

WHIRLPOOL CORP /DE/  
Form 10-Q  
October 24, 2017

---

UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION  
WASHINGTON, D.C. 20549

---

FORM 10-Q

---

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the quarterly period ended September 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

Commission file number 1-3932

WHIRLPOOL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

38-1490038

(State of Incorporation)

(I.R.S. Employer Identification No.)

2000 North M-63,

49022-2692

Benton Harbor, Michigan

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (269) 923-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class of common stock

Shares outstanding at October 20, 2017

Common stock, par value \$1 per share 71,862,787

---

---

WHIRLPOOL CORPORATION

QUARTERLY REPORT ON FORM 10-Q  
Three and Nine Months Ended September 30, 2017  
TABLE OF CONTENTS

	Page
<u><b>PART I - FINANCIAL INFORMATION</b></u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Condensed Statements of Comprehensive Income</u>	<u>3</u>
<u>Consolidated Condensed Balance Sheets</u>	<u>4</u>
<u>Consolidated Condensed Statements of Cash Flows</u>	<u>5</u>
<u>Notes to the Consolidated Condensed Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
Item 4. <u>Controls and Procedures</u>	<u>32</u>
<u><b>PART II - OTHER INFORMATION</b></u>	
Item 1. <u>Legal Proceedings</u>	<u>33</u>
Item 1A. <u>Risk Factors</u>	<u>33</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>33</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>33</u>
Item 5. <u>Other Information</u>	<u>33</u>
Item 6. <u>Exhibits</u>	<u>34</u>
<u><b>SIGNATURES</b></u>	<u>35</u>

---

## FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Certain statements contained in this quarterly report, including those within the forward-looking perspective section within the Management's Discussion and Analysis, and other written and oral statements made from time to time by us or on our behalf do not relate strictly to historical or current facts and may contain forward-looking statements that reflect our current views with respect to future events and financial performance. As such, they are considered "forward-looking statements," which provide current expectations or forecasts of future events. Such statements can be identified by the use of terminology such as "may," "could," "will," "should," "possible," "plan," "predict," "forecast," "potential," "anticipate," "estimate," "expect," "project," "intend," "believe," "may impact," "on track," and other words or expressions. Our forward-looking statements generally relate to our growth strategies, financial results, product development, and sales efforts. These forward-looking statements should be considered with the understanding that such statements involve a variety of risks and uncertainties, known and unknown, and may be affected by inaccurate assumptions. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

This document contains forward-looking statements about Whirlpool Corporation and its consolidated subsidiaries ("Whirlpool") that speak only as of this date. Whirlpool disclaims any obligation to update these statements. Forward-looking statements in this document may include, but are not limited to, statements regarding expected earnings per share, cash flow, productivity and raw material prices. Many risks, contingencies and uncertainties could cause actual results to differ materially from Whirlpool's forward-looking statements. Among these factors are: (1) intense competition in the home appliance industry reflecting the impact of both new and established global competitors, including Asian and European manufacturers; (2) Whirlpool's ability to maintain or increase sales to significant trade customers and the ability of these trade customers to maintain or increase market share; (3) Whirlpool's ability to maintain its reputation and brand image; (4) the ability of Whirlpool to achieve its business plans, productivity improvements, and cost control objectives, and to leverage its global operating platform, and accelerate the rate of innovation; (5) Whirlpool's ability to obtain and protect intellectual property rights; (6) acquisition and investment-related risks, including risks associated with our past acquisitions, and risks associated with our increased presence in emerging markets; (7) risks related to our international operations, including changes in foreign regulations, regulatory compliance and disruptions arising from political, legal and economic instability; (8) information technology system failures, data security breaches, network disruptions, and cybersecurity attacks; (9) product liability and product recall costs; (10) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (11) our ability to attract, develop and retain executives and other qualified employees; (12) the impact of labor relations; (13) fluctuations in the cost of key materials (including steel, resins, copper and aluminum) and components and the ability of Whirlpool to offset cost increases; (14) Whirlpool's ability to manage foreign currency fluctuations; (15) inventory and other asset risk; (16) the uncertain global economy and changes in economic conditions which affect demand for our products; (17) health care cost trends, regulatory changes and variations between results and estimates that could increase future funding obligations for pension and postretirement benefit plans; (18) litigation, tax, and legal compliance risk and costs, especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same; (19) the effects and costs of governmental investigations or related actions by third parties; and (20) changes in the legal and regulatory environment including environmental, health and safety regulations.

We undertake no obligation to update any forward-looking statement, and investors are advised to review disclosures in our filings with the SEC. It is not possible to foresee or identify all factors that could cause actual results to differ from expected or historic results. Therefore, investors should not consider the foregoing factors to be an exhaustive statement of all risks, uncertainties, or factors that could potentially cause actual results to differ from forward-looking statements.

Additional information concerning these and other factors can be found in "Risk Factors" in Part II, Item 1A of this report.

Unless otherwise indicated, the terms "Whirlpool," "the Company," "we," "us," and "our" refer to Whirlpool Corporation and consolidated subsidiaries.



## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## WHIRLPOOL CORPORATION

## CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

## FOR THE PERIODS ENDED SEPTEMBER 30

(Millions of dollars, except per share data)

	Three Months		Nine Months	
	Ended		Ended	
	2017	2016	2017	2016
Net sales	\$5,418	\$5,248	\$15,551	\$15,062
Expenses				
Cost of products sold	4,503	4,308	12,934	12,330
Gross margin	915	940	2,617	2,732
Selling, general and administrative	521	519	1,546	1,535
Intangible amortization	18	18	52	54
Restructuring costs	45	29	150	116
Operating profit	331	374	869	1,027
Other (income) expense				
Interest and sundry (income) expense	21	30	69	103
Interest expense	42	39	122	118
Earnings before income taxes	268	305	678	806
Income tax (benefit) expense	(4)	) 61	69	64
Net earnings	272	244	609	742
Less: Net earnings (loss) available to noncontrolling interests	(4)	) 6	(9)	) 34
Net earnings available to Whirlpool	\$276	\$238	\$618	\$708
Per share of common stock				
Basic net earnings available to Whirlpool	\$3.78	\$3.14	\$8.36	\$9.26
Diluted net earnings available to Whirlpool	\$3.72	\$3.10	\$8.23	\$9.16
Dividends declared	\$1.10	\$1.00	\$3.20	\$2.90
Weighted-average shares outstanding (in millions)				
Basic	72.9	75.7	73.9	76.4
Diluted	74.0	76.9	75.1	77.5
Comprehensive income	\$286	\$289	\$694	\$900

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

WHIRLPOOL CORPORATION  
CONSOLIDATED CONDENSED BALANCE SHEETS

(Millions of dollars, except share data)

	(Unaudited)	
	September 30,	December 31,
	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 1,087	\$ 1,085
Accounts receivable, net of allowance of \$171 and \$185, respectively	3,102	2,711
Inventories	3,345	2,623
Prepaid and other current assets	1,115	920
Total current assets	8,649	7,339
Property, net of accumulated depreciation of \$6,741 and \$6,055, respectively	3,865	3,810
Goodwill	3,093	2,956
Other intangibles, net of accumulated amortization of \$455 and \$387, respectively	2,604	2,552
Deferred income taxes	2,322	2,154
Other noncurrent assets	305	342
Total assets	\$ 20,838	\$ 19,153
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 4,728	\$ 4,416
Accrued expenses	677	649
Accrued advertising and promotions	792	742
Employee compensation	428	390
Notes payable	1,442	34
Current maturities of long-term debt	671	560
Other current liabilities	898	871
Total current liabilities	9,636	7,662
Noncurrent liabilities		
Long-term debt	3,669	3,876
Pension benefits	1,015	1,074
Postretirement benefits	346	334
Other noncurrent liabilities	485	479
Total noncurrent liabilities	5,515	5,763
Stockholders' equity		
Common stock, \$1 par value, 250 million shares authorized, 112 million and 111 million shares issued, and 72 million and 74 million shares outstanding, respectively	112	111
Additional paid-in capital	2,733	2,672
Retained earnings	7,697	7,314
Accumulated other comprehensive loss	(2,316)	(2,400)
Treasury stock, 40 million and 37 million shares, respectively	(3,474)	(2,924)
Total Whirlpool stockholders' equity	4,752	4,773
Noncontrolling interests	935	955
Total stockholders' equity	5,687	5,728
Total liabilities and stockholders' equity	\$ 20,838	\$ 19,153

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.





