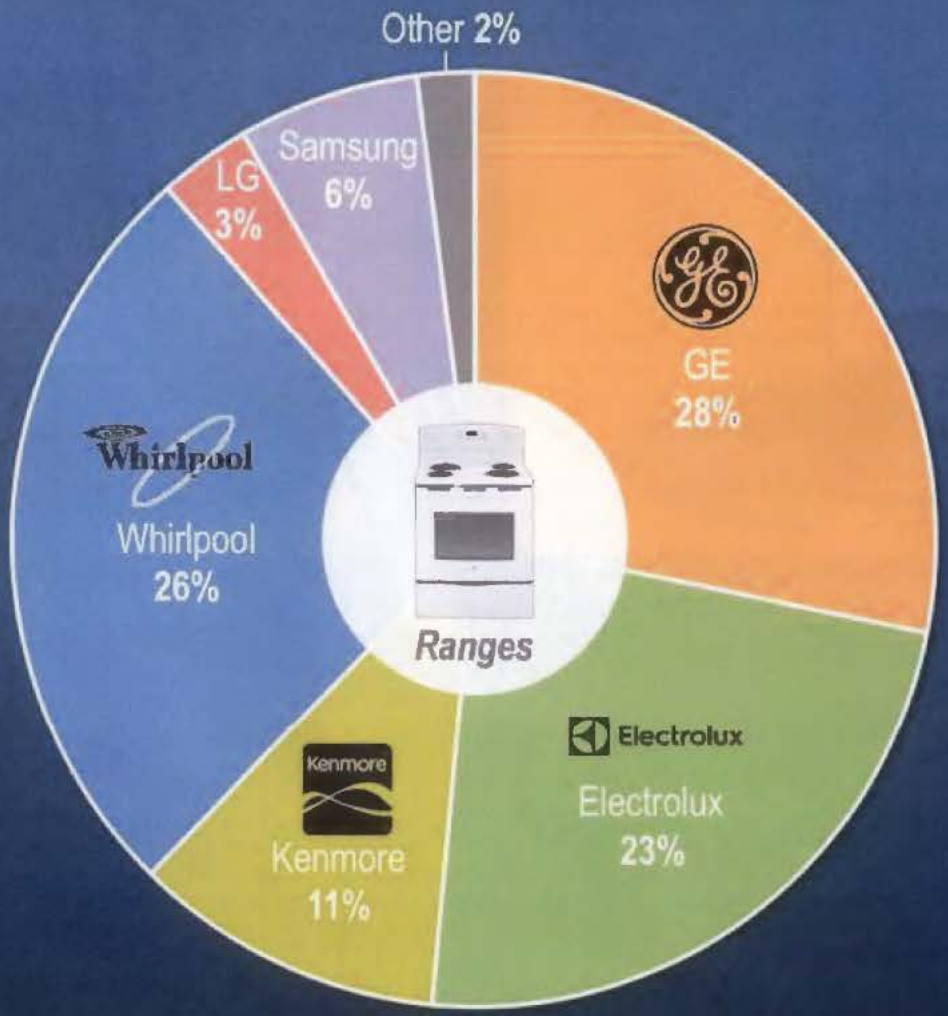
Whirlpool Supports the Merger

REDACTED

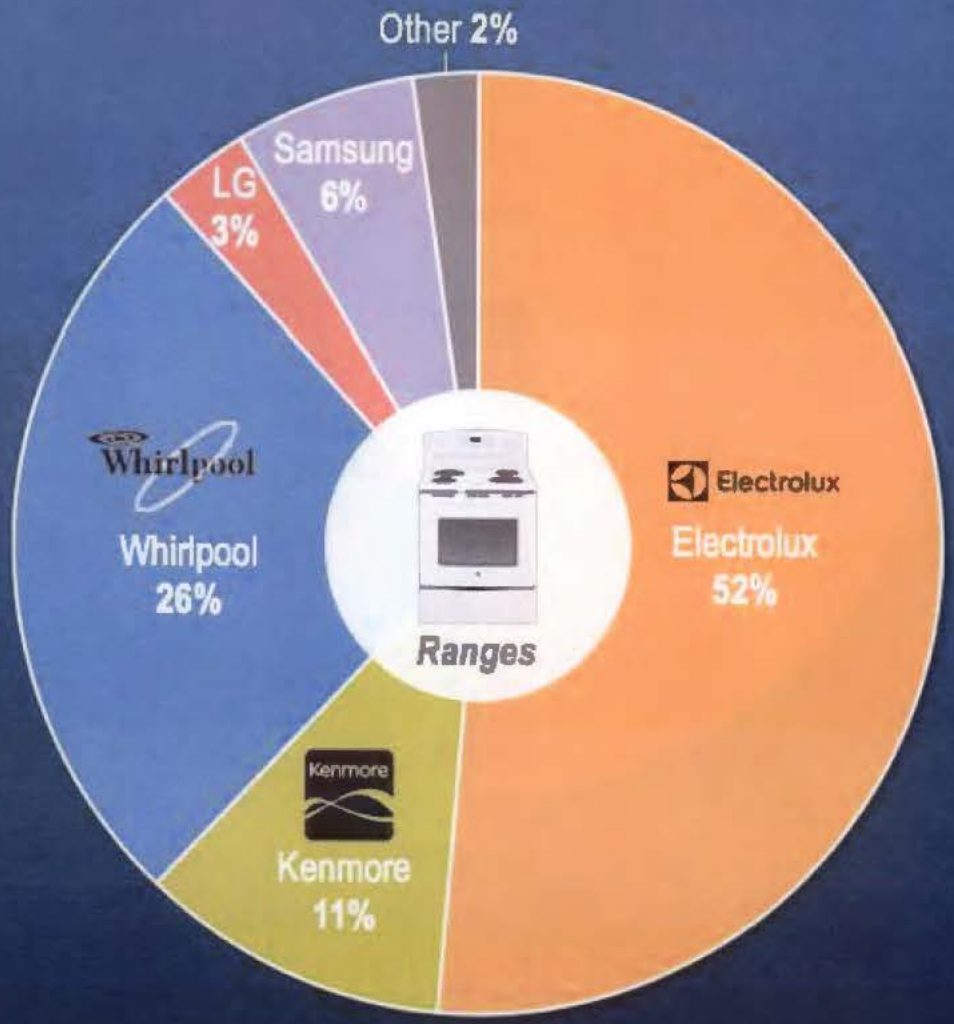
Appliance Manufacturers Sell Through Retail and Contract Channels



Pre-Merger Shares (Retail and Contract)



Post-Merger Shares (Retail and Contract)



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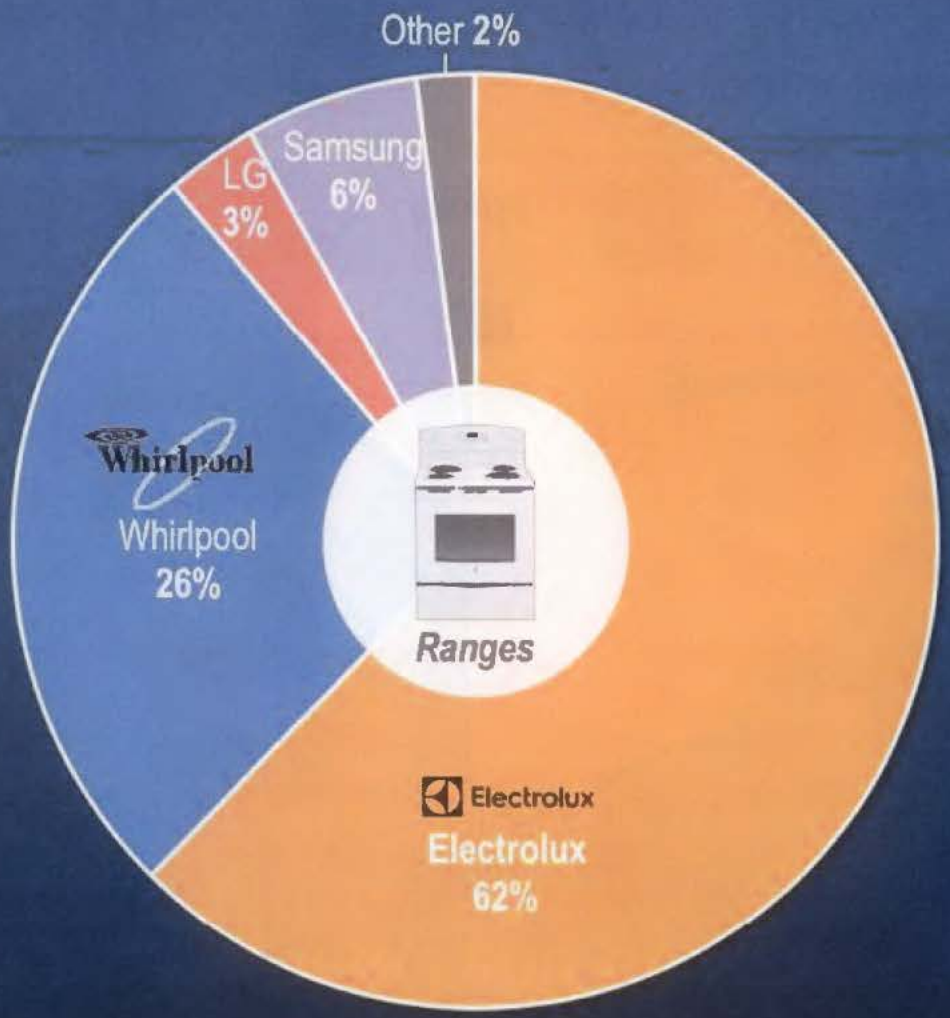
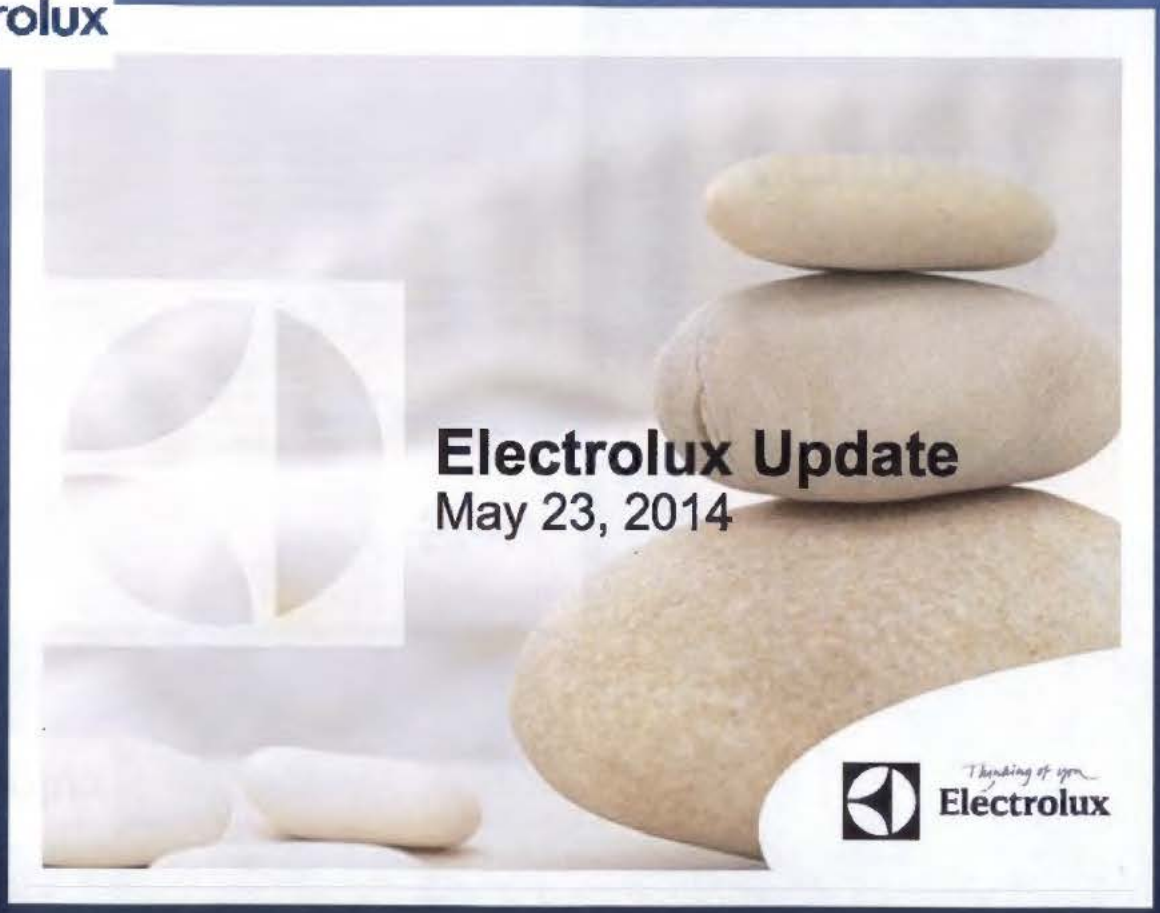


Electrolux and GE Are Leaders in Cooking Appliances

Electrolux



PX00305

Electrolux and GE Are Leaders in Cooking Appliances

Electrolux

SWOT

Electrolux

Strengths	Weakness
• Strength in professional appliances • Industry leading laundry features (fastest wash & dry, best cleaning, most energy efficient) • Leading cooking company • Most recognized industry campaign • Design of product	• Historical quality issues particularly f refrigeration • Limited • Continued quality issues for refrigeration • Lack of significant innovation since launch, particularly in refrigeration & laundry
Opportunities	**Threats**
• Opportunity to expand distribution partners into national & dealer accounts • New product introductions including dish & wall ovens • Opportunity to expand into relevant sub-categories (top load laundry, FSFC, top mount refrigeration)	• Aggressive promotions from competitors • Constant "innovation" from competitors • Kitchen product not turning on existing national account

PX00305 at -0037

Strengths

....

