



# Who We Are. Where We Operate.

Whirlpool Corporation (NYSE: WHR) is the leading major appliance manufacturer in the world<sup>(a)</sup>, with approximately \$20 billion in annual sales, 77,000 employees and 59 manufacturing and technology research centers in 2019. The company markets *Whirlpool, KitchenAid, Maytag, Consul, Brastemp, Amana, Bauknecht, JennAir, Indesit* and other major brand names in nearly every country throughout the world.



56%  
NORTH AMERICA

21%  
EUROPE, MIDDLE EAST,  
AFRICA

16%  
LATIN AMERICA

7%  
ASIA



31%  
REFRIGERATORS  
& FREEZERS

30%  
LAUNDRY

23%  
COOKING APPLIANCES

16%  
OTHER

SIX  
BRANDS WITH  
\$1B+  
IN NET SALES

59  
MANUFACTURING &  
TECHNOLOGY  
RESEARCH CENTERS

67M  
PRODUCTS SOLD

77,000  
EMPLOYEES





In the competitive global kitchen and laundry appliance industry, Whirlpool Corporation continues to lead the way with a relatively simple goal—we are in constant pursuit of improving life at home. For over 108 years we have set the bar that others follow because our products, workplace environments, practices, policies, and governance remain committed to improving life for our consumers, employees, and communities. Innovation permeates our culture, not only because we possess the right blend of talent and technologies, but because it drives us to meet the constantly evolving needs of our consumers throughout the world.

2019

# Letter to Shareholders

A MESSAGE FROM MARC BITZER,  
CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER



Dear Shareholder,

During this past year we saw a public debate around “shareholder versus stakeholder” and the purpose of companies. At Whirlpool, we consider all stakeholders, but never at the expense of our long-term shareholders. This principle has guided our company for 108 years and will do so in the future.

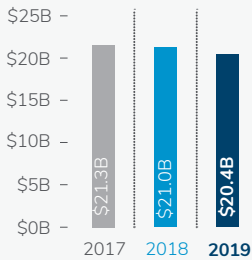
The very same principle is the reason why we adopted ESG policies more than 50 years ago. To illustrate this, I would like to share a quote from Elisha Gray in his annual letter to shareholders from 1969:

*“1969 saw continuation of determined efforts on the part of Whirlpool and its subsidiaries to make meaningful contributions to the improvement of the social climate in the communities where our facilities are located. We have long held that no business can separate itself from the affairs and problems of the society of which it is a part and hope to grow and prosper.”*

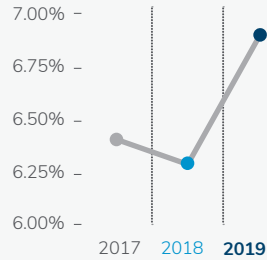
The current debate was brought about by the Business Roundtable statement on company purpose that was signed by nearly 200 U.S. CEOs, including myself. This public commitment to lead our respective companies for the benefit of all stakeholders—our customers, employees, suppliers, communities and shareholders—includes the following tenets:

- To our consumers, we commit to meeting or exceeding consumer expectations.
- To our employees, we commit to fair compensation, benefits, training/development, and to provide a work environment that fosters inclusion and diversity, dignity and respect.

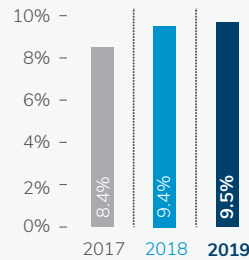
### Total Annual Revenue



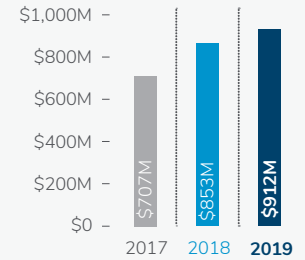
### Ongoing EBIT Margin



### Return on Invested Capital<sup>(b)</sup>



### Free Cash Flow



- To our trade customers, we commit to innovative, quality products.
- To our suppliers, we commit to a fair and ethical working relationship.
- To our communities, we commit to respecting all people and protecting the environment.
- And finally to our shareholders, those who help our company invest, grow and innovate: we commit to generating long-term value, transparency and effective engagement.

Turning to 2019, I'm very pleased to confirm that we are indeed generating long-term value for all those investing in Whirlpool Corporation and remain true to our mission of earning trust and creating demand for our brands. Let me share a few highlights of the year and our outlook for the future.

### 2019 in review

In short, our employees delivered yet another all-time record earnings per share and achieved a TSR which was well ahead of the broader market.

The business environment we faced during 2019 was unique compared to the prior year, presenting us with both positives and negatives. On the plus side, we saw a slowdown of the broader inflationary pressures which burdened us for the past two years. Raw materials have started to moderate and tariffs, while still being a headwind for us, have stabilized. At the same time, consumer demand remained subdued in most major markets throughout the world with the notable exception of India and Brazil during the latter half of the year.

From a regional perspective North America had another very strong year with EBIT margins of close to 13%, while we finally saw the signs of a successful turnaround in Europe during

the back half of the year. Both India and Brazil demonstrated strong performance in a positive demand environment, while our China business was challenged with a market decline and the increased brand investments to facilitate the growth of the Whirlpool brand.

Despite softness in the demand environment, we remained focused on our operational priorities, executed our price increases and started to successfully reduce our cost base. All while increasing investments in our brands and products. The rigor in our operational execution throughout our global operations allowed us to deliver yet another all-time record year—both from a GAAP earnings per share of \$18.45 and from an ongoing earnings per share of \$16.00<sup>(c)</sup>. This strong performance also showed up in Free Cash Flow of \$912M (~7% improvement versus prior year).

### Long-term shareholder value creation

In May of 2019 we had the opportunity to present our plans for long-term shareholder creation to the investor community. Our long-term goals include:

- ~3% annual organic net sales growth
- ~10% EBIT margin
- 6%+ free cash flow as a percent of net sales
- 12-14% return on invested capital

As evidenced during last year, we are getting close to driving the organic sales growth and the levels of free cash flow we had committed to. We improved our ongoing EBIT margin 60 basis points and made progress toward our long-term margin targets, however, we still have work ahead of us to reach our 10% EBIT target. It's important to reiterate that Whirlpool Corporation is structurally able to deliver our 10% EBIT target for two reasons: our unique structural position



and our long-term globally aligned strategic imperatives. These factors give us a competitive advantage over every competitor in our industry.

Our unique structural position is based on four fundamental pillars:

- 1. OUR STRONG GLOBAL COMPETITIVE POSITION.** We hold the top share position in six of our ten largest countries by revenue.
- 2. BEST BRAND PORTFOLIO.** We have six brands with more than \$1 billion in sales and the breadth of our portfolio allows us to target multiple consumer segments in the countries we serve.
- 3. LEGACY OF INNOVATION.** Our heritage of consumer relevant innovation and continued investment in our product pipeline allowed us to launch more than 100 new products each year, and we are even more excited about our future product pipeline.
- 4. BEST-COST POSITION.** By combining our leading scale and strong cost discipline, we have a true “best-cost position” across the home appliance industry.

Our long-term, globally aligned strategic imperatives include:

- 1. DELIVER PRODUCT LEADERSHIP.** With the changing competitive landscape it is more important than ever to lead the market with innovative, leading-edge designed products. Our product development organization has shifted to a global platform approach which allows us to reduce complexity and leverage our global scale.
- 2. RE-DEFINE WHAT PRODUCT IS.** Even though the adoption rate of IoT-based products is still low, we are committed to be at the forefront of this development and lead the industry with consumer-relevant product and service solutions.

**3. WINNING THE DIGITAL CONSUMER JOURNEY.** The advent of digital technologies has fundamentally changed both the consumer pre-buy process as well as the actual purchase process. We have built in-house digital capabilities to take full advantage of this change in consumer behavior.

**4. REINVENT OUR VALUE CHAIN.** World-class manufacturing, digital and industry 4.0 technologies in our factories allow us to make a step change in sustained cost and quality competitiveness. Furthermore, we are re-looking at how home delivery and consumer service platforms become a competitive advantage in the “digital” consumer purchase process.

## Our short-term priorities for 2020

After more than 100 years in the appliance business, we understand the importance of being agile and prepared to succeed despite any type of volatility the market throws at us. Whirlpool Corporation has proved time and time again that we are able to effectively balance our long-term imperatives and short-term operating priorities to win for our shareholders. We are in excellent position from a balance sheet perspective, we remain very disciplined in keeping fixed costs low and carefully weigh our investment decisions.

We are optimistic about what lies ahead in 2020. The fundamentals of the U.S. and global economy are still robust and we have long argued that the U.S. housing market has been structurally undersupplied for almost ten years. In fact, we finally saw a significant uptick of the leading indicators for the U.S. housing market during Q4 of 2019. With this in mind we have set our operational priorities accordingly and feel well prepared for any economic scenario, while at the same time continuing to invest resources in our long-term strategic imperatives.

## Thank you

Your trust in Whirlpool Corporation allows our 77,000 employees to improve life at home for families around the world. Thank you for your continued support and we are looking forward to a very successful 2020.

Marc Bitzer  
Chairman of the Board and Chief Executive Officer

## OUR VISION

Be the best kitchen and laundry company, in constant pursuit of improving life at home

## OUR MISSION

Earn trust and create demand for our brands in a digital world

## VALUES

Integrity, Respect, Inclusion & Diversity, One Whirlpool, Spirit of Winning

## LONG-TERM GOALS

~3%

Annual Organic  
Net Sales Growth

6%+

FCF  
(Free Cash Flow as % of Net Sales)

~10%

Ongoing EBIT Margin  
(Earnings Before Interest and Taxes)