WHIRLPOOL CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE PERIODS ENDED SEPTEMBER 30  
(Millions of dollars)

	Nine Months Ended	
	2017	2016
Operating activities		
Net earnings	\$ 609	\$ 742
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:		
Depreciation and amortization	487	496
Changes in assets and liabilities:		
Accounts receivable	(259)	(438)
Inventories	(589)	(518)
Accounts payable	107	(187)
Accrued advertising and promotions	18	(38)
Accrued expenses and current liabilities	(154)	72
Taxes deferred and payable, net	(144)	(149)
Accrued pension and postretirement benefits	(85)	(53)
Employee compensation	49	(30)
Other	(72)	(72)
Cash used in operating activities	(33)	(175)
Investing activities		
Capital expenditures	(371)	(360)
Proceeds from sale of assets and business	5	55
Change in restricted cash	51	14
Investment in related businesses	(35)	(10)
Other	1	(2)
Cash used in investing activities	(349)	(303)
Financing activities		
Proceeds from borrowings of long-term debt	—	491
Repayments of long-term debt	(261)	(507)
Net proceeds from short-term borrowings	1,365	1,369
Dividends paid	(235)	(221)
Repurchase of common stock	(550)	(425)
Common stock issued	33	24
Other	(17)	(2)
Cash provided by financing activities	335	729
Effect of exchange rate changes on cash and cash equivalents	49	2
Increase in cash and cash equivalents	2	253
Cash and cash equivalents at beginning of period	1,085	772
Cash and cash equivalents at end of period	\$ 1,087	\$ 1,025

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Note	Page
1. <u>BASIS OF PRESENTATION</u>	<u>7</u>
2. <u>FAIR VALUE MEASUREMENTS</u>	<u>9</u>
3. <u>INVENTORIES</u>	<u>10</u>
4. <u>PROPERTY, PLANT &amp; EQUIPMENT</u>	<u>10</u>
5. <u>FINANCING ARRANGEMENTS</u>	<u>10</u>
6. <u>COMMITMENTS AND CONTINGENCIES</u>	<u>11</u>
7. <u>HEDGES AND DERIVATIVE FINANCIAL INSTRUMENTS</u>	<u>14</u>
8. <u>STOCKHOLDERS' EQUITY</u>	<u>18</u>
9. <u>RESTRUCTURING CHARGES</u>	<u>19</u>
10. <u>INCOME TAXES</u>	<u>21</u>
11. <u>PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS</u>	<u>21</u>
12. <u>OPERATING SEGMENT INFORMATION</u>	<u>22</u>

## (1) BASIS OF PRESENTATION

### General Information

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes required by GAAP for complete financial statements. As a result, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Form 10-K for the year ended December 31, 2016.

Management believes that the accompanying Consolidated Condensed Financial Statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of the interim periods.

We have eliminated all material intercompany transactions in our Consolidated Condensed Financial Statements. We do not consolidate the financial statements of any company in which we have an ownership interest of 50% or less, unless that company is deemed to be a variable interest entity ("VIE") of which we are the primary beneficiary. VIEs are consolidated when the company is the primary beneficiary of these entities and has the ability to directly impact the activities of these entities.

We are required to make estimates and assumptions that affect the amounts reported in the Consolidated Condensed Financial Statements and accompanying Notes. Actual results could differ materially from those estimates.

Certain prior year amounts in the Consolidated Condensed Financial Statements have been reclassified to conform with current year presentation.

### Out of Period Adjustment

During the third quarter of 2017, we finalized our prior period recorded adjustments in our Asia operating segment primarily related to trade promotion and increased accruals by \$3 million. The 2017 net impact of these out of period adjustments was a decrease to net sales of approximately \$35 million and an increase to other operating expenses of approximately \$8 million, before tax. These adjustments resulted in a decrease to net earnings available to Whirlpool of approximately \$16 million and a decrease of \$0.22 in diluted earnings per share. We determined that the impact was immaterial to prior periods and this reporting period.

### Adoption of New Accounting Standards

In 2017, the FASB issued ASU No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The guidance in ASU 2017-07 requires that the service cost component of net periodic benefit cost for pension and postretirement benefits is recorded in the same income statement line items as other employee compensation costs arising from services rendered during the period. Service cost is included in cost of products sold and selling, general and administrative expense. The other components of net periodic pension cost and postretirement benefits cost are recorded in interest and sundry (income) expense in 2017. We retrospectively adopted the new accounting standard in the first quarter of 2017. For the full year ended December 31, 2016, the reclassification of other components of net periodic cost, from cost of products sold and selling, general and administrative expense resulted in an increase in operating profit of approximately \$14 million with an offset to interest and sundry (income) expense. For the full year ended December 31, 2015, the reclassification of other components of net periodic cost from cost of products sold and selling, general and administrative expense resulted in a decrease in operating profit of approximately \$43 million with an offset to interest and sundry (income) expense. The reclassifications were calculated based on previously disclosed amounts. The Consolidated Statements of Comprehensive Income have been recast to reflect the retrospective adoption of this standard.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of excess tax benefits in the Consolidated Statements of Cash Flows. The new standard is effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company elected to early-adopt ASU 2016-09 in the fourth quarter of 2016 retrospectively to January 1, 2016. For the period ended September 30, 2016, there was no material impact to diluted

weighted average common shares outstanding or earnings per share ("EPS"). The Consolidated Statements of Comprehensive Income have been recast to reflect the retrospective adoption of this standard.

All other new issued and effective accounting standards during 2017 were not relevant or material to the Company.

7

---

#### Accounting Pronouncements Issued But Not Yet Effective

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities". The new standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance. All transition requirements and elections should be applied to hedging relationships existing (that is, hedging relationships in which the hedging instrument has not expired, been sold, terminated, or exercised or the entity has not removed the designation of the hedging relationship) on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of adopting this guidance. In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". The guidance in ASU 2017-04 eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments in the new ASU, goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, Leases (FAS 13). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption of the amendments in the update is permitted. In 2016, we established a global project management team to analyze the impact of this standard by reviewing our current accounting policies and practices in each operating segment to identify potential impacts that would result from the application of this standard. We determined changes are required to our business processes, systems and controls to effectively report leases and disclosure under the new standard. Based on our evaluation, we expect to adopt the requirements of the new standard in the first quarter of 2019.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This pronouncement is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period and is to be applied using one of two retrospective application methods, with early application permitted for fiscal reporting periods beginning after December 15, 2016.

Based on our evaluation, we will adopt the requirements of the new standard on January 1, 2018 and anticipate using the modified retrospective transition method. Under the modified retrospective method, we will recognize the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information will not be restated and will continue to be reported under the accounting standards in effect for those periods.

Presented below is the status of the process we have utilized for the adoption of the new standard and the significant implementation matters addressed:

- We established a global cross-functional project management implementation team to assess all potential impacts of this standard.
- We are reviewing our current accounting policies and practices in each reporting segment to identify potential differences that would result from the application of this standard.
- We are determining key factors from the five step process to recognize revenue as prescribed by the new standard that may be applicable to each of our business units that roll up into our four segments.
- Customers and contracts from each business unit were identified.

•Evaluation of the contract provisions and the comparison of historical accounting policies and practices to the requirements of the new standard (including the related qualitative disclosures regarding the potential impact of the effects of the accounting policies we expect to apply and a comparison to our current revenue recognition policies), is in process. We expect to complete this process prior to the filing of, and make disclosures in, the 2017 Form 10-K. Based on our evaluation, we determined no significant changes are required to our business processes, systems and controls to effectively report revenue recognition under the new standard. Adoption of the new standard is not expected to materially change the timing or amount of revenue recognized in our Consolidated Financial Statements. FASB has issued the following standards, which are not expected to have a material impact on our Consolidated Financial Statements:

Standard	Effective Date (a)
2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	January 1, 2018
2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	January 1, 2018
2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory	January 1, 2018
2016-18 Statement of Cash Flows (Topic 230): Restricted Cash	January 1, 2018

(a) Represents date standard becomes effective as indicated in the respective ASU.

All other issued and not yet effective accounting standards are not relevant or material to the Company.

## (2) FAIR VALUE MEASUREMENTS

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions market participants would use in pricing an asset or liability. Assets and liabilities measured at fair value are based on a market valuation approach using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. As a basis for considering such assumptions, a three-tiered fair value hierarchy is established, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets that are observable, either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. We had no (Level 3) assets or liabilities at September 30, 2017.

Assets and liabilities measured at fair value on a recurring basis at September 30, 2017 and December 31, 2016 are as follows:

	Fair Value			
	Total Cost Basis	Level 1	Level 2	Total
Millions of dollars	2017	2016	2017	2016
Money market funds <sup>(1)</sup>	\$32	\$29	\$—	-\$32
Net derivative contracts	—	—	(84)	(84)
Available for sale investments	6	4	23	16

<sup>(1)</sup>Money market funds are comprised primarily of government obligations and other first tier obligations.

### Other Fair Value Measurements

The fair value of long-term debt (including current maturities) was \$4.5 billion at September 30, 2017 and December 31, 2016, and was estimated using discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements (Level 2 input).





**(3) INVENTORIES**

The following table summarizes our inventory for the periods presented:

Millions of dollars	September 30, December 31,	
	2017	2016
Finished products	\$ 2,729	\$ 2,070
Raw materials and work in process	715	651
	3,444	2,721
Less: excess of FIFO cost over LIFO cost	(99	) (98
Total inventories	\$ 3,345	\$ 2,623

LIFO inventories represented 37% of total inventories at September 30, 2017 and December 31, 2016.

**(4) PROPERTY, PLANT & EQUIPMENT**

The following table summarizes our property, plant and equipment as of September 30, 2017 and December 31, 2016:

Millions of dollars	September 30, December 31,	
	2017	2016
Land	\$ 126	\$ 128
Buildings	1,683	1,652
Machinery and equipment	8,797	8,085
Accumulated depreciation	(6,741	) (6,055
Property, plant and equipment, net	\$ 3,865	\$ 3,810

During the nine months ended September 30, 2017, we disposed of buildings, machinery and equipment no longer in use with a net book value of \$34 million.

**(5) FINANCING ARRANGEMENTS****Debt**

On September 27, 2017, Whirlpool Corporation exercised its commitment increase and term extension rights under the Third Amended and Restated Long-Term Credit Agreement (the "Amended Long-Term Facility") by and among the Company, certain other borrowers, the lenders referred to therein, JPMorgan Chase Bank, N.A. as Administrative Agent, and Citibank, N.A., as Syndication Agent. In connection with this exercise, the Company entered into a Consent to Commitment Increase agreement with the Administrative Agent, which increases aggregate borrowing capacity under the Amended Long-Term Facility from \$2.5 billion to \$3.0 billion, and the Administrative Agent received extension request consents from a majority of lenders, which extends the termination date of the Amended Long-Term Facility by one year, to May 17, 2022. All other terms of the Amended Long-Term Facility remain unchanged.