- **Leading cooking company**

Electrolux and GE Are Leaders in Cooking Appliances

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PX01155

Electrolux and GE Are Leaders in Cooking Appliances

Redacted

GEA000128880
CONFIDENTIAL

PX01155 at -330

…. leverage our strength in Cooking – this our heritage.

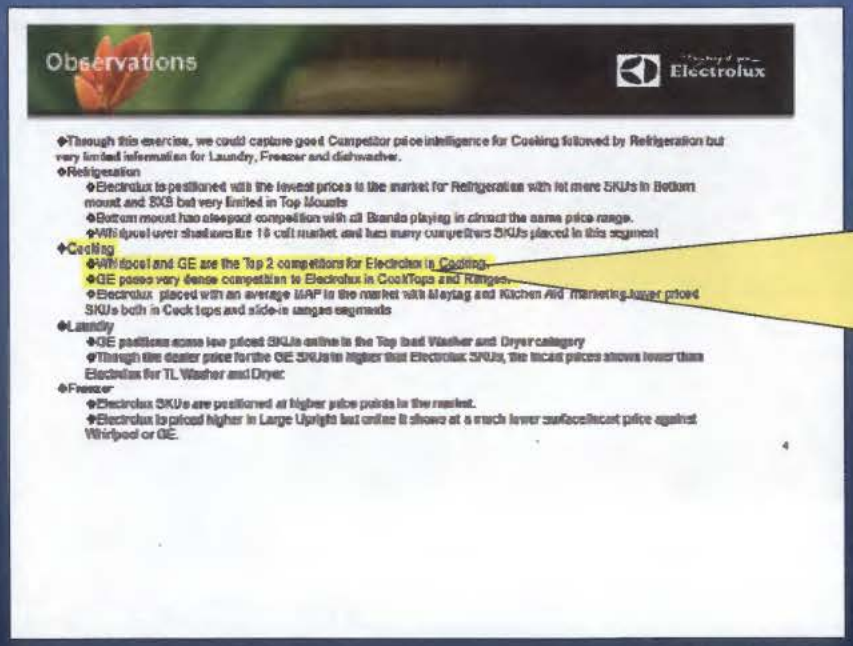
Electrolux and GE Are Leaders in Cooking Appliances

Electrolux

PX00225

Electrolux and GE Are Leaders in Cooking Appliances

Electrolux



Observations

Electrolux

- Through this exercise, we could capture good Competitor price intelligence for Cooking followed by Refrigeration but very limited information for Laundry, Freezer and dishwasher.
- Refrigeration
  - Electrolux is positioned with the lowest prices to the market for Refrigeration with lot more SKUs in Bottom mount and SXS but very limited in Top Mounts
  - Bottom mount has steepest competition with all Brands playing in almost the same price range.
  - Whirlpool over shadows the 18 cuft market and has many competitors SKUs placed in this segment
- Cooking
  - Whirlpool and GE are the Top 2 competitors for Electrolux in Cooking.
  - GE poses very dense competition to Electrolux in CookTops and Ranges.
  - Electrolux placed with an average MAP in the market with Maytag and Kitchen Aid. Marketing lower priced SKUs both in Cook tops and slide-in ranges segments
- Laundry
  - GE positions some low priced SKUs online in the Top load Washer and Dryer category
  - Though the dealer price for the GE SKUs is higher that Electrolux SKUs, the incent prices shows lower than Electrolux for TL Washer and Dryer.
- Freezer
  - Electrolux SKUs are positioned at higher price points in the market.
  - Electrolux is priced higher in Large Upright but online it shows at a much lower surface/incent price against Whirlpool or GE.

4

PX00225 at -004

- **GE poses very dense competition to Electrolux in Cooktops and Ranges**

Electrolux and GE Are Leaders in Cooking Appliances

Q. Significant amount of competition between GE and Electrolux in the sale of cooking appliances in the United States?

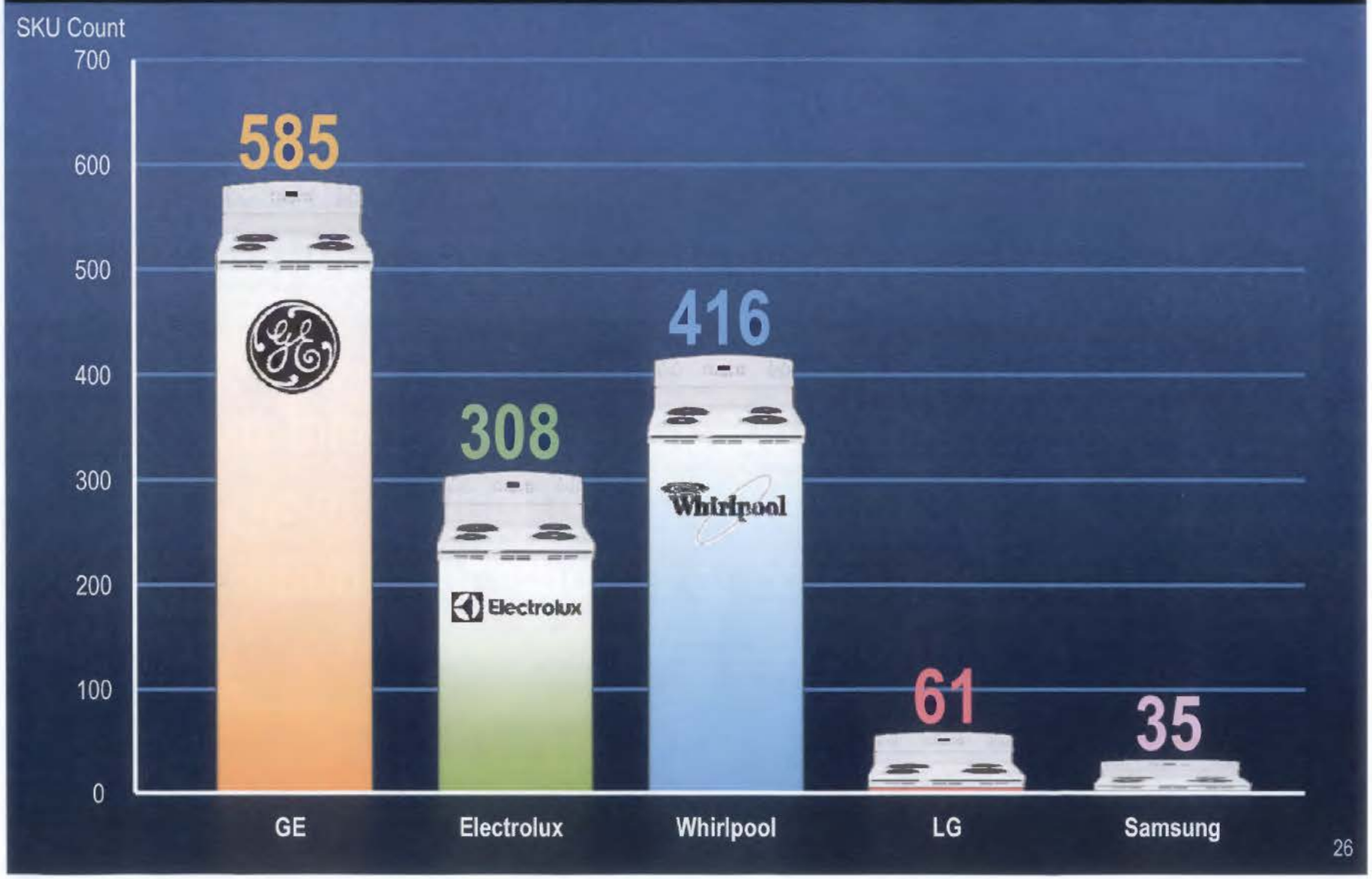
A. Yes.

Q. [Is] Electrolux a formidable and efficient appliance supplier?

A. They are a strong competitor in the market.

- Deposition of Mr. Jonathan Orszag

Electrolux and GE Are Leaders in Cooking Appliances



Examples of Competition: $2,000 Kitchen Package Rebate

Electrolux

Redacted

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PX00392 at -034

GE is not sitting back ....
The up to $2,000 rebate goes after Electrolux.

Examples of Competition: Guaranteed Wall Oven Fit

GE Fits Guarantee

October 10, 2014

imagination at work

Examples of Competition: Guaranteed Wall Oven Fit

The GE Advantage

Size	Manufact.	GE Fits Today	Mfr Share of Install Base
27	GE	Y	40
27	Bosch		
27	Electrolux	Y	6
27	Kenmore	Y	13
27	Thermador		
27	Viking		
27	Whirlpool	Y	27
30	GE	Y	40
30	Bosch		
30	Electrolux	Y	6
30	Kenmore	Y	13
30	Miele		
30	Thermador		
30	Viking		
30	Whirlpool	Y	27
30	LG		
		Total:	86

#1 Install Base

imagination at work

5
GE Title or job number
10/13/15

Examples of Competition: GE Drives Electrolux's Prices Down

Electrolux

PCR Monthly Update

From:
charles.heiserman@electrolux.com
To:
mark.d.chambers@electrolux.com, john.r.graff@electrolux.com
Cc:
david.nelson@electrolux.com
Date:
Mon, 03 Oct 2011 18:58:11 +0000
Attachments:
PCR Call report Oct 1.xlsx (48.9 kB)

Mark,

Please find the attached monthy update for PCR. I used to send this to Rick.

It is an overview of where we are YTD and what the current status is as well as comp information. Let me know if you would like anything added.

Thanks

PCR Call report Oct 1.xlsx

Regards,

Corley Heiserman
Electrolux Major Appliances
Director PC Richard
Office 631-777-4135
Cell 704-840-6219
Fax 708-868-2901

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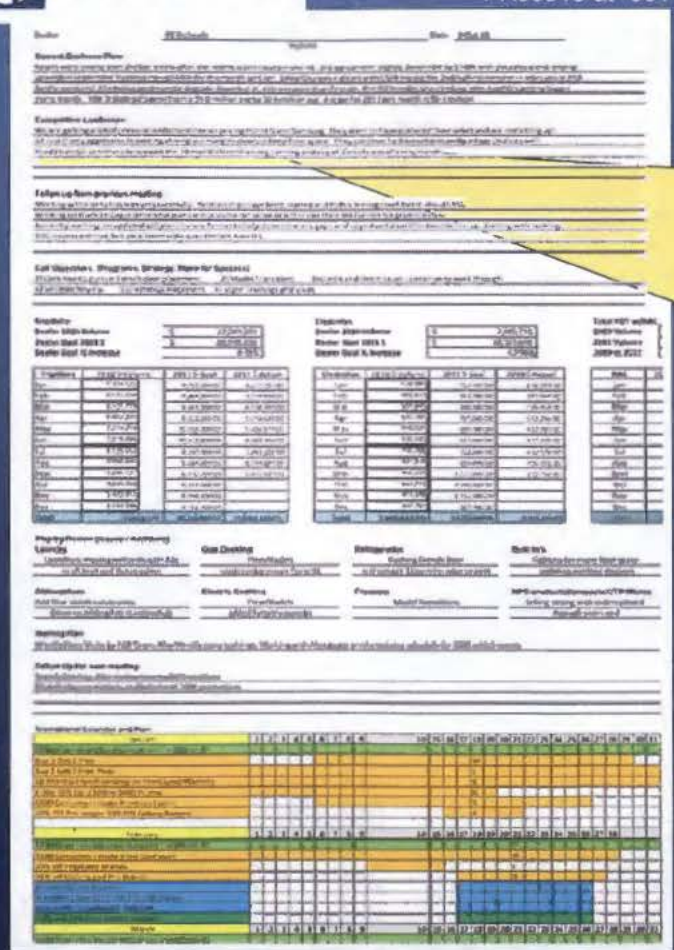
PX00318 at -671