12-14%

Return on  
Invested Capital

## STRATEGIC IMPERATIVES

1 | Deliver Product Leadership

2 | Redefine What Product Is

3 | Win the Digital Consumer Journey

4 | Reinvent Our Value Chain

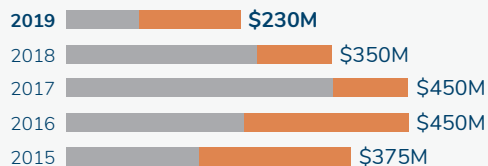


# Unique Structural Position

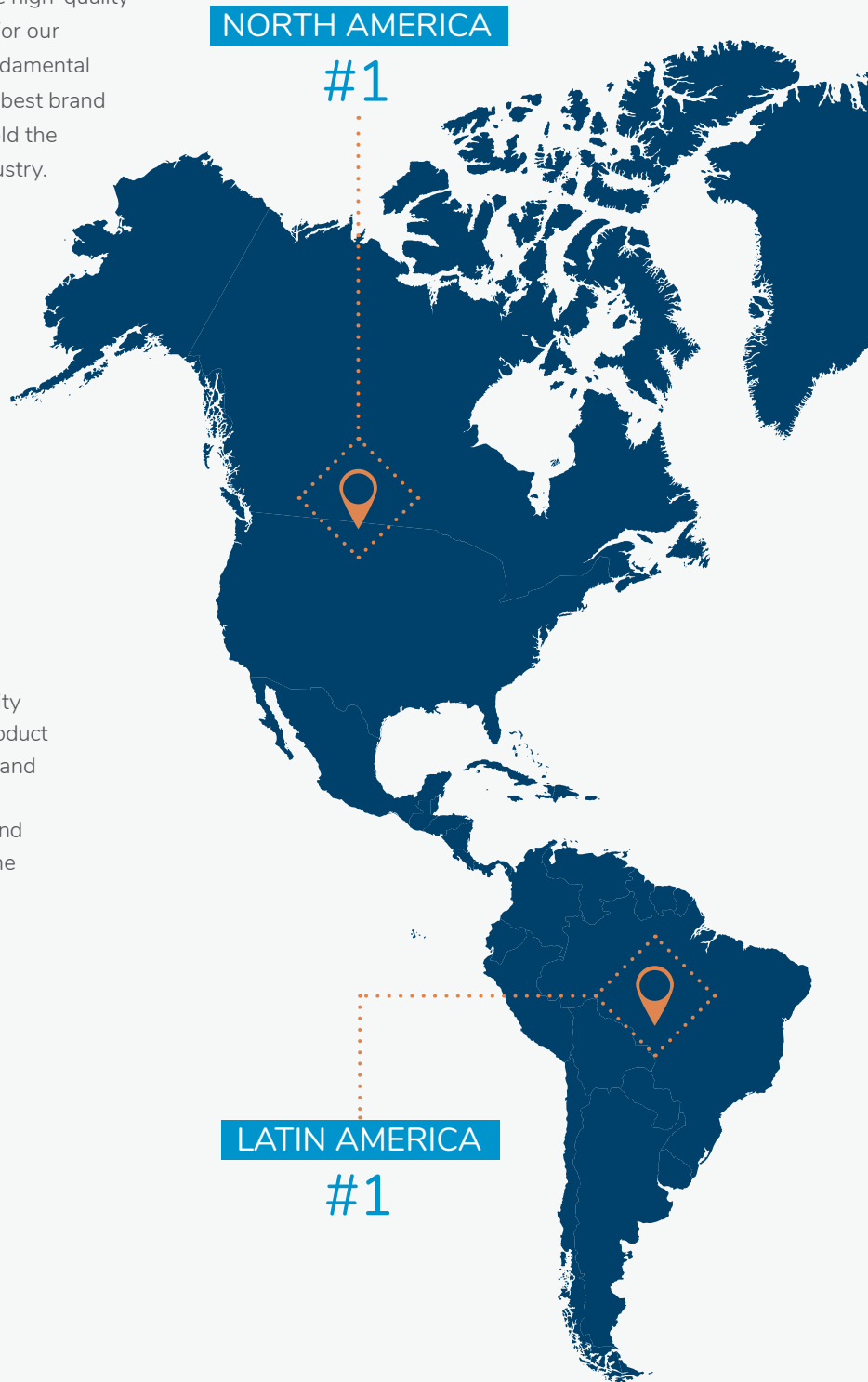
Whirlpool Corporation is committed to delivering significant, long-term value to both our consumers and our shareholders. For consumers, we deliver value through innovative high-quality products and services that improve life at home. For our shareholders, we remain committed to our four fundamental pillars—retain our strong global footprint, have the best brand portfolio, advance our legacy of innovation and hold the best-cost position across the home appliance industry.

## BEST-COST POSITION

Leading scale combined with advanced productivity tools, aggressive indirect spending discipline and product architecture modularization has provided us agility and strength in the highly volatile global industry. Our unparalleled global scale enables us to rapidly respond to changing consumer preferences and produce the right products at the right time around the world.



■ Restructuring Benefits  
■ Gross Cost Productivity





## STRONG GLOBAL FOOTPRINT

We hold the number-one share position in six of our 10 largest countries by revenue.<sup>(d)</sup>

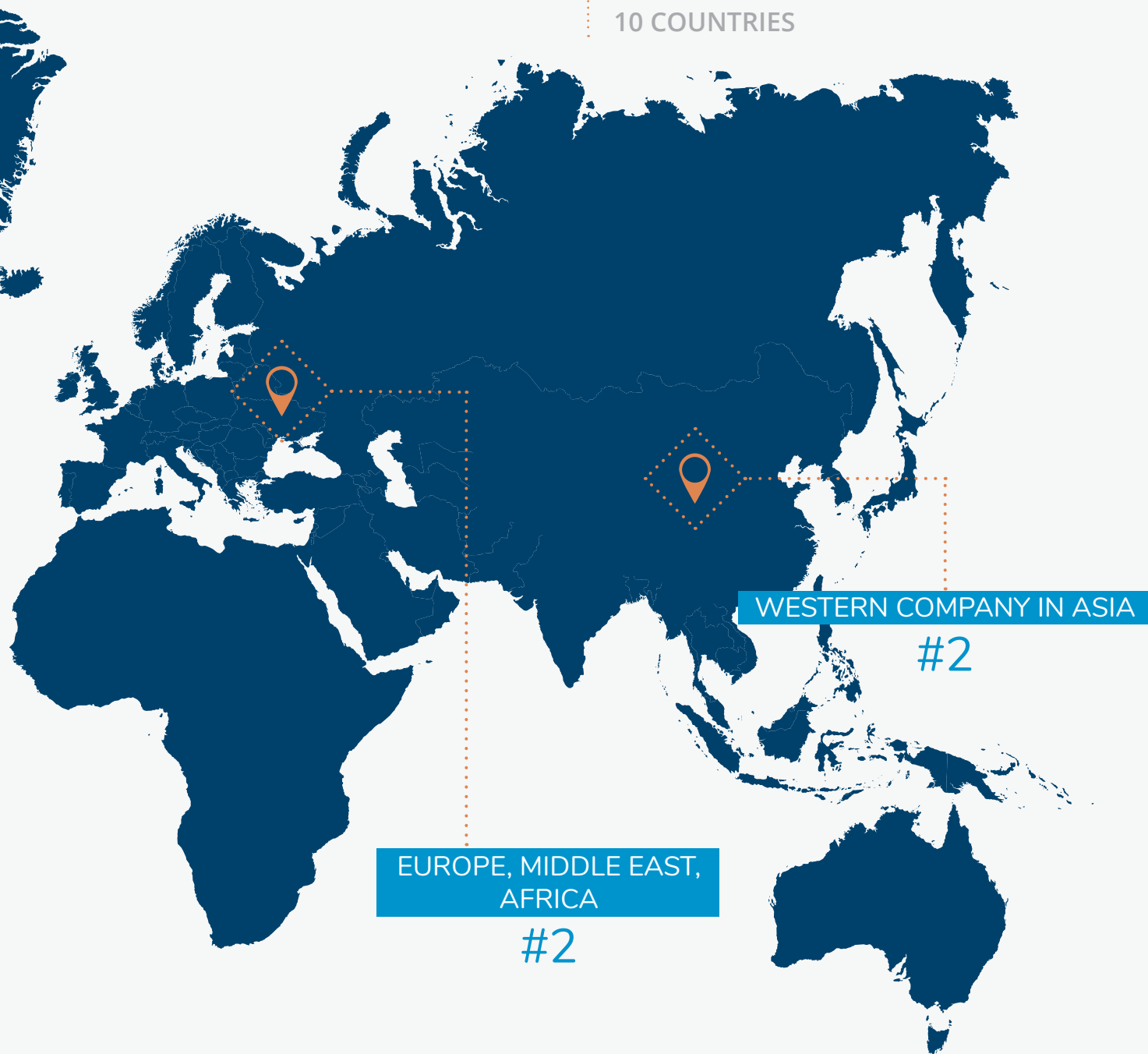
# #1

POSITION IN

# SIX

OF OUR TOP

10 COUNTRIES





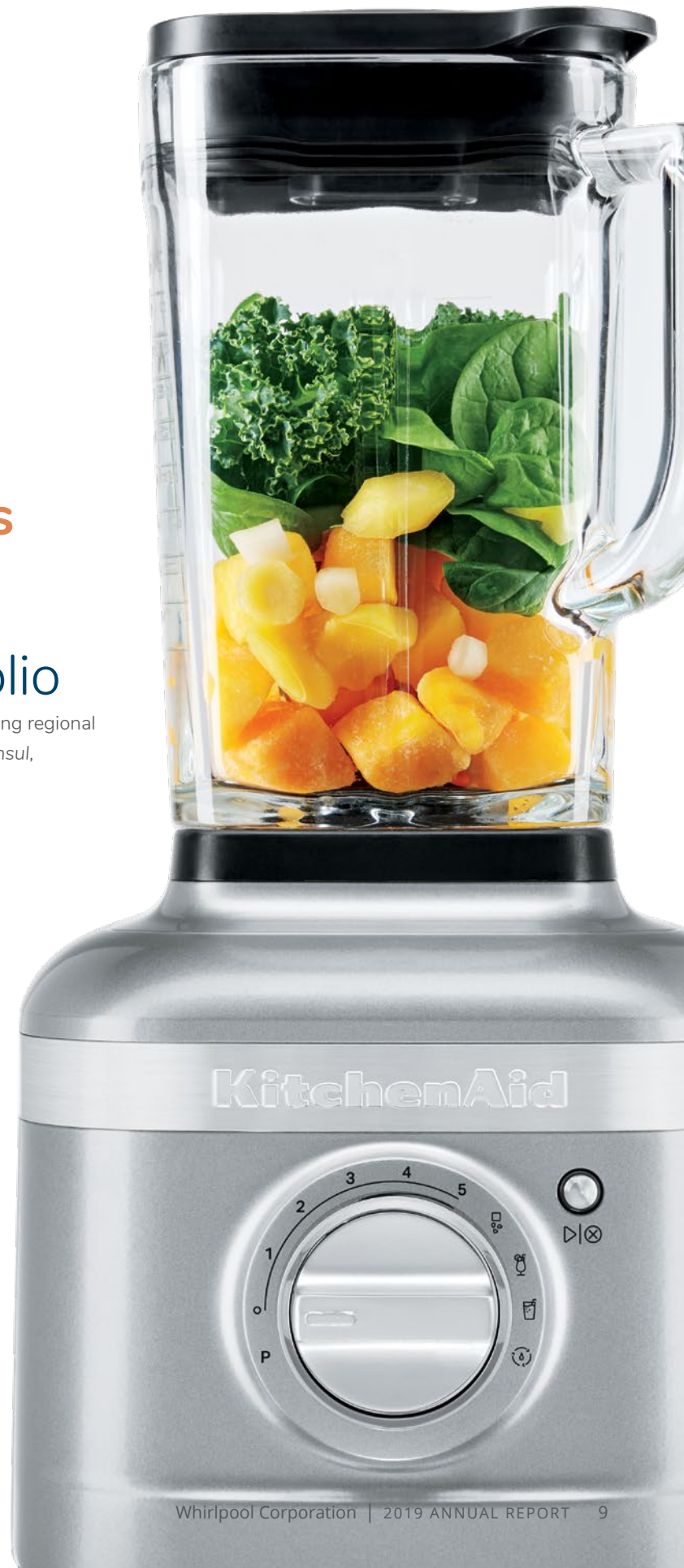
## Accelerated Pace of Innovation

With 108 years of industry-first innovations and game-changing products, our legacy proves we are driven by intellectual curiosity and innovation. Yet without standing on our laurels, Whirlpool Corporation has never scaled back on our investments in innovation and product development. The ability to see beyond the current needs and behaviors of our consumers to create solutions that address how they will purchase, interact with and use our products for decades to come, permeates our culture. World Class Manufacturing, IoT, leading-edge design, craftsmanship and digital technologies drive innovation to improve life at home.

**6 brands**, each  
with more than  
**\$1 billion in sales**

## Best Brand Portfolio

Whirlpool and KitchenAid global brands, with strong regional and local brands, including Maytag, Brastemp, Consul, Hotpoint\*, Indesit and Bauknecht.



# Our Global Position



## NORTH AMERICA

We once again delivered very strong operational results, overcoming a challenging and volatile macroeconomic environment, further demonstrating the fundamental strength and resilience of our business.

**Joe Liotine**, EVP and President,  
Whirlpool North America



We delivered very strong margin expansion, overcoming a volatile macroeconomic environment and soft industry demand. Our focus on strong price/mix execution, disciplined cost takeout and continuous improvement across every aspect of our business has resulted in nine consecutive quarters of margin expansion. We are proud of the impactful innovation we are delivering to our consumers in their kitchens and laundry rooms. The region is well-positioned to build on the strong momentum generated over the past several years.



## LATIN AMERICA

In Latin America, we delivered solid organic revenue growth as we began to experience signs of demand recovery in Brazil. We executed on our price/mix initiatives and delivered strong growth in our direct-to-consumer business while offsetting significant currency volatility in Brazil and Argentina and industry demand weakness in Mexico. Lastly, we successfully executed the planned sale of our compressor business in July 2019 as we strategically focus on investing in and growing our consumer-facing business. Our strong brands and continued commitment to innovation position us well to deliver exceptional results.



We are very excited to see continued growth in our business with signs of demand recovery in Brazil. All of this while successfully executing the sale of our compressor business.