The interest and fee rates payable with respect to the Amended Long-Term Facility based on our current debt rating are as follows: (1) the spread over LIBOR is 1.125%; (2) the spread over prime is 0.125%; and (3) the unused commitment fee is 0.125%. The Long-Term Facility contains customary covenants and warranties including, among other things, a debt to capitalization ratio of less than or equal to 0.60 to 1.00 as of the last day of each fiscal quarter, and a rolling twelve month interest coverage ratio required to be greater than or equal to 3.0 to 1.0 for each fiscal quarter. In addition, the covenants limit our ability to (or to permit any subsidiaries to), subject to various exceptions and limitations: (i) merge with other companies; (ii) create liens on our property; (iii) incur debt or off-balance sheet obligations at the subsidiary level; (iv) enter into transactions with affiliates, except on an arms-length basis; (v) enter into agreements restricting the payment of subsidiary dividends or restricting the making of loans or repayment of debt by subsidiaries to the Company or other subsidiaries; and (vi) enter into agreements restricting the creation of liens on our assets.

On March 1, 2017, \$250 million of 1.35% senior notes matured and were repaid. On July 15, 2016, \$244 million of 7.75% notes matured and were repaid. On June 15, 2016, \$250 million of 6.50% senior notes matured and were repaid.

On May 23, 2016, we completed a debt offering of \$500 million principal amount of 4.50% notes due in 2046. The notes contain covenants that limit our ability to incur certain liens or enter into certain sale and lease-back transactions. In addition, if



we experience a specific kind of change of control, we are required to make an offer to purchase all of the notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The notes are registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-3 (File No. 333-203704) filed with the Securities and Exchange Commission on April 29, 2015.

On November 2, 2016, Whirlpool Finance Luxembourg S.à. r.l., an indirect, wholly-owned finance subsidiary of Whirlpool Corporation, completed a debt offering of €500 million (approximately \$555 million as of the date of issuance) principal amount of 1.250% notes due in 2026. The Company has fully and unconditionally guaranteed these notes. The notes contain covenants that limit Whirlpool Corporation's ability to incur certain liens or enter into certain sale and lease-back transactions. In addition, if we experience a specific kind of change of control, we are required to make an offer to purchase all of the notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The notes are registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-3 (File No. 333-203704-1) filed with the Securities and Exchange Commission on October 25, 2016. Additionally, in the fourth quarter of 2014, we assumed €300 million (approximately \$363 million as of the date of acquisition) principal amount of guaranteed notes due on April 26, 2018 from the Indesit acquisition. Whirlpool has agreed to be a guarantor of these notes.

In addition to the committed \$3.0 billion Amended Long-Term Facility, we have a committed European facility and committed credit facilities in Brazil. The European facility provides borrowings up to €250 million (approximately \$295 million at September 30, 2017 and \$263 million at December 31, 2016), maturing in 2019. The committed credit facilities in Brazil provide borrowings up to 1.0 billion Brazilian reais (approximately \$316 million at September 30, 2017 and \$307 million at December 31, 2016), maturing through 2018.

We had no borrowings outstanding under the committed credit facilities at September 30, 2017 or December 31, 2016.

#### Notes Payable

Notes payable, which consist of short-term borrowings payable to banks or commercial paper, are generally used to fund working capital requirements. The fair value of our notes payable approximates the carrying amount due to the short maturity of these obligations. The following table summarizes the carrying value of notes payable at September 30, 2017 and December 31, 2016, respectively.

Millions of dollars	September December	
	30, 2017	31, 2016
Commercial paper	\$ 1,138	\$ —
Short-term borrowings to banks	304	34
Total notes payable	\$ 1,442	\$ 34

#### (6) COMMITMENTS AND CONTINGENCIES

##### Embraco Antitrust Matters

Beginning in February 2009, our compressor business headquartered in Brazil ("Embraco") was notified of antitrust investigations of the global compressor industry by government authorities in various jurisdictions. Embraco has resolved government investigations in various jurisdictions as well as all related civil lawsuits in the United States and no payments are owed in connection with such resolutions. Embraco also has resolved certain other claims and certain claims remain pending. Additional lawsuits could be filed.

At September 30, 2017, a nominal amount remains accrued. We continue to defend these actions and take other steps to minimize our potential exposure. The final outcome and impact of these matters, and any related claims and investigations that may be brought in the future, are subject to many variables and cannot be predicted. We establish accruals only for those matters where we determine that a loss is probable and the amount of loss can be reasonably estimated. While it is currently not possible to reasonably estimate the aggregate amount of costs which we may incur in connection with these matters, such costs could have a material adverse effect on our financial statements in any particular reporting period.



#### BEFIEX Credits and Other Brazil Tax Matters

In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIEX). These credits reduce Brazilian federal excise taxes on domestic sales, resulting in an increase in the operations' recorded net sales, as the credits are monetized.

In December 2013, the Brazilian government reinstated the monetary adjustment index applicable to BEFIEX credits that existed prior to July 2009, when the Brazilian government required companies to apply a different monetary adjustment index to BEFIEX credits. Whether use of the reinstated index should be given retroactive effect for the July 2009 to December 2013 period has been subject to review by the Brazilian courts. In the third quarter of 2017, the Brazilian Supreme Court ruled that the reinstated index should be given retroactive effect for the July 2009 to December 2013 period, which decision may be appealed by the Brazilian government. Based on this ruling, we are entitled to recognize \$72 million in additional credits. We monetized \$14 million of BEFIEX credits during the three months ended September 30, 2017 and sold the right to certain court awarded attorney fees to a third party. As of September 30, 2017, \$58 million BEFIEX credits remain to be monetized.

Our Brazilian operations have received governmental assessments related to claims for income and social contribution taxes associated with certain monetized BEFIEX credits. We do not believe BEFIEX export credits are subject to income or social contribution taxes. We are disputing these tax matters in various courts and intend to vigorously defend our positions. We have not provided for income or social contribution taxes on these export credits, and based on the opinions of tax and legal advisors, we have not accrued any amount related to these assessments as of September 30, 2017. The total amount of outstanding tax assessments received for income and social contribution taxes relating to the BEFIEX credits, including interest and penalties, is approximately 1.9 billion Brazilian reais (approximately \$584 million as of September 30, 2017).

Relying on existing Brazilian legal precedent, in 2003 and 2004, we recognized tax credits in an aggregate amount of \$26 million, adjusted for currency, on the purchase of raw materials used in production ("IPI tax credits"). The Brazilian tax authority subsequently challenged the recording of IPI tax credits. No credits have been recognized since 2004. In 2009, we entered into a Brazilian government program which provided extended payment terms and reduced penalties and interest to encourage tax payers to resolve this and certain other disputed tax credit amounts. As permitted by the program, we elected to settle certain debts through the use of other existing tax credits and recorded charges of approximately \$34 million in 2009 associated with these matters. In July 2012, the Brazilian revenue authority notified us that a portion of our proposed settlement was rejected and we received tax assessments of 239 million Brazilian reais (approximately \$76 million as of September 30, 2017), reflecting interest and penalties to date. We are disputing these assessments and we intend to vigorously defend our position. Based on the opinion of our tax and legal advisors, we have not recorded an additional reserve related to these matters.

In 2001, Brazil adopted a law making the profits of controlled foreign corporations of Brazilian entities subject to income and social contribution tax regardless of whether the profits were repatriated ("CFC Tax"). Our Brazilian subsidiary, along with other corporations, challenged tax assessments on foreign profits on constitutionality and other grounds. In April 2013, the Brazilian Supreme Court ruled on one of our cases, finding that the law is constitutional, but remanding the case to a lower court for consideration of other arguments raised in our appeal, including the existence of tax treaties with jurisdictions in which controlled foreign corporations are domiciled. As of September 30, 2017, our potential exposure for income and social contribution taxes relating to profits of controlled foreign corporations, including interest and penalties and net of expected foreign tax credits, is approximately 220 million Brazilian reais (approximately \$69 million as of September 30, 2017). We believe these assessments are without merit and we intend to continue to vigorously dispute them. Based on the opinion of our tax and legal advisors, we have not accrued any amount related to these assessments as of September 30, 2017.

In addition to the IPI tax credit and CFC Tax matters noted above, we are currently disputing other assessments issued by the Brazilian tax authorities related to non-income and income tax matters, including for the monetization of BEFIEX credits and other matters, which are at various stages of review in numerous administrative and judicial proceedings. The amounts related to these assessments will continue to be increased by monetary adjustments at the Selic rate, which is the benchmark rate set by the Brazilian Central Bank. In accordance with our accounting policies, we routinely assess these matters and, when necessary, record our best estimate of a loss. We believe these tax assessments are without merit and are vigorously defending our positions. We also filed a legal action to recover

certain social integration and social contribution taxes paid over gross sales including ICMS receipts, which is a form of Value Added Tax in Brazil. While the Company's recovery with respect to this litigation may be material, there is substantial uncertainty about both the amount and timing of any recovery.

Litigation is inherently unpredictable and the conclusion of these matters may take many years to ultimately resolve. Accordingly, it is possible that an unfavorable outcome in these proceedings could have a material adverse effect on our financial statements in any particular reporting period.

### Other Litigation

We have vigorously defended against numerous lawsuits pending in the United States relating to certain of our front load washing machines. In 2016, we reached final agreement on a settlement that will resolve all such class action lawsuits and received court approval. We are proceeding through the administrative consumer claims process to implement the terms of the settlement, which will be complete in 2017.

