

WHIRLPOOL CORP /DE/  
Form 10-Q  
October 23, 2012

---

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, 2012

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

(Zip Code)

(Address of principal executive offices)

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, 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

Accelerated filer

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

Smaller reporting company

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 16, 2012

Common stock, par value \$1 per share

77,853,759

QUARTERLY REPORT ON FORM 10-Q  
WHIRLPOOL CORPORATION  
Three and Nine Months Ended September 30, 2012  
INDEX OF INFORMATION INCLUDED IN REPORT

	Page
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
Item 1.	<u>Financial Statements</u>
	<u>Consolidated Statements of Comprehensive Income (Loss)</u> 3
	<u>Consolidated Balance Sheets</u> 4
	<u>Consolidated Statements of Cash Flows</u> 5
	<u>Notes to the Consolidated Financial Statements</u> 6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 17
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 25
Item 4.	<u>Controls and Procedures</u> 25
<b><u>PART II - OTHER INFORMATION</u></b>	
Item 1.	<u>Legal Proceedings</u> 26
Item 1A.	<u>Risk Factors</u> 26
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 26
Item 3.	<u>Defaults Upon Senior Securities</u> 26
Item 4.	<u>Mine Safety Disclosures</u> 26
Item 5.	<u>Other Information</u> 26
Item 6.	<u>Exhibits</u> 26
	<u>Signatures</u> 27

---

## 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 this 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, 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 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) inventory and other asset risk; (5) 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; (6) impact of the European debt crisis; (7) the ability of Whirlpool to achieve its business plans, productivity improvements, cost control, price increases, leveraging of its global operating platform, and acceleration of the rate of innovation; (8) 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; (9) 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; (10) product liability and product recall costs; (11) the effects and costs of governmental investigations or related actions by third parties; (12) Whirlpool's ability to obtain and protect intellectual property rights; (13) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (14) 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; (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; (18) changes in the legal and regulatory environment including environmental and health and safety regulations; and (19) the ability of Whirlpool to manage foreign currency fluctuations.

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 COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

## FOR THE PERIOD ENDED SEPTEMBER 30

(Millions of dollars, except per share data)

	Three Months Ended		Nine Months Ended	
	2012	2011	2012	2011
Net sales	\$4,495	\$4,625	\$13,355	\$13,755
Expenses				
Cost of products sold	3,791	4,052	11,271	11,891
Gross margin	704	573	2,084	1,864
Selling, general and administrative	420	394	1,272	1,199
Intangible amortization	8	7	23	21
Restructuring costs	62	36	175	58
Operating profit	214	136	614	586
Other income (expense)				
Interest and sundry income (expense)	(39	) (27	) (80	) (584
Interest expense	(48	) (51	) (150	) (160
Earnings (loss) before income taxes	127	58	384	(158)
Income tax expense (benefit)	47	(123	) 87	(353)
Net earnings	80	181	297	195
Less: Net earnings available to noncontrolling interests	6	4	18	10
Net earnings available to Whirlpool	\$74	\$177	\$279	\$185
Per share of common stock				
Basic net earnings available to Whirlpool	\$0.95	\$2.31	\$3.58	\$2.41
Diluted net earnings available to Whirlpool	\$0.94	\$2.27	\$3.53	\$2.37
Dividends	\$0.50	\$0.50	\$1.50	\$1.43
Weighted-average shares outstanding (in millions)				
Basic	78.3	76.9	77.9	76.8
Diluted	79.3	78.1	79.0	78.1
Comprehensive income (loss)	\$135	\$(129	) \$202	\$95

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, 2012	December 31, 2011
Assets		
Current assets		
Cash and equivalents	\$ 518	\$ 1,109
Accounts receivable, net of allowance of \$66 and \$61, respectively	2,266	2,105
Inventories	2,598	2,354
Deferred income taxes	508	248
Prepaid and other current assets	714	606
Total current assets	6,604	6,422
Property, net of accumulated depreciation of \$6,092 and \$6,146, respectively	2,947	3,102
Goodwill	1,728	1,727
Other intangibles, net of accumulated amortization of \$203 and \$177, respectively	1,732	1,757
Deferred income taxes	1,716	1,893
Other noncurrent assets	245	280
Total assets	\$ 14,972	\$ 15,181
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 3,588	\$ 3,512
Accrued expenses	681	951
Accrued advertising and promotions	416	429
Employee compensation	450	365
Notes payable	20	1
Current maturities of long-term debt	510	361
Other current liabilities	695	678
Total current liabilities	6,360	6,297
Noncurrent liabilities		
Long-term debt	1,920	2,129
Pension benefits	1,309	1,487
Postretirement benefits	408	430
Other noncurrent liabilities	534	558
Total noncurrent liabilities	4,171	4,604
Stockholders' equity		
Common stock, \$1 par value, 250 million shares authorized, 107 million and 106 million shares issued and 78 million and 76 million shares outstanding, respectively	107	106
Additional paid-in capital	2,242	2,201
Retained earnings	5,083	4,922
Accumulated other comprehensive loss	(1,318)	(1,226)
Treasury stock, 29 million and 30 million shares, respectively	(1,781)	(1,822)
Total Whirlpool stockholders' equity	4,333	4,181
Noncontrolling interests	108	99
Total stockholders' equity	4,441	4,280
Total liabilities and stockholders' equity	\$ 14,972	\$ 15,181

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)

	2012	2011	
Operating activities			
Net earnings	\$297	\$195	
Adjustments to reconcile net earnings to cash used in operating activities:			
Depreciation and amortization	425	422	
Settlement of Brazilian collection dispute	(275)	) 144	
Curtailement gain	(52)	) —	
Changes in assets and liabilities:			
Accounts receivable	(188)	) (64	)
Inventories	(260)	) (171	)
Accounts payable	134	4	
Accrued advertising and promotions	(15)	) (80	)
Product recall	—	(14	)
Taxes deferred and payable, net	(63)	) (476	)
Accrued pension and postretirement benefits	(213)	) (298	)
Employee compensation	160	(83	)
Other	(111)	) 79	
Cash used in operating activities	(161)	) (342	)
Investing activities			
Capital expenditures	(276)	) (417	)
Proceeds from sale of assets	2	20	
Investment in related businesses	—	(7	)
Other	—	(4	)
Cash used in investing activities	(274)	) (408	)
Financing activities			
Proceeds from borrowings of long-term debt	300	300	
Repayments of long-term debt	(359)	) (310	)
Dividends paid	(116)	) (110	)
Net proceeds from short-term borrowings	19	14	
Common stock issued	14	14	
Other	(19)	) (12	)
Cash used in financing activities	(161)	) (104	)
Effect of exchange rate changes on cash and equivalents	5	(3	)
Decrease in cash and equivalents	(591)	) (857	)
Cash and equivalents at beginning of period	1,109	1,368	
Cash and equivalents at end of period	\$518	\$511	

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, 2011.