**João Brega**, EVP and President,  
Whirlpool Latin America



## EMEA

Our highly engaged teams executed our strategic actions, delivering strong progress toward restoring profitable growth in the region.

**Gilles Morel**, EVP and President, Whirlpool EMEA



We have made significant progress in restoring profitability in EMEA and delivered on our previously announced actions to refocus and right-size our business in the region. We exited unprofitable businesses, reduced fixed costs and continued to stabilize volume, with share gains in key countries. Our marketplace investments focused on our most profitable segments to ensure that we not only drive higher volumes, but also capitalize on new product innovation and strengthen our relationships with our trade customers. Our 2019 results provide strong momentum heading into 2020 and keep us firmly on track to deliver on our long-term goals.



## ASIA

Our India operations continue to deliver very strong results demonstrating top-line growth, margin expansion and share gains. These results were offset by a very challenging industry demand environment in China and continued investments in our Whirlpool brand. As a result of our planned brand investments, we are seeing positive Whirlpool-branded share growth in the region. As we turn to 2020, our teams in Asia are focused on driving growth and margin expansion.



We are very pleased to have delivered double-digit growth and margin expansion in India while also growing our branded share in Whirlpool China.

**Sam Wu**, EVP and President, Whirlpool Asia

# Our Brands and Products

We know a consumer's experience is our best competitive edge. Our strong brand portfolio is a key asset that continues to position Whirlpool Corporation as the leader in the home appliance industry. In the global landscape, we utilize our manufacturing scale while maintaining the agility to target 90% of consumers throughout the world. To further meet consumer preferences and behaviors, our trusted brands utilize sophisticated data to help drive concepts to decision making, differentiate brand personalities and shape consumer engagement and satisfaction. How we understand our consumers has changed exponentially in the past five years, and the digital journey has broadened our ability to be more effective, efficient and impactful.

2019 was an unprecedented year in our history as we fully leveraged our global scale, and as a result, accelerated our rate of innovation and the digital transformation journey to deliver appliances designed and engineered with organizational excellence, customized and tailored to suit the needs of brand audiences.



Above: Brastemp Double Wash washer with two independent baskets and individual dispensers.

Left: Whirlpool W Collection No Frost fridge freezer features an advanced Cooling System and 6TH SENSE technology.

**Whirlpool** **KitchenAid** **MAYTAG** **i** **INDESIT**



## YUMMLY

Our acquisition of Yummly has accelerated the digital transformation journey and reached beyond appliances to bring the connected kitchen to life. Yummly solves the everyday dinner dilemma by answering, “What’s for Dinner?” before it’s even asked, removing obstacles to cooking, and offering personalized recommendations based on dietary restrictions and preferences. Not only a leading recipe app with over 26 million registered users and 10 million email subscribers, Yummly continues to grow as the operating system for many of Whirlpool Corporation’s connected appliances, enabling personalized meal discovery, guided step-by-step recipe instructions, immersive cooking experiences, and integration with our appliances to deliver perfect cooking results every time.

Left: KitchenAid Sous-vide Drawer uses a low temperature cooking method to bring out the flavors of every ingredient, making dishes juicy and tender. The Vacuum 14cm Drawer seals fresh ingredients in dedicated pouches that cook inside the Chef Touch Steam Oven.



# Our Operations

## GLOBAL MANUFACTURING

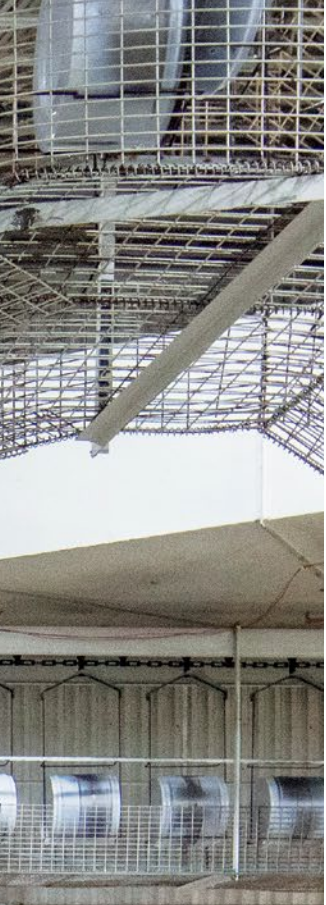
At Whirlpool, we remain relentlessly focused on creating a culture of continuous improvement to drive productivity, creating value in any environment. In 2019, we made significant progress in leveraging our global scale and advancing our journey to best-in-class levels of performance in our manufacturing operations in every region. Further embedment of World Class Manufacturing (WCM) is yielding positive operating results including lower cost and working capital along with improved levels of quality and safety. A key component of WCM is empowering our manufacturing employees at all levels of the organization to proactively identify ways to operate more efficiently and decrease complexity within our operational processes.

We are transforming our industrial operations by enabling real-time data visibility and connectivity between equipment on the factory floor. This provides more accurate and consistent data, eliminates manual work and allows us to make decisions faster.

The use of advanced analytics and AI in manufacturing provides for enhanced testing capabilities and defect detection. The integration of product development, comprehensive launch processes and our WCM production system is enabling speed to market at best-in-class quality levels for our innovative products.







# Our People



WHIRLPOOL CORPORATION  
WOMEN'S NETWORK IN  
4 REGIONS

PRIDE REPRESENTED IN  
3 REGIONS

YOUNG PROFESSIONALS IN  
3 REGIONS

## OUR PEOPLE PROPEL OUR MOMENTUM

It is the pioneering spirit of our employees, their confidence, ownership and engagement that improves life at home. In 2019, Whirlpool Corporation achieved a company record overall score of 86 on our Employee Engagement Survey, significantly higher than the consumer product company benchmark and above the engagement levels of best-in-class companies.

Diverse teams represent the consumers we serve, but our intentional focus on inclusion accelerated a positive shift in culture, resulting in even greater workforce diversity. This was fostered by our first-ever Global Inclusion Week, engaging 63% of our employees in more than 25 inclusion-focused global events, the launch of “Inclusion Behaviors” tenets, employee stories centered on walking “In My Shoes” and executive workshop participation (Men Advocating Real Change) on inclusive leadership, with 471 participants reaching every region.

- A year following Chairman and CEO Marc Bitzer’s organizational and personal commitment to the Catalyst® CEO Champions for Change, our female representation in our senior leaders increased to 30%<sup>(e)</sup>.
- Our Employee Resource Groups continue to raise awareness for an inclusive culture, representing eight under-represented groups in North America; two in our Europe, Middle East, Africa region; two in Latin America South; four in Latin America North; and one in Asia.



# Our Communities

Whirlpool is committed to maintaining strong, lasting connections in the communities in which we do business. We utilize a global collective impact model that centers around improving life at home. Our giving focuses in the areas of house and home to create thriving communities.

**HOUSE** centers on shelter and security for individuals and families. Efforts include building homes and collaborating with Habitat for Humanity International®, and supporting organizations for veterans such as Homes for Our Troops.



**HOME** focuses on developing resilient, vibrant communities through education and community development.

Programs include:

- Our work with United Way® to fund hundreds of nonprofit campaigns within our communities that target education, income, health and basic needs. Chairman and CEO Marc Bitzer serves on the United Way® Worldwide Board of Trustees. The Whirlpool Foundation offers a dollar-for-dollar match on employee contributions to these campaigns.
- Consul brand sponsorship of Instituto Consulado da Mulher supports small business cooperatives to develop employment skills for low-income women.
- Whirlpool brand's Care Counts Laundry Program installs washers and dryers in schools, provides access to clean clothes and helps improve attendance: 38,000 students in 82 schools in 18 cities.
- Whirlpool EMEA Moments Not to be Wasted education program on food waste reached over 1 million in Italy, Poland, and Slovakia.
- CFO Jim Peters serves on the Habitat for Humanity® International Cost of Home Advocacy Campaign Council.

Whirlpool Corporation and Habitat for Humanity International celebrated 20 years together.



SUPPORTED  
**45**  
COUNTRIES



COMMITTED  
**\$107M**



**8,000**  
EMPLOYEES  
DONATED TIME

Whirlpool Global Community Day served 14 countries, 32 nonprofit organizations and 21,000 employee hours.



**400,312**   
VOLUNTEER HOURS REPORTED IN 2019  
12% INCREASE IN HOURS AND 900 MORE  
EMPLOYEES FROM 2018-2019

# Our Environmental Sustainability

Our long-standing commitment to the environment began in 1970 with the formation of our Office of Environment. Today we are accelerating our progress by delivering on our commitments to improve the environmental efficiency of plants and products while making a positive impact on people and the planet. We continue to take action in addressing climate change and the current, unsustainable rate of resource depletion, and remain steadfast in embedding environmental commitments in our business practices everywhere we operate. Whirlpool firmly believes sustainability is an avenue for continued growth.

Three elements form the core of our environmental sustainability priorities: sustainable plants, sustainable products, and sustainable practices.

## In 2019 we committed to:

- The United Nations Global Compact (UNGC) and reinforced our commitment to the Ten Principles in the areas of human rights, labor, environment and anti-corruption.
- Fully deliver on emissions reduction goals that meet or exceed the Paris Agreement.
- The Science-Based Targets initiative (SBTi), which approved our Greenhouse Gas emissions targets.

## OUR GOALS ADVANCE OUR COMMITMENT TO:

- **50% emission reduction from our plants by 2030 vs. 2016 baseline**
- **20% emission reduction from our products in use by 2030 vs. 2016 baseline**
- **Zero Waste to Landfill in all manufacturing sites by 2022**



## SUSTAINABLE PLANTS

Whirlpool Corporation is one of the largest Fortune 500 consumers of on-site wind energy in the United States and we are investing in renewable energy solutions in countries such as India and China. In addition, since 2015 we have reduced approximately 12% of the energy intensity in our plants.

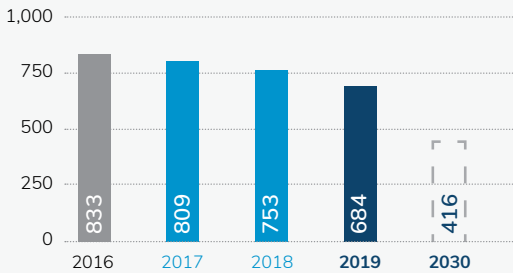
World Class Manufacturing (WCM) methodology and principles are embedded across all 36 manufacturing plants in 13 countries as of 2019, creating operational excellence across a uniform global platform and enabling significant improvements in our Safety, Delivery, Quality, and Cost metrics. WCM integrates both sustainability and accountability into the daily operations of our plants and people across all locations. All Whirlpool employees in manufacturing—from leadership to the people on the shop floor—are responsible for identifying and implementing ways to increase resource efficiency through initiatives such as Zero Waste to Landfill and energy- and water-efficiency projects.

 **>96%**  
OF OUR WASTE  
GOES TO RECYCLING

**<3.5%**  
OF OUR WASTE  
GOES TO LANDFILL 

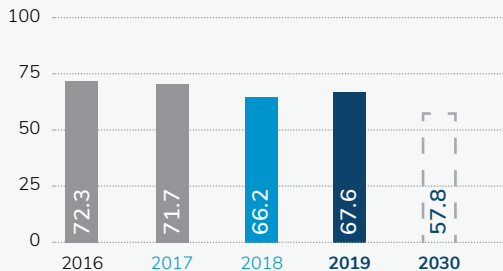


**Significantly Reducing Emissions**  
**Scopes 1 + 2 Plant Emissions** (metric tons of CO2eq in thousands)



Whirlpool Corporation is committed to the Science-Based Targets initiative (SBTi). In 2019, SBTi approved our Greenhouse Gas (GHG) Emissions science-based targets that meet and exceed the Paris Agreement goals.

**While Improving the Efficiency of Our Products**  
**Scope 3 Products in Use** (lifetime metric tons of CO2eq in millions)



In order to improve transparency and robustness, we have an internally developed Global Emissions Management System to determine our global footprint in all regions and all models, tying over 12 unique systems into one global reporting capability. This system is able to track from 2016 data in a systematic way, providing input to our business strategy to lower our product portfolio's carbon footprint.