Examples of Competition: GE Drives Electrolux's Prices Down

Electrolux

PX00318 at -001

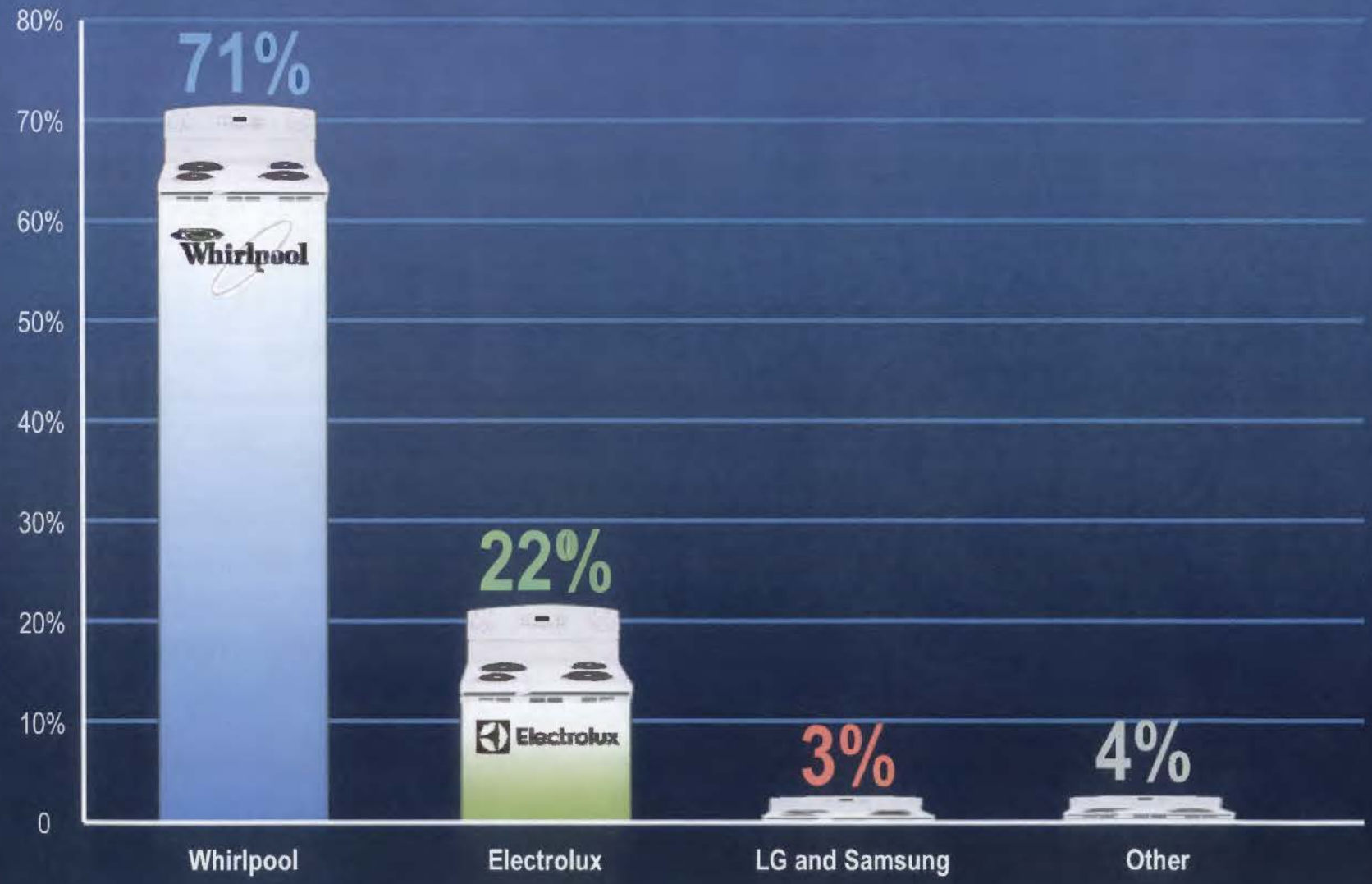


Competitive Landscape

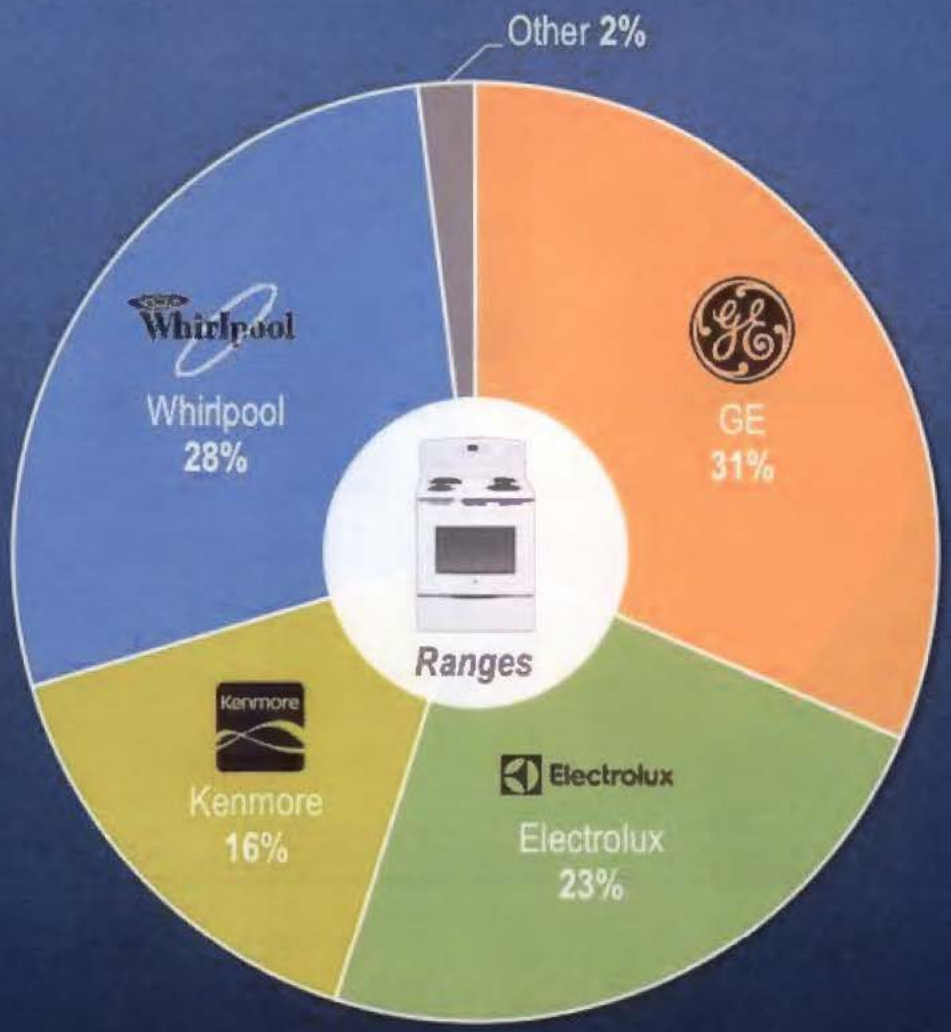
....

GE is still very aggressive in cooking driving our margins down to keep floor space.

Examples of Competition: GE Lowers Its Price Because of Electrolux Competition (Retail)



Pre-Merger Shares of Ranges (Lowest Wholesale Prices)



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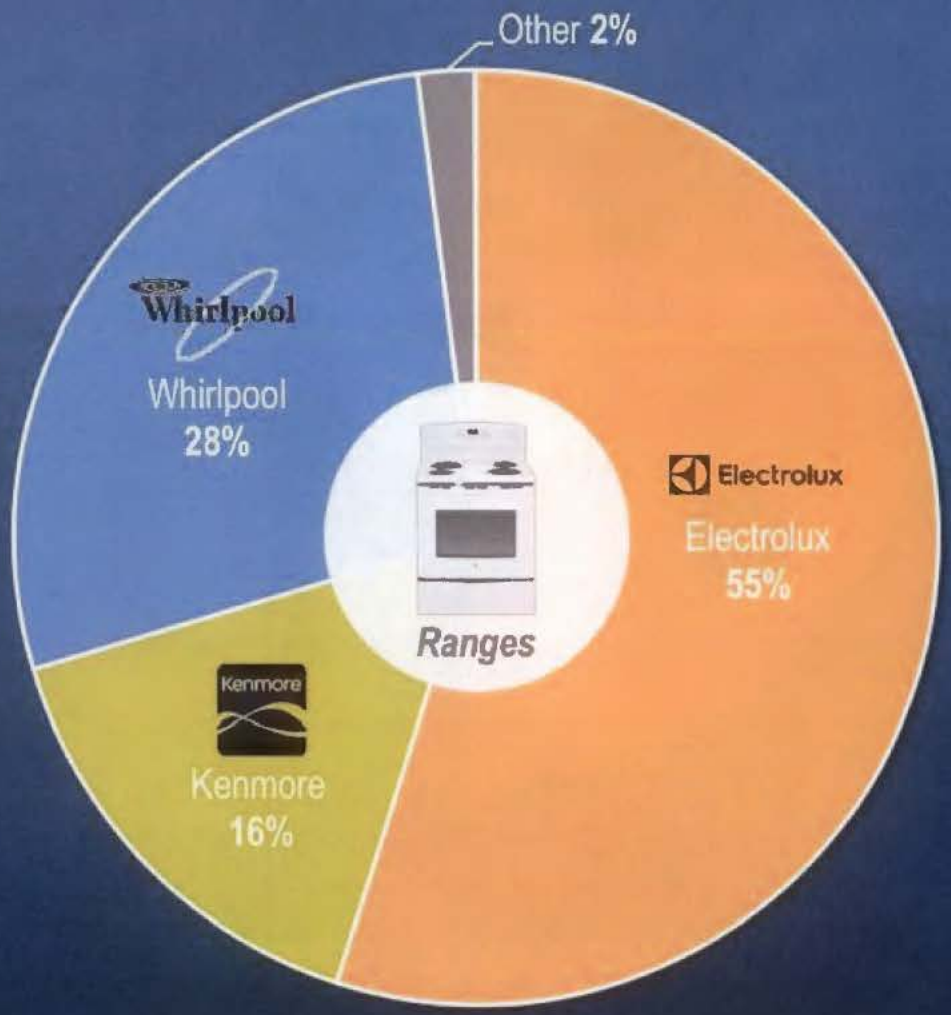
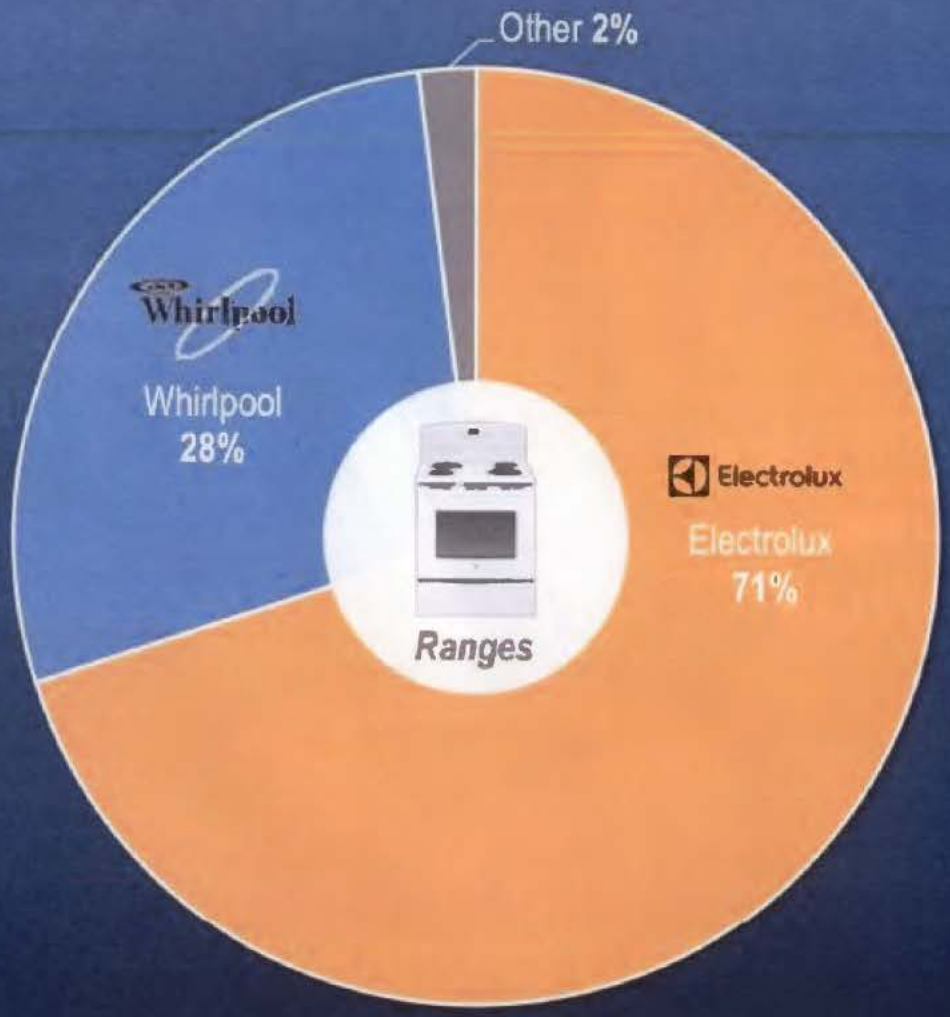
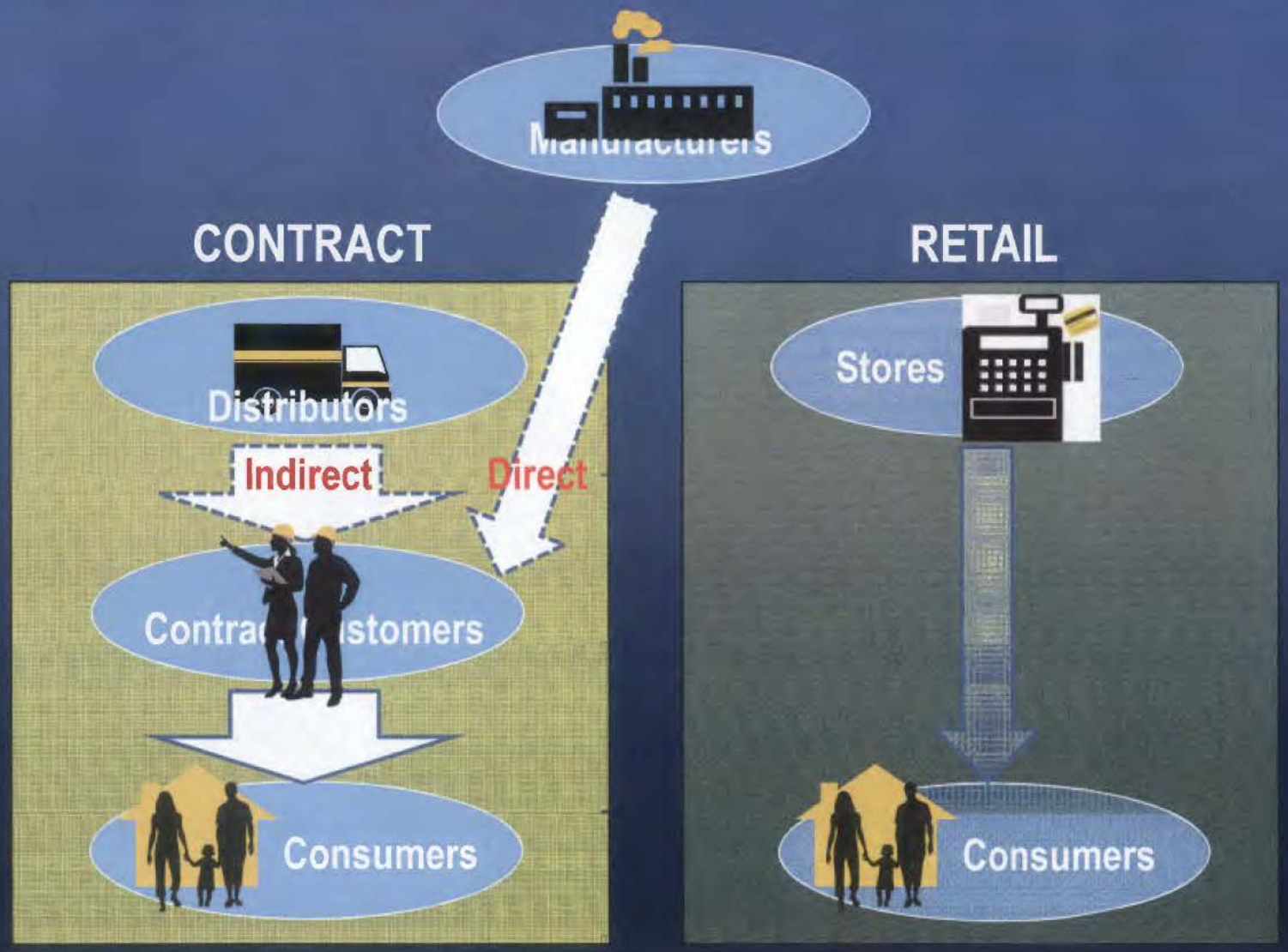


