WHIRLPOOL CORP /DE/
Form 10-Q
November 02, 2011

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011
OR
o 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,<br>Benton Harbor, Michigan | 49022-2692 |
| (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 x No o
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 x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
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 31, 2011 |
|---|---|
| Common stock, par value $1 per share | 76,439,148 |

QUARTERLY REPORT ON FORM 10-Q
WHIRLPOOL CORPORATION
Three and Nine Months Ended September 30, 2011
INDEX OF INFORMATION INCLUDED IN REPORT


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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 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 similar expressions. Our forward-looking statements generally relate to our growth strategies, financial results, product development, sales efforts and legal contingencies. 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 material and oil-related 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 continue its relationship with significant trade customers and the ability of these trade customers to maintain or increase market share; (3) changes in economic conditions which affect demand for our products, including the strength of the building industry and the level of interest rates; (4) litigation and legal compliance risk and costs, especially costs which may be materially different from the amount we expect to incur or have accrued for; (5) the effects and costs of governmental investigations or related actions by third parties; (6) the ability of Whirlpool to achieve its business plans, price increases, productivity improvements, cost control, leveraging of its global operating platform, and acceleration of the rate of innovation; (7) fluctuations in the cost of key materials (including steel, oil, plastic, resins, copper and aluminum) and components and the ability of Whirlpool to offset cost increases; (8) product liability and product recall costs; (9) the ability of Whirlpool to manage foreign currency fluctuations; (10) global, political and/or economic uncertainty and disruptions, especially in Whirlpool's significant geographic regions, including uncertainty and disruptions arising from natural disasters or terrorist attacks; (11) inventory and other asset risk; (12) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (13) health care cost trends, regulatory changes and variations between results and estimates that could increase future funding obligations for pension and post retirement benefit plans; (14) Whirlpool's ability to obtain and protect intellectual property rights; (15) information technology system failures and data security breaches; (16) the impact of labor relations; (17) our ability to attract, develop and retain executives and other qualified employees; and (18) changes in the legal and regulatory environment including environmental and 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 Securities and Exchange Commission. 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 Item 1A of this report.

Unless otherwise indicated, the terms “Whirlpool,” “we,” “us,” and “our” refer to Whirlpool Corporation and its consolidated subsidiaries.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
WHIRLPOOL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30
(Millions of dollars, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | $4,625 | $4,519 | $13,755 | $13,325 |
| Expenses | | | | |
| Cost of products sold | 4,052 | 3,871 | 11,891 | 11,277 |
| Gross margin | 573 | 648 | 1,864 | 2,048 |
| Selling, general and administrative | 394 | 391 | 1,199 | 1,163 |
| Intangible amortization | 7 | 7 | 21 | 21 |
| Restructuring costs | 36 | 16 | 58 | 58 |
| Operating profit | 136 | 234 | 586 | 806 |
| Other income (expense) | | | | |
| Interest and sundry income (expense) | (27) | (104) | (583) | (185) |
| Interest expense | (51) | (54) | (160) | (167) |
| Earnings (loss) before income taxes and other items | 58 | 76 | (157) | 454 |
| Income tax benefit | (123) | (7) | (353) | (18) |
| Earnings before equity earnings | 181 | 83 | 196 | 472 |
| Equity in loss of affiliated companies | — | — | (1) | — |
| Net earnings | 181 | 83 | 195 | 472 |
| Less: Net earnings available to noncontrolling interests | 4 | 4 | 10 | 24 |
| Net earnings available to Whirlpool | $177 | $79 | $185 | $448 |
| Per share of common stock | | | | |
| Basic net earnings available to Whirlpool | $2.31 | $1.04 | $2.41 | $5.90 |
| Diluted net earnings available to Whirlpool | $2.27 | $1.02 | $2.37 | $5.79 |
| Dividends | $0.50 | $0.43 | $1.43 | $1.29 |
| Weighted-average shares outstanding (in millions) | | | | |
| Basic | 76.9 | 76.5 | 76.8 | 76.1 |
| Diluted | 78.1 | 77.7 | 78.1 | 77.4 |