## SUSTAINABLE PRODUCTS

Our consumers deserve products that are designed using materials with the lowest environmental impact possible, are resource-efficient and can be recycled at the end of life. Our new product emission reduction goals will build upon our success of over 50% reductions since 2005, driving toward over 60% by 2030. Correspondingly, we developed “Design for Environment” tools to deliver energy- and water-efficient products with more recycled content and we have committed to use recycled content on major plastic components in our European products by 2025, as well as use a majority of recycled-content steel. This year we also launched a new full materials transparency system to offer insight into substances of concern.

## SUSTAINABLE PRACTICES

Sustainability-minded plants and efficient products are not enough to create a sustainable business. Therefore, our commitment is embedded in our day-to-day business practices everywhere we operate, including how we design, source, manufacture, distribute, market, and manage end-of-life for our products. Our approach to improving connections within our key internal teams was restructured in 2019, assigning senior leader owners for each of our key sustainability initiatives and further strengthening our commitment to sustainability, using new information technology tools to better track and monitor key sustainability metrics.



**<0.5%**  
**OF OUR WASTE**  
**GOES TO INCINERATION**

ACHIEVED  
**ZERO WASTE**  
**TO LANDFILL IN 8 OF OUR PLANTS**

# Our Financial Position

As I reflect on our financial performance in 2019, I am pleased that we strongly delivered against our long-term value creation goals and capital allocation strategy, which remain unchanged.

## Financial summary

We took decisive action in 2019, overcoming significant trade volatility and macroeconomic pressures to deliver very strong results. We drove strong price/mix and maintained a disciplined approach to cost takeout, resulting in strong EBIT margin expansion and all-time record earnings per share. Additionally, we delivered solid free cash flow through working capital improvements and capital spend efficiencies. Lastly, we significantly improved the strength of our balance sheet and continued to return cash to shareholders.

## Funding the business

We invested over \$1 billion in R&D and capital expenditures, fully funding our business operations and ensuring we continue to deliver great innovative products to our consumers. These investments enable us to deliver product leadership, while redefining what our products are and further strengthening our position as a leader in connected appliances and services. We continue to invest in and grow our brands globally. We are also investing in our digital consumer journey, leveraging technology to better understand our consumers' pre-buy preferences, optimize our marketing investments and enhance our growing direct-to-consumer business. Finally, we are making investments in the digitization of our value chain, enabling advanced data analytics and artificial intelligence for productivity gains across our factories and distribution network. This includes gaining real-time supply chain visibility to drive lower working capital requirements and utilizing connectivity for remote diagnostics to reduce service visits. We are also executing on our "World Class Manufacturing" strategy to drive improvements through technology, robotics and complexity reduction. These investments ensure we continue to position Whirlpool Corporation as a global leader in connected products and services, delivering impactful innovation to our consumers every day.

## Maintaining liquidity

We continue to maintain strong liquidity and financial flexibility, allowing us to remain agile as we face elevated levels of economic and trade volatility. This year we finished with approximately \$3.8 billion in available credit facilities. Our year-end debt levels were significantly reduced as we repaid our \$1 billion term loan after completing the sale of our Embraco compressor business, making significant progress toward our long-term debt leverage goal of approximately 2x gross debt-to-EBITDA. We are focused on maintaining an optimal capital structure with a strong investment-grade credit rating.

## Returning cash to shareholders

In line with our balanced approach to capital allocation, we returned approximately \$450 million to shareholders in 2019. We increased our quarterly dividend for the 7th consecutive year and repurchased approximately \$150 million of common stock. Our commitment to delivering strong returns for our shareholders remains unchanged.

In closing, we are very pleased with our momentum exiting 2019 and our 2020 outlook is solid. We are focused on further strengthening our balance sheet and maintaining financial flexibility so we can react appropriately to changes in the global economic and trade landscape. We will continue to invest in our digital transformation journey, unlocking great products and services for our consumers and delivering strong value creation for our shareholders. It is these actions and investments that will propel us forward, ensuring we continue to earn trust and create demand for our products and brands across the globe.



James W. Peters  
Executive Vice President  
and Chief Financial Officer



# Financial Highlights

## Ongoing earnings per diluted share

The reconciliation provided below reconciles the non-GAAP financial measure of ongoing earnings per diluted share with the most directly comparable GAAP financial measure, net earnings per diluted share available to Whirlpool, for the twelve months ended December 31, 2019, 2018 and 2017. The earnings per diluted share GAAP measure and ongoing business measure are presented net of tax, while each adjustment is presented on a pre-tax basis. The aggregate income tax impact of the taxable components of each adjustment is presented in the income tax impact line item at our 2019, 2018 and 2017 full-year tax rates of 15.3%, 6.6% and 14.7%, respectively.

Twelve Months Ended December 31,	EARNINGS PER DILUTED SHARE		
	2017	2018	2019
Reported Measure	\$ 4.70	\$ (2.72)	\$18.45
Restructuring expense	3.70	3.68	2.93
Out-of-period adjustment	0.27		
France antitrust settlement		1.53	
Impairment of goodwill and intangibles		11.11	
Trade customer insolvency		0.45	
Divestiture related transition costs		0.32	
Brazil indirect tax credit			(2.80)
(Gain) loss on sale and disposal of businesses			(6.79)
Product warranty and liability expense			2.04
Sale leaseback, real estate and receivable adjustments			(1.34)
Trade customer insolvency claim settlement			0.92
Income tax impact	(0.56)	(0.29)	0.75
Normalized tax rate adjustment	5.63	1.25	1.84
Share adjustment		(0.17)	
<b>Ongoing measure</b>	<b>\$13.74</b>	<b>\$15.16</b>	<b>\$16.00</b>

For more information on the adjustments and additional reconciliations of non-GAAP measures, such as free cash flow and ongoing earnings before interest and taxes (EBIT), to the most directly comparable GAAP financial measure, see pages 34-35 of the 2019 Form 10-K included with this annual report, or the document titled "GAAP Reconciliations" at [Investors.WhirlpoolCorp.com/financial-information/annual-reports](http://Investors.WhirlpoolCorp.com/financial-information/annual-reports). Please see page 128 of this annual report for a reconciliation of the non-GAAP measure Return on Invested Capital to the most directly comparable GAAP financial measure.

## Performance graph

The graph below compares the yearly dollar change in the cumulative total stockholder return on our common stock against the cumulative total return of Standard & Poor's [S&P] Composite 500 Stock Index and the cumulative total return of the S&P 500 Household Durables Index for the last five fiscal years.\*\* The graph assumes \$100 was invested on December 31, 2014, in Whirlpool Corporation common stock, the S&P 500 and the S&P 500 Household Durables Index.

\*\*Cumulative total return is measured by dividing [1] the sum of [a] the cumulative amount of the dividends for the measurement period, assuming dividend reinvestment, and [b] the difference between share price at the end and at the beginning of the measurement period by [2] the share price at the beginning of the measurement period.

## Total return to shareholders

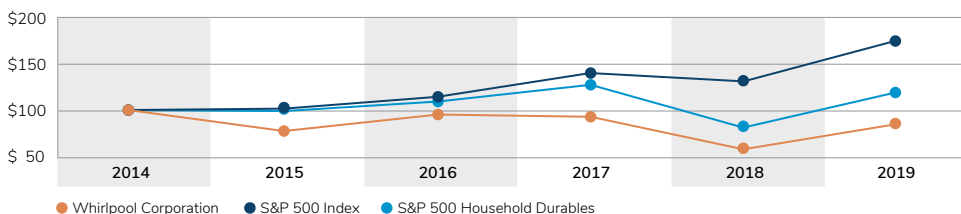
(Includes reinvestment of dividends)

Company/Index	ANNUAL RETURN PERCENTAGE Twelve Months Ended December 31,				
	2015	2016	2017	2018	2019
Whirlpool Corporation	-22.70%	26.69%	-4.89%	-34.50%	42.83%
S&P 500 Index	1.38	11.96	21.83	-4.38	31.49
S&P 500 Household Durables	0.12	7.42	18.65	-34.18	40.94

Company/Index	INDEXED RETURNS Twelve Months Ended December 31,					
	Base Period 2014	2015	2016	2017	2018	2019
Whirlpool Corporation	\$100	\$ 77.30	\$ 97.93	\$ 93.15	\$ 61.01	\$ 87.15
S&P 500 Index	100	101.38	113.51	138.29	132.23	173.86
S&P 500 Household Durables	100	100.12	107.54	127.60	83.99	118.37

## Comparison of cumulative five-year total return



# Governance

Whirlpool is committed to operating sustainably and to creating shareholder value over the long-term, and we have a high functioning Board and sound corporate governance structure in place to oversee this commitment. Our Board is comprised of 14 directors from multiple industries, with skills and experiences that align with Whirlpool Corporation's strategic priorities. Thirteen of our 14 directors are non-employee directors (all except Whirlpool CEO Marc Bitzer) who meet the independence standards under the NYSE listing standards. Mr. Bitzer serves as Board Chair, and Samuel Allen serves as Presiding Director. Each of the Board's four committees—Audit, Human Resources, Corporate Governance and Nominating, and Finance—is comprised entirely of independent directors. During 2019, our Board met six times. The Corporate Governance and Nominating Committee leads the Board's annual self-evaluation process and regularly reviews the relevant skill sets for director candidates.

Our Board is committed to overseeing Whirlpool Corporation's integration of environmental, social, and governance ("ESG") principles throughout the Company. Senior leaders in our product, sourcing, manufacturing, legal, communications, government relations, and technology functions comprise our Sustainability Steering Committee, which establishes and oversees the Company's strategic priorities on relevant ESG issues. We have a responsibility to leave the world a better place now and for generations to come and we forge ahead as we've always done: doing the right thing, the right way, with integrity.





## BOARD OF DIRECTORS

### **Samuel R. Allen**

Corporate Governance and Nominating Committee Chairman,  
Human Resources Committee  
Chairman, Deere & Company

### **Marc R. Bitzer**

Chairman and Chief Executive Officer,  
Whirlpool Corporation

### **Greg Creed**

Finance Committee,  
Human Resources Committee  
Former Chief Executive Officer,  
Yum! Brands, Inc.

### **Gary T. DiCamillo**

Audit Committee, Finance Committee  
Partner, Eaglepoint Advisors, LLC

### **Diane M. Dietz**

Corporate Governance and Nominating Committee, Human Resources Committee  
President and Chief Executive Officer,  
Rodan & Fields, LLC

### **Gerri T. Elliott**

Audit Committee, Finance Committee  
Executive Vice President and Chief Sales and Marketing Officer, Cisco Systems, Inc.

### **Michael F. Johnston**

Human Resources Committee Chairman,  
Audit Committee  
Former Chairman of the Board and Chief Executive Officer, Visteon Corporation

### **John D. Liu**

Audit Committee, Finance Committee  
Managing Partner, Richmond Hill Investments, LLC; Chief Executive Officer, Essex Equity Management LLC

### **James M. Loree**

Audit Committee, Corporate Governance and Nominating Committee  
President and Chief Executive Officer,  
Stanley Black & Decker, Inc.

### **Harish Manwani**

Corporate Governance and Nominating Committee, Human Resources Committee  
Senior Operating Partner, The Blackstone Group L.P.