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.

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 that company is deemed to be a variable interest entity ("VIE") in which we are considered to have a controlling financial interest. 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.

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

#### New Accounting Pronouncements

On January 1, 2012, we adopted the provisions of an amendment to Accounting Standards Codification ("ASC") 220, "Comprehensive Income." This amendment requires companies to present, in annual statements, the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminated the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, in December 2011, the FASB issued an amendment to this accounting standard which defers the requirement to present components of reclassifications of other comprehensive income on the face of the income statement. The amendments affect only the display of information and do not change existing recognition and measurement requirements in our Consolidated Financial Statements.

In July 2012, the Financial Accounting Standards Board ("FASB") amended ASC 350, "Intangibles - Goodwill and Other." Under the amendment, an entity may assess qualitative factors to determine if it is more likely than not that the fair value of indefinite-lived intangible assets are less than their carrying amount. If that assessment indicates no impairment, the quantitative impairment test is not required. The amendment is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We elected to early adopt the provisions of this amendment during the third quarter 2012, which did not impact our Consolidated Financial Statements.

On July 1, 2011, we adopted the provisions of an amendment to ASC 310 "Receivables." This amendment provides guidance for determining whether a restructuring of a debt constitutes a troubled debt restructuring ("TDR"). This amendment requires that a restructuring be classified as a TDR when it is both a concession and the debtor is experiencing financial difficulties. Additionally, the amendment clarifies the guidance on a creditor's evaluation of whether it has granted a concession. This amendment did not have a material impact on our Consolidated Financial Statements.

Issued but not yet effective accounting pronouncements are not expected to have a material impact on our Consolidated Financial Statements.

### (2)GOODWILL AND OTHER INTANGIBLES

During the third quarter of 2012, the Company voluntarily changed the date of its annual goodwill and other indefinite-lived intangible asset impairment test from November 30 to October 1. The Company determined that this change is preferable under the circumstances as the timing better aligns with the Company's annual and long-term business planning cycle and financial reporting process. The voluntary change in accounting principle was not made to delay, accelerate or avoid an impairment charge. This change was not applied retrospectively as it was impracticable to do so because retrospective application would require the application of significant estimates and assumptions with the use of hindsight. Accordingly, the change will be applied prospectively.





**(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, 2012 and December 31, 2011.

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.

Assets and liabilities measured at fair value on a recurring basis at September 30, 2012 and December 31, 2011 are in the following table. During the nine months ended September 30, 2012, we recognized a \$7 million other than temporary impairment of a European available for sale investment within interest and sundry income (expense).

Millions of dollars	Total Cost Basis		Fair Value				Total	
	2012	2011	Level 1 2012	Level 1 2011	Level 2 2012	Level 2 2011	2012	2011
Money market funds <sup>(1)</sup>	\$—	\$340	\$—	\$340	\$—	\$—	\$—	\$340
Net derivative contracts	—	—	—	—	(36	) (57	) (36	) (57
Available for sale investments	15	21	14	15	—	—	14	15

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

On July 11, 2012, we announced that we have entered into a Master Agreement on the Restructuring (the "Agreement") of Alno AG, one of Germany's leading kitchen manufacturers and a longstanding Whirlpool customer in Europe. Shareholders approved the Agreement in August 2012, which provides a framework to strengthen Alno's equity base and reduce its long-term debt, through the issuance of 44 million additional shares at a per share price of Euro 1.05, which will be used to retire substantially all of its bank debt. We have agreed to subscribe for all shares for which we are entitled and have also agreed to acquire any additional unsubscribed shares as may be necessary to yield minimum gross proceeds to Alno of Euro 46.2 million. We agreed to retroactively extend payment terms in favor of Alno during the second quarter 2012. As of September 30, 2012, we had \$106 million of trade and other receivables outstanding. We expect the restructuring actions contemplated by the Agreement will be completed by the end of the fourth quarter of 2012. On a pre-restructuring basis, Whirlpool owns approximately 18.25% of Alno's ordinary shares. Once the restructuring is completed, we could own, indirectly through one or more subsidiaries, more than 50% of Alno's ordinary share capital.

**Other Fair Value Measurements**

The fair value of long-term debt (including current maturities) was \$2,638 million and \$2,670 million at September 30, 2012 and December 31, 2011, respectively, and was estimated using discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements.

**(4) INVENTORIES**

The following table summarizes our inventory for the periods presented:

Millions of dollars	September 30, 2012	December 31, 2011
Finished products	\$2,180	\$2,016
Raw materials and work in process	613	541
	2,793	2,557
Less: excess of FIFO cost over LIFO cost	(195	) (203
Total inventories	\$2,598	\$2,354

LIFO inventories represented 41% of total inventories at September 30, 2012 and December 31, 2011.



**(5)PROPERTY**

The following table summarizes our property, plant and equipment as of September 30, 2012 and December 31, 2011:

Millions of dollars	September 30, 2012	December 31, 2011
Land	\$74	\$76
Buildings	1,220	1,208
Machinery and equipment	7,745	7,964
Accumulated depreciation	(6,092	) (6,146
Property, plant and equipment, net	\$2,947	\$3,102

During the nine months ended September 30, 2012, we retired \$211 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 May 1, 2012, \$350 million of 8.00% notes matured and were repaid. On June 1, 2012, we completed a debt offering of \$300 million principal amount of 4.70% notes due June 1, 2022 (the "2022 Notes"). The 2022 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 2022 Notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The 2022 Notes are registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-3 (File No. 333-181339) filed with the Securities and Exchange Commission on May 11, 2012.

**(7) COMMITMENTS AND CONTINGENCIES****Embraco Antitrust Matters**

Beginning in February 2009, our compressor business headquartered in Brazil ("Embraco") was notified of investigations of the global compressor industry by government authorities in various jurisdictions. In 2011, Embraco sales represented approximately 8% of our global net sales.