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

WHIRLPOOL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Millions of dollars, except share data)

| | (Unaudited) September 30, 2011 | December 31, 2010 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and equivalents | $ 511 | $ 1,368 |
| Accounts receivable, net of allowance of $64 and $66, respectively | 2,261 | 2,278 |
| Inventories | 2,864 | 2,792 |
| Deferred income taxes | 225 | 204 |
| Prepaid and other current assets | 599 | 673 |
| Total current assets | 6,460 | 7,315 |
| Property, net of accumulated depreciation of $6,314 and $6,660, respectively | 3,081 | 3,134 |
| Goodwill | 1,724 | 1,731 |
| Other intangibles, net of accumulated amortization of $170 and $146, respectively | 1,767 | 1,789 |
| Deferred income taxes | 1,703 | 1,305 |
| Other noncurrent assets | 268 | 310 |
| Total assets | $ 15,003 | $ 15,584 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | $ 3,536 | $ 3,660 |
| Accrued expenses | 971 | 671 |
| Accrued advertising and promotions | 339 | 426 |
| Employee compensation | 355 | 467 |
| Notes payable | 17 | 2 |
| Current maturities of long-term debt | 361 | 312 |
| Other current liabilities | 664 | 611 |
| Total current liabilities | 6,243 | 6,149 |
| Noncurrent liabilities | | |
| Long-term debt | 2,133 | 2,195 |
| Pension benefits | 1,238 | 1,519 |
| Postretirement benefits | 452 | 610 |
| Other noncurrent liabilities | 600 | 791 |
| Total noncurrent liabilities | 4,423 | 5,115 |
| Stockholders' equity | | |
| Common stock, $1 par value, 250 million shares authorized, 106 million shares issued and 76 million shares outstanding | 106 | 106 |
| Additional paid-in capital | 2,189 | 2,156 |
| Retained earnings | 4,755 | 4,680 |
| Accumulated other comprehensive loss | (990) | (893) |
| Treasury stock, 30 million shares | (1,821) | (1,823) |
| Total Whirlpool stockholders' equity | 4,239 | 4,226 |
| Noncontrolling interests | 98 | 94 |
| Total stockholders' equity | 4,337 | 4,320 |
| Total liabilities and stockholders' equity | $ 15,003 | $ 15,584 |

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

WHIRLPOOL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30
(Millions of dollars)

| | 2011 | 2010 |
|---|---|---|
| Operating activities | | |
| Net earnings | $195 | $472 |
| Adjustments to reconcile net earnings to cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 422 | 414 |
| Curtailment gain | — | (62) |
| Settlement of Brazilian collection dispute | 144 | 57 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (64) | (76) |
| Inventories | (171) | (878) |
| Accounts payable | 4 | 386 |
| Accrued advertising and promotions | (80) | (74) |
| Product recall | (14) | 30 |
| Taxes deferred and payable, net | (476) | 19 |
| Accrued pension | (248) | (24) |
| Employee compensation | (83) | 7 |
| Other | 29 | 106 |
| Cash (used in) provided by operating activities | (342) | 377 |
| Investing activities | | |
| Capital expenditures | (417) | (387) |
| Proceeds from sale of assets | 20 | 9 |
| Investment in related businesses | (7) | (18) |
| Acquisition of brand | — | (27) |
| Other | (4) | — |
| Cash used in investing activities | (408) | (423) |
| Financing activities | | |
| Proceeds from borrowings of long-term debt | 300 | — |
| Repayments of long-term debt | (310) | (373) |
| Dividends paid | (110) | (99) |
| Purchase of noncontrolling interest shares | — | (12) |
| Net proceeds (repayments) from short-term borrowings | 14 | (7) |
| Common stock issued | 14 | 72 |
| Other | (12) | (12) |
| Cash used in financing activities | (104) | (431) |
| Effect of exchange rate changes on cash and equivalents | (3) | (2) |
| Decrease in cash and equivalents | (857) | (479) |
| Cash and equivalents at beginning of period | 1,368 | 1,380 |
| Cash and equivalents at end of period | $511 | $901 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1)BASIS OF PRESENTATION

General Information

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, 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 the Financial Supplement of our Form 10-K for the year ended December 31, 2010.