### **William D. Perez**

Finance Committee Chairman,  
Human Resources Committee  
Former President and Chief Executive Officer, Wm. Wrigley Jr. Company

### **Patricia K. Poppe**

Corporate Governance Committee,  
Audit Committee  
President and Chief Executive Officer,  
CMS Energy Corporation

### **Larry O. Spencer**

Corporate Governance and Nominating Committee, Finance Committee  
President, Armed Forces Benefit Association

### **Michael D. White**

Audit Committee Chairman, Corporate Governance and Nominating Committee  
Former Chairman, President and Chief Executive Officer, DIRECTV

## EXECUTIVE COMMITTEE

### **Marc R. Bitzer**

Chairman and Chief Executive Officer

### **João C. Brega**

Executive Vice President and President,  
Whirlpool Latin America

### **Roberto H. Campos**

Senior Vice President, Global Product Organization

### **Elizabeth A. Door**

Senior Vice President, Global Strategic Sourcing

### **Holger Gottstein**

Senior Vice President, Strategy and Business Development

### **Kirsten J. Hewitt**

Senior Vice President and Chief Legal Officer

### **Joseph T. Liotine**

Executive Vice President and President,  
Whirlpool North America

### **Carey L. Martin**

Senior Vice President and Chief Human Resources Officer

### **Gilles Morel**

Executive Vice President and President,  
Europe, Middle East, Africa

### **D. Jeffrey Noel**

Corporate Vice President,  
Communications and Public Affairs

### **James W. Peters**

Executive Vice President and Chief Financial Officer

### **Shengpo (Samuel) Wu**

Executive Vice President and President,  
Whirlpool Asia



# Awards

## **World's Most Admired Companies**

FORTUNE magazine  
Tenth consecutive year

## **World's Best Employers**

Forbes magazine

## **Dow Jones Sustainability Index, North America**

Global corporate sustainability index

## **Corporate Equality Index**

Perfect score of 100 from the  
Human Rights Campaign  
Seventeenth consecutive year

## **Global CR RepTrak**

Top 100 ranking  
Seventh consecutive year

## **Top Employer Europe**

Top Employer Institute, in six countries

## **Best Employer for Diversity**

Forbes magazine

## **EPA SmartWay® Excellence Award**

U.S. Environmental Protection Agency  
Fifth consecutive year;  
High Performer third consecutive year

## **Top 100 Best Corporate Citizens**

Corporate Responsibility magazine

## **The Just 100: America's Best Corporate Citizens**

Forbes magazine

## **America's Most Responsible Companies**

Newsweek

## **Disability Equality Index**

100 percent score

## **Diversity Best Practices Inclusion Index**

Top 15 in leading companies

## **Motor Transport Award**

Business Excellence Award, Whirlpool UK

## **Best Places to Work**

Great Places to Work (Canada)

## **CIO 100 Award**

International Data Group

## **50 Best Companies to Sell For**

Selling Power magazine

## **Military-Friendly Employer**

Victory Media, Bronze Status (United States)

## **IF Design Award 2020**

KitchenAid, Whirlpool, and Bauknecht brands

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2019  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-3932



**WHIRLPOOL CORPORATION**  
(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)  
2000 North M-63  
Benton Harbor, Michigan  
(Address of principal executive offices)

38-1490038  
(I.R.S. Employer Identification No.)

49022-2692  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$1 per share	WHR	Chicago Stock Exchange and New York Stock Exchange
0.625% Senior Notes due 2020	WHR 20	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

(Check one)

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

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

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

The aggregate market value of voting common stock of the registrant held by stockholders not including voting stock held by directors and executive officers of the registrant and certain employee plans of the registrant (the exclusion of such shares shall not be deemed an admission by the registrant that any such person is an affiliate of the registrant) at the close of business on June 28, 2019 (the last business day of the registrant's most recently completed second fiscal quarter) was \$8,803,220,412.

On February 7, 2020, the registrant had 62,780,513 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents are incorporated herein by reference into the Part of the Form 10-K indicated:

**Document**

**Part of Form 10-K into which incorporated**

The registrant's proxy statement for the 2020 annual meeting of stockholders (the "Proxy Statement")

Part III

**WHIRLPOOL CORPORATION**  
**ANNUAL REPORT ON FORM 10-K**  
**For the fiscal year ended December 31, 2019**

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# PART I

## ITEM 1. BUSINESS

### Our Company

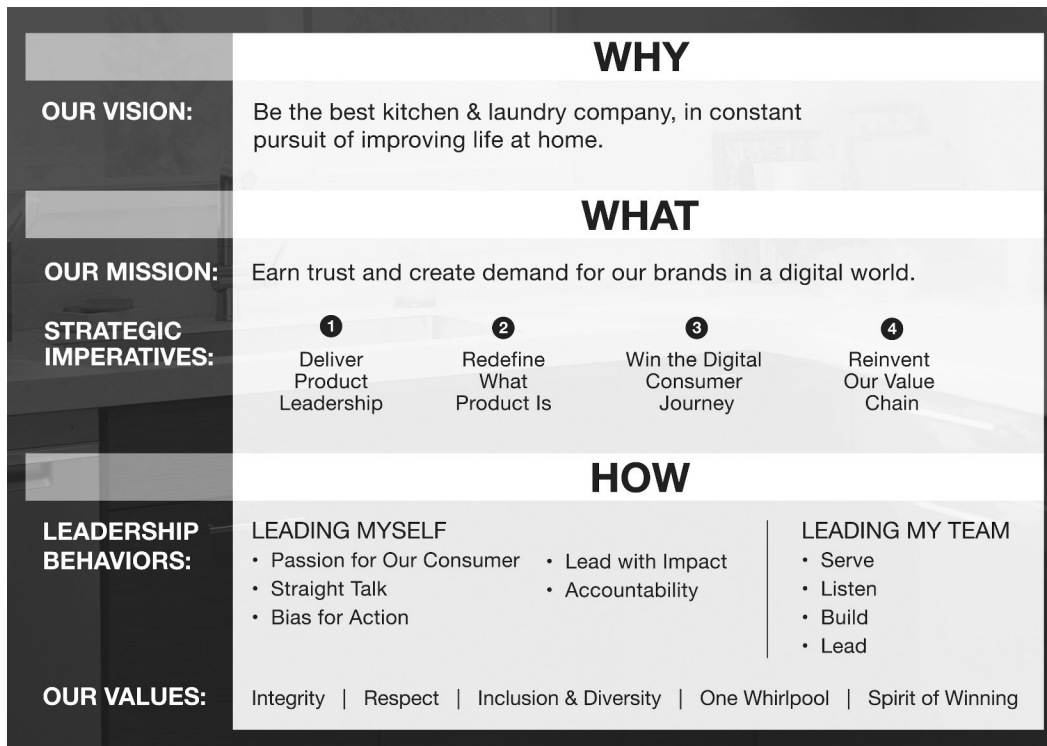
More than 100 years of delivering value one moment at a time

Whirlpool Corporation ("Whirlpool"), the world's leading major home appliance company, was incorporated in 1955 under the laws of Delaware and was founded in 1911. Whirlpool manufactures products in 13 countries and markets products in nearly every country around the world. 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 operating segments, which we define based on geography. Whirlpool Corporation's operating and reportable segments consist of North America, Europe, Middle East and Africa ("EMEA"), Latin America and Asia. Whirlpool had approximately \$20 billion in annual sales and approximately 77,000 employees in 2019.

As used herein, and except where the context otherwise requires, "Whirlpool," "the Company," "we," "us," and "our" refer to Whirlpool Corporation and its consolidated subsidiaries. The world's leading major home appliance company claim is based on most recently available publicly reported annual revenues among leading appliance manufacturers.

### Our Strategic Architecture

Our strategic architecture is the foundational component that drives our shareholder value creation. Below are the key components of our strategic architecture.



### Unique Global Position

Whirlpool Corporation is committed to delivering significant, long-term value to both our consumers and our shareholders. For consumers, we deliver value through innovative, high-quality products that solve everyday problems. For our shareholders, we seek to deliver differentiated value through our four strategic pillars: global leading scale, best brand portfolio, proven track record of innovation and best cost position.



\*Whirlpool Corporation ownership of the Hotpoint brand in EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

### Global Leading Scale

We are the world's leading major home appliance company.

Our leading position includes a balance of developed countries and emerging markets. As demand recovers in key emerging markets, we believe we are well positioned to benefit and convert this demand into profitable growth.

### Best Brand Portfolio

We have the best brand portfolio in the industry, including six brands with more than \$1 billion in revenue.



\*Whirlpool Corporation ownership of the Hotpoint brand in EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

We aim to position these desirable brands across many consumer segments. Our sales are led by our global brands, including *Whirlpool* and *KitchenAid*. *Whirlpool* is trusted throughout the world as a brand that delivers innovative care daily. Our *KitchenAid* brand brings a combination of innovation and design that inspires and fuels the passion of chefs, bakers and kitchen enthusiasts worldwide. These two brands are the backbone of our strategy to offer differentiated products that provide exceptional performance and desirable features while remaining affordable to consumers.

We also have a number of strong regional and local brands, including *Maytag*, *Brastemp*, *Consul*, *Hotpoint\**, *Indesit*, and *Bauknecht*. These brands add to our unmatched depth and breadth of appliance offerings and help us provide products that are tailored to local consumer needs and preferences.

### Proven Track Record of Innovation

Whirlpool Corporation has been responsible for a number of first-to-market innovations. These include the first electric wringer washer in 1911, the first residential stand mixer in 1919, the first countertop microwave in 1967 and the first energy and water efficient top-load washer in 1998. We are proud of our legacy of innovation.

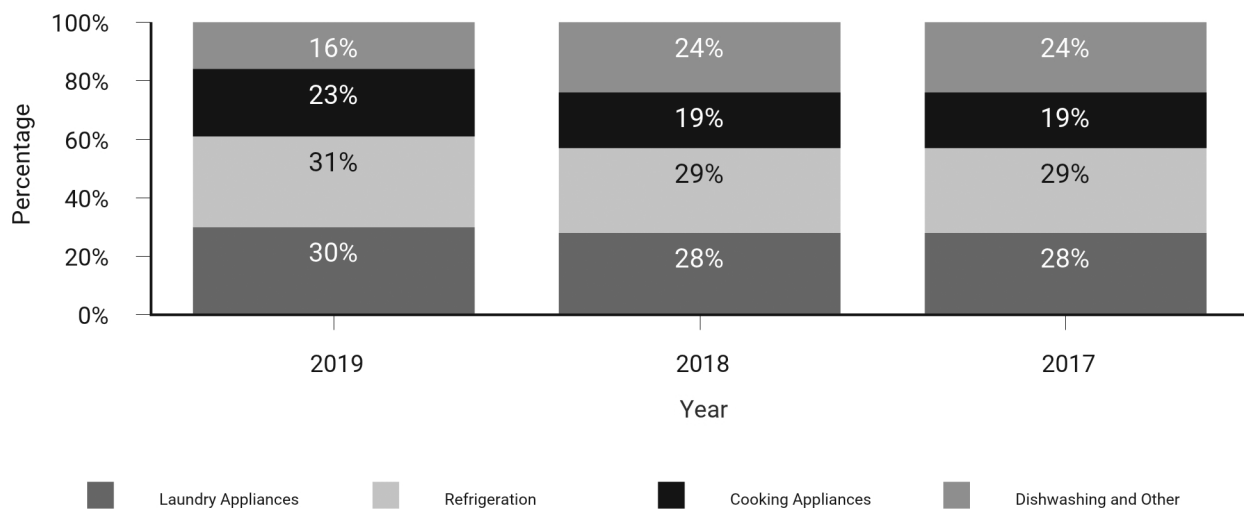
While we are proud of that legacy, we are also committed to innovating for a new generation of consumers. Our world-class innovation pipeline has accelerated over the last few years, driven by consistent innovation funding and a

passionate culture of employees focused on bringing new technologies to market. This year, we launched more than 100 new products throughout the world, and we are committed to further accelerating our pace of innovation.

As the shift to digital continues, consumers are beginning to desire connected appliances which fit seamlessly into the larger home ecosystem. We are excited to bring new connected products and technologies to market, including scan-to-cook and remote service diagnostics. Whether developed internally or with one of our many collaborators, we believe these digitally-enabled products and services will increasingly enhance the appliance experience for our consumers.

Whirlpool manufactures and markets a full line of major home appliances and related products. Our principal products are laundry appliances, refrigerators and freezers, cooking appliances, dishwashers, mixers and other small domestic appliances. Prior to the divestiture of our Embraco business on July 1, 2019, we also produced compressors for refrigeration systems. The following chart provides the percentage of net sales for each of our product categories which accounted for 10% or more of our consolidated net sales over the last three years:

**Product Categories as % of Net Sales**



**Best Cost Position**

As the number one major appliance manufacturer in the world, we have a cost benefit on everything we do based on scale, and are committed to a relentless focus on cost efficiency. Our global scale enables our local-for-local production model. We are focused on producing as efficiently as possible and at scale throughout the world.