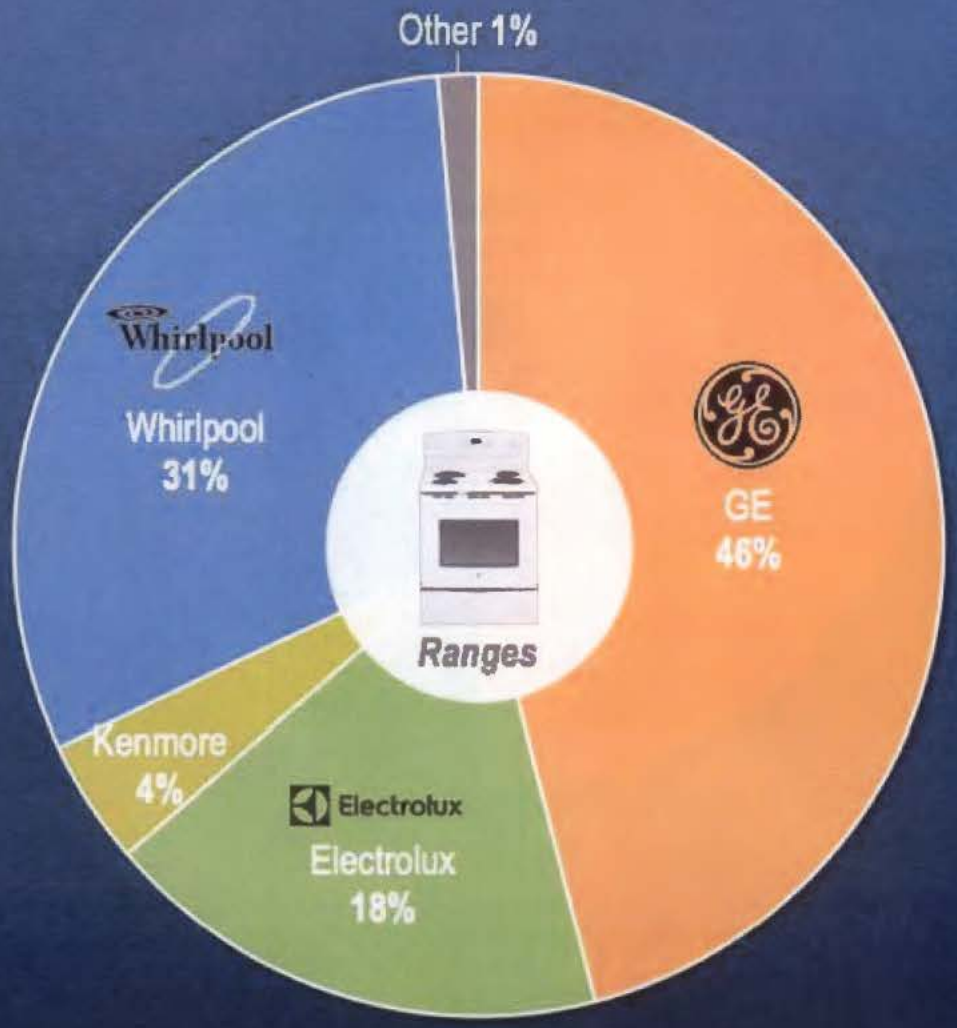
Post-Merger Shares of Ranges (Lowest Wholesale Prices)



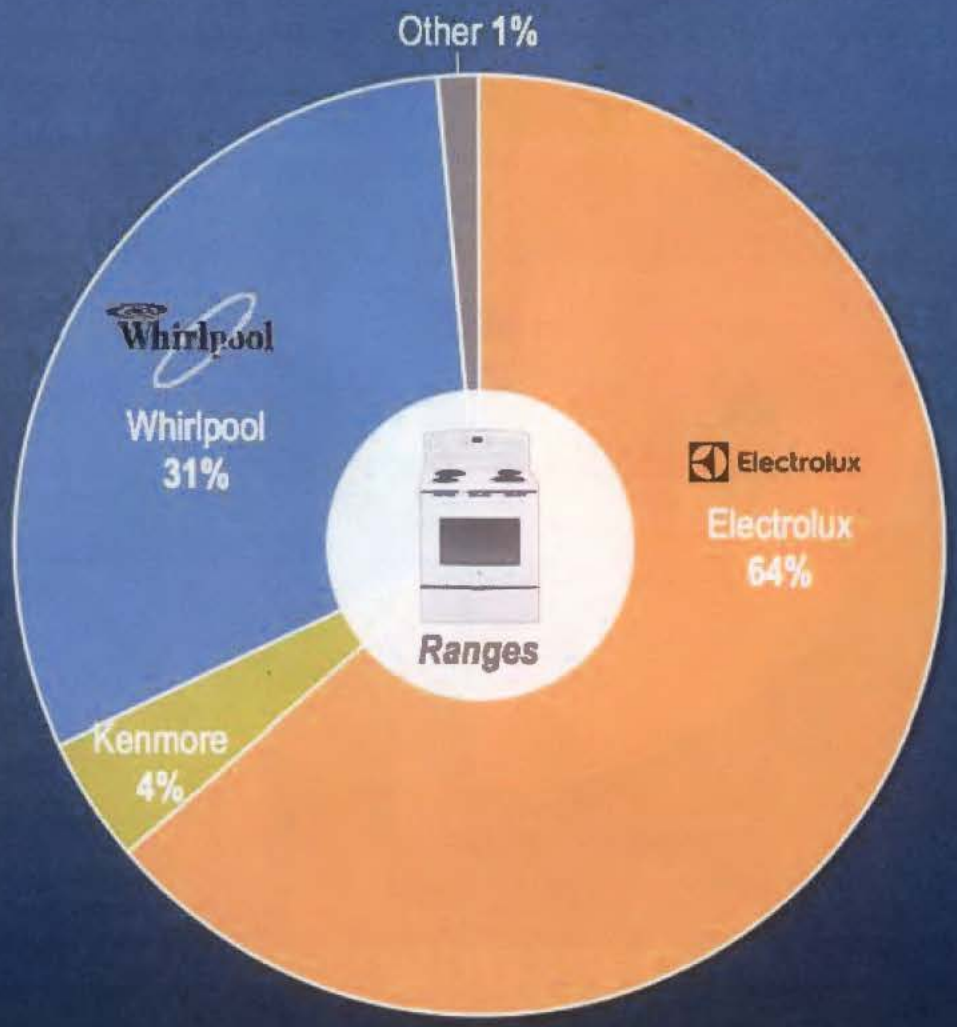
Appliance Manufacturers Sell Through Direct and Indirect Contract Channels



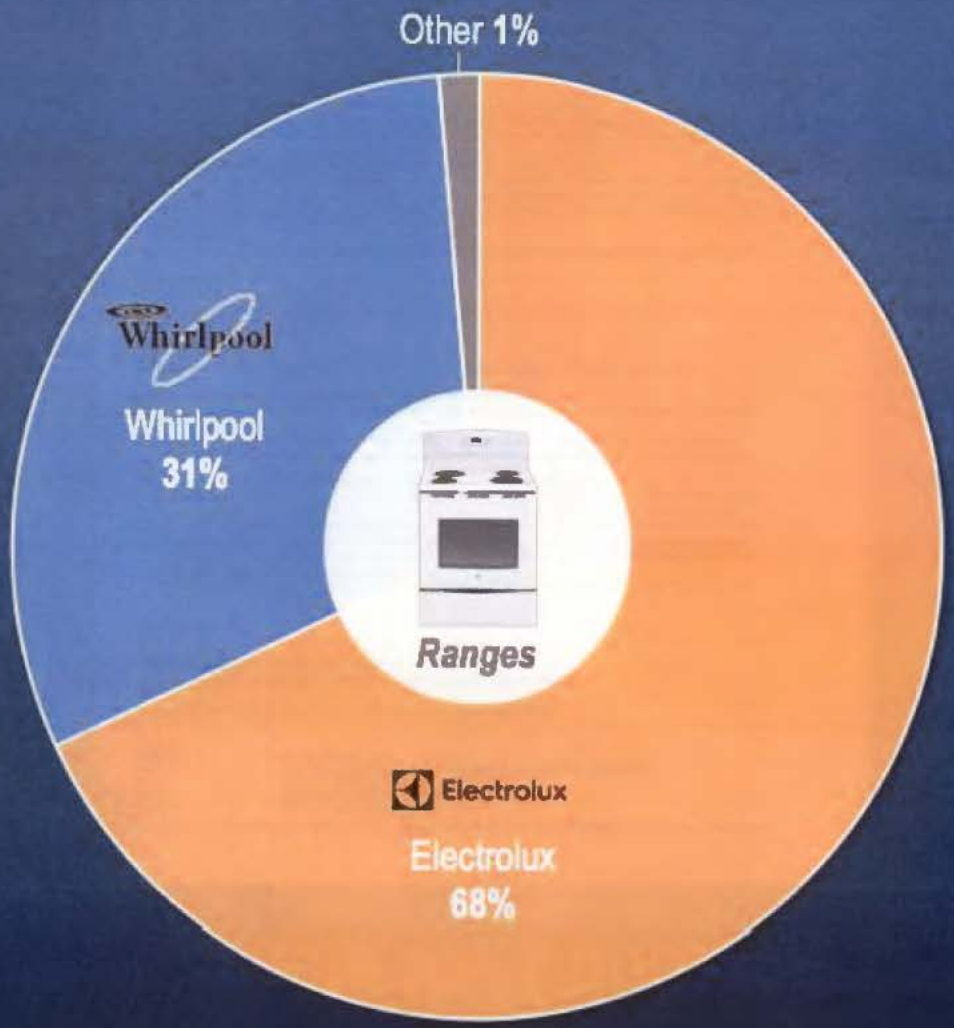
Pre-Merger Shares of Ranges (Contract Only)



Post-Merger Shares of Ranges (Contract Only)



Post-Merger Shares of Ranges (Contract Only)



Electrolux, GE, and Whirlpool Dominate the Contract Channel

From: [illegible]
Sent: Wednesday, February 13, 2013 2:29 PM
To: Anderson, David W (GE, Appl & Light)
Cc: [illegible]
Subject: Re: 33" Side By Side

Pa. Do not pass this email around. As you know very sensitive topic.