We have eliminated all material intercompany transactions in our Consolidated Financial Statements. We do not consolidate the financial statements of any company in which we have an ownership interest of 50% or less unless we control that company. We did not control any company in which we had an ownership interest of 50% or less for any period presented in our Consolidated Financial Statements.

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

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

Issued but Not Yet Effective Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") amended Accounting Standards Codification ("ASC") 350, "Intangibles--Goodwill and Other". Under the amendment, an entity may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If determined to be necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this amendment will not have a material impact on our consolidated financial statements.

In June 2011, the Financial Accounting Standards Board ("FASB") amended Accounting Standards Codification ("ASC") 220, “Presentation of Comprehensive Income.” This amendment will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amended guidance, which must be applied retroactively, is effective for interim and annual periods beginning after December 15, 2011, with earlier adoption permitted. This Accounting Standards Update ("ASU") impacts presentation only, it will have no effect on our financial condition, results of operations or cash flows.

In May 2011, the FASB amended ASC 820, "Fair Value Measurement." This amendment is intended to result in convergence between U.S. GAAP and International Financial Reporting Standards (“IFRS”) requirements for measurement of and disclosures about fair value. This guidance clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The amendment is effective for interim and annual periods beginning after December 15, 2011. The adoption of this amendment will not have a material impact on our consolidated financial statements.

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(2)GOODWILL AND OTHER INTANGIBLES

The following table summarizes the net carrying amount of goodwill and other intangibles:

| Millions of dollars | Estimated Useful Life | September 30, 2011 | December 31, 2010 |
|---|---|---|---|
| North America reporting unit | Indefinite life | $1,720 | $1,727 |
| Embraco reporting unit | Indefinite life | 4 | 4 |
| Total goodwill | | $1,724 | $1,731 |
| Trademarks | Indefinite life | $1,528 | $1,535 |
| Customer relationships | 18 years | 198 | 210 |
| Patents and non-compete agreements | 3 to 10 years | 41 | 44 |
| Total other intangible assets, net | | $1,767 | $1,789 |

Goodwill and indefinite lived intangible assets are required to be evaluated for impairment annually, which occurs as of November 30th of each year or whenever events occur which may indicate possible impairment. Goodwill is evaluated using a two-step impairment test at the reporting unit level. The first step of the goodwill impairment test compares the book value of a reporting unit, including goodwill, with its fair value. If the book value of a reporting unit exceeds its fair value, we perform the second step of the impairment test. In the second step, we estimate an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The difference between the total fair value of the reporting unit and the fair value of all the assets and liabilities other than goodwill is the implied fair value of that goodwill. The amount of impairment loss is equal to the excess of the book value of the goodwill over the implied fair value of that goodwill.

In assessing the fair value of trademarks, we utilize a relief from royalty method. If the carrying amount of a trademark exceeds its fair value, an impairment loss is recognized in an amount equal to the excess.

Considerable judgment is necessary to estimate key assumptions involved in valuing our intangible assets, including projected revenues, royalty rates and applicable discount rates. Based on an analysis completed during the third quarter of 2011, we determined an impairment of our goodwill or other intangible assets did not exist at September 30, 2011.