In addition, we are currently vigorously defending a number of other lawsuits in federal and state courts in the United States related to the manufacturing and sale of our products which include class action allegations, and have and may become involved in similar actions in other jurisdictions. These lawsuits allege claims which include negligence, breach of contract, breach of warranty, product liability and safety claims, false advertising, fraud, and violation of federal and state regulations, including consumer protection laws. In general, we do not have insurance coverage for class action lawsuits. We are also involved in various other legal actions in the United States and other jurisdictions around the world arising in the normal course of business, for which insurance coverage may or may not be available depending on the nature of the action. We dispute the merits of these suits and actions, and intend to vigorously defend them. Management believes, based upon its current knowledge, after taking into consideration legal counsel's evaluation of such suits and actions, and after taking into account current litigation accruals, that the outcome of these matters currently pending against Whirlpool should not have a material adverse effect, if any, on our financial statements.

### Competition Investigation

In 2013, the French Competition Authority commenced an investigation of appliance manufacturers and retailers in France. The investigation includes (among others) Whirlpool and Indesit operations in France. Although it is currently not possible to assess the impact, if any, this matter may have on our Consolidated Condensed Financial Statements, the resolution of this matter could have a material adverse effect on our financial statements in any particular reporting period.

### Product Warranty and Legacy Product Corrective Action Reserves

Product warranty reserves are included in other current and other noncurrent liabilities in our Consolidated Condensed Balance Sheets. The following table summarizes the changes in total product warranty and legacy product warranty liability reserves for the periods presented:

	Product Warranty		Legacy Product Warranty		Total	
Millions of dollars	2017	2016	2017	2016	2017	2016
Balance at January 1	\$251	\$239	\$69	\$254	\$320	\$493
Issuances/accruals during the period	251	228	1	—	252	228
Settlements made during the period/other	(226)	(218)	(70)	(145)	(296)	(363)
Balance at September 30	\$276	\$249	\$—	\$109	\$276	\$358
Current portion	\$203	\$188	\$—	\$109	\$203	\$297
Non-current portion	73	61	—	—	73	61
Total	\$276	\$249	\$—	\$109	\$276	\$358

In the normal course of business, we engage in investigations of potential quality and safety issues. As part of our ongoing effort to deliver quality products to consumers, we are currently investigating a limited number of potential quality and safety issues globally. As necessary, we undertake to effect repair or replacement of appliances in the event that an investigation leads to the conclusion that such action is warranted. As part of that process, in 2015, Whirlpool engaged in thorough investigations of incident reports associated with two of its dryer production platforms developed by Indesit, prior to Whirlpool's acquisition of Indesit in October 2014. This led to Indesit reporting the issue to regulatory authorities for consideration. These discussions determined that corrective action of the affected dryers was required. In September 2015, we recorded a liability related to this corrective action cost of €245 million (approximately \$274 million as of September 30, 2015). The establishment of this liability is based on several assumptions such as customer response rate, consumer options, field repair costs, inventory repair costs, and timing of tax deductibility. Our experience with respect to these factors may cause our actual costs to differ significantly from

our estimated costs. Cash settlements related to this corrective action are recognized in other operating activities in the Consolidated Condensed Statements of Cash Flows. In the nine months ended September 30, 2017, Whirlpool had \$61 million of cash settlements made related to the corrective action, which is substantially complete and any remaining charges related to legacy product warranty will be recorded under product warranty.



## Guarantees

We have guarantee arrangements in a Brazilian subsidiary. As a standard business practice in Brazil, the subsidiary guarantees customer lines of credit at commercial banks to support purchases following its normal credit policies. If a customer were to default on its line of credit with the bank, our subsidiary would be required to satisfy the obligation with the bank and the receivable would revert back to the subsidiary. At September 30, 2017 and December 31, 2016, the guaranteed amounts totaled \$268 million and \$258 million, respectively. Our subsidiary insures against credit risk for these guarantees, under normal operating conditions, through policies purchased from high-quality underwriters.

We provide guarantees of indebtedness and lines of credit for various consolidated subsidiaries. The maximum contractual amount of indebtedness and credit facilities available under these lines for consolidated subsidiaries totaled \$2.7 billion and \$2.4 billion as of September 30, 2017 and December 31, 2016, respectively. Our total outstanding bank indebtedness under guarantees was \$102 million at September 30, 2017 and \$32 million December 31, 2016, respectively.

We have guaranteed a \$37 million five-year revolving credit facility between certain financial institutions and a not-for-profit entity in connection with a community and economic development project (“Harbor Shores”). The credit facility, which originated in 2008, was refinanced in December 2012 and we renewed our guarantee through 2017. It was also amended in 2016 and 2017 by Harbor Shores and reduced to \$40 million and \$37 million, respectively. The fair value of the guarantee was nominal at September 30, 2017 and December 31, 2016, respectively. The purpose of Harbor Shores is to stimulate employment and growth in the areas of Benton Harbor and St. Joseph, Michigan. In the event of default, we must satisfy the guarantee of the credit facility up to the amount borrowed at the date of default.

## (7) HEDGES AND DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are accounted for at fair value based on market rates. Derivatives where we elect hedge accounting are designated as either cash flow, fair value hedges or net investment. Derivatives that are not accounted for based on hedge accounting are marked to market through earnings. The accounting for changes in the fair value of a derivative depends on the intended use and designation of the derivative instrument. Hedging ineffectiveness and a net earnings impact occur when the change in the fair value of the hedge does not offset the change in the fair value of the hedged item. The ineffective portion of the gain or loss is recognized in earnings.

Using derivative instruments means assuming counterparty credit risk. Counterparty credit risk relates to the loss we could incur if a counterparty were to default on a derivative contract. We generally deal with investment grade counterparties and monitor the overall credit risk and exposure to individual counterparties. We do not anticipate nonperformance by any counterparties. The amount of counterparty credit exposure is limited to the unrealized gains, if any, on such derivative contracts. We do not require nor do we post collateral or security on such contracts.

### Hedging Strategy

In the normal course of business, we manage risks relating to our ongoing business operations including those arising from changes in foreign exchange rates, interest rates and commodity prices. Fluctuations in these rates and prices can affect our operating results and financial condition. We use a variety of strategies, including the use of derivative instruments, to manage these risks. We do not enter into derivative financial instruments for trading or speculative purposes.

### Foreign Currency Exchange Rate Risk

We incur expenses associated with the procurement and production of products in a limited number of countries, while we sell in the local currencies of a large number of countries. Our primary foreign currency exchange exposures result from cross-currency sales of products. As a result, we enter into foreign exchange contracts to hedge certain firm commitments and forecasted transactions to acquire products and services that are denominated in foreign currencies.

We enter into certain undesignated non-functional currency asset and liability hedges that relate primarily to short-term payables, receivables and intercompany loans. These forecasted cross-currency cash flows relate primarily to foreign currency denominated expenditures and intercompany financing agreements, royalty agreements and dividends. When we hedge a foreign currency denominated payable or receivable with a derivative, the effect of changes in the foreign exchange rates are reflected currently in interest and sundry (income) expense for both the payable/receivable and the derivative. Therefore, as a result of this economic hedge, we do not elect hedge accounting.

### Commodity Price Risk



We enter into commodity derivative contracts on various commodities to manage the price risk associated with forecasted purchases of materials used in our manufacturing process. The objective of these hedges is to reduce the variability of cash flows associated with the forecasted purchase of commodities.

#### Interest Rate Risk

We may enter into interest rate swap agreements to manage interest rate risk exposure. Our interest rate swap agreements, if any, effectively modify our exposure to interest rate risk, primarily through converting certain floating rate debt to a fixed rate basis, and certain fixed rate debt to a floating rate basis. These agreements involve either the receipt or payment of floating rate amounts in exchange for fixed rate interest payments or receipts, respectively, over the life of the agreements without an exchange of the underlying principal amounts. We also may utilize a cross-currency interest rate swap agreement to manage our exposure relating to certain intercompany debt denominated in one foreign currency that will be repaid in another foreign currency. At September 30, 2017 and December 31, 2016, there were no outstanding interest rate swap agreements.

We may enter into treasury rate lock agreements to effectively modify our exposure to interest rate risk by locking in interest rates on probable long-term debt issuances.

#### Net Investment Hedging

The following table summarizes our foreign currency denominated debt and foreign exchange forwards/options designated as net investment hedges at September 30, 2017 and December 31, 2016:

Instrument	Notional (Local)		Notional (USD)		Maturity
	2017	2016	2017	2016	
Senior note - 0.625%	€00	€00	\$591	\$527	March 2020
Commercial Paper	€00	€—	\$354	\$—	October 2017
Foreign exchange forwards/options	MXN	MXN	\$396	\$—	August 2022
	7,200				

For instruments that are designated and qualify as a net investment hedge, the effective portion of the instruments' gain or loss is reported as a component of other comprehensive income (OCI) and recorded in accumulated other comprehensive loss. The gain or loss will be subsequently reclassified into net earnings when the hedged net investment is either sold or substantially liquidated. The remaining change in fair value of the hedge instruments represents the ineffective portion, which is immediately recognized in interest and sundry (income) expense on our consolidated statements of income. As of September 30, 2017 and December 31, 2016, there was no ineffectiveness on hedges designated as net investment hedges.

The following table summarizes our outstanding derivative contracts and their effects on our Consolidated Condensed Balance Sheets at September 30, 2017 and December 31, 2016:

	Notional Amount		Fair Value of				Type of Hedge <sup>(1)</sup>	Maximum Term (Months)	
	2017	2016	Hedge Assets	Hedge Liabilities	2017	2016		2017	2016
Millions of dollars									
Derivatives accounted for as hedges									
Foreign exchange forwards/options	\$3,257	\$1,813	\$9	\$32	\$108	\$10	(CF/NI)	59	58
Commodity swaps/options	280	299	28	7	1	11	(CF)	39	36
Total derivatives accounted for as hedges			\$37	\$39	\$109	\$21			
Derivatives not accounted for as hedges									
Foreign exchange forwards/options	\$3,190	\$3,262	\$24	\$39	\$36	\$16	N/A	36	35
Commodity swaps/options	1	2	—	—	—	—	N/A	8	2
Total derivatives not accounted for as hedges			24	39	36	16			
Total derivatives			\$61	\$78	\$145	\$37			
Current			\$52	\$54	\$82	\$35			
Noncurrent			9	24	63	2			
Total derivatives			\$61	\$78	\$145	\$37			

<sup>(1)</sup> Derivatives accounted for as hedges are considered either cash flow (CF) or net investment (NI) hedges in 2017. During 2016, foreign exchange derivatives accounted for as hedges were classified as cash flow (CF) hedges.