Government authorities in Brazil, Europe, the United States, and other jurisdictions have entered into agreements with Embraco and concluded their investigations. In connection with these agreements, Embraco has acknowledged violations of antitrust law with respect to the sale of compressors at various times from 2004 through 2007 and agreed to pay fines or settlement payments.

Since the government investigations commenced in February 2009, Embraco has 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. Lawsuits containing class action allegations are also pending in Canada. Additional lawsuits may be filed by purported purchasers.

In connection with these agreements and other Embraco antitrust matters, we have incurred, in the aggregate, charges of approximately \$339 million, including fines, defense costs and other expenses. These charges have been recorded within interest and sundry income (expense). At September 30, 2012, \$119 million remains accrued, with installment payments of \$93 million, plus interest, remaining to be made to government authorities at various times through 2015. We continue to work toward resolution of 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 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 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 during July 2011, and the second of 490 million reais (equivalent to \$275 million) was made during January 2012.

### Other Litigation

We are currently defending against numerous class action lawsuits in various jurisdictions in the United States and Canada relating to certain of our front load washing machines. The complaints in these lawsuits generally allege violations of state consumer fraud acts, unjust enrichment, and breach of warranty. The complaints generally seek unspecified compensatory, consequential and punitive damages. We believe these suits are without merit and intend to vigorously defend them. At this point, the Company cannot reasonably estimate a possible range of loss, if any.

In addition, we are currently defending a number of other class action suits in federal and state courts related to the manufacturing and sale of our products and alleging claims which include breach of contract, breach of warranty, product defect, fraud, violation of federal and state consumer protection acts and negligence. We are also involved in various other legal actions arising in the normal course of business. 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 discussed, and after taking into account current litigation reserves, that the outcome of these matters currently pending against Whirlpool should not have a material adverse effect, if any, on our Consolidated Financial Statements.

### Product Warranty and Recall Reserves

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

Millions of dollars	2012	2011
Balance at January 1	\$191	\$217
Issuances/accruals during the period	233	248
Settlements made during the period	(241	) (256
Other changes	—	(21
Balance at September 30	\$183	\$188
Current portion	\$150	\$148
Non-current portion	33	40
Total	\$183	\$188

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, 2012 and December 31, 2011, the guaranteed amounts totaled \$346 million and \$467 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 \$1.3 billion at September 30, 2012 and \$1.2 billion at December 31, 2011. Our total outstanding bank indebtedness under guarantees at September 30, 2012 and December 31, 2011 were nominal.



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.

We sell banker's acceptance drafts to financial institutions as a standard business practice in The People's Republic of China (PRC). These drafts have certain recourse provisions afforded to transferees explicitly and under PRC laws. If a transferee were to exercise its available recourse rights, our subsidiaries in the PRC would be required to satisfy the obligation with the transferee and the draft would revert back to the subsidiary. At September 30, 2012 and December 31, 2011 the outstanding drafts transferred and outstanding totaled \$16 million and \$47 million, respectively. Transferees have not exercised their recourse rights against our subsidiaries during 2012 or 2011.

#### (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 other 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 interest and sundry income (expense) 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 derivatives, including rate swaps and rate locks, 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. 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.

The following table summarizes our outstanding derivative contracts and their effects on our Consolidated Balance Sheets at September 30, 2012 and December 31, 2011:

Millions of dollars	Notional Amount		Fair Value of				Type of Hedge <sup>(1)</sup>	Maximum Term	
			Hedge Assets		Hedge Liabilities			(Months)	
	2012	2011	2012	2011	2012	2011		2012	2011
Derivatives accounted for as hedges									
Foreign exchange forwards/options	\$1,227	\$862	\$6	\$24	\$24	\$19	(CF/FV)	18	18
Commodity swaps/options	379	316	22	9	7	28	(CF/FV)	27	36
Interest rate derivatives	—	250	—	—	—	5	(CF)	—	6
Total derivatives accounted for as hedges			\$28	\$33	\$31	\$52			
Derivatives not accounted for as hedges									
Foreign exchange forwards/options	\$1,599	\$1,261	\$9	\$6	\$42	\$43		11	3
Commodity swaps/options	7	3	—	—	—	1		15	11
Total derivatives not accounted for as hedges			9	6	42	44			
Total derivatives			\$37	\$39	\$73	\$96			
Current			\$29	\$36	\$71	\$91			
Noncurrent			8	3	2	5			
Total derivatives			\$37	\$39	\$73	\$96			

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

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

Cash Flow Hedges - Millions of dollars		Three Months Ended September 30,				
		Gain (Loss) Recognized in OCI (Effective Portion) <sup>(1)</sup>		Gain (Loss) Reclassified from OCI into Earnings (Effective Portion) <sup>(2)</sup>		
		2012	2011	2012	2011	
Foreign exchange forwards/options		\$(22 )	\$26	\$(4 )	\$(5 )	(a)(b)
Commodity swaps/options		35	(60 )	(4 )	22	(b)
Interest rate derivatives		—	—	—	—	(a)
		\$13	\$(34 )	\$(8 )	\$17	
Fair Value Hedges - Millions of dollars		Three Months Ended September 30,				
		Gain (Loss) Recognized on Derivatives <sup>(3)</sup>		Gain (Loss) Recognized on Related Hedged Items <sup>(3)</sup>		
Hedged Item		2012	2011	2012	2011	
Non-functional		\$(3 )	\$6	\$3	\$(6 )	