(3)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 that market participants would use in pricing an asset or liability. 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, 2011 and December 31, 2010.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are identified in the table below and are as follows:

(a) Market approach—prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(b) Cost approach—amount that would be required to replace the service capacity of an asset (replacement cost)

(c) Income approach—techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models)

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Assets and liabilities measured at fair value on a recurring basis at September 30, 2011 and December 31, 2010 are as follows:

| | Total Cost Basis | | Quoted Prices In Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | | Total Fair Value | | Valuation Technique |
|---|---|---|---|---|---|---|---|---|---|
| Millions of dollars | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Money market funds (1) | $— | $414 | $— | $414 | $— | $— | $— | $414 | (a) |
| Net derivative contracts | — | — | — | — | (26) | 125 | (26) | 125 | (a) |
| Available for sale investments | 34 | 27 | 22 | 25 | — | — | 22 | 25 | (a) |

(1) Money market funds are primarily comprised of United States government obligations.

Other Fair Value Measurements

The fair value of long-term debt (including current maturities) was $2,676 million and $2,716 million at September 30, 2011 and December 31, 2010, respectively, and was estimated using discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements.

(4)INVENTORIES

| Millions of dollars | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Finished products | $ 2,459 | $ 2,314 |
| Raw materials and work in process | 578 | 627 |
| | 3,037 | 2,941 |
| Less: excess of FIFO cost over LIFO cost | (173) | (149) |
| Total inventories | $ 2,864 | $ 2,792 |

LIFO inventories represented 45% and 43% of total inventories at September 30, 2011 and December 31, 2010.

(5)PROPERTY

The following table summarizes our property, plant and equipment as of September 30, 2011 and December 31, 2010:

| Millions of dollars | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Land | $ 77 | $ 74 |
| Buildings | 1,170 | 1,218 |
| Machinery and equipment | 8,148 | 8,502 |
| Accumulated depreciation | (6,314) | (6,660) |
| Property, plant and equipment, net | $ 3,081 | $ 3,134 |

During the September 2011 quarter we retired $324 million of fully depreciated machinery and equipment no longer in use. The retirement had no impact to net earnings available to Whirlpool.

(6)FINANCING ARRANGEMENTS

On June 7, 2011, we completed a debt offering of $300 million principal amount of 4.85% notes due June 15, 2021 (the “2021 Notes”). The proceeds from the 2021 Notes were used to repay $300 million of 6.125% notes that matured on June 15, 2011. The 2021 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 2021 Notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The 2021 Notes are registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-3 (File No. 333-157392) filed with the Securities and Exchange Commission on February 19, 2009.

On June 28, 2011, we entered into an Amended and Restated Long-Term Credit Agreement (the “Facility”). The Facility

amends, restates, and extends our existing credit facility, scheduled to mature on August 13, 2012. The total commitment increased from $1.35 billion to $1.725 billion and the maturity date was extended to June 28, 2016. The Facility includes a letter of credit sublimit of $200 million. Borrowings under the Facility are available to us and our designated subsidiaries for general corporate purposes, including commercial paper support. Subsidiary borrowings under the Facility, if any, are guaranteed by Whirlpool Corporation. Interest under the Facility accrues at a variable annual rate based on LIBOR plus a margin or the prime rate plus a margin. The margin is dependent on our credit rating at that time. At September 30, 2011, the margin was as follows: (1) 1.625% over LIBOR; (2) 0.625% over the prime rate; and (3) the unused commitment fee was 0.25%. At September 30, 2011 we had
$5 million in borrowings outstanding under the Facility. We had no borrowings outstanding under our previous credit facility at
December 31, 2010. We were in compliance with financial covenant requirements at September 30, 2011 and December 31, 2010.

The Facility requires us to meet certain financial tests. Whirlpool's maximum rolling twelve month Leverage Ratio (defined in the Facility) is limited to 3.25 to 1.0 for each fiscal quarter. The rolling twelve month Interest Coverage Ratio (defined in the Facility) is required to be greater than or equal to 3.0 to 1.0 for each fiscal quarter.

We paid lenders under the Facility an up-front fee of approximately $5 million, which combined with the unamortized deferred fees from the previous credit facility are being amortized over the remaining term of the Facility.