Edgar Filing: WHIRLPOOL CORP /DE/ - Form 10-Q

The following tables summarize the effects of derivative instruments on our Consolidated Condensed Statements of Comprehensive Income for the three and nine months ended as follows:

Three Months Ended September 30,

Gain (Loss) Recognized in OCI (Effective Portion)      Gain (Loss) Reclassified from OCI into Earnings (Effective Portion) <sup>(1)</sup>

Cash Flow Hedges - Millions of dollars	2017	2016	2017	2016
Foreign exchange forwards/options	\$(49)	\$ 9	\$ (34 )	\$ (1 ) (a)
Commodity swaps/options	18	(2 )	11	(6 ) (a)
Interest rate derivatives	—	—	(1 )	— (b)
 Net Investment Hedges				
Foreign currency	(23 )	—	—	—
	\$(54)	\$ 7	\$ (24 )	\$ (7 )

Three Months Ended September 30,

Gain (Loss) Recognized on Derivatives not Accounted for as Hedges <sup>(2)</sup>

Derivatives not Accounted for as Hedges - Millions of dollars	2017	2016
Foreign exchange forwards/options	\$ (21 )	\$ (9 )

Nine Months Ended September 30,

Gain (Loss) Recognized in OCI (Effective Portion)      Gain (Loss) Reclassified from OCI into Earnings (Effective Portion) <sup>(1)</sup>

Cash Flow Hedges - Millions of dollars	2017	2016	2017	2016
Foreign exchange	\$(109)	\$ 3	\$ (76 )	\$ 11 (a)
Commodity swaps/options	35	19	29	(30 ) (a)
Interest rate derivatives	—	—	(1 )	— (b)
 Net Investment Hedges				
Foreign currency	(63 )	—	—	—
	\$(137)	\$ 22	\$ (48 )	\$ (19 )

Nine Months Ended September 30,

Gain (Loss) Recognized on Derivatives not Accounted for as Hedges <sup>(2)</sup>

Derivatives not Accounted for as Hedges - Millions of dollars	2017	2016
Foreign exchange forwards/options	\$ (100 )	\$ (43 )

(1) Gains and losses reclassified from accumulated OCI and recognized in income are recorded in (a) cost of products sold or (b) interest expense.

(2) Mark to market gains and losses recognized in income are recorded in interest and sundry (income) expense.

For cash flow hedges, the amount of ineffectiveness recognized in interest and sundry (income) expense was nominal for the periods ended September 30, 2017 and 2016. There were no hedges designated as fair value for the periods ended September 30, 2017 and 2016. The net amount of unrealized gain or loss on derivative instruments included in accumulated OCI related to contracts maturing and expected to be realized during the next twelve months is nominal at September 30, 2017.

(8) STOCKHOLDERS' EQUITY

Other Comprehensive Income (Loss)

The following table summarizes our other comprehensive income (loss) and related tax effects for the periods presented:

Millions of dollars	Three Months Ended September 30,					
	2017			2016		
	Pre-tax	Tax Effect	Net	Pre-tax	Tax Effect	Net
Currency translation adjustments	\$20	\$ —	\$20	\$25	\$—	\$25
Cash flow and net investment hedges	(22)	)10	(12)	)23	(9)	)14
Pension and other postretirement benefits plans	(15)	)14	(1)	)10	(3)	)7
Available for sale securities	7	—	7	(1)	)—	(1)
Other comprehensive income (loss)	(10)	)24	14	57	(12)	)45
Less: Other comprehensive income (loss) available to noncontrolling interests	2	—	2	—	—	—
Other comprehensive income (loss) available to Whirlpool	\$(12)	\$ 24	\$ 12	\$57	\$(12)	\$45

Millions of dollars	Nine Months Ended September 30,					
	2017			2016		
	Pre-tax	Tax Effect	Net	Pre-tax	Tax Effect	Net
Currency translation adjustments	\$96	\$ —	\$96	\$81	\$—	\$81
Cash flow and net investment hedges	(47)	)17	(30)	)61	(20)	)41
Pension and other postretirement benefits plans	5	7	12	62	(22)	)40
Available for sale securities	7	—	7	(4)	)—	(4)
Other comprehensive income (loss)	61	24	85	200	(42)	)158
Less: Other comprehensive income (loss) available to noncontrolling interests	1	—	1	2	—	2
Other comprehensive income (loss) available to Whirlpool	\$60	\$ 24	\$84	\$198	\$(42)	\$156

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

The following table provides the reclassification adjustments out of accumulated other comprehensive income (loss), by component, which was included in net earnings for the three and nine months ended September 30, 2017:

Millions of dollars	Three	Nine	Classification in Earnings
	Months	Months	
	Ended	Ended	
	(Gain) Loss	(Gain) Loss	
	Reclassified	Reclassified	
Cash flow hedges, pre-tax	\$ 24	\$ 48	Cost of products sold
Pension and postretirement benefits, pre-tax	9	30	Interest and sundry (income) expense

The following table summarizes the changes in stockholders' equity for the period presented:

Millions of dollars	Total	Whirlpool Common Stockholders	Noncontrolling Interests
Stockholders' equity, December 31, 2016	\$5,728	\$ 4,773	\$ 955
Net earnings (loss)	609	618	(9 )
Other comprehensive income	85	84	1
Comprehensive income (loss)	694	702	(8 )
Common stock	1	1	—
Treasury stock	(550 )	(550 )	—
Additional paid-in capital	61	61	—
Dividends declared on common stock	(247 )	(235 )	(12 )
Stockholders' equity, September 30, 2017	\$5,687	\$ 4,752	\$ 935

#### Net Earnings per Share

Diluted net earnings per share of common stock include the dilutive effect of stock options and other share-based compensation plans. Basic and diluted net earnings per share of common stock for the periods presented were calculated as follows:

Millions of dollars and shares	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator for basic and diluted earnings per share - Net earnings available to Whirlpool	\$276	\$238	\$618	\$708
Denominator for basic earnings per share - weighted-average shares	72.9	75.7	73.9	76.4
Effect of dilutive securities – share-based compensation	1.1	1.2	1.2	1.1
Denominator for diluted earnings per share – adjusted weighted-average shares	74.0	76.9	75.1	77.5
Anti-dilutive stock options/awards excluded from earnings per share	0.5	0.3	0.6	0.3

#### Share Repurchase Program

On April 18, 2016, our Board of Directors authorized a share repurchase program of up to \$1 billion. During the nine months ended September 30, 2017, we repurchased 3,087,801 shares under this share repurchase program at an aggregate purchase price of approximately \$550 million. As of September 30, 2017, there were approximately \$150 million in remaining funds authorized under this program, which has no expiration date.

On July 25, 2017, our Board of Directors authorized an additional share repurchase program of up to \$2 billion, which has no expiration date.

Share repurchases are made from time to time on the open market as conditions warrant. These programs do not obligate us to repurchase any of our shares.

#### (9) RESTRUCTURING CHARGES

We periodically take action to improve operating efficiencies, typically in connection with business acquisitions or changes in the economic environment. Our footprint and headcount reductions and organizational integration actions relate to discrete, unique restructuring events, primarily reflected in the following plans:

In the second quarter of 2015, we committed to a restructuring plan to integrate our Italian legacy operations with those of Indesit. The industrial restructuring plan, which was approved by the relevant labor unions in July 2015 and signed by the Italian government in August 2015, provides for the closure or repurposing of certain manufacturing facilities and headcount reductions at other facilities. In addition, the restructuring plan provides for headcount reductions in the salaried employee workforce. We estimate that we will incur up to €179 million (approximately \$211 million as of September 30, 2017) in employee-related costs, €25 million (approximately \$30 million as of September 30, 2017) in asset impairment costs, and €37 million (approximately \$44 million as of September 30, 2017) in other associated costs in connection with these actions. We expect these actions will be





complete in 2019. We estimate €209 million (approximately \$247 million as of September 30, 2017) of the estimated €241 million (approximately \$285 million as of September 30, 2017) total cost will result in cash expenditures.

On January 24, 2017 the Company and certain of its subsidiary companies began consultations with certain works councils and other regulatory agencies in connection with the Company's proposal to restructure its EMEA dryer manufacturing operations. Company management authorized the initiation of such consultations on December 30, 2016. These actions are expected to result in changing the operations at the Company's Yate, U.K. facility to focus on manufacturing for U.K. consumer needs only; ending production in 2018 in Amiens, France; and concentrating the production of dryers for non-U.K. consumer needs in Lodz, Poland. The Company anticipates that approximately 500 positions would be impacted by these actions. The Company expects these actions to be substantially complete in 2018. The Company estimates that it will incur approximately €59 million (approximately \$70 million as of September 30, 2017) in employee-related costs, approximately €11 million (approximately \$13 million as of September 30, 2017) in asset impairment costs, and approximately €10 million (approximately \$12 million as of September 30, 2017) in other associated costs in connection with these actions. The Company estimates that approximately €69 million (approximately \$82 million as of September 30, 2017) of the estimated €79 million (approximately \$93 million as of September 30, 2017) total cost will result in future cash expenditures.

