



THE MARKET

Despite the fact that it is a mature industry, floor care sales continue to grow, nearing about \$5 billion annually. This figure is especially impressive in light of the fact that about 98 percent of American households already own at least one full-size vacuum.

Where is this growth coming from? For starters, many homeowners are choosing to have a variety of floor care products in the home. More homeowners are buying floor care products designed for specific tasks, like wet carpet extraction or hard-floor cleaning.

Further, the floor care market is no longer a replacement market. Rather, it is driven by a continuous, ever-quickening flow of products with new features that add convenience to life or meet consumers' desire for something new. Advertising helps drive this behavior.

Another reason for the industry's growth is the ever-increasing range of distribution channels. The Hoover Company sells its products through mass merchandisers, department stores, catalog showrooms, appliance stores, do-it-yourself stores, and vacuum cleaner specialty shops, to name a few. It sells through its own network of company-owned service centers and retail outlets. Television home-shopping networks and Hoover's Web site, www.hoover.com, are other avenues of opportunity.

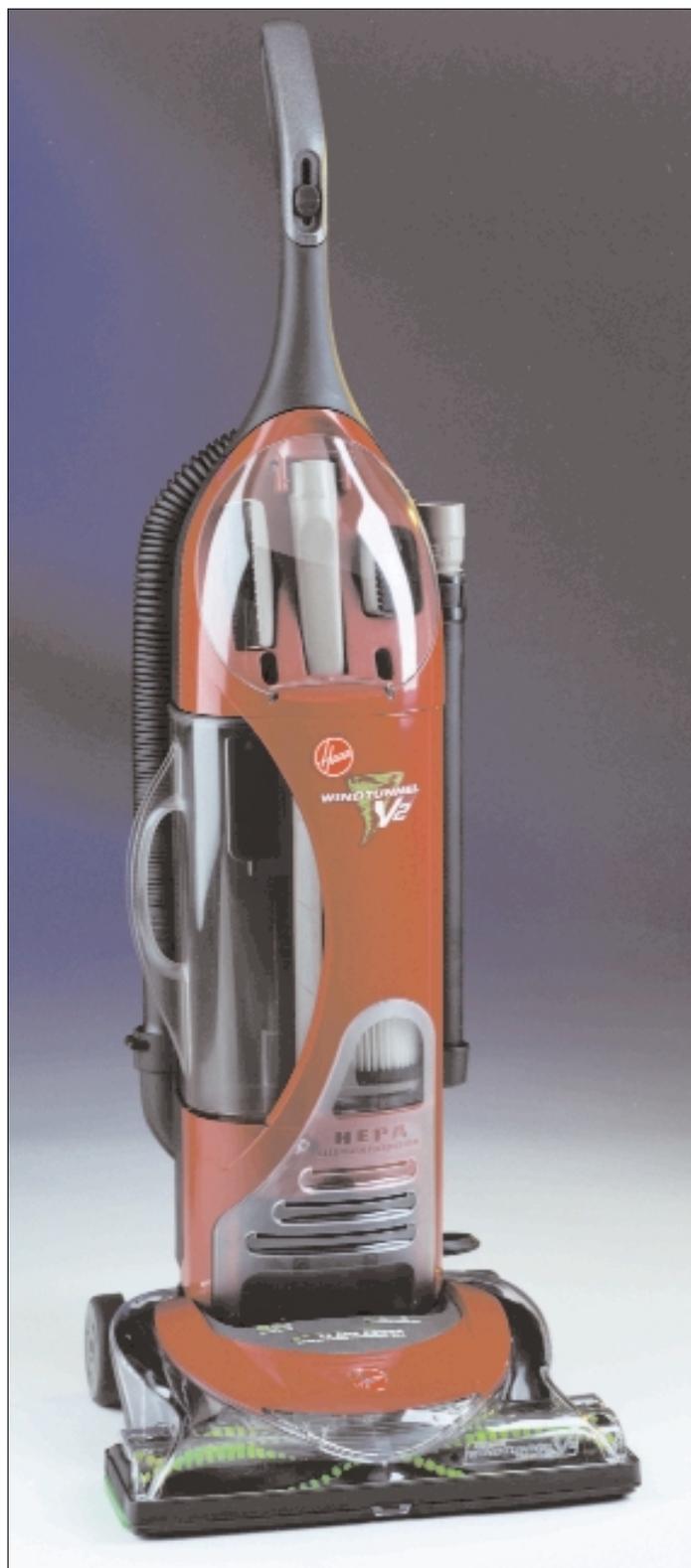
ACHIEVEMENTS

Today, Hoover is the market leader in floor care in North America. The company takes great pride in its commitment to innovation, quality, and customer service, striving to give customers not just what they want, but far more than they expect. These efforts have not gone unrecognized. The company has received the prestigious SPARC Award (Supplier Performance Awards by Retail Category) in the floor care category for eight years straight, and in 2001, Hoover won the SPARC Hard Line Vendor of the Year. These awards, resulting from polls of retail executives, are based on product innovation, quality control, advertising support, and on-time delivery.

In recent years, Hoover has received vendor-of-the-year awards from Sears, Target, Wal-Mart, and other retailers. The Hoover® WindTunnel™ upright was the first vacuum cleaner to win *Good*

Housekeeping magazine's Good Buy Award. The annual award, given to fewer than a dozen manufacturers, recognizes products that provide "exceptional performance and ingenious problem-solving features."

Hoover is also among a small number of businesses that have won the Ohio Governor's Award



for Outstanding Achievement in recognition of efforts made to develop and maintain environmentally safe manufacturing practices.