(7)COMMITMENTS AND CONTINGENCIES

Embraco Antitrust Matters

Government authorities in various jurisdictions are conducting antitrust investigations of the global compressor industry, including our compressor business headquartered in Brazil (“Embraco”). In 2010, Embraco sales represented approximately 8% of our global net sales.

In February 2009, competition authorities in Brazil, the United States and Europe began to seek documents from us in connection with their investigations. A grand jury subpoena from the United States Department of Justice (the “DOJ”) requested documents for the time period from 2003 to 2009. Competition authorities in other jurisdictions have sought similar information.

In September 2009, the Brazilian competition commission (CADE) agreed to terminate the administrative investigation of our compressor business. Under the terms of the settlement agreement, Whirlpool affiliates and certain executives located in Brazil acknowledged a violation of Brazilian antitrust law in the Brazilian compressor market by some Embraco employees. The settlement agreement provides for the affiliates to make contributions totaling 100 million Brazilian reais to a Brazilian government fund. The contributions translated to approximately $56 million, all of which was recorded within interest and sundry income (expense) in 2009. The payments are to be made in twelve semiannual installments of approximately 8 million Brazilian reais through 2015. As of September 30, 2011, approximately $21 million had been paid.

In September 2010, the DOJ and Embraco entered into a plea agreement related to the DOJ’s investigation which was approved by the United States District Court for the Eastern District of Michigan in December 2010. Under the plea agreement, the DOJ recognized Embraco’s substantial assistance in the investigation and agreed not to bring further charges against Embraco or any related entities for any conspiracy involving compressor pricing during the investigation period. Pursuant to the plea agreement, Embraco (1) acknowledged that it violated United States antitrust law with respect to the sale of certain compressors from October 2004 through December 2007 and (2) agreed to pay a fine totaling $91.8 million to the United States government. The full amount of the fine was recorded within interest and sundry income (expense) in the third quarter of 2010. Embraco made the first payment of $16.8 million in January 2011. The five remaining annual payments of $15.0 million plus interest will be made during each fourth quarter through 2015.

Since the government investigations became public in February 2009, we have been named as a defendant in related antitrust lawsuits in various jurisdictions seeking damages in connection with the pricing of compressors from 1996 to 2009. Several other compressor manufacturers who are the subject of the government investigations have also been named as defendants in the litigation. United States federal lawsuits instituted on behalf of purported purchasers and containing class action allegations have been combined in one proceeding in the United States District Court for the Eastern District of Michigan. We continue to cooperate with ongoing government investigations in other jurisdictions, to defend the related antitrust lawsuits and to take other actions to minimize our potential exposure.

The final outcome and impact of these matters, and 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, which include the investigation by the European Union and certain other matters. As of September 30, 2011, we have incurred, in the aggregate, charges of approximately $314 million due to the Embraco antitrust matters, including defense costs and other expenses. These charges have been recorded within interest and

sundry income (expense) when incurred. At September 30, 2011, $209 million remains accrued. 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 position, liquidity, or results of operations.

Brazilian Collection Dispute

We reached an agreement on June 22, 2011 to settle all claims arising from our long-standing dispute in Brazil with Banco Safra S.A. Such settlement was subsequently approved by a Brazilian court on July 8, 2011. Pursuant to the settlement, our subsidiary agreed to pay Banco Safra S.A. 959 million Brazilian reais, in two installments, the first of 469 million reais (equivalent to $301 million) was made on July 14, 2011, and the second of 490 million reais (equivalent to approximately $264 million as of September 30, 2011) is planned for the first quarter of 2012 and remains accrued. The settlement amount is being funded from available cash.