The following table summarizes the change to our restructuring liability for the period ended September 30, 2017:

Millions of dollars	December 31, 2016	Charge to Earnings	Cash Paid	Non-cash and Other	September 30, 2017
Employee termination costs	\$ 71	\$ 96	\$(85 )	\$ —	\$ 82
Asset impairment costs	—	23	—	(23 )	—
Facility exit costs	2	18	(17 )	—	3
Other exit costs	14	13	(11 )	10	26
Total	\$ 87	\$ 150	\$(113 )	\$(13 )	\$ 111

The following table summarizes the restructuring charges by operating segment as of September 30, 2017:

Millions of dollars	September 30, 2017
North America	\$ 10
EMEA	122
Latin America	7
Asia	3
Corporate / Other	8
Total	\$ 150

(10) INCOME TAXES

Income tax benefit was \$4 million and income tax expense was \$69 million for the three and nine months ended September 30, 2017, respectively, compared to income tax expense of \$61 million and \$64 million in the same periods of 2016. For the three and nine months ended September 30, 2017, changes in the effective tax rate from the prior period include tax planning and related valuation allowance releases.

The Company plans to distribute certain foreign earnings during 2017 and over the next several years. The 2017 distribution is forecasted to result in tax benefits that have been included in the Company's estimated annual and third quarter effective tax rate. The tax benefit on distributions that may be made in 2018 and beyond has not been recorded largely due to the distribution's contingent nature. The tax benefit for the three and nine months ended September 30, 2017 has been disclosed in the Company's effective tax rate reconciliation.

The following table summarizes the difference between income tax (benefit) expense at the United States statutory rate of 35% and the income tax (benefit) expense at effective worldwide tax rates for the respective periods:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Millions of dollars	2017	2016	2017	2016
Earnings before income taxes	\$268	\$305	\$678	\$806
Income tax (benefit) expense computed at United States statutory tax rate	94	107	237	282
Valuation allowances (releases)	(84)	(59)	(77)	(164)
Audits and settlements	7	(3)	1	(35)
U.S. foreign income items, net of credits	(17)	4	(70)	(6)
Foreign government tax incentive	(4)	(2)	(7)	(5)
Other	—	14	(15)	(8)
Income tax (benefit) expense computed at effective worldwide tax rates	\$(4)	\$61	\$69	\$64

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year and the impact of discrete items, if any, and adjust the quarterly rate as necessary.

(11) PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The following table summarizes the components of net periodic pension cost and the cost of other postretirement benefits for the periods presented:

Millions of dollars	Three Months Ended September 30,					
	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016	2017	2016
Service cost	\$1	\$1	\$1	\$1	\$1	\$1
Interest cost	34	37	6	7	4	5
Expected return on plan assets	(43)	(47)	(8)	(7)	—	—
Amortization:						
Actuarial loss	12	12	2	1	—	—
Prior service credit	(1)	—	—	—	(4)	(3)
Settlement and curtailment loss	—	—	—	1	—	—
Net periodic cost	\$3	\$3	\$1	\$3	\$1	\$3

Millions of dollars	Nine Months Ended September 30,					
	United States		Foreign Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016	2017	2016
Service cost	\$2	\$2	\$4	\$4	\$5	\$5
Interest cost	101	111	17	21	12	13
Expected return on plan assets	(13)	(140)	(23)	(23)	—	—
Amortization:						
Actuarial loss	37	35	5	3	—	—
Prior service credit	(2)	(2)	—	—	(11)	(11)
Settlement and curtailment loss	—	—	1	1	—	—
Net periodic cost	\$7	\$6	\$4	\$6	\$6	\$7

The following table summarizes the net periodic cost recognized in operating profit and interest and sundry (income) expense for the periods presented:

Millions of dollars	Three Months Ended September 30,					
	United States		Foreign Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016	2017	2016
Operating profit (loss)	\$1	\$1	\$1	\$1	\$1	\$1
Interest and sundry (income) expense	2	2	—	2	—	2
Net periodic benefit cost (credit)	\$3	\$3	\$1	\$3	\$1	\$3

Millions of dollars	Nine Months Ended September 30,					
	United States		Foreign Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016	2017	2016
Operating profit (loss)	\$2	\$2	\$4	\$4	\$5	\$5
Interest and sundry (income) expense	5	4	—	2	1	2
Net periodic benefit cost (credit)	\$7	\$6	\$4	\$6	\$6	\$7

During the second quarter 2011, we modified retiree medical benefits for certain retirees to be consistent with those benefits provided by the Whirlpool Corporation Group Benefit Plan. We accounted for these changes as a plan amendment in 2011, resulting in a reduction in the postretirement benefit obligation of \$138 million, of which approximately \$103 million of benefit has been recognized in net earnings since 2011, with an offset to accumulated other comprehensive loss, net of tax. In response, a group of retirees initiated legal proceedings against Whirlpool asserting the above benefits are vested and changes to the plan are not permitted. We disagree with plaintiffs' assertion and are continuing to vigorously defend our position, including through any necessary appeal process.

However, an unfavorable final result could require us to immediately reverse the benefit we have recognized to that point, and remeasure the associated postretirement benefit obligation, the impact of which will depend on timing and the actuarial assumptions then in effect.

## (12) OPERATING SEGMENT INFORMATION

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.

We identify 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 or decision making group evaluates performance based upon each segment's operating income, which is defined as income before interest and sundry (income) expense, interest expense, income taxes, and noncontrolling interests. Total assets by segment are those assets directly associated with the respective operating activities. The

“Other/Eliminations” column primarily includes corporate expenses, assets and eliminations, as well as corporate restructuring costs and intangible asset impairments, if any. Intersegment sales are eliminated within each region except compressor sales out of Latin America, which are included in Other/Eliminations.

The tables below summarize performance by operating segment for the periods presented:

Three Months Ended September 30,						
OPERATING SEGMENTS						
Millions of dollars	North America	EMEA	Latin America	Asia	Other/ Eliminations	Total Whirlpool
Net sales						
2017	\$2,989	\$1,268	\$ 849	\$ 357	\$ (45 )	\$ 5,418
2016	2,850	1,319	800	338	(59 )	5,248
Intersegment sales						
2017	45	36	45	82	(208 )	—
2016	41	16	50	82	(189 )	—
Depreciation and amortization						
2017	64	47	21	22	14	168
2016	65	66	19	15	(1 )	164
Operating profit (loss)						
2017	350	11	53	2	(85 )	331
2016	346	40	46	15	(73 )	374
Total assets						
September 30, 2017	8,777	8,367	2,909	2,883	(2,098 )	(a)20,838
December 31, 2016	8,009	7,497	2,601	2,788	(1,742 )	(a)19,153
Capital expenditures						
2017	46	46	28	28	13	161
2016	43	37	28	26	20	154

Nine Months Ended September 30,						
OPERATING SEGMENTS						
Millions of dollars	North America	EMEA	Latin America	Asia	Other/ Eliminations	Total Whirlpool
Net sales						
2017	\$8,540	\$3,501	\$ 2,515	\$ 1,134	\$ (139 )	\$ 15,551
2016	8,020	3,788	2,331	1,072	(149 )	15,062
Intersegment sales						
2017	136	80	142	220	(578 )	—
2016	128	47	153	217	(545 )	—
Depreciation and amortization						
2017	193	136	63	53	42	487
2016	199	155	53	48	41	496
Operating profit (loss)						
2017	991	(6 )	180	(7 )	(289 )	869
2016	936	141	139	56	(245 )	1,027
Total assets						
September 30, 2017	8,777	8,367	2,909	2,883	(2,098 )	(a)20,838
December 31, 2016	8,009	7,497	2,601	2,788	(1,742 )	(a)19,153
Capital expenditures						
2017	122	82	76	61	30	371
2016	114	82	71	41	52	360

(a) Includes eliminations of intersegment transactions occurring in the ordinary course of business.



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
 ABOUT WHIRLPOOL

Whirlpool is the number one major appliance manufacturer in the world with net sales of approximately \$21 billion in 2016. We are a leading producer of major home appliances in North America, Europe and Latin America, and have a significant presence throughout China and India. We have received worldwide recognition for accomplishments in a variety of business and social efforts, including leadership, diversity, innovative product design, business ethics, social responsibility and community involvement. We conduct our business through four reportable segments, which we define based on geography. Our reportable segments consist of North America, Europe, Middle East and Africa ("EMEA"), Latin America, and Asia. Our customer base includes large, sophisticated trade customers who have many choices and demand competitive products, services and prices. The major home appliance industry operates in a competitive environment, reflecting the impact of both new and established global competitors, including Asian and European manufacturers.

We monitor country-specific economic factors such as gross domestic product, unemployment, consumer confidence, retail trends, housing starts and completions, sales of existing homes and mortgage interest rates as key indicators of industry demand. In addition to profitability, we also focus on country, brand, product and channel sales when assessing and forecasting financial results.

Our leading portfolio of brands includes Whirlpool, Maytag, KitchenAid, Embraco, Brastemp, Consul and Indesit. Our global branded consumer products strategy is to introduce innovative new products, increase brand consumer loyalty, expand our presence outside the United States, enhance our trade management platform, continuously improve total cost and quality by expanding and leveraging our global operating platform and, where appropriate, make strategic acquisitions and investments.

As we grow revenues in our core products, our strategy is also to extend our business by offering products and services that are dependent on and related to our core business and expand into adjacent products, such as Affresh cleaners and Gladiator GarageWorks, through businesses that leverage our core competencies and business infrastructure.