On Feb 13, 2013, at 9:09 AM, "Anderson, David W (GE, Appl & Light)" <DAVID.ANDERSON@GE.COM> wrote:

[illegible]

[illegible]

[illegible]

[illegible]

---Original Message---
From: [illegible]
Sent: Wednesday, February 13, 2013 [illegible]
To: Anderson, David W (GE, Appl & Light)
Subject:

[illegible]

[illegible]

[illegible]

GEA001884150
CONFIDENTIAL

PX01402 at -150

Electrolux, GE, and Whirlpool Dominate the Contract Channel

Outside our multi-year national accounts; most all of our jobs are individually competitively bid against WP and Frigidaire.

PX01402 at -150

Electrolux Is Challenging GE and Whirlpool's Contract-Channel "Oligopoly"

Electrolux

Redacted

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PX00281 at -366

GE and Wpl have an oligopoly of sorts in the contract world, execute business this way.

Electrolux Is Challenging GE and Whirlpool's Contract-Channel "Oligopoly"

Whirlpool

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FD (Fair Disclosure) Wire

April 24, 2013 Wednesday

TRANSCRIPT: 042413a5057960.760

LENGTH: 7654 words

HEADLINE: Q1 2013 Whirlpool Corporation Earnings Conference Call - Final

BODY:

Corporate Participants

* Joe Lovechio

Whirlpool Corporation - Director of IR

* Jeff Fettig

Whirlpool Corp - Chairman & CEO

* Marc Bitzer

Whirlpool Corp - President of North America

* Michael - Mike Todman

Whirlpool Corp - President of Whirlpool International

* Larry Venturelli

Whirlpool Corp - CFO & EVP

Conference Call Participants

* Sam Darkatsh

Raymond James & Associates - Analyst

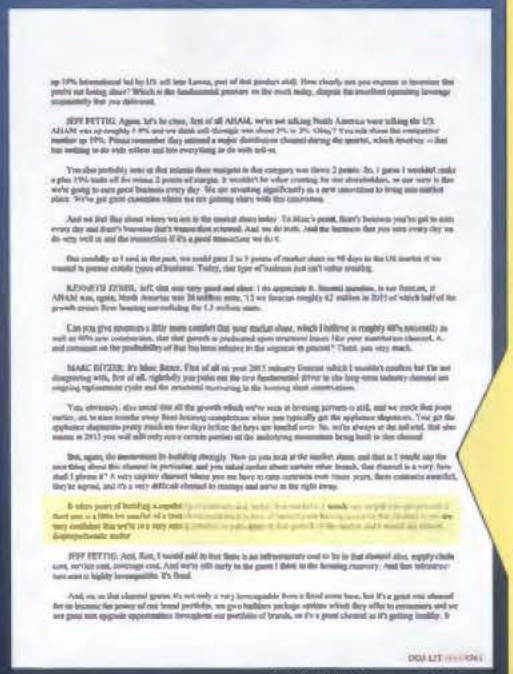
U.S. v. AB Electrolux
1 : 15-cv-01039-EGS
PX01711

DOJ-LIT-00019350

PX01711

Electrolux Is Challenging GE and Whirlpool's Contract-Channel "Oligopoly"

Whirlpool



PX01711 at -012

... that market is I would say largely two players and a third one is a little bit smaller of a branch we mentioned before of basically not having access to that channel so we are very confident that we're in a very strong position to participate in that growth of the market and I would say almost disproportionate matter.

Electrolux Is Challenging GE and Whirlpool's Contract-Channel "Oligopoly"

BCG

Electrolux

Electrolux Channel and Growth Strategy

Steering Committee #1

December 18th, 2009

THE BOSTON CONSULTING GROUP

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PX00726

Electrolux Is Challenging GE and Whirlpool's Contract-Channel "Oligopoly"

BCG
THE BOSTON CONSULTING GROUP

Summary of our perspective on the builder opportunity

Is builder an attractive channel?	• Channel appears attractive, with pro-crash historical revenue in the range of ~$5B • Historically, new starts comprise ~12 – 15% of total appliance market, currently significantly depressed • Current ELUX plans appear reasonable and suggest opportunity to build ~$160 in incremental revenue by 2012
What are key customer segments?	• Two main segments in the market - direct and distributor – roughly equal in size • Developing direct-to-home delivery capability suggests viable access to 45-55% of market • Market fragmented, with large builders (making > 5000 homes p.a.) making up 24% of market, while small builders (making < 300) comprise 64% of market
What will be required to serve the direct segment well?	• Market currently served by duopoly of GE / WHR, and builders are open to a 3rd player • Interviews suggest ELUX/Frig have a strong value proposition, but there are awareness gaps • Table-stakes to enter suggest ELUX must invest in major supply chain and customer service capability building
What are the key risks associated with entry?	• Limited strategic risk perceived in piloting phase is viable • As ELUX builds presence and steals share, some potential to see increased price competition – Believe risk mitigated by current GE/WHR low pricing levels (eg, potentially not much more room to lower price), but important to monitor
What is the (current view) of the business case?	• Preliminary view of the business case suggests that three key dimensions are critical to success: – Pricing for direct products (ie, base and mix/inclusion), pricing / implementation of delivery / install service, incremental logistics costs (operation and investment)

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Market currently served by duopoly of GE/WHR, and builders are open to a 3rd player

PX00726 at -0050

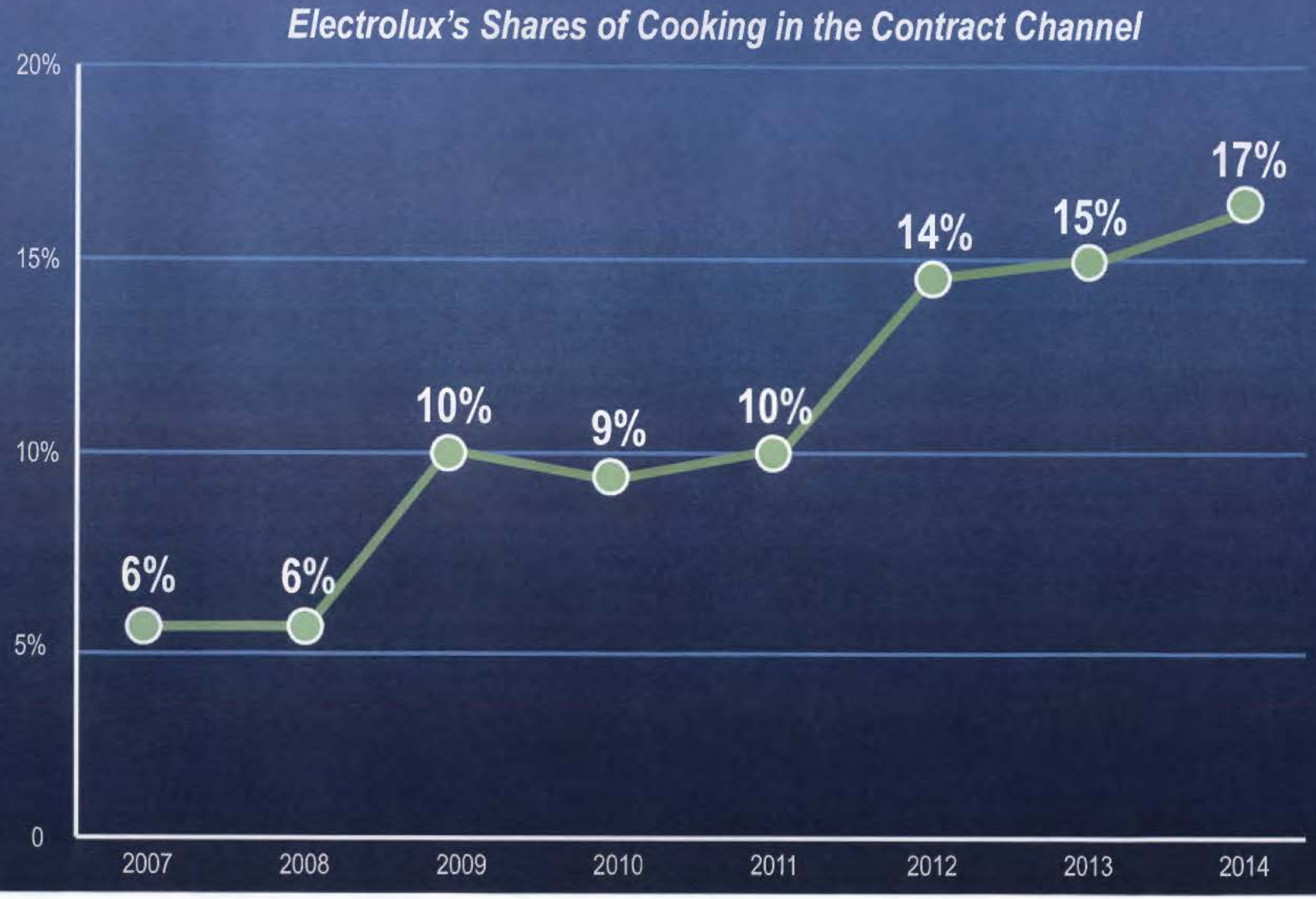
Examples of Competition: Contract Channel

REDACTED

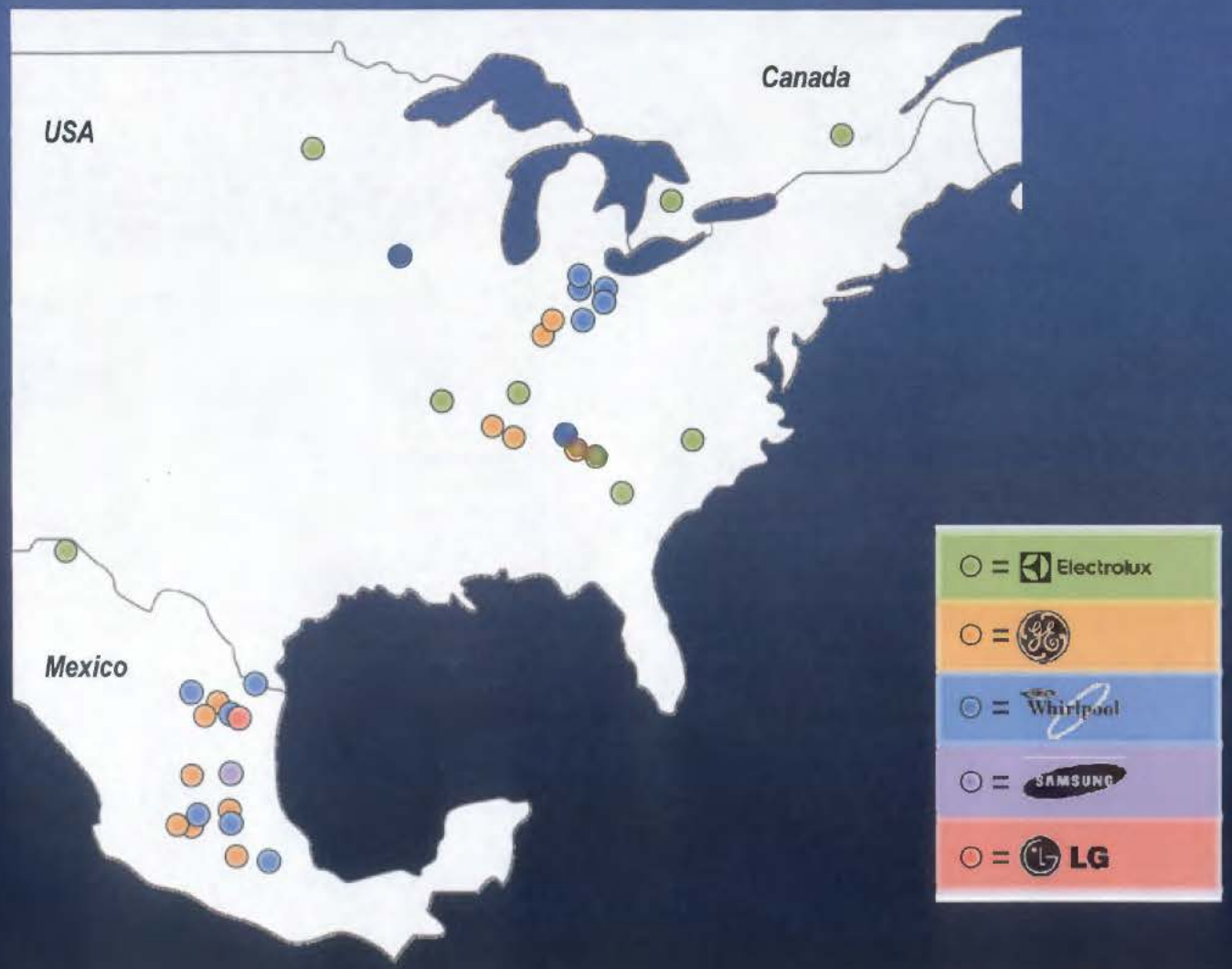
Examples of Competition: Contract Channel

REDACTED

Examples of Competition: Contract Channel



Examples of Competition: Contract Channel



Examples of Competition: Contract Channel

Redacted

GEA00047281
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PX01216 at -521

We're about to be fired due to pricing. Frigidaire has come in and busted us. I've been raising this account for years as being too high for the industry but not allowed to take proactive cuts. Chickens came home to roost. They're going to leave us immediately if we don't respond.