As the global environment continues to change, we believe our strong capabilities for cost takeout allow us to effectively cope with macroeconomic challenges, and we see additional opportunities to further streamline our cost structure. For example, we are on a journey to reduce the complexity of our designs and product platforms. This initiative, among many others, will enable us to utilize increased modular production, improved scale in global procurement, and further streamline our day-to-day manufacturing operations.

We believe our cost position is clearly differentiated in the appliance industry and we are committed to even further improvement, creating strong levels of value for our shareholders, regardless of the external environment.

### Value Creation Framework

Our long-term value creation framework is built upon the strong foundation we have in place: our industry-leading brand portfolio and robust product innovation pipeline, supported by our global operating platform and executed by our exceptional employees throughout the world. We measure these value-creation components by focusing on the following key metrics:



### Capital Allocation Strategy

We take a balanced approach to capital allocation by focusing on the following key metrics:

Fund the Business	Target
Capex / R&D	Capex: ~3% of net sales R&D: ~3% of net sales
Mergers & Acquisitions	Opportunistic M&A with high ROIC threshold




  

Return to Shareholders	Target
Dividends	~30% of trailing 12-month ongoing net earnings
Share Repurchase	Continue repurchasing at a moderate level
Targeted Capital Structure	Maintain strong investment grade rating; Gross Debt/EBITDA of ~2.0 goal

We remain confident in our ability to effectively manage our business through macroeconomic volatility and expect to continue delivering long-term value for our shareholders.



## Regional Business Summary

<p style="text-align: center;"><b>North America</b></p> 	<ul style="list-style-type: none"> <li>• In the United States, we market and distribute major home appliances and small domestic appliances primarily under the <i>Whirlpool</i>, <i>Maytag</i>, <i>KitchenAid</i>, <i>JennAir</i>, <i>Amana</i>, <i>Roper</i>, <i>Admiral</i>, <i>Affresh</i> and <i>Gladiator</i> brand names primarily to retailers, distributors and builders.</li> <li>• In Canada, we market and distribute major home appliances primarily under the <i>Admiral</i>, <i>Whirlpool</i>, <i>Maytag</i>, <i>JennAir</i>, <i>Amana</i>, <i>Roper</i>, <i>Speed Queen</i> and <i>KitchenAid</i> brand names.</li> <li>• We sell some products to other manufacturers, distributors, and retailers for resale in North America under those manufacturers' and retailers' respective brand names.</li> </ul>
<p style="text-align: center;"><b>Europe, Middle East and Africa (EMEA)</b></p> 	<ul style="list-style-type: none"> <li>• In Europe, we market and distribute our major home appliances primarily under the <i>Whirlpool</i>, <i>Hotpoint*</i>, <i>Bauknecht</i>, <i>Indesit</i>, <i>Ignis</i>, <i>Maytag</i>, <i>Laden</i> and <i>Privileg</i> brand names. We also market major home appliances and small domestic appliances under the <i>KitchenAid</i> brand name primarily to retailers and distributors.</li> <li>• We market and distribute products under the <i>Whirlpool</i>, <i>Bauknecht</i>, <i>Maytag</i>, <i>Indesit</i>, <i>Amana</i> and <i>Ignis</i> brand names to distributors and dealers in Africa and the Middle East; we exited our commercial operations in Turkey in the second quarter of 2019.</li> <li>• We also marketed and distributed a full line of products under the <i>Whirlpool</i> and <i>KIC</i> brand names in South Africa until we completed the sale of our business and <i>KIC</i> brand in the third quarter of 2019.</li> <li>• In addition to our operations in Western and Eastern Europe, Turkey and Russia, we have a sales subsidiary in Morocco.</li> </ul>
<p style="text-align: center;"><b>Latin America</b></p> 	<ul style="list-style-type: none"> <li>• In Latin America, we produce, market and distribute our major home appliances and small domestic appliances primarily under the <i>Consul</i>, <i>Brastemp</i>, <i>Whirlpool</i>, <i>KitchenAid</i> and <i>Acros</i> brand names primarily to retailers, distributors and directly to consumers.</li> <li>• We also serve the countries of Bolivia, Paraguay, Uruguay, Venezuela, and certain Caribbean and Central America countries, where we manage appliances sales and distribution through accredited distributors.</li> <li>• In July 2019, our Latin America operations sold our compressors business to a third party.</li> </ul>
<p style="text-align: center;"><b>Asia</b></p> 	<ul style="list-style-type: none"> <li>• In Asia, we have organized the marketing and distribution of our major home appliances and small domestic appliances in multiple countries, primarily including China and India.</li> <li>• We market and distribute our products in Asia primarily under the <i>Whirlpool</i>, <i>Maytag</i>, <i>KitchenAid</i>, <i>Ariston</i>, <i>Indesit</i>, <i>Bauknecht</i>, <i>Sanyo</i>, <i>Diqua</i>, and <i>Royalstar</i> brand names through a combination of direct sales to appliance retailers and chain stores and through full-service distributors to a large network of retail stores. As our rights to use the Sanyo brand name expired in the fourth quarter of 2019 (with a limited right to sell existing inventories until the second quarter of 2020), we are facilitating brand transition with investment to drive Whirlpool brand awareness in China.</li> </ul>

\*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

## Competition

Competition in the major home appliance industry is intense, including competitors such as Arcelik, BSH (Bosch), Electrolux, Haier, Kenmore, LG, Mabe, Midea, Panasonic and Samsung, many of which are increasingly expanding beyond their existing manufacturing footprint. The competitive environment includes the impact of a changing retail environment, including the shifting of consumer purchase practices towards e-commerce and other channels. Moreover, our customer base includes large, sophisticated trade customers who have many choices and demand competitive products, services and prices. We believe that we can best compete in the current environment by focusing on introducing new and innovative products, building strong brands, enhancing trade customer and consumer value with our product and service offerings, optimizing our regional footprint and trade distribution channels, increasing productivity, improving quality, lowering costs, and taking other efficiency-enhancing measures.

## Seasonality

The Company's quarterly revenues have historically been affected by a variety of seasonal factors, including holiday-driven promotional periods. In each fiscal year, the Company's total revenue and operating margins are typically highest in the third and fourth quarter.

## Raw Materials and Purchased Components

We are generally not dependent upon any one source for raw materials or purchased components essential to our business. In areas where a single supplier is used, alternative sources are generally available and can be developed within the normal manufacturing environment. Some supply disruptions and unanticipated costs may be incurred in transitioning to a new supplier if a prior single supplier relationship was abruptly interrupted or terminated. In the event of a disruption, we believe that we will be able to qualify and use alternate materials, sometimes at premium costs, and that such raw materials and components will be available in adequate quantities to meet forecasted production schedules.

## Working Capital

In order to support business needs and customer requirements, the Company maintains adequate levels of working capital throughout the year using various inventory management techniques, including demand forecasting and planning. Please see the Financial Condition and Liquidity section of the "Management's Discussion and Analysis" section of this Annual Report on Form 10-K for additional information on our working capital requirements and processes.

## Trademarks, Licenses and Patents

We consider the trademarks, copyrights, patents, and trade secrets we own, and the licenses we hold, in the aggregate, to be a valuable asset. Whirlpool is the owner of a number of trademarks in the United States and foreign countries. The most important trademarks to North America are *Whirlpool*, *Maytag*, *JennAir*, *KitchenAid* and *Amana*. The most important trademarks to EMEA are *Whirlpool*, *KitchenAid*, *Bauknecht*, *Indesit*, *Hotpoint\** and *Ignis*. The most important trademarks to Latin America are *Consul*, *Brastemp*, *Whirlpool*, *KitchenAid* and *Acros*. The most important trademarks to Asia are *Whirlpool* and *Royalstar* (which is licensed to us). We receive royalties from licensing our trademarks to third parties to manufacture, sell and service certain products bearing the *Whirlpool*, *Maytag*, *KitchenAid* and *Amana* brand names. We continually apply for and obtain patents globally. The primary purpose in obtaining patents is to protect our designs, technologies, products and services.

## Protection of the Environment

Our manufacturing facilities are subject to numerous laws and regulations designed to protect or enhance the environment, many of which require federal, state, or other governmental licenses and permits with regard to wastewater discharges, air emissions, and hazardous waste management. Our policy is to comply with all such laws and regulations. Where laws and regulations are less restrictive, we have established and are following our own standards, consistent with our commitment to environmental responsibility.

\*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

We believe that we are in compliance, in all material respects, with presently applicable governmental provisions relating to environmental protection in the countries in which we have manufacturing operations. Compliance with these environmental laws and regulations did not have a material effect on capital expenditures, earnings, or our competitive position during 2019 and is not expected to be material in 2020.

The entire major home appliance industry, including Whirlpool, must contend with the adoption of stricter government energy and environmental standards. These standards have been and continue to be phased in over the past several years and include the general phase-out of ozone-depleting chemicals used in refrigeration, and energy and related standards for selected major appliances, regulatory restrictions on the materials content specified for use in our products by some jurisdictions and mandated recycling of our products at the end of their useful lives. Compliance with these various standards, as they become effective, will require some product redesign. However, we believe, based on our understanding of the current state of proposed regulations, that we will be able to develop, manufacture, and market products that comply with these regulations.

Whirlpool participates in environmental assessments and cleanup at a number of locations globally. These include operating and non-operating facilities, previously owned properties and waste sites, including "Superfund" (under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)) sites. However, based upon our evaluation of the facts and circumstances relating to these sites along with the evaluation of our technical consultants, we do not presently anticipate any material adverse effect on our financial statements arising out of the resolution of these matters or the resolution of any other known governmental proceeding regarding environmental protection matters.

### Other Information

For information about the challenges and risks associated with our foreign operations, see "Risk Factors" under Item 1A.

Whirlpool is a major supplier of laundry, refrigeration, cooking and dishwasher home appliances to Lowe's, a North American retailer. Net sales attributable to Lowe's in 2019, 2018 and 2017, were approximately 13%, 12% and 10%, respectively, of our consolidated net sales. Lowe's also represented approximately 14% of our consolidated accounts receivable as of December 31, 2019. The Company did not have any customer with accounts receivable of more than 10% of consolidated accounts receivable as of December 31, 2018. See Note 16 to the Consolidated Financial Statements.

For information on our global restructuring plans, and the impact of these plans on our operating segments, see Note 14 to the Consolidated Financial Statements.

### Information About Our Executive Officers

The following table sets forth the names and ages of our executive officers on February 11, 2020, the positions and offices they held on that date, and the year they first became executive officers:

Name	Office	First Became an Executive Officer	Age
Marc R. Bitzer	Chairman of the Board, President and Chief Executive Officer	2006	55
James W. Peters	Executive Vice President and Chief Financial Officer	2016	50
João C. Brega	Executive Vice President and President, Whirlpool Latin America	2012	56
Joseph T. Liotine	Executive Vice President and President, Whirlpool North America	2014	47
Gilles Morel	Executive Vice President and President, Whirlpool Europe, Middle East & Africa	2019	54
Shengpo (Samuel) Wu	Executive Vice President and President, Whirlpool Asia	2019	53

The executive officers named above were elected by our Board of Directors to serve in the office indicated until the first meeting of the Board of Directors following the annual meeting of stockholders in 2020 and until a successor is chosen and qualified or until the executive officer's earlier resignation or removal. Each of our executive officers has held the position set forth in the table above or has served Whirlpool in various executive or administrative capacities for at least the past five years, except for Mr. Wu and Mr. Morel. Prior to joining Whirlpool in February 2017, Mr. Wu for the previous five years served as President and Chief Executive Officer, Asia Pacific, of Osram GmbH, and before

joining Osram in 2012, worked for Honeywell Process Solutions and General Electric in various leadership roles. Prior to joining Whirlpool in April 2019, Mr. Morel served for two years as CEO of Northern and Central Europe for Groupe Savencia. Prior to that, he worked for 27 years at Mars Inc. in various leadership positions, most recently as Regional President, Europe & Eurasia for Mars Chocolate.