Operating Tax Matter

The Brazilian Constitution provides a general basis for recognizing tax credits on the purchase of raw materials used in production ("IPI tax credit"). Certain raw materials that are exempt or have a zero tax basis in the production process qualify for these IPI tax credits. Based on legal precedent, in 2003 and 2004, we recognized tax credits in an aggregate amount of $26 million adjusted for currency. The Brazilian tax authority subsequently challenged the recording of IPI tax credits. No credits were recognized in 2005 through 2009. In 2009, we entered into an agreement under a special Brazilian government program providing for extended payment terms and reductions in penalties and interest to encourage taxpayers to resolve disputed IPI tax credit amounts. Charges recorded related to this program for the year ended December 31, 2009 include $27 million in tax that was recorded in cost of products sold, $16 million in interest expense and $4 million in penalties recorded in interest and sundry income (expense) in our Consolidated Statements of Income. During the December 2009 quarter, based on newly issued regulations, we settled with the Brazilian tax authority to resolve these and other disputed tax amounts. As a result of this settlement agreement, we recorded an increase in value added taxes owed of approximately $4 million in cost of goods sold, a reduction in interest expense totaling $18 million related to interest abatement, a reduction in interest and sundry income (expense) of $4 million related to penalty abatement and related income tax expense of $5 million under this special program. The settlement is in the process of being ratified by the Brazilian tax authority.

Other Litigation

We are currently defending a number of class action suits in federal and state courts related to the manufacturing and sale of our products and alleging claims which include breach of warranty, fraud, violation of state consumer protection acts and negligence. We dispute the merits of these suits. We intend to vigorously defend these actions.

We are also involved in various other legal actions arising in the normal course of business. Management, after taking into consideration legal counsel's evaluation of such actions and the class action suits discussed in the previous paragraph, is of the opinion that the outcome of these matters will not have a material adverse effect, if any, on our Consolidated Financial Statements.

Product Warranty and Recall Reserves

Product warranty reserves are generally established in the same period that revenue from the sale of the related products is recognized. The amounts of those reserves are based on established terms and our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date.

Product warranty and recall reserves are included in other current liabilities and other noncurrent liabilities. The following table summarizes the changes in product warranty and recall reserves for the periods presented:

| | Product Warranty | | Product Recall | | Total | |
|---|---|---|---|---|---|---|
| Millions of dollars | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Balance at January 1 | $202 | $187 | $15 | $2 | $217 | $189 |
| Issuances/accruals during the period | 248 | 253 | — | 78 | 248 | 331 |
| Settlements made during the period | (251) | (250) | (5) | (49) | (256) | (299) |
| Other changes | (12) | 10 | (9) | — | (21) | 10 |
| Balance at September 30 | $187 | $200 | $1 | $31 | $188 | $231 |
| Current portion | $147 | $161 | $1 | $31 | $148 | $192 |
| Non-current portion | 40 | 39 | — | — | 40 | 39 |
| Total | $187 | $200 | $1 | $31 | $188 | $231 |

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During the March 2010 quarter we accrued $75 million related to a recall of 1.8 million dishwashers sold in the United States and Canada between 2006 and 2010. The recall is due to an electrical failure in the dishwasher's heating element. During 2011, we revised the total cost of this recall from $75 million to $66 million, as a result of lower than expected costs. These amounts were recorded in cost of products sold. Our actual costs related to this recall will depend on several factors, including the number of consumers who respond to the recall, the costs of repair and administration and whether costs will be recovered from the supplier.

In 2009, we announced a voluntary recall of refrigerators due to quality issues in a purchased component. We accrued $70 million, in the aggregate, as the estimated cost of the recall, all of which was charged to cost of products sold. There are no remaining amounts accrued. Effective as of October 24, 2011 we reached a settlement agreement in which the supplier agreed to reimburse $61 million of Whirlpool's recall costs in the December 2011 quarter, which will be recognized in cost of products sold.

We regularly engage in investigations of potential quality and safety issues as part of our ongoing effort to deliver quality products to customers. We are currently investigating a limited number of potential quality and safety issues. 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.

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, 2011 and December 31, 2010, the guaranteed amounts totaled $360 million and $386 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 amount of credit facilities available under these lines for consolidated subsidiaries totaled $1.2 billion at September 30, 2011 and December 31, 2010. Our total outstanding bank indebtedness under guarantees totaled $12 million at September 30, 2011 and $2 million at December 31, 2010.