Examples of Competition: Contract Channel

GE Appliances

P.C. Richard & Son Briefing Package
December 17, 2013

Chip Blankenship
President & CEO
GE Appliances

AMERICA
AT WORK

GEA000700940
CONFIDENTIAL

PX01271

Examples of Competition: Contract Channel

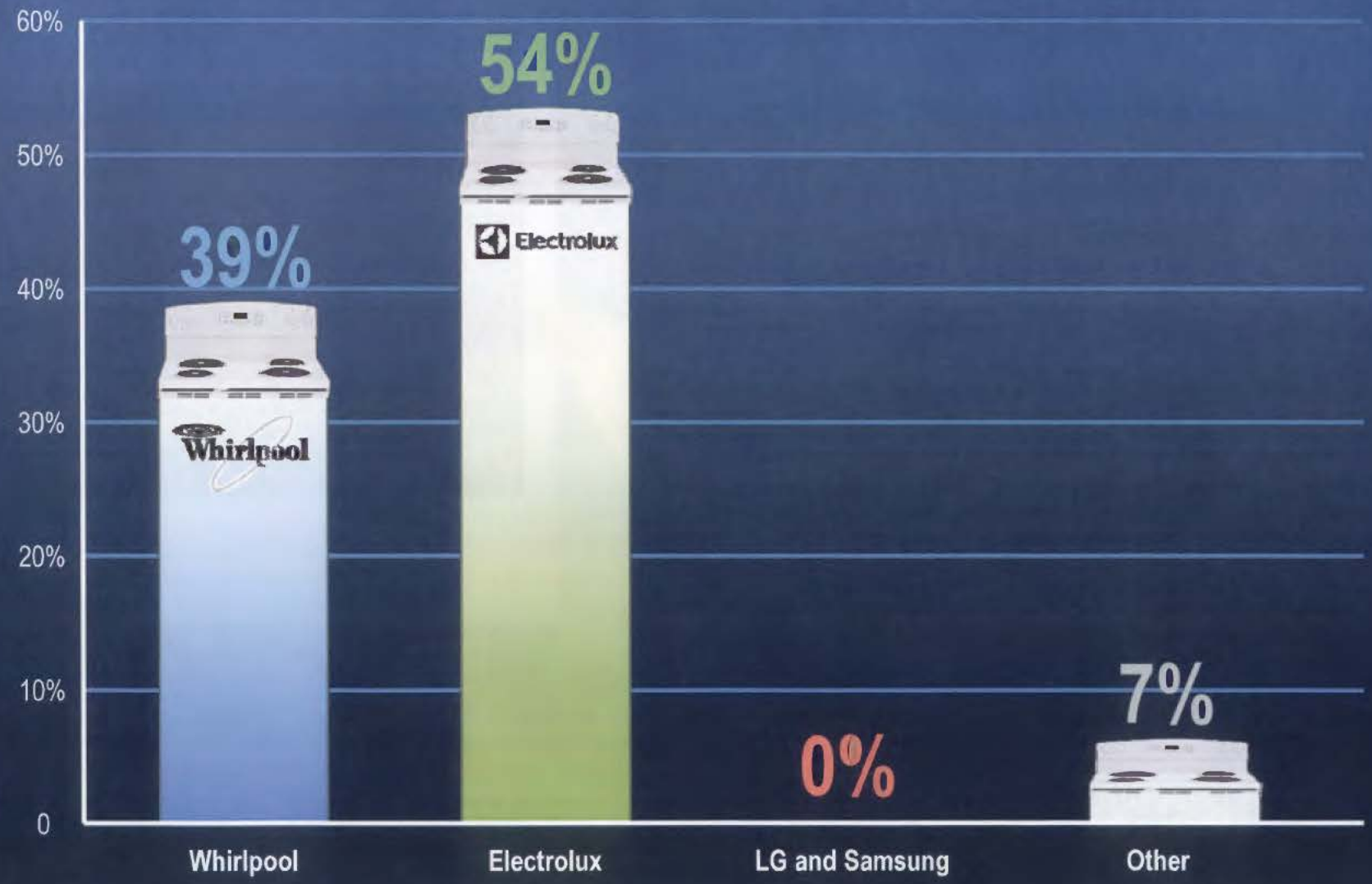
Redacted

GEA0002703947
CONFIDENTIAL

PX01271 at -947

Extremely competitive pricing from Frigidaire continues to place a great deal of pressure on GE's property management business. GE has lost share to Frigidaire in this category.

Examples of Competition: GE Lowers Its Price Because of Electrolux Competition (Indirect)

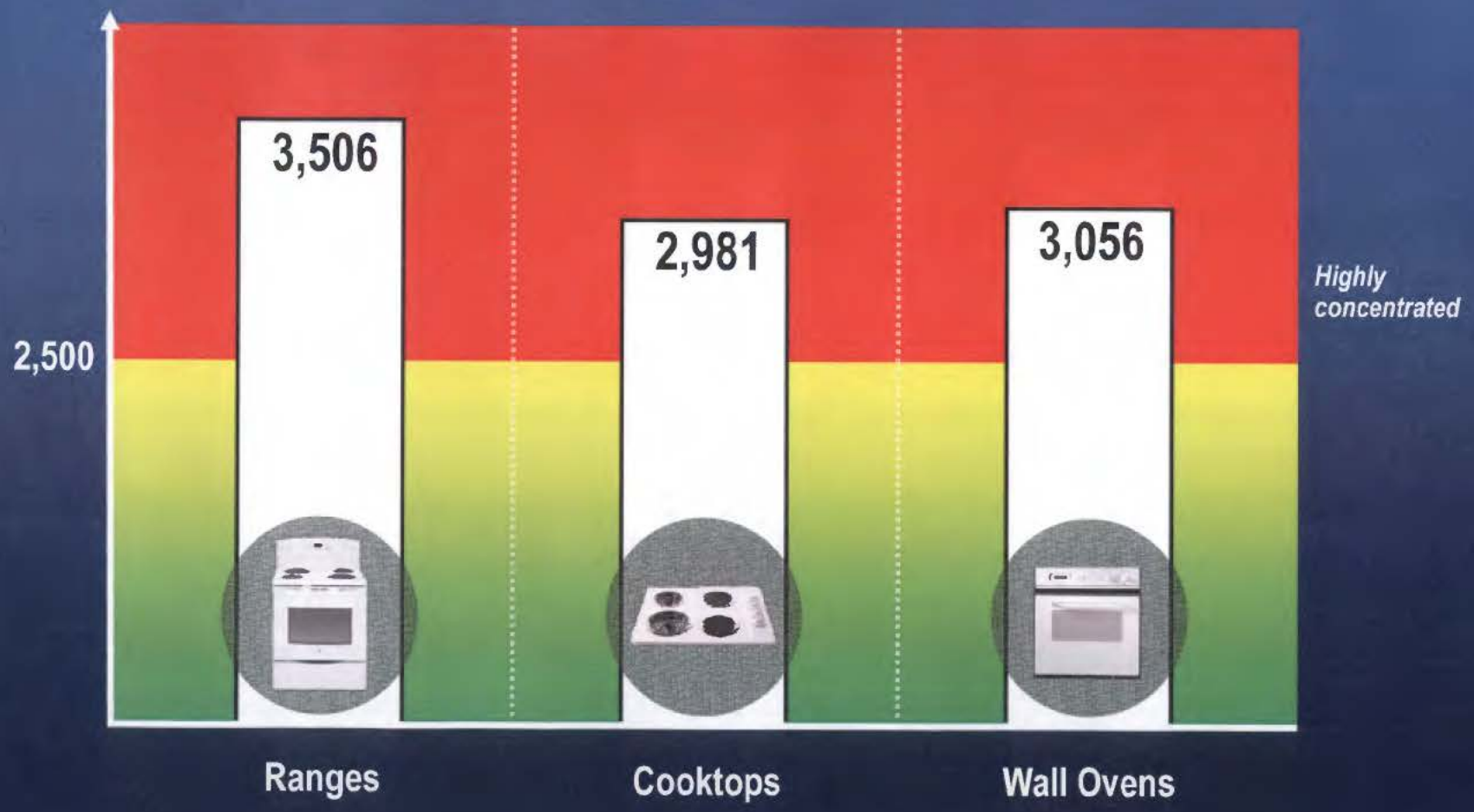


Examples of Competition: GE Lowers Its Price Because of Electrolux Competition (Contract)

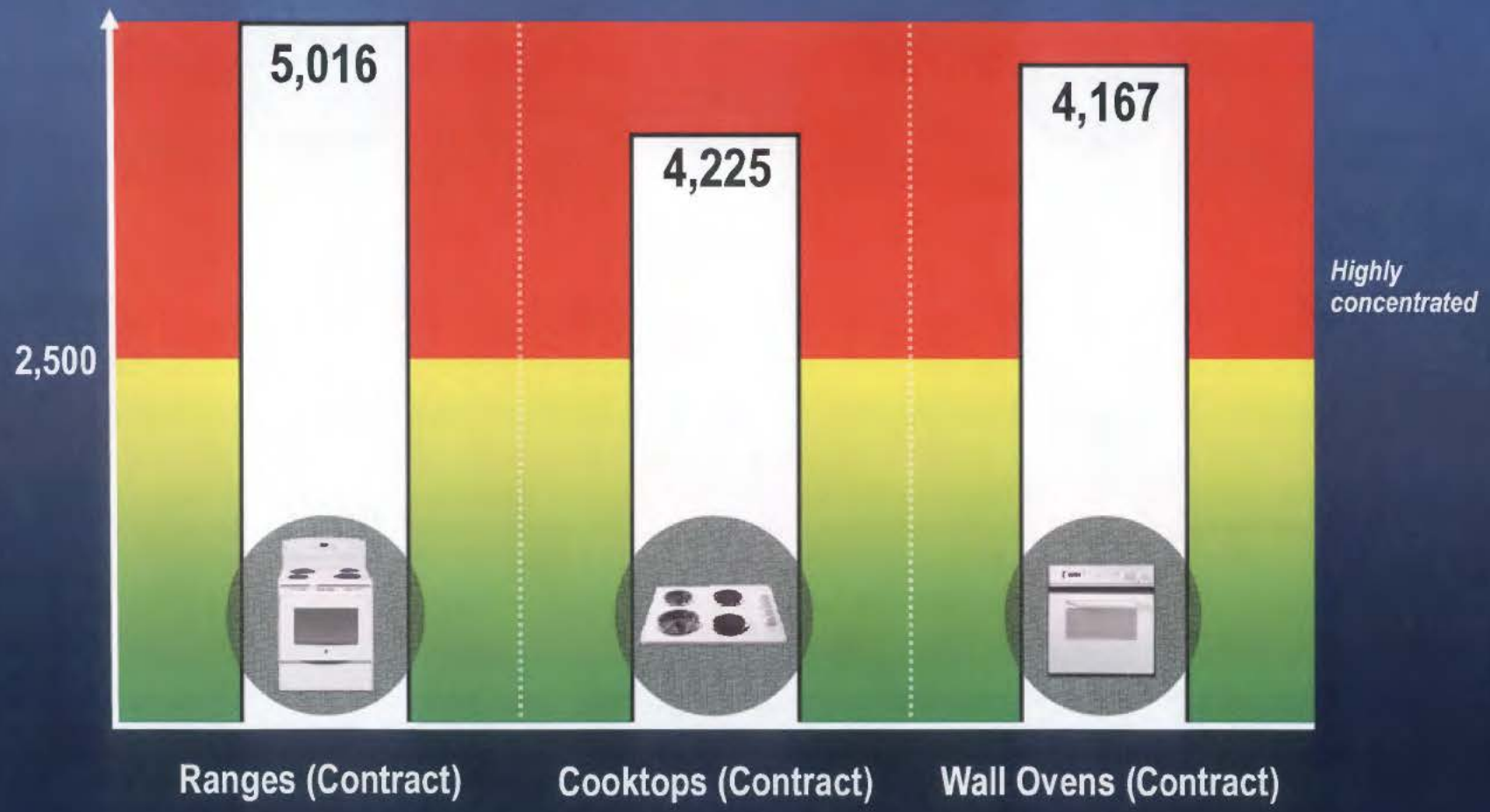
Summary: the Evidence Will Show that the Merger Likely Would Substantially Lessen Competition

- Merger brings together two of the three iconic appliance manufacturers
- Under Supreme Court and D.C. Circuit case law, harm is presumed
- Defendants cannot rebut the United States' case
  - The Presumption actually understates the likely harm
  - Entry, efficiencies, retailers, and Whirlpool/Maytag do not establish that the merger would benefit consumers

The Merger Would Make the Range, Cooktop, and Wall Oven Markets "Highly Concentrated"



The Merger Would Make the Contract Markets "Highly Concentrated"



The Industry Recognizes the Contract Channel

Redacted

Retail Landscape

Contract Landscape

- **Key to the success in contract understands not only the difference between retail and contract but the difference in the segments.**
- **That is why we completely separate the channels**
- **It is about service, quality and distribution in contract vs. price**

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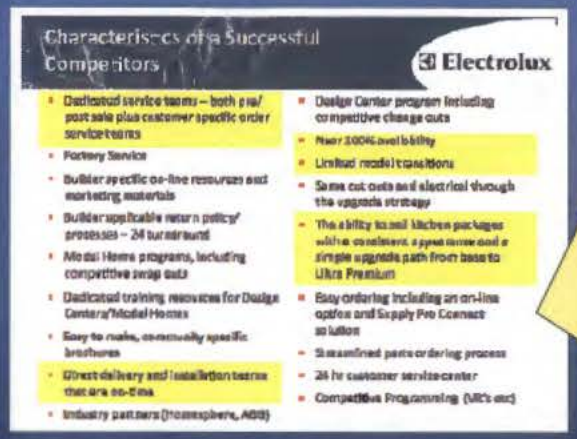
PX01421 at -906

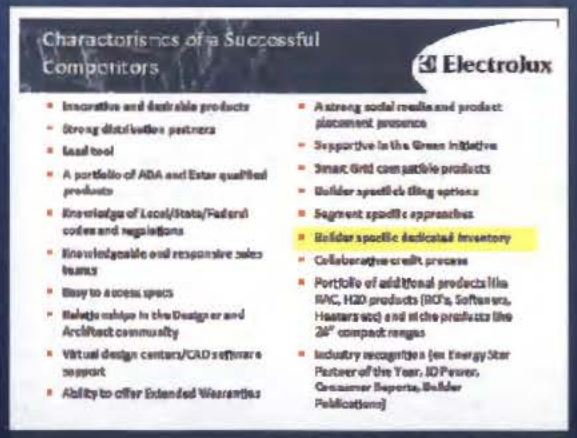
PX01421 at -907

The Industry Recognizes the Contract Channel

PX00920

The Industry Recognizes the Contract Channel





PX00920 at -0051, -0052

- Dedicated service teams – both pre/post sale plus customer specific order service teams

....