### **Available Information**

Financial results and investor information (including Whirlpool's Form 10-K, 10-Q, and 8-K reports) are accessible at Whirlpool's website: [investors.whirlpoolcorp.com](http://investors.whirlpoolcorp.com). Copies of our Form 10-K, 10-Q, and 8-K reports and amendments, if any, are available free of charge through our website on the same day they are filed with, or furnished to, the Securities and Exchange Commission.

We routinely post important information for investors on our website, [whirlpoolcorp.com](http://whirlpoolcorp.com), in the "Investors" section. We also intend to update the Hot Topics Q&A portion of this webpage as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor the Investors section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations and webcasts. The information contained on, or that may be accessed through, our webpage is not incorporated by reference into, and is not a part of, this document.

## **ITEM 1A. RISK FACTORS**

This report contains statements referring to Whirlpool that are not historical facts and are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are intended to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, are based on current projections about operations, industry conditions, financial condition and liquidity. Words that identify forward-looking statements include words such as "may," "could," "will," "should," "possible," "plan," "predict," "forecast," "potential," "anticipate," "estimate," "expect," "project," "intend," "believe," "may impact," "on track," and words and terms of similar substance used in connection with any discussion of future operating or financial performance, an acquisition or merger, or our businesses. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Those statements are not guarantees and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from these forward-looking statements.

We have listed below what we believe to be the most significant strategic, operational, financial, and legal and compliance risks relating to our business.

### **STRATEGIC RISKS**

**We face intense competition in the major home appliance industry and failure to successfully compete could negatively affect our business and financial performance.**

Each of our operating segments operates in a highly competitive business environment and faces intense competition from a growing number of competitors, many of which have strong consumer brand equity. Several of these competitors, such as those set forth in the Business section of this annual report, are large, well-established companies, ranking among the Global Fortune 150. We also face competition that may be able to quickly adapt to changing consumer preferences, particularly in the connected appliance space. Moreover, our customer base includes large, sophisticated trade customers who have many choices and demand competitive products, services and prices, and which may in the future merge, consolidate, form alliances or further increase their relative purchasing scale. Competition in the global appliance industry is based on a number of factors including selling price, product features and design, consumer taste, performance, innovation, reputation, energy efficiency, service, quality, cost, distribution, and financial incentives, such as promotional funds, sales incentives, volume rebates and terms. Many of our competitors are increasingly expanding beyond their existing manufacturing footprints. Our competitors, especially global competitors with low-cost sources of supply and/or highly protected home countries outside the United States, have aggressively priced their products and/or introduced new products to increase market share and expand into new geographies. Many of our competitors have established and may expand their presence in the rapidly changing retail environment, including the shifting of consumer purchasing practices towards e-commerce

and other channels, and the introduction of direct-to-consumer sales models. If we are unable to successfully compete in this highly competitive environment, our business and financial performance could be negatively affected.

**The loss of, or substantial decline in, volume of sales to any of our key trade customers, major buying groups, and/or builders could adversely affect our financial performance.**

We sell to a sophisticated customer base of large trade customers, including Lowe's and other large domestic and international trade customers, that have significant leverage as buyers over their suppliers. Most of our products are not sold through long-term contracts, allowing trade customers to change volume among suppliers. As the trade customers continue to become larger through merger, consolidation or organic growth, they may seek to use their position to improve their profitability by various means, including improved efficiency, lower pricing, and increased promotional programs. If we are unable to meet their demand requirements, our volume growth and financial results could be negatively affected. We also continue to pursue direct-to-consumer sales in the U.S. and certain other countries, which may impact our relationships with existing trade customers. The loss or substantial decline in volume of sales to our key trade customers, major buying groups, builders, or any other trade customers to which we sell a significant amount of products, could adversely affect our financial performance. Additionally, the loss of market share or financial difficulties, including bankruptcy and financial restructuring, by these trade customers could have a material adverse effect on our financial statements.

**Failure to maintain our reputation and brand image could negatively impact our business.**

Our brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brands depends on our marketing efforts, including advertising and consumer campaigns, as well as product innovation. We could be adversely impacted if we fail to achieve any of these objectives or if, whether or not justified, the reputation or image of our company or any of our brands is tarnished or receives negative publicity. In addition, adverse publicity about regulatory or legal action against us, product safety, data privacy breaches or quality issues, or negative association with any one brand could damage our reputation and brand image, undermine our customers' confidence in us and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations.

In addition, our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing media environment, including an ever-increasing reliance on social media and online dissemination of advertising campaigns. Inaccurate or negative posts or comments about us on social networking and other websites that spread rapidly through such forums could seriously damage our reputation and brand image. If we do not maintain, extend and expand our brand image, then our financial statements could be materially and adversely affected.

**An inability to effectively execute and manage our business objectives could adversely affect our financial performance.**

The highly competitive nature of our industry requires that we effectively execute and manage our business objectives including our global operating platform initiative. Our global operating platform initiative aims to reduce costs, expand margins, drive productivity and quality improvements, accelerate our rate of innovation, generate free cash flow and drive shareholder value. An inability to effectively control costs and drive productivity improvements could affect our profitability. In addition, an inability to provide high-quality, innovative products could adversely affect our ability to maintain or increase our sales, which could negatively affect our revenues and overall financial performance. Additionally, our success is dependent on anticipating and appropriately reacting to changes in customer preferences, including the shifting of consumer purchasing practices towards e-commerce, direct-to-consumer and other channels, and on successful new product development, including in the connected appliance space, and process development and product relaunches in response to such changes. Our future results and our ability to maintain or improve our competitive position will depend on our capacity to gauge the direction of our key product categories and geographic regions and upon our ability to successfully and timely identify, develop, manufacture, market, and sell new or improved products in these changing environments.

**Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brands.**

We consider our intellectual property rights, including patents, trademarks, copyrights and trade secrets, and the licenses we hold, to be a significant part and valuable aspect of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third party nondisclosure and assignment agreements. Our failure to obtain protection for or adequately protect our trademarks, products, new features of our products, or our processes may diminish our competitiveness.

We have applied for intellectual property protection in the United States and other jurisdictions with respect to certain innovations and new products, design patents, product features, and processes. We cannot be assured that the U.S. Patent and Trademark Office or any similar authority in other jurisdictions will approve any of our patent applications. Additionally, the patents we own could be challenged or invalidated, others could design around our patents or the patents may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Further, the laws of certain foreign countries in which we do business, or contemplate doing business in the future, do not recognize intellectual property rights or protect them to the same extent as United States law. As a result, these factors could weaken our competitive advantage with respect to our products, services, and brands in foreign jurisdictions, which could adversely affect our financial performance.

Moreover, while we do not believe that any of our products infringe on enforceable intellectual property rights of third parties, others may assert intellectual property rights that cover some of our technology, brands, products, or services. Any litigation regarding patents or other intellectual property could be costly and time-consuming and could divert the attention of our management and key personnel from our business operations. Claims of intellectual property infringement might also require us to enter into costly license agreements or modify our products or services. We also may be subject to significant damages, injunctions against development and sale of certain products or services, or limited in the use of our brands.

## **OPERATIONAL RISKS**

**We face risks associated with our acquisitions and other investments and risks associated with our increased presence in emerging markets.**

From time to time, we make strategic acquisitions or divestitures, investments and participate in joint ventures. For example, we acquired Indesit and a majority interest in Hefei Sanyo in 2014, and we sold our Embraco compressor business in 2019. These transactions, and other transactions that we have entered into or which we may enter into in the future, can involve significant challenges and risks, including that the transaction does not advance our business strategy or fails to produce a satisfactory return on our investment. We may encounter difficulties in integrating acquisitions with our operations, applying our internal control processes to these acquisitions, managing strategic investments, and in overseeing the operations, systems and controls of acquired companies. Integrating acquisitions and carving out divestitures is often costly and may require significant attention from management. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. While our evaluation of any potential transaction includes business, legal and financial due diligence with the goal of identifying and evaluating the material risks involved, our due diligence reviews may not identify all of the issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities or costs associated with any quality issues with an acquisition target's legacy products. In addition, liabilities may be retained by Whirlpool when closing a facility, divesting an entity or selling physical assets, and such liabilities may be material.

Our growth plans include efforts to increase revenue from emerging markets, including through acquisitions. Local business practices in these countries may not comply with U.S. laws, local laws or other laws applicable to us or our compliance policies, which non-compliant practices may result in increased liability risks. For example, we may incur unanticipated costs, expenses or other liabilities as a result of an acquisition target's violation of applicable laws, such as the U.S. Foreign Corrupt Practices Act (FCPA) or similar worldwide anti-bribery laws in non-U.S. jurisdictions. We may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation, and other liabilities. In addition, our recent and future acquisitions may increase our exposure to other risks associated with operating internationally, including foreign currency exchange rate fluctuations; political, legal and economic instability; inflation; changes in tax rates and tax laws; and work stoppages and labor relations.

**Risks associated with our international operations may decrease our revenues and increase our costs.**

For the year ended December 31, 2019, sales outside our North America region represent approximately 44% of our net sales. We expect that international sales will continue to account for a significant percentage of our net sales. Accordingly, we face numerous risks associated with conducting international operations, any of which could negatively affect our financial performance. These risks include the following:

- Political, legal, and economic instability and uncertainty
- Foreign currency exchange rate fluctuations
- Changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws
- Changes in diplomatic and trade relationships, including sanctions resulting from the current political situation in countries in which we do business
- Inflation and/or deflation
- Changes in foreign country regulatory requirements, including data privacy laws
- Various import/export restrictions and disruptions and the availability of required import/export licenses
- Imposition of tariffs and other trade barriers
- Managing widespread operations and enforcing internal policies and procedures such as compliance with U.S. and foreign anti-bribery, anti-corruption regulations and anti-money laundering, such as the FCPA, and antitrust laws
- Labor disputes and work stoppages at our operations and suppliers
- Government price controls
- Trade customer insolvency and the inability to collect accounts receivable
- Limitations on the repatriation or movement of earnings and cash

As a U.S. corporation, we are subject to the FCPA, which may place us at a competitive disadvantage to foreign companies that are not subject to similar regulations. Additionally, any determination that we have violated the FCPA or other anti-corruption laws could have a material adverse effect on us.

Terrorist attacks, cyber events, armed conflicts, civil unrest, natural disasters, governmental actions and epidemics (including but not limited to the recent coronavirus outbreak originating in China) could affect our domestic and international sales, disrupt our supply chain, and impair our ability to produce and deliver our products. Such events could directly impact our physical facilities or those of our suppliers or customers.

**We may be subject to information technology system failures, network disruptions, cybersecurity attacks and breaches in data security, which may materially adversely affect our operations, financial condition and operating results.**

We depend on information technology to improve the effectiveness of our operations and to interface with our customers, consumers and employees, as well as to maintain financial accuracy and efficiency. In addition, we collect, store, have access to and otherwise process certain confidential or sensitive data, including proprietary business information, personal data or other information that is subject to privacy and security laws, regulations and/or customer-imposed controls. Our business processes and data sharing across functions, suppliers, and vendors is dependent on information technology integration. The failure of any systems, whether internal or third-party, during normal operation, system upgrades, implementations, or connections, could disrupt our operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacture or shipment of products, other financial and business disruptions, or the loss of or damage to intellectual property and the personally identifiable data of consumers and employees.

In addition, we have outsourced certain information technology support services and administrative functions, such as system application maintenance and certain benefit plan administration functions, to third-party service providers and may outsource other functions in the future to achieve cost savings and efficiencies. If these service providers do not perform effectively, we may not achieve the expected cost savings and may incur additional costs to correct errors made by such service providers. Depending on the function involved, such errors may also lead to business disruption, processing inefficiencies or the loss of or damage to intellectual property and personally identifiable information through system compromise, or harm employee morale.