In the community, Hoover is well-known for its civic leadership and social responsibility.

HISTORY

Innovation has been the hallmark of The Hoover Company since 1908, the year it was founded in North Canton, Ohio. The company's first product — the Model O upright — would become the first commercially successful portable electric vacuum cleaner.

The product was born from need. James Murray Spangler, a department store janitor, had difficulty sweeping the floor because dust aggravated his asthma. An inventive man who held patents on farming implements, he created a contraption from a tin soap box, sewing machine motor, broom handle, and pillow case. The device managed to pick up dirt, channeling it into the pillow case and away from the air he breathed.

Spangler received a patent for his "suction sweeper," but did not have the funds to market it. He contacted William Henry Hoover, a family acquaintance and a leather-goods entrepreneur, who saw the potential of the machine. Hoover bought the patent, retained Spangler as factory superintendent, and built a company that would become the leader in floor care and a name recognized around the world.

Even early on, The Hoover Company was a leader in its industry with a series of developments in-house, including the spiral beater bar for deep-down cleaning, the vacuum cleaner headlight, and the disposable paper bag. Later, the company developed the side-mounted hose configuration and a transmission that allows uprights to be self-propelled.

THE PRODUCT

Hoover offers an array of floor care products at a range of price points to accommodate the budgets and the diverse cleaning needs of every consumer. These products include uprights, canisters, extractors, hard-floor cleaners, stick cleaners, hand-held cleaners, central vacuum systems, and commercial products.

A far cry from their bulky predecessors, today's Hoover cleaners are lightweight but sturdy, thanks to durable plastic casings. They are energy efficient and have convenience features that save time and effort.

Most importantly, Hoover products are built for superior cleaning effectiveness. Market research continues to show that what consumers want foremost in a vacuum cleaner is a product that gets the dirt out of their carpet.

That research drove Hoover to develop Wind-Tunnel technology for its uprights in the late 1990s. Dirt is channeled into a dual-duct arrangement in the nozzle that prevents dirt from being scattered back onto the carpet. This technology, which Hoover has patented, improves cleaning effectiveness, which is the ability to get dirt out of carpet.