- Direct delivery and installation teams that are on-time

....

- Near 100% availability
- Limited model transitions

....

- The ability to sell kitchen packages with a consistent appearance and a simple upgrade path from base to Ultra Premium

....

- Builder specific dedicated inventory

The Industry Recognizes the Contract Channel

CHARACTERISTICS AND REQUIREMENTS UNIQUE TO THE CONTRACT CHANNEL (2013*)

1. PACKAGE SELLING – A builder buys an entire appliance [illegible] package is most cost-critical and must contain models with comparable features and [illegible] offered by competitors. GEA's offering is only as strong as the weakest product or [illegible] by the builder and end-user) in each package. This becomes [illegible] risk/opportunity, as one moves up the product line within each [illegible] to the next. Product and brand strategies need to recognize th[illegible] SKU reductions, moratoriums on new SKUs or brand changes a[illegible]

2. MULTIPLE PROJECTS – Similarly, because many builders have [illegible] toward various income levels of buyers, GEA's ability to be a 1[illegible] the weakest package GEA can offer for any one of the projects [illegible] product packages and appliance brands to differentiate levels [illegible] between their own nearby communities and from nearby com[illegible]

3. 100% AVAILABILITY – Since firm contracts for specific applianc[illegible] months prior to delivery, builders believe 100% availability is [illegible] available when ordered, builders or GEA incur extra labor/fins[illegible] Because appliances are installed near the end of the construct[illegible] are quite visible and occur as negotiations are underway on th[illegible] contract. To monitor the impact of product non-availability, w[illegible] by segment, based on a YES or NO answer to the question, "W[illegible] complete?". This gives a different perspective than measuring [illegible] the package. For example, if the package contains a wall oven, [illegible] oven, trim kit, dishwasher, refrigerator, washer and dryer and each product has 97% availability, the Rolled Throughout Yield is only 70%. Especially with today's percentage of electronic ordering and payment, any order not shipped complete causes complexity, re-work and delay in payment.

4. INVENTORY OVERLAP – Contract has a unique lag period due to construction schedules and the start-up/completion of project phases. It is critical that inventory overlaps be built into the NPI process. Because a builder wants to have continuity throughout a project, model changes and substitutions frequently are not acceptable. Products (especially range products) in a package must match.

GEA00020057
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5. SUPPORT SERVICES – Because Retail dealers carry other brands in addition to GEA's, they can compare our performance in areas such as product availability, order entry and product service and know GEA is superior. In Contract, builder customers often are 100% GEA. We simply must meet their expectations. They may not be aware, nor do they care, that our performance is [illegible] to competitors'. They only know that if GEA's performance is not meeting their [illegible] perform better. As [illegible] of their sales, a builder [illegible] unit and certainly [illegible] the living unit.

[illegible]/builder buying trends, [illegible] comes more open, [illegible] niche segments are [illegible] new products, led by [illegible] the kitchen, are the best [illegible] to simply look at our [illegible] national average*.

[illegible] Retail selling [illegible] new models is near [illegible] price increase, [illegible] for price/margin [illegible] during the year.

* List originally developed in 1988. Updated for January, 1994 presentation to Product, Marketing and Brand Managers attending the 1994 NAHB Show. 2013 updates are shown in RED.

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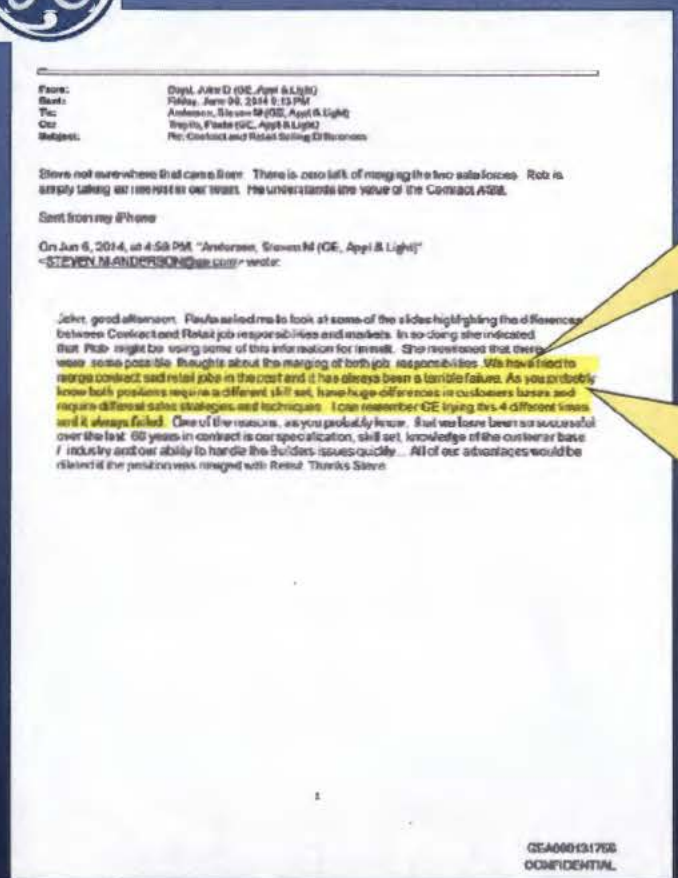
CHARACTERISTICS AND REQUIREMENTS UNIQUE TO THE CONTRACT CHANNEL (2013*)

PX01130 at -057, -058

The Industry Recognizes the Contract Channel



Sent from my iPhone

On Jun 6, 2014, at 4:58 PM, "Anderson, Steven M (GE, Appl & Light)"
<STEVEN.M.ANDERSON@ge.com> wrote:

John, good afternoon. Paula asked me to look at some of the slides highlighting the differences between Contract and Retail job responsibilities and markets. In so doing she indicated that Rob might be using some of this information for himself. She mentioned that there were some possible thoughts about the merging of both job responsibilities. We have tried to merge contract and retail jobs in the past and it has always been a terrible failure. As you probably know both positions require a different skill set, have huge differences in customers bases and require different sales strategies and techniques. I can remember GE trying this 4 different times and it always failed. One of the reasons, as you probably know, that we have been so successful over the last 60 years in contract is our specialization, skill set, knowledge of the customer base / industry and our ability to handle the Builders issues quickly... All of our advantages would be diluted if the position was merged with Retail. Thanks Steve

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PX01161 at -756

We have tried to merge contract and retail jobs in the past and it has always been a terrible failure….

[B]oth positions require a different skill set, have huge differences in customers [sic] bases and require different sales strategies and techniques.

Summary: the Evidence Will Show that the Merger Likely Would Substantially Lessen Competition

- Merger brings together two of the three iconic appliance manufacturers
- Under Supreme Court and D.C. Circuit case law, harm is presumed
- Defendants cannot rebut the United States' case
  - The Presumption actually understates the likely harm
  - Entry, efficiencies, retailers, and Whirlpool/Maytag do not establish that the merger would benefit consumers

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The Market Share Statistics Understate the Merger's Likely Effects on Competition

- ✓ Electrolux and GE compete head-to-head each and every day
- ✓ Electrolux and GE have leading positions in cooking appliances
- ✓ Electrolux and GE have leading positions in the lower price segments
- ✓ Electrolux has directly challenged GE's dominance for contract channel purchasers
- ✓ Economic analysis also shows likely harm

Professor Whinston's Economic Analysis Is Conservative, Robust, and Dynamic

- Professor Whinston accounts for all competitors
- Professor Whinston treats Kenmore as an independent competitor
- Professor Whinston doubled LG's and Samsung's size and found that does not change the results
- Professor Whinston considered entry

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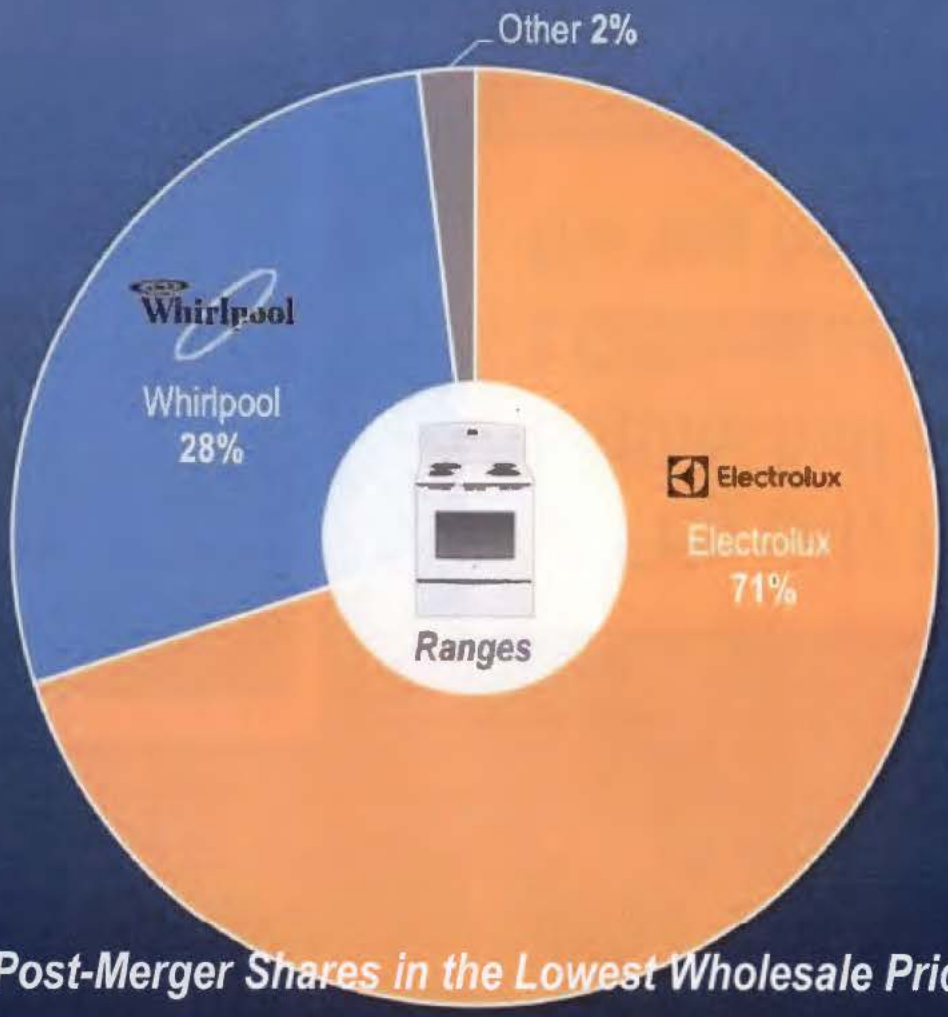
Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects



Post-Merger Shares in the Lowest Wholesale Prices

Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects

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PX01151 at -678

... Frig only in the bottom half and LG/Samsung only in the top half.