Foreign exchange  
forwards/options

currency assets and  
liabilities

11

---

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)							
		2012		2011							
Foreign exchange forwards/options		\$ (2	)	\$ (45	)						
Commodity swaps		—		(1	)						
		\$ (2	)	\$ (46	)						
		Gain (Loss)		Gain (Loss)							
Cash Flow Hedges - Millions of dollars		Recognized in OCI		Reclassified from		OCI into Earnings		OCI into Earnings			
		(Effective Portion) (1)		(Effective Portion) (2)							
		2012		2011		2012		2011			
Foreign exchange forwards/options		\$ (30	)	\$ 15		\$ (11	)	\$ (16	)	(a)(b)	
Commodity swaps/options		25		(56	)	(8	)	85		(b)	
Interest rate derivatives		(7	)	—		—		—		(c)	
		\$ (12	)	\$ (41	)	\$ (19	)	\$ 69			
		Gain (Loss)		Gain (Loss)							
Fair Value Hedges -		Recognized		Recognized		on Related		on Related			
Millions of dollars		on Derivatives (3)		on Derivatives (3)		Hedged Items (3)		Hedged Items (3)			
		2012		2011		2012		2011			
Foreign exchange forwards/options	Non-functional currency assets and liabilities	\$ (4	)	\$ 7		\$ 4		\$ (7	)		
		Gain (Loss)		Gain (Loss)							
Derivatives not Accounted for as Hedges - Millions of dollars		Recognized		Recognized		on Related		on Related			
		on Derivatives (3)		on Derivatives (3)		Hedged Items (3)		Hedged Items (3)			
		2012		2011		2012		2011			
Foreign exchange forwards/options		\$ (24	)	\$ (1	)						
Commodity swaps		—		(1	)						
		\$ (24	)	\$ (2	)						

(1) Gains and losses recognized in OCI are included within total comprehensive income.

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

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

(4) Mark to market gains and losses recognized in earnings 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 during 2012 and 2011. 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 \$8 million at September 30, 2012.



## (9) STOCKHOLDERS' EQUITY

## Comprehensive Income and Stockholders' Equity

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

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net earnings as reported	\$80	\$181	\$297	\$195
Currency translation adjustments – net	42	(269)	(73)	(95)
Cash flow hedges – net	14	(35)	5	(77)
Pension and other postretirement benefits plans – net	(4)	(3)	(32)	82
Available for sale securities	3	(3)	5	(10)
Comprehensive income (loss)	135	(129)	202	95
Less: Comprehensive income (loss) available to noncontrolling interests	3	(3)	15	7
Comprehensive income (loss) available to Whirlpool	\$132	\$(126)	\$187	\$88

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, 2011	\$4,280	\$4,181	\$ 99
Net earnings	297	279	18
Other comprehensive income (loss)	(95)	(92)	(3)
Comprehensive income	202	187	15
Common stock	1	1	—
Treasury stock	41	41	—
Additional paid-in capital	41	41	—
Dividends declared on common stock	(124)	(118)	(6)
Stockholders' equity, September 30, 2012	\$4,441	\$4,333	\$ 108

## 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		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Numerator for basic and diluted earnings per share – net earnings available to Whirlpool	\$74	\$177	\$279	\$185
Denominator for basic earnings per share – weighted-average shares	78.3	76.9	77.9	76.8
Effect of dilutive securities – stock-based compensation	1.0	1.2	1.1	1.3
Denominator for diluted earnings per share – adjusted weighted-average shares	79.3	78.1	79.0	78.1
Anti-dilutive stock options/awards excluded from earnings per share	2.7	2.5	2.8	2.1

**(10) RESTRUCTURING CHARGES**

During the fourth quarter 2011, the Company committed to restructuring plans (the "2011 Plan") to expand our operating margins and improve our earnings through substantial cost and capacity reductions, primarily within our North America and EMEA operating segments.

The 2011 Plan includes the following actions:

- Overall workforce reduction of more than 5,000 positions, including approximately 1,200 salaried positions.
- Closure of a refrigeration manufacturing facility in the United States in 2012.
- Cease laundry production in a European manufacturing facility by 2013.
- Ceased dishwasher production in a European manufacturing facility in January 2012.
- Additional organizational efficiency actions in North America and EMEA.

Combined within the 2011 Plan are previously announced restructuring initiatives and the financial restructuring related to matters disclosed in Note 3. We expect to incur approximately \$500 million of total costs related to the combined plans with completion expected by the end of 2013. The following table summarizes the change in our restructuring liability, cumulative charges recognized and total expected charges for the combined plans for the nine months ended September 30, 2012.

Millions of dollars	12/31/2011	Charge to Earnings	Cash Paid	Non-cash and Other	Revision of Estimate	9/30/2012	Cumulative Charges <sup>1</sup>	Expected Total Charges
Employee termination costs	\$ 62	\$60	\$(64)	\$—	\$—	\$58	\$ 117	\$270
Asset impairment costs	—	65	—	(65)	—	—	77	95
Facility exit costs	9	23	(18)	(7)	(1)	6	31	85
Other exit costs	7	27	(24)	—	—	10	28	50
Total	\$ 78	\$175	\$(106)	\$(72)	\$(1)	\$74	\$ 253	\$500

The following table summarizes restructuring charges for the combined plans, by operating segment, as of September 30, 2012.

Millions of dollars	2012 Charges	Cumulative Charges <sup>1</sup>	Expected Total Charges
North America	\$111	\$ 164	\$331
Latin America	—	2	6
EMEA	58	79	151
Asia	5	6	8
Corporate / Other	1	2	4
Total	\$175	\$ 253	\$500

<sup>1</sup> Cumulative charges exclude \$22 million of employee termination costs and \$17 million of facility and other exit costs related to previous restructuring plans that were transferred into the 2011 plan during 2011.

**(11) INCOME TAXES**

The income tax expense for the three and nine months ended September 30, 2012 was \$47 million and \$87 million compared to a income tax benefit of \$123 million and \$353 million for the three and nine months ended September 30, 2011. The following table summarizes the difference between income tax expense at the United States statutory rate of 35% and the income tax expense (benefit) at effective worldwide tax rates for the periods presented:

Millions of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Earnings (loss) before income taxes	\$127	\$58	\$384	\$(158)
Income tax expense computed at United States statutory tax rate	\$44	\$20	\$134	\$(55)
U.S. government tax incentive - Energy Tax Credits	—	(122)	—	(255)

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

Valuation allowance release	—	—	(55	) —
Foreign government tax incentive - BEFIEX	(4	) (28	) (11	) (66 )
Other	7	7	19	23
Income tax expense (benefit) computed at effective worldwide tax rates	\$47	\$(123	) \$87	\$(353 )

14

---



Over the next twelve months it is reasonably possible that we will settle unrecognized tax benefits totaling approximately \$65 million associated with certain tax examinations and other events.

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.