RESULTS OF OPERATIONS

The following table summarizes the consolidated results of operations for the periods presented:

Consolidated - Millions of dollars, except per share data	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Better/(Worse)	2017	2016	Better/(Worse)
Net sales	\$5,418	\$5,248	3.2%	\$15,551	\$15,062	3.2%
Gross margin	915	940	(2.7)%	2,617	2,732	(4.2)%
Selling, general and administrative	521	519	(0.4)%	1,546	1,535	(0.7)%
Restructuring costs	45	29	(59.9)%	150	116	(29.7)%
Interest and sundry (income) expense	21	30	30.0%	69	103	33.0%
Interest expense	42	39	(6.3)%	122	118	(3.1)%
Income tax (benefit) expense	(4)	61	nm	69	64	(7.3)%
Net earnings available to Whirlpool	276	238	15.9%	618	708	(12.7)%
Diluted net earnings available to Whirlpool per share	\$3.72	\$3.10	20.0%	\$8.23	\$9.16	(10.2)%

nm = not meaningful





Consolidated Net Sales

The following graphs summarize units sold, consolidated net sales and net sales by region for the three months ended September 30:

The following graphs summarize units sold, consolidated net sales and net sales by region for the nine months ended September 30:

Consolidated net sales increased 3.2% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. The increase for the three months ended was primarily driven by unit volume growth and favorable impacts from foreign currency, partially offset by unfavorable impacts from product price/mix. The increase for the nine months ended was primarily driven by unit volume growth, favorable impacts from foreign currency and product price/mix. Excluding the impact of foreign currency, consolidated net sales increased 1.7% and 2.6% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. We provide the percentage change in net sales, excluding the impact of foreign currency, as a supplement to the change in net sales determined by GAAP to provide stockholders with a clearer basis to assess Whirlpool's results over time. This measure is considered a non-GAAP financial measure and is calculated by translating the current period net sales, in functional currency, to U.S. dollars using the prior-year period exchange rate compared to the prior-year period net sales.

Significant regional trends were as follows:

North America net sales increased 4.9% and 6.5% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. The increase for the three months ended September 30, 2017 was primarily driven by unit volume growth and a favorable impact from foreign currency. The increase for the nine months ended September 30, 2017 was primarily driven by unit volume growth, partially offset by unfavorable impacts from foreign currency. Excluding the impact from foreign currency, net sales increased 4.4% and 6.6% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016.

EMEA net sales decreased 3.9% and 7.6% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. The decrease for the three months ended September 30, 2017 was primarily driven by unit volume declines, partially offset by a favorable impact from foreign currency and product price/mix.

The decrease for the nine months ended September 30, 2017 was primarily driven by unit volume declines, unfavorable impacts from foreign currency and product price/mix. Excluding the impact from foreign currency, net sales decreased 7.7% and 7.1% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016.

Latin America net sales increased 6.1% and 7.9% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. The increase for the three months ended September 30, 2017 was primarily driven by unit volume growth and a favorable impact from foreign currency, partially offset by an unfavorable impact from product price/mix. The increase for the nine months ended September 30, 2017 was primarily driven by a favorable impact from foreign currency and unit volume growth, partially offset by an unfavorable impact from product price/mix. Excluding the impact from foreign currency, net sales increased 4.9% and 2.7% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016.

Asia net sales increased 5.4% and 5.7% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016. The increase for the three months ended September 30, 2017 was primarily driven by a favorable impact from product price/mix, unit volume growth and foreign currency. The increase for the nine months ended September 30, 2017 was primarily driven by unit volume growth, partially offset by unfavorable impacts from product price/mix in China and foreign currency. Additionally, the Company reduced net sales related to adjustments of trade promotion accruals in prior periods. Excluding the impact from foreign currency, net sales increased 3.8% and 6.5% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in 2016.

## Gross Margin

The graphs below summarize gross margin percentages by region for the three and nine months ended September 30:

The consolidated gross margin percentage decreased for the three and nine months ended September 30, 2017 compared to the same periods in 2016. The decrease for the three and nine months ended was primarily due to unfavorable impacts from raw material inflation and product price/mix, partially offset by benefits from cost productivity and unit volume growth. Additionally, gross margin also includes an adjustment in our Asia operating segment, primarily related to trade promotion accruals in prior periods.

Significant regional trends were as follows:

North America gross margin decreased for the three and nine months ended September 30, 2017 compared to the same periods in 2016, primarily due to impacts from raw material inflation, partially offset by benefits from unit volume growth.

EMEA gross margin decreased for the three and nine months ended September 30, 2017 compared to the same periods in 2016, primarily due to unfavorable impacts from product price/mix, raw material inflation and unit volume declines, partially offset by benefits from cost productivity and restructuring benefits.

Latin America gross margin decreased for the three months ended September 30, 2017 and increased for the nine months ended September 30, 2017 compared to the same periods in 2016. The decrease for the three months ended September 30, 2017 was primarily due to unfavorable impacts from product price/mix and raw material inflation, partially offset by a favorable impact from cost productivity. The increase for the nine months ended September 30, 2017 was primarily due to a favorable impact from cost productivity, partially offset by an unfavorable impact from raw material inflation.

Asia gross margin decreased for the three and nine months ended September 30, 2017 compared to the same periods in 2016, primarily due to raw material inflation and unfavorable impacts from product price/mix in China, partially offset by benefits from cost productivity. Additionally, gross margin also includes an adjustment primarily related to trade promotion accruals in prior periods.

## Selling, General and Administrative

The following table summarizes selling, general and administrative expenses as a percentage of net sales by region:

Millions of dollars	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	As a % of Net Sales	2016	As a % of Net Sales	2017	As a % of Net Sales	2016	As a % of Net Sales
North America	\$200	6.7%	\$203	7.1%	\$584	6.8%	\$583	7.3%
EMEA	138	10.9%	141	10.7%	401	11.5%	429	11.3%
Latin America	75	8.8%	75	9.4%	242	9.6%	221	9.5%
Asia	66	18.5%	53	15.7%	175	15.5%	162	15.1%
Corporate/other	42	—	47	—	144	—	140	—
Consolidated	\$521	9.6%	\$519	9.9%	\$1,546	9.9%	\$1,535	10.2%

Consolidated selling, general and administrative expenses is comparable as a percent of net sales compared the the same periods in 2016.

## Restructuring

We incurred restructuring charges of \$45 million and \$150 million for the three and nine months ended September 30, 2017, compared to \$29 million and \$116 million for the same periods in 2016. For the full year 2017, we expect to incur up to \$200 million of restructuring charges, which will result in substantial ongoing cost reductions.

Additional information about restructuring activities can be found in Note 9 of the Notes to the Consolidated Condensed Financial Statements.

## Interest and Sundry (Income) Expense

Interest and sundry (income) expense for the three and nine months ended September 30, 2017 improved compared to the same periods in 2016. The decrease in expense for the three and nine months ended was primarily due to a favorable impact from foreign currency.

## Interest Expense

Interest expense for the three and nine months ended September 30, 2017 increased compared to the same periods in 2016 primarily due to higher average debt and lower capitalized interest.

## Income Taxes

Income tax benefit was \$4 million and income tax expense was \$69 million for the three and nine months ended September 30, 2017, respectively, compared to income tax expense of \$61 million and \$64 million for the same periods of 2016. For the three and nine months ended September 30, 2017, changes in the effective tax rate from the prior period include tax planning and related valuation allowance releases.

For additional information, see Note 10 of the Notes to the Consolidated Condensed Financial Statements.

## FORWARD-LOOKING PERSPECTIVE

Earnings per diluted share presented below are net of tax, while each adjustment is presented on a pre-tax basis. The aggregate income tax impact of the taxable components of each adjustment is presented in the income tax impact line item at our anticipated 2017 full-year tax rate of approximately 16%. We currently estimate earnings per diluted share and industry demand for 2017 to be within the following ranges:

2017  
Current Outlook

Estimated earnings per diluted share, for the year ending December 31, 2017	\$11.10	—	\$11.40
Including:			
Restructuring Expense	\$(2.66)		
Out-of-Period Adjustment	\$(0.27)		
Income Tax Impact	\$0.45		

Industry demand			
North America <sup>(1)</sup>	4%	—	6%
EMEA	Flat	—	2%
Latin America <sup>(2)</sup>	Flat		
Asia	Flat	—	2%

<sup>(1)</sup> Reflects industry demand in the United States.

<sup>(2)</sup> Reflects industry demand in Brazil.

For the full-year 2017, we expect to generate cash from operating activities of \$1.55 to \$1.6 billion and free cash flow of approximately \$900 million, including primarily acquisition related restructuring cash outlays of up to \$175 million, legacy product warranty and liability costs of \$69 million, pension contributions of \$42 million and, with respect to free cash flow, capital expenditures of approximately \$650 million to \$700 million.

The table below reconciles projected 2017 cash provided by operating activities determined in accordance with GAAP to free cash flow, a non-GAAP measure. Management believes that free cash flow provides stockholders with a relevant measure of liquidity and a useful basis for assessing Whirlpool's ability to fund its activities and obligations. There are limitations to using non-GAAP financial measures, including the difficulty associated with comparing companies that use similarly named non-GAAP measures whose calculations may differ from our calculations. We define free cash flow as cash provided by operating activities less capital expenditures and including proceeds from the sale of assets/businesses, and changes in restricted cash. The change in restricted cash relates to the private placement funds paid by Whirlpool to acquire majority control of Whirlpool China (formerly Hefei Sanyo) in 2014 and which are used to fund capital and technical resources to enhance Whirlpool China's research and development and working capital, as required by the terms of the Hefei Sanyo acquisition completed in October 2014.