The company develops its products by blending technology with intense consumer research to



create breakthrough offerings, providing superior features that offer the ultimate in consumer satisfaction. Hoover wows the consumer by coming to market with innovations even before the consumer realizes the need for them. Here are just two examples:

- The Floor MATE™ hard-floor cleaner is a vacuum, a floor washer, and a floor dryer — all in a single, lightweight appliance. It cleans a variety of floors, including stone, vinyl, ceramic, laminates, linoleum, and sealed hardwoods.

The Floor MATE hard-floor cleaner has two tanks, one for clean water, one for dirty. This design ensures that only clean water (mixed with cleaning solution) is used on the floor. Compare that to the mop-and-bucket, in which the mop is rinsed in increasingly dirty water.

- The Embedded Dirt FINDER™ feature, found on many Hoover uprights, uses red and green lights to indicate the amount of dirt being picked up. A red light tells the user that more vacuuming is needed in a certain area. A green light means the cleaner is no longer picking up dirt and that the user can move on to another area.



RECENT DEVELOPMENTS

Hoover engineers continue to develop new technologies. For instance, Hoover recently introduced a line of Dual V™ WindTunnel uprights and SteamVac™ deep cleaners with a split-nozzle design. This design creates two air paths in the nozzle, effectively spreading out the airflow for more focused cleaning, edge to edge.

The WindTunnel upright with this dual-duct design also has two agitators that counter-rotate. This action spreads the carpet fibers, exposing deep-down dirt to the full suction power of the upright.

Many SteamVac extractors have five or six round SpinScrub™ brushes under the nozzle. The brushes, which interlock, work together to clean all sides of the carpet fibers.

Hoover also offers a SteamVac model with an Auto Rinse™ feature that rinses the carpet at the same time it is cleaned. The model also has the dual-duct nozzle design and heated cleaning.

PROMOTION

William Henry Hoover realized as early as 1908 that advertising was necessary to tell the country about his suction sweeper, so he placed his first national advertising in the *Saturday Evening Post*. The promotion offered a free, 10-day cleaner trial at home and generated hundreds of inquiries.

Today, Hoover invests millions of dollars annually in memorable television and print advertising, seeking to capture the attention of potential customers and to build its brand.

The company's advertising explains how Hoover technology can help simplify cleaning. The ads often show how the technology enables Hoover products to clean better. Less time is spent cleaning, which leaves more time for leisure. The company's slogan — Time For Hoover™ — underscores this approach.

Other Hoover promotional efforts include in-store merchandising and promotions, trade-show participation, editorial placements,

TV and radio endorsements, and its Web site, www.hoover.com.

BRAND VALUES

Hoover is the North American market leader in floor care, with 95 years of equity behind a brand name that is the best known in the industry. The



Hoover brand is an American icon and a household word. Further proof of that came when *BrandMarketing* magazine included Hoover in its listing titled "One Hundred Brands That Changed America."

Both the Hoover name and its widely recognized red-and-white circular emblem represent trust, longevity, quality, reliability, and innovation. For generations of consumers whose loyalty is legendary, Hoover has been considered a helper in the home, its products akin to trustworthy family members.

THINGS YOU DIDN'T KNOW ABOUT HOOVER

- The first Hoover vacuum cleaner weighed 40 pounds.
- The boyhood home of Hoover Company founder William Henry Hoover flourishes today as the Hoover Historical Center. This museum houses an intriguing collection of pre-electric carpet cleaners, milestone Hoover models, company memorabilia, and Victorian-period furnishings, and is open to the public free of charge.
- During World War II, Hoover ceased production of vacuum cleaners and aided the war effort by manufacturing helmet liners, parachutes for fragmentation bombs, and the proximity fuze for missiles. As a result, the company and its employees earned many government honors.
- Hoover tests products from a consumer's point of view in its Human Engineering Lab, a room inside its headquarters building that duplicates in-home conditions.