#### (12) 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		
	2012	2011	2012	2011	2012	2011	
Service cost	\$1	\$—	\$2	\$2	\$2	\$2	
Interest cost	45	48	6	5	5	7	
Expected return on plan assets	(48	) (48	) (3	) (3	) —	—	
Amortization:							
Actuarial loss	11	8	1	1	—	—	
Prior service credit	(1	) (1	) —	—	(11	) (12	)
Settlement and curtailment (gain) loss	1	—	1	—	(3	) —	
Net periodic benefit cost (credit)	\$9	\$7	\$7	\$5	\$(7	) \$(3	)
Millions of dollars	Nine Months Ended September 30,						
	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits		
	2012	2011	2012	2011	2012	2011	
Service cost	\$2	\$—	\$5	\$6	\$5	\$6	
Interest cost	134	144	15	15	16	24	
Expected return on plan assets	(145	) (144	) (8	) (9	) —	—	
Amortization:							
Actuarial loss	34	24	3	3	—	—	
Prior service credit	(3	) (3	) —	—	(34	) (30	)
Settlement and curtailment (gain) loss	5	—	1	—	(52	) —	
Net periodic benefit cost (credit)	\$27	\$21	\$16	\$15	\$(65	) \$—	

During the second quarter 2012, we recognized approximately \$49 million in curtailment gains, which were primarily related to the closure of our Fort Smith, Arkansas facility, which was previously announced in October 2011. These curtailment gains are recognized as employees terminate and are included in cost of products sold with an offset in other comprehensive income, net of tax.

We now expect to contribute up to \$200 million to our pension plans during 2012, as a result of funding relief provided through the Surface Transportation Extension Act of 2012, which lowered contributions to our United States pension plans by approximately \$50 million.

#### (13) 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 evaluates performance based upon each segment's operating profit (loss). Intersegment sales are eliminated within each region except compressor sales out of Latin America, which are included in Other/Eliminations. The Other/Eliminations column primarily includes corporate expenses, eliminations and restructuring expenses. Total assets by segment are those assets directly associated with the respective operating activities.

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

Millions of dollars	Three Months Ended September 30, OPERATING SEGMENTS					
	North America	Latin America	EMEA	Asia	Other/ Eliminations	Total Whirlpool
Net sales						
2012	\$2,424	\$1,206	\$703	\$201	\$(39)	) \$4,495
2011	2,374	1,207	874	215	(45)	) 4,625
Intersegment sales						
2012	\$58	\$44	\$14	\$69	\$(185)	) \$—
2011	48	52	37	62	(199)	) —
Depreciation and amortization						
2012	\$65	\$23	\$21	\$5	\$14	\$128
2011	65	25	26	5	15	136
Operating profit (loss)						
2012	\$227	\$118	\$(35)	) \$7	\$(103)	) \$214
2011	62	147	(12)	) 4	(65)	) 136
Total assets						
September 30, 2012	\$7,892	\$3,669	\$2,630	\$851	\$(70)	) \$14,972
December 31, 2011	7,894	3,620	2,839	797	31	15,181
Capital expenditures						
2012	\$45	\$22	\$15	\$3	\$4	\$89
2011	77	39	23	5	14	158
Millions of dollars	Nine Months Ended September 30, OPERATING SEGMENTS					
	North America	Latin America	EMEA	Asia	Other/ Eliminations	Total Whirlpool
Net sales						
2012	\$7,128	\$3,619	\$2,083	\$644	\$(119)	) \$13,355
2011	7,002	3,741	2,458	680	(126)	) 13,755
Intersegment sales						
2012	\$185	\$130	\$87	\$183	\$(585)	) \$—
2011	156	144	133	158	(591)	) —
Depreciation and amortization						
2012	\$195	\$73	\$71	\$15	\$71	\$425
2011	206	77	79	16	44	422
Operating profit (loss)						
2012	\$613	\$342	\$(56)	) \$30	\$(315)	) \$614
2011	196	487	32	29	(158)	) 586
Total assets						
September 30, 2012	\$7,892	\$3,669	\$2,630	\$851	\$(70)	) \$14,972
December 31, 2011	7,894	3,620	2,839	797	31	15,181
Capital expenditures						

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

2012	\$142	\$57	\$43	\$16	\$18	\$276
2011	222	81	55	14	45	417

16

---

## ITEM 2.MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### ABOUT WHIRLPOOL

Whirlpool Corporation (“Whirlpool”) is the world’s leading manufacturer of major home appliances with revenues of approximately \$19 billion and net earnings available to Whirlpool of \$390 million in 2011. We are a leading producer of major home appliances in North America and Latin America and have a significant presence in markets throughout Europe and in 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, Latin America, EMEA (Europe, Middle East and Africa) and Asia. Our customer base includes large, sophisticated trade customers who have many choices and demand competitive products, services and prices.

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 consumer brands includes: Whirlpool, Maytag, KitchenAid, Brastemp and Consul, each of which have annual revenues in excess of \$1 billion. Our global branded consumer products strategy is to introduce innovative new products, increase brand customer loyalty, expand our presence in foreign markets, enhance our trade management platform, 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 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 Gladiator GarageWorks, through stand-alone 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,		
	2012	2011	Change	2012	2011	Change
Net sales	\$4,495	\$4,625	(2.8 )%	\$13,355	\$13,755	(2.9 )%
Gross margin	704	573	22.9 %	2,084	1,864	11.8 %
Selling, general and administrative	420	394	(6.3 )%	1,272	1,199	(6.0 )%
Restructuring costs	62	36	(78.0 )%	175	58	nm
Interest and sundry income (expense)	(39 )	(27 )	(47.1 )%	(80 )	(584 )	86.3 %
Interest expense	(48 )	(51 )	5.0 %	(150 )	(160 )	5.8 %
Income tax expense (benefit)	47	(123 )	nm	87	(353 )	nm
Net earnings available to Whirlpool	74	177	(58.2 )%	279	185	50.8 %
Diluted net earnings available to Whirlpool per share	\$0.94	\$2.27	(58.8 )%	\$3.53	\$2.37	49.0 %

nm: not meaningful

## Consolidated Net Sales

The following tables summarize units sold and consolidated net sales by region for the periods presented:

Region	Units Sold (in thousands)					
	Three Months Ended			Nine Months Ended		
	2012	2011	Change	2012	2011	Change
North America	5,896	6,238	(5.5 )%	17,523	18,433	(4.9 )%
Latin America	3,087	2,695	14.5 %	8,837	8,370	5.6 %
EMEA	2,950	3,249	(9.2 )%	8,333	8,946	(6.9 )%
Asia	971	979	(0.8 )%	3,047	3,031	0.5 %
Consolidated	12,904	13,161	(2.0 )%	37,740	38,780	(2.7 )%
Region	Net Sales (in millions)					
	Three Months Ended			Nine Months Ended		
	2012	2011	Change	2012	2011	Change
North America	\$2,424	\$2,374	2.1 %	\$7,128	\$7,002	1.8 %
Latin America	1,206	1,207	— %	3,619	3,741	(3.2 )%
EMEA	703	874	(19.5 )%	2,083	2,458	(15.2 )%
Asia	201	215	(6.2 )%	644	680	(5.3 )%
Other/eliminations	(39 )	(45 )	—	(119 )	(126 )	—
Consolidated	\$4,495	\$4,625	(2.8 )%	\$13,355	\$13,755	(2.9 )%

Consolidated net sales for the three and nine months ended September 30, 2012 reflect strong improvements in product price/mix from previously announced pricing actions compared to the same period in 2011. This favorable impact was more than offset by decreases in units sold, the unfavorable impact of foreign currency and lower BEFIEX credits. Excluding the impact of foreign currency, consolidated net sales increased 3.4% and 2.1%, respectively, for the three and nine months ended September 30, 2012. We provide net sales, excluding the impact of foreign currency, as a supplement to net sales as determined by U.S. generally accepted accounting principles ("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's exchange rate.

Significant regional trends were as follows:

North America net sales increased 2.1% for the three months ended September 30, 2012 and 1.8% for the nine months ended September 30, 2012 compared to the same periods in 2011, reflecting strong improvements in product price/mix which were partially offset by decreases in units sold. Foreign currency did not have a significant impact on North America net sales compared to 2011.

Latin America net sales for the three months ended September 30, 2012 were flat compared to the same period of 2011, with a strong improvement in units sold and the favorable impact of product price/mix, offset by the unfavorable impact of foreign currency and lower BEFIEX credits recognized. Net sales decreased 3.2% for the nine months ended September 30, 2012 primarily due to the unfavorable impact of foreign currency and lower BEFIEX credits recognized, partially offset by the favorable impact from product price/mix and increases in units sold. The reduction of BEFIEX credits monetized was primarily due to the Impostos sobre Produtos ("IPI") sales tax holiday that was declared by the Brazilian government on certain appliances in December 2011 and has been extended through December 31, 2012. During this holiday, we expect to monetize reduced amounts of BEFIEX credits because the credits are monetized through the offset of IPI taxes due. Excluding the impact of foreign currency, net sales increased 15.8% and 8.1% for the three and nine months ended September 30, 2012, compared to the same periods in 2011.

We monetized \$13 million and \$22 million of BEFIEX credits during the three and nine months ended September 30, 2012, respectively, compared to \$62 million and \$207 million for the same periods in 2011. At September 30, 2012, approximately \$202 million of future cash monetization remained, including \$56 million of related court awarded fees, which will be receivable in subsequent years.



EMEA net sales decreased 19.5% and 15.2% for the three and nine months ended September 30, 2012 compared to the same periods in 2011, primarily due to the unfavorable impact of foreign currency and decreases in units sold resulting from the weak demand environment throughout Europe. Excluding the impact of foreign currency, net sales decreased 10.5% and 7.2% for the three and nine months ended September 30, 2012, compared to the same periods in 2011.

Asia net sales decreased 6.2% and 5.3% for the three and nine months ended September 30, 2012 compared to the same periods in 2011, primarily due to the unfavorable impact of foreign currency, partially offset by favorable product price/mix. Excluding the impact of foreign currency, net sales increased 1.9% and 3.8% for the three and nine months ended September 30, 2012, compared to the same periods in 2011.

#### Gross Margin

The table below summarizes gross margin percentages by region:

Percentage of net sales	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	Change	2012	2011	Change
North America	16.7	% 9.8	% 6.9 pts	16.1	% 10.2	% 5.9 pts
Latin America	17.8	% 19.6	% (1.8) pts	17.4	% 20.2	% (2.8) pts
EMEA	6.7	% 8.1	% (1.4) pts	9.0	% 11.2	% (2.2) pts
Asia	17.6	% 14.6	% 3.0 pts	18.0	% 16.8	% 1.2 pts
Consolidated	15.7	% 12.4	% 3.3 pts	15.6	% 13.5	% 2.1 pts

The consolidated gross margin percentage increased for both the three and nine months ended September 30, 2012 compared to the same periods in 2011, primarily due to the favorable impact from improved product price/mix and restructuring initiatives, partially offset by higher material costs and lower BEFIEX credits. In addition, the nine months ended September 30, 2012 include the favorable impact from curtailment gains in a postretirement benefit plan.

Significant regional trends were as follows:

North America gross margin increased for both the three and nine months ended September 30, 2012 compared to the same periods in 2011, primarily due to the favorable impact from previously announced price increases, restructuring initiatives, and continued productivity, offset by higher material costs. During the second quarter 2012, we recognized \$49 million in curtailment gains from a postretirement benefit plan.

Latin America gross margin decreased for both the three and nine months ended September 30, 2012 compared to the same periods in 2011, primarily due to lower BEFIEX credits recognized due to the extension of the IPI sales tax holiday and higher material costs, partially offset by favorable product price/mix and continued productivity and cost reduction initiatives.

EMEA gross margin decreased for both the three and nine months ended September 30, 2012 compared to the same periods in 2011, primarily due to lower production levels related to the weak demand environment throughout Europe and higher material costs, partially offset by the favorable impact of restructuring initiatives.

Asia gross margin increased for both the three and nine months ended September 30, 2012 compared to the same periods in 2011, primarily due to the favorable impacts from product price/mix, continued productivity improvements and restructuring initiatives, partially offset by higher material costs and the unfavorable impact from foreign currency.