Millions of dollars	2017 Current Outlook
Cash provided by operating activities <sup>(1)</sup>	\$1,550-\$1,600
Capital expenditures, proceeds from sale of assets/businesses and changes in restricted cash	(650) -(700)
Free cash flow	~ \$900

<sup>(1)</sup> Financial guidance on a GAAP basis for cash provided by (used in) financing activities and cash provided by (used in) investing activities has not been provided because in order to prepare any such estimate or projection, the company would need to rely on market factors and certain other conditions and assumptions that are outside of its control.

The projections above are based on many estimates and are inherently subject to change based on future decisions made by management and the Board of Directors of Whirlpool, and significant economic, competitive and other uncertainties and contingencies.

#### FINANCIAL CONDITION AND LIQUIDITY

Our objective is to finance our business through operating cash flow and the appropriate mix of long-term and short-term debt. By diversifying the maturity structure, we avoid concentrations of debt, reducing liquidity risk. We have varying needs for short-term working capital financing as a result of the nature of our business. We regularly review our capital structure and liquidity priorities, which include funding the business through capital and engineering spending to support innovation and productivity initiatives, funding our pension plan and term debt liabilities, providing return to shareholders and potential acquisitions.

Our short term potential uses of liquidity include funding our ongoing capital spending, restructuring activities, pension plans and returns to shareholders. We also have \$671 million of long term debt maturing in the next twelve months, and are currently evaluating our options in connection with this maturing debt, which may include repayment through refinancing, free cash flow generation, or cash on hand.

We monitor the credit ratings and market indicators of credit risk of our lending, depository, derivative counterparty banks, and customers regularly, and take certain actions to manage credit risk. We diversify our deposits and investments in short term cash equivalents to limit the concentration of exposure by counterparty.

At September 30, 2017, we had cash or cash equivalents greater than 1% of our consolidated assets in China, which represented 2.4%. In addition, we did not have any third-party accounts receivable greater than 1% of our consolidated assets in any single country outside of North America. We continue to monitor general financial instability and uncertainty globally.

#### Sources and Uses of Cash

The following table summarizes the net increase (decrease) in cash and cash equivalents for the periods presented:

	Nine Months Ended September 30,	
Millions of dollars	2017	2016
Cash provided by (used in):		
Operating activities	\$(33)	\$(175)
Investing activities	(349)	(303)
Financing activities	335	729
Effect of exchange rate changes on cash	49	2
Net change in cash and cash equivalents	\$2	\$253

#### Cash Flows from Operating Activities

Cash used in operating activities for the nine months ended September 30, 2017 decreased compared to the same period in 2016, which primarily reflects working capital optimization.

The timing of cash flows from operations varies significantly throughout the year primarily due to changes in production levels, sales patterns, promotional programs, funding requirements, credit management, as well as receivable and payment terms. Depending on timing of cash flows, the location of cash balances, as well as the liquidity requirements of each country, external sources of funding are used to support working capital requirements.

#### Cash Flows from Investing Activities

Cash used in investing activities during the nine months ended September 30, 2017 increased compared to the same period in 2016, which primarily reflects investment in related businesses and use of restricted cash.

#### Cash Flows from Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2017 decreased compared to the same period in 2016, which primarily reflects share repurchase activity under our share repurchase program and issuances of long-term debt in 2016.

#### Financing Arrangements

The Company had total committed credit facilities of approximately \$3.6 billion as of September 30, 2017, which amount increased by \$500 million from December 31, 2016 due to an increase in the Amended Long-Term Facility entered into in the third quarter. The facilities are geographically diverse and reflect the Company's growing global operations. The Company believes these facilities are sufficient to support its global operations. We had no borrowings outstanding under the committed credit facilities at September 30, 2017 or December 31, 2016.

For additional information about our financing arrangements, see Note 5 of the Notes to the Consolidated Condensed Financial Statements.

#### Dividends

In April 2017, our Board of Directors approved a 10% increase in our quarterly dividend on our common stock to \$1.10 per share from \$1 per share.

#### Off-Balance Sheet Arrangements





In the ordinary course of business, we enter into agreements with financial institutions to issue bank guarantees, letters of credit, and surety bonds. These agreements are primarily associated with unresolved tax matters in Brazil, as is customary under local regulations, and other governmental obligations and debt agreements. At September 30, 2017, we had approximately \$420 million outstanding under these agreements.

#### Repurchase Program

For additional information about our repurchase program, see Note 8 of the Notes to the Consolidated Condensed Financial Statements.

#### OTHER MATTERS

For additional information regarding certain of our loss contingencies/litigation, see Note 6 of the Notes to the Consolidated Condensed Financial Statements.

#### Grenfell Tower

On June 23, 2017, London's Metropolitan Police Service released a statement that it had identified a Hotpoint-branded refrigerator as the initial source of the Grenfell Tower fire in West London, and that U.K. authorities were conducting an investigation to establish the cause of the incident. The model in question was manufactured by Indesit Company between 2006 and 2009, prior to Whirlpool's acquisition of Indesit in 2014. We are fully cooperating with the investigating authorities and are in discussions with the U.K. regulator. As the investigation into the Grenfell Tower incident and discussions with the regulator are ongoing, we cannot speculate on their eventual outcomes or potential impact on our financial statements; accordingly, we have not recorded any significant charges in 2017.

#### Antidumping and Safeguard Petitions

As previously reported, in response to our December 2011 petition, the U.S. Department of Commerce (DOC) issued a final determination in 2013 that Samsung and LG violated U.S. and international trade laws by dumping washers from South Korea and Mexico into the U.S., and antidumping duties are now imposed on certain washers imported from South Korea and Mexico. Rather than comply with the 2013 order, Samsung and LG moved their washer production to China. Samsung and LG resumed dumping washers into the U.S. and Whirlpool responded in 2015 by filing a new antidumping petition against their imports. The DOC issued a final determination in 2016 that Samsung and LG violated U.S. and international trade laws by dumping washers from China into the U.S. As a result of these decisions, certain washers imported from China are now subject to antidumping duties set by the DOC. As in the case of our December 2011 petition, the DOC and International Trade Commission (ITC) decisions could be followed by administrative review procedures and possible appeals over the next several years.

In May 2017, we filed a safeguard petition with the ITC to address our concerns that Samsung and LG are evading U.S. trade laws by moving production from countries (South Korea, Mexico and China) covered by existing DOC antidumping duties. In contrast to the country-specific antidumping remedy that the U.S. Government applied to Samsung and LG in South Korea, Mexico and China, a safeguard remedy can address imports from Samsung and LG from any country that causes injury to U.S. washer manufacturers. In October 2017, the ITC determined increased washer imports were a substantial cause of serious injury to the U.S. washer industry, and will make a remedy recommendation to the U.S. President to address past harm and prevent future injury. We expect that the ITC will make its recommendation in the fourth quarter, and that the President will announce a remedy by early 2018.

#### Post-Retirement Benefit Litigation

For additional information regarding post-retirement benefit litigation, see Note 11 of the Notes to the Consolidated Condensed Financial Statements.

#### Customer Contracts

We regularly negotiate with trade customers, including Sears Holdings Corporation, regarding supply arrangements for future periods. In May 2017, consistent with our contractual obligations, we notified Sears of our intent to no longer supply Whirlpool branded products if an agreement on terms could not be reached within 180 days. We proceeded to continue negotiations into the fourth quarter of 2017 and have not reached agreement on terms. As a result, the Company currently intends to no longer supply Whirlpool branded products to Sears, effective October 27, 2017. For the nine months ended September 30, 2017, these sales represented approximately 1% of consolidated net sales. In the past, when faced with a potential volume reduction from any one particular segment of our trade distribution network, we generally have been able to offset such decline through increased sales throughout our broad distribution network.



**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to our exposures to market risk since December 31, 2016.

**ITEM 4. CONTROLS AND PROCEDURES**

**(a) Evaluation of disclosure controls and procedures**

Prior to filing this report, we completed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of September 30, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2017.

**(b) Changes in internal control over financial reporting**

There were no changes in our internal control over financial reporting that occurred during the most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

Information with respect to legal proceedings can be found under the heading “Commitments and Contingencies” in Note 6 to the Consolidated Condensed Financial Statements contained in Part I, Item 1 of this report.

## ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, except as updated in our subsequent quarterly reports on Form 10-Q.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On April 18, 2016, our Board of Directors authorized a share repurchase program of up to \$1 billion. During the nine months ended September 30, 2017, we repurchased 3,087,801 shares under this share repurchase program at an aggregate purchase price of approximately \$550 million. As of September 30, 2017, there were approximately \$150 million in remaining funds authorized under this program, which has no expiration date.

On July 25, 2017, our Board of Directors authorized an additional share repurchase program of up to \$2 billion, which has no expiration date.

The following table summarizes repurchases of Whirlpool's common stock in the three months ended September 30, 2017:

Period (Millions of dollars, except number and price per share)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans
July 1, 2017 through July 31, 2017	—	\$—	—	\$ 2,350
August 1, 2017 through August 31, 2017	937,500	173.14	937,500	2,188
September 1, 2017 through September 30, 2017	220,681	170.70	220,681	2,150
Total	1,158,181	\$172.68	1,158,181	

Share repurchases are made from time to time on the open market as conditions warrant. These programs do not obligate us to repurchase any of our shares.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit 10.1 Consent to Commitment Increase dated September 27, 2017 by and between Whirlpool Corporation and JPMorgan Chase Bank, N.A., as Administrative Agent, and form of consent by certain Financial Institutions

Exhibit 10.2 Request for Extension dated September 8, 2017 by the Company and form of consent to Extension dated September 27, 2017 by certain Financial Institutions to JPMorgan Chase Bank, N.A., as Administrative Agent

Exhibit 31.1 Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WHIRLPOOL CORPORATION

(Registrant)

By: /s/ JAMES W. PETERS

Name: James W. Peters

Title: Executive Vice President  
and Chief Financial Officer

Date: October 24, 2017