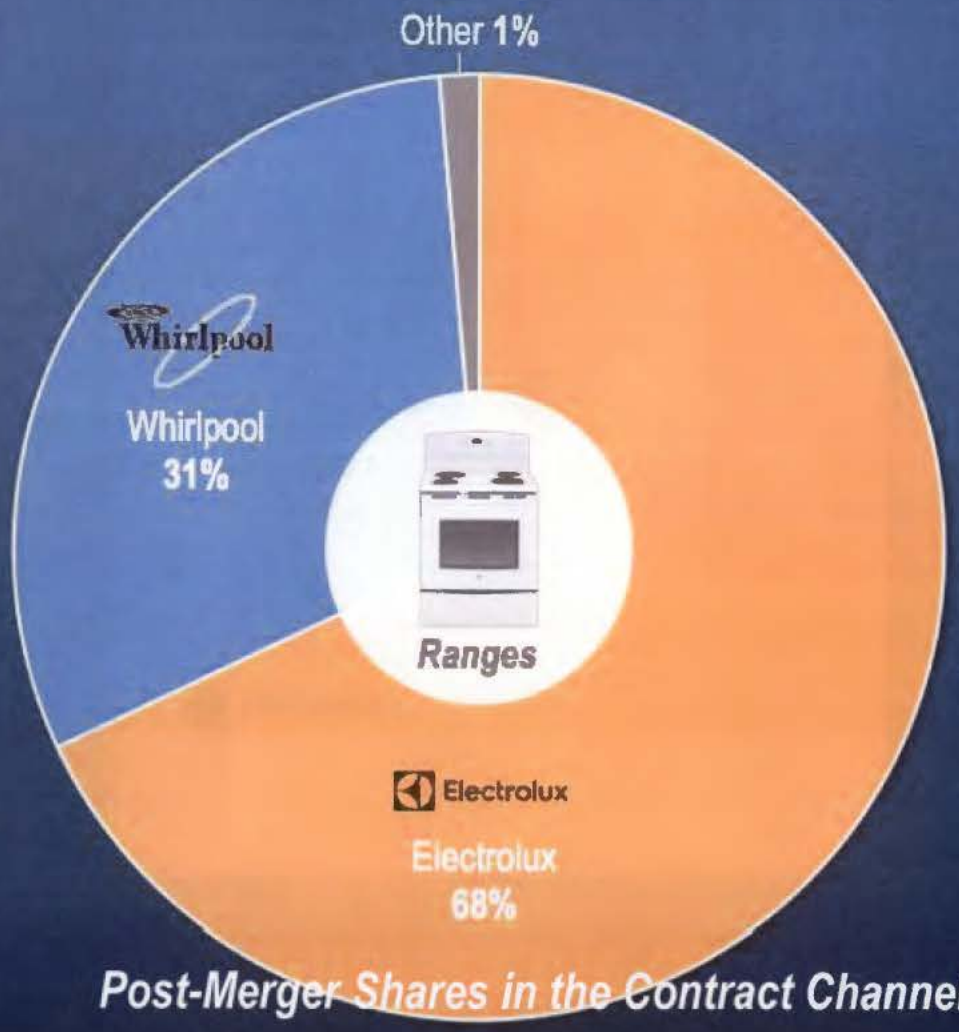
Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects

REDACTED

Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects

REDACTED

Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects



Post-Merger Shares in the Contract Channel

Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects

Whirlpool

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FD (Fair Disclosure) Wire

April 24, 2013 Wednesday

TRANSCRIPT: 042413a5057960.760

LENGTH: 7654 words

HEADLINE: Q1 2013 Whirlpool Corporation Earnings Conference Call - Final

BODY:

Corporate Participants

* Joe Levechio

Whirlpool Corporation - Director of IR

* Jeff Fettig

Whirlpool Corp - Chairman & CEO

* Marc Bitzer

Whirlpool Corp - President of North America

* Michael - Mike Todman

Whirlpool Corp - President of Whirlpool International

* Larry Venturelli

Whirlpool Corp - CFO & EVP

Conference Call Participants

* Sam Darkatsh

Raymond James & Associates - Analyst

U.S. v. AB Electrolux
1:15-cv-01039-EGS
PX01711

DOJ-LIT-00019350

PX01711

Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects

Whirlpool

PX01711 at -361

Now as you look at the market share, and that is I would say the nice thing about this channel in particular, and you asked earlier about certain other brands, that channel is a very, how shall I phrase it? A very captive channel where you are [sic] have to earn contracts over many years, these contracts awarded [sic], they're signed, and it's a very difficult channel to manage and serve in the right away. It takes years of building a capability of contracts and….

Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects

BCG

Electrolux

Electrolux Channel and Growth Strategy

Steering Committee #1

December 18th, 2009

THE BOSTON CONSULTING GROUP

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Entry Is Not Timely, Likely, or Sufficient to Deter or Counteract the Competitive Effects

BCG
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Executive Summary (I)

Momentum case suggests a "flat future" for Electrolux – slight share decline, modest revenue growth through 2012

- Channels will shift away from Sears, towards Home Depot; builder will likely see a volume rebound
- Electrolux implied share of ~23 (down ~1% pt) and revenues of $4.7B (up 1.4%)

⇨ *THD and Builder channels of significant importance in reaching Higher Gear targets*

- *In conjunction with growth programs (e.g. Electrolux, dealer expansion) in current channels*
- *Note: a profit step-change simultaneously required – it will be critical to map overarching set of initiatives, timing*

The Home Depot entry – a major strategic decision

- THD is an attractive channel for entry (even if slightly less attractive than Lowe's) – large and growing
- Entry model for THD currently appears to be "all or nothing" – driven by THD category approach & current physical BC constraints
- THD requires strong product innovator that can facilitate closing the gap vs. Lowe's on key consumer dynamics
- Three core challenges / risks to manage
  - Lowe's reaction – believe risks to be relatively limited / manageable
  - Competitive reactions – potential for market destabilization due to bidding / displacement, but it may be inevitable
  - Ability to build out supply chain
- Risks of entry need to be balanced against risk of "not entering" – e.g. Samsung replacement of Maytag very damaging

⇨ *Current thinking not "should we go in", but "at what price should we go in" and "how"*

- *Very preliminary business case appears positive – five core drivers of business case identified*

Builder – direct model appears attractive with low-risk buildout models

- Historically, channel represents ~$9B in appliances and, given downturn, has upside growth potential
- Serving the market requires dual channel approach – through dealers and direct
  - Total market historically split equally between direct and distributor
- Several options for rolling out in Builder: most viable builder-direct approach suggests focus on consolidated markets
- Initial estimates suggest ~$160M target of incremental revenue is reasonable

⇨ *Current analysis suggests limited risk in moving forward with phased market entry to manage risk and investment levels*

- Further analysis of supply chain required to make final recommendation

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PX00726 at -0008

Serving the market requires dual channel approach – through dealers and direct

Defendants' Claimed Cost Savings Do Not Save the Merger

REDACTED

Retailers Will Not Protect Consumers; They Help Appliance Manufacturers Keep Prices Higher

REDACTED

Retailers Will Not Protect Consumers, They Help Appliance Manufacturers Keep Prices Higher

Cost Inflation Overview

Rationale for GE Monogram Price Increase

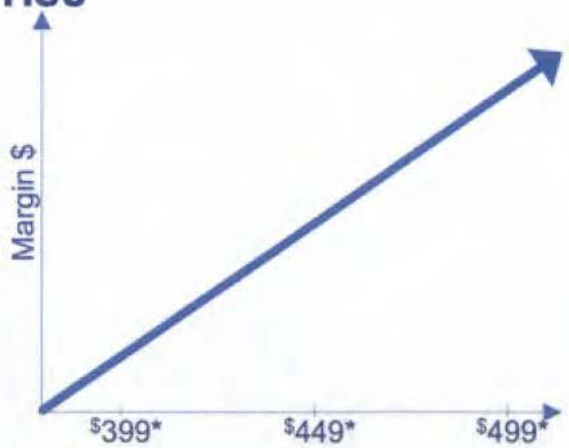
imagination at work

PX01392

Retailers Will Not Protect Consumers, They Help Appliance Manufacturers Keep Prices Higher

Price increases can benefit retailers bottom line

Margin $ opportunity increases as prices rise



	2011	2012
Est Retail*	$999	$1,099
Invoice	$739	$813
Est Margin Opportunity*	26%	26%
GM $$	$260	$268
EAU	50	50
Total Est GM	$13,000	$14,300

*Dealers establish their own retail selling prices.

The result of realized price changes increases the margin dollars generated for the reseller when the margin rates are unchanged.

imagination at work

8
10/14/15

PX01392 at -0008

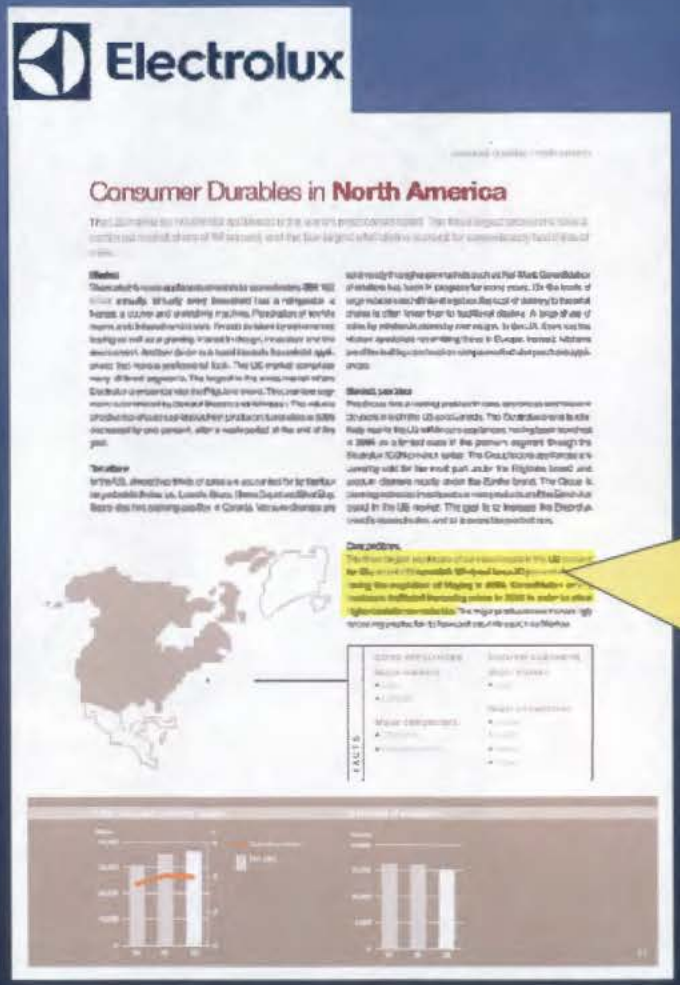
The 2006 Whirlpool/Maytag Merger is Irrelevant

- No reason to try <u>two</u> separate mergers
  - Different parties
  - Different products: focus there was on laundry appliances
  - Almost a decade old
  - Right before the Great Recession
- Mr. Orszag: Whirlpool/Maytag actually might have caused higher prices

Whirlpool/Maytag Might Have Facilitated Higher Prices

PX01705

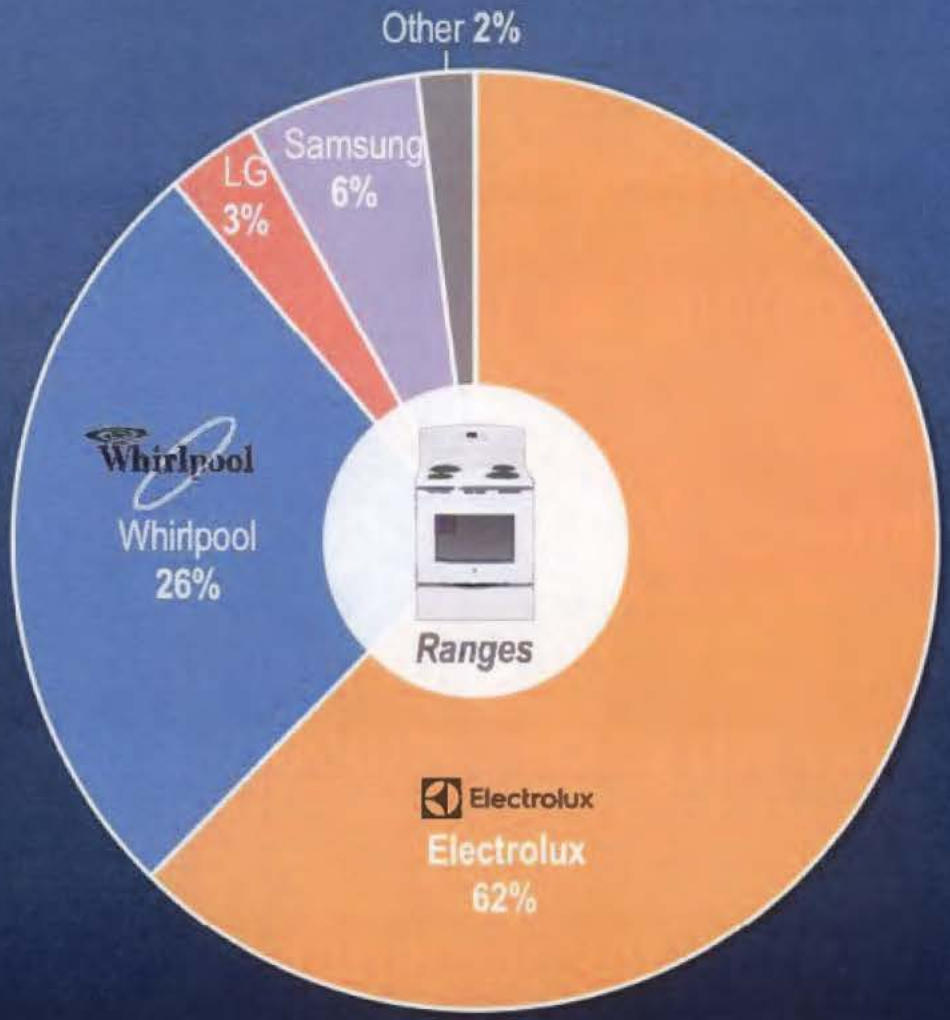
Whirlpool/Maytag Might Have Facilitated Higher Prices



PX01705 at 17

The three largest producers of core appliances in the US account for 94 percent of the market. Whirlpool has a 50 percent share following the acquisition of Maytag in 2006. Consolidation among producers facilitated increasing prices in 2005….

Post-Merger Shares of Ranges (Retail and Contract)



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U.S. V. AB ELECTROLUX ET AL.

United States' Opening Statement