## Selling, General and Administrative

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

Millions of dollars	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012	As a % of Net Sales	2011	As a % of Net Sales	2012	As a % of Net Sales	2011	As a % of Net Sales
North America	\$172	7.1 %	\$164	6.9 %	\$514	7.2 %	\$497	7.1 %
Latin America	97	8.0 %	89	7.4 %	287	7.9 %	270	7.2 %
EMEA	82	11.6 %	83	9.5 %	243	11.7 %	243	9.9 %
Asia	28	13.9 %	28	12.9 %	86	13.3 %	86	12.6 %
Corporate/other	41	—	30	—	142	—	103	—
Consolidated	\$420	9.3 %	\$394	8.5 %	\$1,272	9.5 %	\$1,199	8.7 %

Consolidated selling, general and administrative expenses, as a percentage of sales, increased compared to 2011, primarily due to higher employee benefits expense and increased investment in consumer advertising.

## Restructuring

During the fourth quarter 2011, the Company committed to restructuring plans that will result in substantial cost and capacity reductions. We expect to incur approximately \$500 million of total costs which began in the fourth quarter 2011 and are expected to be completed by the end of 2013.

We incurred restructuring charges of \$62 million and \$175 million for the three and nine months ended September 30, 2012 compared to \$36 million and \$58 million for the comparable periods in 2011. We expect to incur approximately \$300 million of future cash expenditures related to the combined plans. Additional information about restructuring activities can be found in Note 10 of the Notes to the Consolidated Financial Statements.

## Interest and Sundry Income (Expense)

Interest and sundry expense for the three months ended September 30, 2012 increased \$12 million compared to the same period in 2011, which includes net expense of \$22 million primarily due to the conclusion of long-standing United States contract and patent litigation, partially offset by foreign currency gains. For the nine months ended September 30, 2012, interest and sundry expense decreased \$504 million compared to the same period in 2011, primarily due to the prior year settlement of the Brazilian collection dispute, lower accruals related to Embraco antitrust matters and the items discussed for the three months ended.

## Interest Expense

Interest expense for the three and nine months ended September 30, 2012 decreased compared to the same periods in 2011, primarily due to lower average interest rates.

## Income Taxes

The income tax expense for the three and nine months ended September 30, 2012 was \$47 million and \$87 million, compared to a benefit of \$123 million and \$353 million in 2011. The increase in income tax expense is primarily due to higher pre-tax earnings and the expiration of the United States energy tax credit. For the nine months ended September 30, 2012, these items were partially offset by the release of a valuation allowance related to the utilization of certain net operating losses. Pre-tax earnings in the prior year reflect the tax deductible settlement of the Brazilian collection dispute.



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

Millions of dollars	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Earnings (loss) before income taxes	\$127	\$58	\$384	\$(158)
Income tax expense computed at United States statutory tax rate	\$44	\$20	\$134	\$(55)
U.S. government tax incentive - Energy Tax Credits	—	(122)	—	(255)
Valuation allowance release	—	—	(55)	—
Foreign government tax incentive - BEFIEX	(4)	(28)	(11)	(66)
Other	7	7	19	23
Income tax expense (benefit) computed at effective worldwide tax rates	\$47	\$(123)	\$87	\$(353)

#### FORWARD-LOOKING PERSPECTIVE

We currently estimate earnings per diluted share, free cash flow and industry demand for 2012 to be within the following ranges:

Millions of dollars, except per share data	Current Outlook	
Estimated earnings per diluted share, net of tax	\$5.00	— \$5.50
Including:		
BEFIEX (\$40 to \$45 million)	0.50	— 0.55
Restructuring expense (\$250 - \$270 million)	(2.30)	— (2.50)
Free cash flow	\$125	— \$175
Industry demand		
North America	—%	— (2)%
Latin America	7%	— 10%
EMEA	(2)%	— (3)%
Asia	(5)%	— (7)%

The company now expects to generate free cash flow between \$125 million and \$175 million. Included in this guidance is the \$275 million final installment to settle the Brazilian collection dispute, \$110 million for Embraco antitrust matters, pension contributions of up to \$200 million and restructuring cash outlays of up to \$250 million. The table below reconciles projected 2012 cash provided by operations determined in accordance with United States 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 (used in) continuing operations after capital expenditures and proceeds from the sale of assets.

These projections 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.

Millions of dollars	Current Outlook	
Cash provided by operating activities	\$625	— \$725
Capital expenditures and proceeds from sale of assets	(500)	— (550)
Free cash flow	\$125	— \$175

## 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, return to shareholders and potential acquisitions in our core business and/or strategic adjacent business opportunities. These priorities are aligned with our goal to return our credit ratings to pre-recession levels. We have continued to operate under uncertain and volatile global economic conditions, experiencing higher material costs, recessionary demand levels in developed markets and slowing growth in emerging markets. To succeed in this environment, we announced aggressive actions during 2011 to improve our overall operating performance and financial condition, including cost-based price increases across all markets and plans to reduce our cost structure and production capacity, primarily in North America and EMEA. We have started to recognize the benefits from these actions during 2012 and expect that operating cash flow, together with access to sufficient sources of liquidity, will be adequate to meet our ongoing requirements to fund our operations.

In 2012, our short term potential uses of liquidity include cash outlays of up to \$250 million related to our restructuring initiatives, approximately \$200 million in pension funding and approximately \$110 million related to the Embraco antitrust matters. In addition, approximately \$500 million of term debt will be maturing over the next 12 months. At September 30, 2012, we had no borrowings outstanding under committed credit facilities and we were in compliance with financial covenants for all periods presented.

We monitor the credit ratings and market indicators of credit risk of our lending, depository, and derivative counterparty banks regularly. We diversify our deposits and investments in short term cash equivalents to limit the concentration of exposure by counterparty. The general financial instability in the stressed European countries could have a contagion effect on the region and contribute to the general instability and uncertainty in the European Union. At September 30, 2012, we had approximately \$160 million in cash, cash equivalents and third-party receivables in Italy, which was the only European country with cash, cash equivalents and third-party receivables exceeding 1% of our consolidated assets.

We continue to review customer financial conditions across the Eurozone. In July 2012, we announced an Agreement on the financial restructuring of Alno AG, a long-standing European customer. This Agreement provides a framework to strengthen Alno's equity base and reduce their long-term debt. Our exposure includes not only the \$106 million of outstanding receivables to Alno, but also the potential risks of an Alno bankruptcy and impacts to our distribution process. Additional information about the restructuring of Alno can be found in Note 3 of the Notes to the Consolidated Financial Statements.

## Sources and Uses of Cash

The following table summarizes the net decrease in cash and equivalents for the periods presented.