On May 16, 2008, we guaranteed a $50 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 fair value of the guarantee was nominal. 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.

(8)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 or fair value hedges. 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. For a derivative instrument designated as a fair value hedge, the gain or loss on the derivative is recognized in earnings in the period of change in fair value together with the offsetting gain or loss on the hedged item. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of Other Comprehensive Income ("OCI") and is subsequently recognized in earnings when the hedged exposure affects earnings. 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. 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, inventory 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 earnings for both the payable/receivable and the derivative. Therefore, as a result of the economic hedge, we do not elect hedge accounting.

Commodity price risk

We enter into forward 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 of our 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, 2011 and December 31, 2010 there were no outstanding swap agreements.

We enter into treasury rate lock agreements to effectively modify our exposure to interest rate risk by locking-in interest rates on anticipated long-term debt. The unrealized gain/loss recorded at September 30, 2011 was not material.

The following tables summarize our outstanding derivative contracts and their effects on our Consolidated Balance Sheets at September 30, 2011 and December 31, 2010:

| | | | Fair Value of | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Millions of dollars | Notional Amount | | Hedge Assets | | Hedge Liabilities | | Type of Hedge [1] | Maximum Term (Months) | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 |
| Derivatives accounted for as hedges | | | | | | | | | |
| Foreign exchange forwards/options | $1,056 | $909 | $38 | $13 | $20 | $31 | (CF/FV) | 21 | 15 |
| Commodity swaps/options | 349 | 539 | 15 | 129 | 22 | 2 | (CF/FV) | 27 | 24 |
| Treasury rate locks | 250 | — | — | — | — | — | | 9 | — |
| Total derivatives accounted for as hedges | | | $53 | $142 | $42 | $33 | | | |
| Derivatives not accounted for as hedges | | | | | | | | | |
| Foreign exchange forwards/options | $1,437 | $990 | $20 | $11 | $57 | $3 | | 4 | 10 |
| Commodity swaps/options | 5 | 13 | 1 | 11 | 1 | 3 | | 14 | 12 |
| Total derivatives not accounted for as hedges | | | 21 | 22 | 58 | 6 | | | |
| Total derivatives | | | $74 | $164 | $100 | $39 | | | |
| | | | | | | | | | |
| Current | | | $67 | $135 | $94 | $39 | | | |
| Noncurrent | | | 7 | 29 | 6 | — | | | |
| Total derivatives | | | $74 | $164 | $100 | $39 | | | |

(1) Derivatives accounted for as hedges are either considered cash flow (CF) or fair value (FV) hedges.

The effects of derivative instruments on our Consolidated Statements of Income for the three and nine months ended are as follows:

| Cash Flow Hedges - Millions of dollars | Three Months Ended September 30, Gain (Loss) Recognized in OCI (Effective Portion) | | Three Months Ended September 30, Gain (Loss) Reclassified from OCI into Income (Effective Portion) [1] | | | Three Months Ended September 30, Gain (Loss) Recognized in Income (Ineffective Portion) [2] | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 |
| Foreign exchange forwards/options | $26 | $1 | $(5) | $(8) | (a)(b) | $— | $— |
| Commodity swaps/options | (60) | 92 | 22 | 14 | (b) | 1 | — |
| | $(34) | $93 | $17 | $6 | | $1 | $— |

| Fair Value Hedges - Millions of dollars | Three Months Ended September 30, Gain (Loss) Recognized on Derivatives [3] | | Three Months Ended September 30, Gain (Loss) Recognized on Related Hedged Items [3] | | Hedged Item |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | |
| Foreign exchange forwards/options | $6 | $(2) | $(6) | $2 | Non-functional currency assets and liabilities |

| Derivatives not Accounted for as Hedges - Millions of dollars | Three Months Ended September 30, Gain (Loss) Recognized on Derivatives not Accounted for as Hedges [4] | |
|---|---|---|
| | 2011 | 2010 |
| Foreign exchange forwards/options | $(45) | $45 |
| Commodity swaps | (1) | — |
| | $(46) | $45 |

| Cash Flow Hedges - Millions of dollars | Nine Months Ended September 30, | | | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|---|
| | Gain (Loss) Recognized in OCI (Effective Portion) | | Gain (Loss) Reclassified from OCI into Income (Effective Portion) [1] | | | Gain (Loss) Recognized in Income (Ineffective Portion) [2] | |
| | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 |
| Foreign exchange forwards/options | $15 | $(20) | $(16) | $(24) | (a)(b) | $— | $2 |
| Commodity swaps/options | (56) | 44 | 85 | 48 | (b) | 1 | 2 |
| | $(41) | $24 | $69 | $24 | | $1 | $4 |

| Fair Value Hedges - Millions of dollars | Nine Months Ended September 30, | | | | Hedged Item |
|---|---|---|---|---|---|
| | Gain (Loss) Recognized on Derivatives [3] | | Gain (Loss) Recognized on Related Hedged Items [3] | | |
| | 2011 | 2010 | 2011 | 2010 | |
| Foreign exchange forwards/options | $7 | $(9) | $(7) | $9 | Non-functional currency assets and liabilities |

| Derivatives not Accounted for as Hedges - Millions of dollars | Nine Months Ended September 30, Gain (Loss) Recognized on Derivatives not Accounted for as Hedges [4] | |
|---|---|---|
| | 2011 | 2010 |
| Foreign exchange forwards/options | $(1) | $40 |
| Commodity swaps | (1) | 1 |
| | $(2) | $41 |

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

(2) Gains and losses recognized in income related to the ineffective portion of hedges are recorded in interest and sundry income (expense).

(3) Gains and losses recognized in income are recorded in interest and sundry income (expense).

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

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 a loss of $2 million at September 30, 2011.

(9)STOCKHOLDERS' EQUITY

Comprehensive Income (Loss) and Stockholders' Equity

The following table summarizes our comprehensive income (loss) for the periods presented:

| Millions of dollars | Three Months Ended September 30, 2011 | Three Months Ended September 30, 2010 | Nine Months Ended September 30, 2011 | Nine Months Ended September 30, 2010 |
|---|---|---|---|---|
| Net earnings as reported | $181 | $83 | $195 | $472 |
| Currency translation adjustments – net | (269) | 227 | (95) | (2) |
| Cash flow hedges – net | (35) | 60 | (77) | (4) |
| Pension and other postretirement benefits plans – net | (3) | (1) | 82 | (63) |
| Available for sale securities | (3) | (2) | (10) | (6) |

| | | | | |
|---|---|---|---|---|
| Comprehensive income (loss) | (129) | 367 | 95 | 397 |
| Less: Comprehensive income (loss) available to noncontrolling interests | (3) | 8 | 7 | 25 |
| Comprehensive income (loss) available to Whirlpool | $(126) | $359 | $88 | $372 |

The following table summarizes the changes in stockholders' equity for the nine months ended September 30, 2011:

| Millions of dollars | Total | Whirlpool Common Stockholders | Noncontrolling Interests |
| --- | --- | --- | --- |
| Stockholders' equity, December 31, 2010 | $4,320 | $4,226 | $94 |
| Net earnings | 195 | 185 | 10 |
| Other comprehensive loss | (100) | (97) | (3) |
| Comprehensive income | 95 | 88 | 7 |
| Treasury stock | 2 | 2 | — |
| Additional paid-in capital | 33 | 33 | — |
| Dividends declared on common stock | (113) | (110) | (3) |
| Stockholders' equity, September 30, 2011 | $4,337 | $4,239 | $98 |

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 were calculated as follows:

| Millions of dollars and shares | Three Months Ended September 30, 2011 | Nine Months Ended September 30, |
| --- | --- | --- |