Millions of dollars	Nine Months Ended	
	September 30,	
	2012	2011
Cash provided by (used in):		
Operating activities	\$(161 )	\$(342 )
Investing activities	(274 )	(408 )
Financing activities	(161 )	(104 )
Effect of exchange rate changes on cash	5	(3 )
Net decrease in cash and equivalents	\$(591 )	\$(857 )
Cash Flows from Operating Activities		

The decrease in cash used by operations for the nine months ended September 30, 2012 compared to the same period in 2011 primarily reflects improved operating performance resulting in higher cash generated from earnings and lower cash payments related to employee benefits and incentive compensation. The timing of cash flows from operations varies significantly within a quarter primarily due to changes in production levels, sales patterns, promotional

programs, funding requirements as well as receivable and payment terms. Dependent on timing of cash flows, the location of cash balances, as well as the liquidity requirements of each country, external sources of funding may be used to support working capital requirements. Due to the variables discussed above, cash flow used in operations during the quarter was significantly in excess of our quarter-end balance.

#### Cash Flows from Investing Activities

Cash used in investing activities during the nine months ended September 30, 2012 totaled \$274 million, reflecting decreases in capital expenditures driven by project timing, the completion of a significant investment in a new cooking facility in the United States during 2011 and lower overall capital investment planned for 2012 compared to 2011.

#### Cash Flows from Financing Activities

Cash used in financing activities during the nine months ended September 30, 2012 increased \$57 million from the prior year to \$161 million, primarily due to \$350 million of maturing debt that was partially repaid by a \$300 million bond issuance in June 2012. At September 30, 2012, we had no commercial paper borrowings outstanding.

#### Financing Arrangements

In March 2012, we obtained a committed credit facility in Brazil. The credit facility provides borrowings up to 180 million Brazilian reais (approximately \$90 million as of September 30, 2012). Combined with the facility obtained in December 2011, we now have access to committed credit facilities in Brazil of up to 880 million Brazilian reais (approximately \$440 million at September 30, 2012). The credit facilities do not contain any financial covenants and we had no borrowings outstanding under either credit agreement as of September 30, 2012.

#### 401(k) Defined Contribution Plan

During January 2012, we began contributing company stock to fund the company match and automatic company contributions, equal to up to 7% of employees' eligible pay, in our 401(k) defined contribution plan covering all U.S. employees. We expect to contribute up to \$50 million of company stock to our 401(k) defined contribution plan during 2012.

#### OTHER MATTERS

##### Embraco Antitrust Matters

Beginning in February 2009, our compressor business headquartered in Brazil ("Embraco") was notified of investigations of the global compressor industry by government authorities in various jurisdictions. In 2011, Embraco sales represented approximately 8% of our global net sales.

Government authorities in Brazil, Europe, the United States, and other jurisdictions have entered into agreements with Embraco and concluded their investigations. In connection with these agreements, Embraco has acknowledged violations of antitrust law with respect to the sale of compressors at various times from 2004 through 2007 and agreed to pay fines or settlement payments.

Since the government investigations commenced in February 2009, Embraco has 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. Lawsuits containing class action allegations are also pending in Canada. Additional lawsuits may be filed by purported purchasers.

In connection with these agreements and other Embraco antitrust matters, we have incurred, in the aggregate, charges of approximately \$339 million, including fines, defense costs and other expenses. These charges have been recorded within interest and sundry income (expense). At September 30, 2012, \$119 million remains accrued, with installment payments of \$93 million, plus interest, remaining to be made to government authorities at various times through 2015. We continue to work toward resolution of 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 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 position, liquidity, or results of operations.



#### Antidumping Petitions

In March 2011, we filed antidumping and countervailing duty petitions against bottom-mount refrigerators from South Korea and an antidumping petition against the same product from Mexico. The Whirlpool products affected by this case are made in Amana, Iowa, where Whirlpool employs approximately 2,200 people. In March 2012, the U.S. Department of Commerce ("DOC") issued favorable final determinations in which it found that several Korean and Mexican producers had engaged in dumping and that certain Korean producers received countervailable government subsidies. In April 2012, the U.S. International Trade Commission ("ITC") reached an unfavorable final determination that dumped and subsidized imports were not a cause of material injury to domestic producers, and therefore trade remedies were not imposed on the subject imports. We disagree with the ITC's decision and we have filed an appeal with the U.S. Court of International Trade. Timing of the appellate decision depends on many factors and is, therefore, uncertain.

In December 2011, we filed petitions requesting that the DOC and the ITC initiate antidumping and countervailing duty investigations against large residential washers from South Korea, and an antidumping investigation against the same products from Mexico. The Whirlpool products affected by this case are made in Clyde, Ohio, where Whirlpool employs approximately 3,500 people. In February 2012, the ITC made a favorable preliminary determination that imports from South Korea and Mexico caused material injury to the domestic industry. In May 2012 and July 2012, the DOC made favorable preliminary determinations that several Korean and Mexican producers had engaged in dumping and that certain Korean producers received countervailable government subsidies. Final decisions on these matters, following completion of the investigations, are currently expected in the first quarter of 2013.

#### Conflict Minerals

In August, the SEC issued final rules requiring disclosure of the use of conflict minerals (tantalum, tin, tungsten and gold) originating in the Democratic Republic of Congo and adjoining countries. We are currently analyzing whether conflict minerals are necessary to the functionality or production of our products and if so, the most efficient and effective means of complying with the due diligence and reporting requirements of the rules. The first disclosure reporting period is for the 2013 calendar year, with a final report to be filed no later than May 31, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our exposures to market risk since December 31, 2011.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) that are designed to provide reasonable assurance that information required to be disclosed in our filings under the Securities Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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 of September 30, 2012. 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, 2012.

(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 7 to the Consolidated 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 year ended December 31, 2011. The risk factors disclosed in our Annual Report on Form 10-K, in addition to the other information set forth in this report, could materially affect our business, financial condition or results. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition or results.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit 18	Preferability Letter Regarding Change in Accounting Policy Relating to Goodwill and Other Indefinite Lived Intangibles
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.

By  
Name:  
Title:

WHIRLPOOL CORPORATION  
(Registrant)  
/s/ LARRY M. VENTURELLI  
Larry M. Venturelli  
Executive Vice President  
and Chief Financial Officer

October 23, 2012