Our information systems, or those of our third-party service providers, have been in the past and could be in the future impacted by inappropriate or mistaken activity of parties intent on extracting or corrupting information or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets. Cyber attacks are becoming more sophisticated and include malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. Our growth in the areas of connected appliances and the "Internet of Things" has increased these risks. These events could impact our customers, consumers, employees, third-parties and reputation and lead to financial losses from remediation actions, loss of business or potential liability or an increase in expense, all of which may have a material adverse effect on our financial statements.

**Product-related liability or product recall costs could adversely affect our business and financial performance.**

We have been and may be exposed to product-related liabilities, which in some instances may result in product redesigns, product recalls, or other corrective action. In addition, any claim, product recall or other corrective action that results in significant adverse publicity, particularly if those claims or recalls cause customers to question the safety or reliability of our products, may negatively affect our financial statements. We maintain product liability insurance, but it may not be adequate to cover losses related to product liability claims brought against us. Product liability insurance could become more expensive and difficult to maintain and may not be available on commercially reasonable terms, if at all. We may be involved in class action litigation for which we generally have not purchased insurance, and may be involved in certain other product recalls or other litigations or events for which insurance products may have limitations.

We regularly engage in investigations of potential quality and safety issues as part of our ongoing effort to deliver quality products to our customers. We are currently investigating certain potential quality and safety issues globally, and as appropriate, we undertake to effect repair or replacement of appliances in the event that an investigation leads to the conclusion that such action is warranted. Actual costs of these and any future issues depend upon several factors, including the number of consumers who respond to a particular recall, repair and administrative costs, whether the cost of any corrective action is borne by us or the supplier, and, if borne by us, whether we will be successful in recovering our costs from the supplier. The actual costs incurred as a result of these issues and any future issues could have a material adverse effect on our financial statements.

**The ability of suppliers to deliver parts, components and manufacturing equipment to our manufacturing facilities, and our ability to manufacture without disruption, could affect our global business performance.**

We use a wide range of materials and components in the global production of our products, which come from numerous suppliers around the world. Because not all of our business arrangements provide for guaranteed supply and some key parts may be available only from a single supplier or a limited group of suppliers, we are subject to supply and pricing risk. In addition, certain proprietary component parts used in some of our products are provided by single-source unaffiliated third-party suppliers. We would be unable to obtain these proprietary components for an indeterminate period of time if these single-source suppliers were to cease or interrupt production or otherwise fail to supply these components to us, which could adversely affect our product sales and operating results. Our operations and those of our suppliers are subject to disruption for a variety of reasons, including work stoppages, labor relations, intellectual property claims against suppliers, financial issues such as supplier bankruptcy, information technology failures, and hazards such as fire, earthquakes, flooding, or other natural disasters. Insurance for certain disruptions may not be available, affordable or adequate. Such disruption could interrupt our ability to manufacture certain products. Any significant disruption could negatively impact our financial statements.



**Our ability to attract, develop and retain executives and other qualified employees is crucial to our results of operations and future growth.**

We depend upon the continued services and performance of our key executives, senior management and skilled personnel, particularly professionals with experience in our business and operations and the home appliance industry. We cannot be sure that any of these individuals will continue to be employed by us. In the case of talent losses, significant time is required to hire, develop and train skilled replacement personnel. An inability to hire, develop, transfer retained knowledge, engage and retain a sufficient number of qualified employees could materially hinder our business by, for example, delaying our ability to bring new products to market or impairing the success of our operations.

**A deterioration in labor relations could adversely impact our global business.**

As of December 31, 2019, we had approximately 77,000 employees. We are subject to separate collective bargaining agreements with certain labor unions, as well as various other commitments regarding our workforce. We periodically negotiate with certain unions representing our employees and may be subject to work stoppages or may be unable to renew collective bargaining agreements on the same or similar terms, or at all. In addition, our global restructuring activities have in the past and may in the future be received negatively by governments and unions, and may attract negative media attention, which may delay the implementation of such plans. A deterioration in labor relations may have a material adverse effect on our financial statements.

## **FINANCIAL RISKS**

**Fluctuations and volatility in the cost of raw materials and purchased components could adversely affect our operating results.**

The sources and prices of the primary materials (such as steel, resins, and base metals) used to manufacture our products and components containing those materials are susceptible to significant global and regional price fluctuations due to supply/demand trends, transportation costs, labor costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate, and other unforeseen circumstances. For example, we experienced continued inflation in raw materials and certain manufactured components during 2019, which negatively impacted our operating results. In addition, we enter into commodity swap contracts to hedge the price risk associated with certain commodities purchases. Significant increases in materials costs and other costs now and in the future could have a material adverse effect on our financial statements.

**Foreign currency fluctuations may affect our financial performance.**

We generate a significant portion of our revenue and incur a significant portion of our expenses in foreign currencies. Changes in the exchange rates of functional currencies of those operations affect the U.S. dollar value of our revenue and earnings from our foreign operations. We use currency forwards, net investment hedges, and options to manage our foreign currency transaction exposures. We cannot completely eliminate our exposure to foreign currency fluctuations, which may adversely affect our financial performance. In addition, because our consolidated financial results are reported in U.S. dollars, if we generate sales or earnings in other currencies, the translation of those results into U.S. dollars can result in a significant increase or decrease in the amount of those sales or earnings. Finally, the amount of legal contingencies related to foreign operations may fluctuate significantly based upon changes in exchange rates and usually cannot be managed with currency forwards, options or other arrangements. Such fluctuations in exchange rates can significantly increase or decrease the amount of any legal contingency related to our foreign operations and make it difficult to assess and manage the potential exposure.

**Goodwill and indefinite-lived intangible asset impairment charges may adversely affect our operating results.**

We have a substantial amount of goodwill and indefinite-lived intangible assets, primarily trademarks, on our balance sheet. We test the goodwill and intangible assets for impairment on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit or intangible asset may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding revenue growth rates, EBIT margins, capital expenditures, working capital requirements, tax rates, terminal growth rates, discount rates, royalty rates, benefits associated with a taxable transaction and synergies available to market participants. Declines in market conditions, a trend of weaker

than anticipated financial performance for our reporting units or declines in projected revenue for our trademarks, a decline in our share price for a sustained period of time, an increase in the market-based weighted average cost of capital or a decrease in royalty rates, among other factors, are indicators that the carrying value of our goodwill or indefinite-life intangible assets may not be recoverable. We may be required to record a goodwill or intangible asset impairment charge that, if incurred, could have a material adverse effect on our financial statements.

**Impairment of long-lived assets may adversely affect our operating results.**

Our long-lived asset groups are subject to an impairment assessment when certain triggering events or circumstances indicate that their carrying value may be impaired. If the carrying value exceeds our estimate of future undiscounted cash flows of the operations related to the asset group, an impairment is recorded for the difference between the carrying amount and the fair value of the asset group. The results of these tests for potential impairment may be adversely affected by unfavorable market conditions, our financial performance trends, or an increase in interest rates, among other factors. If as a result of the impairment test we determine that the fair value of any of our long-lived asset groups is less than its carrying amount, we may incur an impairment charge that could have a material adverse effect on our financial statements.

**We face inventory valuation risk.**

We write down product and component inventories that have become obsolete or do not meet anticipated demand or net realizable value. No assurance can be given that, given the unpredictable pace of product obsolescence and business conditions with trade customers and in general, we will not incur additional inventory related charges. Such charges could negatively affect our financial statements.

**We are exposed to risks associated with the uncertain global economy.**

The current domestic and international political and economic environment are posing challenges to the industry in which we operate. A number of economic factors, including gross domestic product, availability of consumer credit, interest rates, consumer sentiment and debt levels, retail trends, housing starts, sales of existing homes, the level of mortgage refinancing and defaults, fiscal and credit market uncertainty, and foreign currency exchange rates, currency controls, inflation and deflation, generally affect demand for our products in the U.S. and other countries which we operate.

Economic uncertainty and related factors exacerbate negative trends in business and consumer spending and may cause certain customers to push out, cancel, or refrain from placing orders for our products. Uncertain market conditions, difficulties in obtaining capital, or reduced profitability may also cause some customers to scale back operations, exit markets, merge with other retailers, or file for bankruptcy protection and potentially cease operations, which can also result in lower sales and/or additional inventory. These conditions may similarly affect key suppliers, which could impair their ability to deliver parts and result in delays for our products or added costs. In addition, these conditions may lead to strategic alliances by, or consolidation of, other appliance manufacturers, which could adversely affect our ability to compete effectively.

A decline in economic activity and conditions in certain areas in which we operate have had an adverse effect on our financial condition and results of operations in recent years, and future declines and adverse conditions could have a similar adverse effect. Regional, political and economic instability in countries in which we do business may adversely affect business conditions, disrupt our operations, and have an adverse effect on our financial condition and results of operations. For example, the effect of the UK's exit from the European Union, or Brexit, remains unclear and could adversely impact certain areas of our business, including, but not limited to, an increase in duties and delays in the delivery of products, and adverse impacts to our suppliers and financing institutions.

Uncertainty about future economic and industry conditions also makes it more challenging for us to forecast our operating results, make business decisions, and identify and prioritize the risks that may affect our businesses, sources and uses of cash, financial condition and results of operations. We may be required to implement additional cost reduction efforts, including restructuring activities, which may adversely affect our ability to capitalize on opportunities in a market recovery. In addition, our operations are subject to general credit, liquidity, foreign exchange, market and interest rate risks. Our ability to invest in our businesses, fund strategic acquisitions and refinance maturing debt obligations depends in part on access to the capital markets.

If we do not timely and appropriately adapt to changes resulting from the uncertain macroeconomic environment and industry conditions, or to difficulties in the financial markets, or if we are unable to continue to access the capital markets, our financial statements may be materially and adversely affected.

**Significant differences between actual results and estimates of the amount of future funding for our pension plans and postretirement health care benefit programs, and significant changes in funding assumptions or significant increases in funding obligations due to regulatory changes, could adversely affect our financial results.**

We have both funded and unfunded defined benefit pension plans that cover certain employees around the world. We also have unfunded postretirement health care benefit plans for eligible retired employees. The Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code, as amended, govern the funding obligations for our U.S. pension plans, which are our principal pension plans. Our U.S. defined benefit plans were frozen on or before December 31, 2006 for substantially all participants. Since 2007, U.S. employees have been eligible for an enhanced employer contribution under Whirlpool's defined contribution (401(k)) plan.

As of December 31, 2019, our projected benefit obligations under our pension plans and postretirement health and welfare benefit programs exceeded the fair value of plan assets by an aggregate of approximately \$0.9 billion, including \$0.5 billion of which was attributable to pension plans and \$0.4 billion of which was attributable to postretirement health care benefits. Estimates for the amount and timing of the future funding obligations of these pension plans and postretirement health and welfare benefit plans are based on various assumptions, including discount rates, expected long-term rate of return on plan assets, life expectancies and health care cost trend rates. These assumptions are subject to change based on changes in interest rates on high quality bonds, stock and bond market returns, health care cost trend rates and regulatory changes, all of which are largely outside our control. Significant differences in results or significant changes in assumptions may materially affect our postretirement obligations and related future contributions and expenses.

**Changes in the method of determining the London Interbank Offered Rate, or LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our financial condition and results of operations.**

Certain of our financial obligations and instruments are or may be made at variable interest rates that use LIBOR (or metrics derived from or related to LIBOR) as a benchmark. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. It is expected that most, if not all, banks currently reporting information to set LIBOR will stop doing so at such time, which could either cause LIBOR publication to stop immediately or cause LIBOR's regulator to announce the discontinuation of its publication (and, during any such transition period, LIBOR may perform differently than in the past).

These reforms may also result in new methods of calculating LIBOR to be established, or alternative reference rates to be established. For example, in the U.S., a group convened by the Federal Reserve Board and the Federal Reserve Bank of New York, called the Alternative Reference Rate Committee ("ARRC") and comprised of a diverse set of private sector entities, has identified the Secured Overnight Financing Rate (or "SOFR") as its preferred alternative rate for the U.S. LIBOR and the Federal Reserve Bank of New York has begun publishing SOFR daily, and central banks in several other jurisdictions have also announced plans for alternative reference rates for other currencies. The potential consequences of these changes cannot be fully predicted and could have an adverse impact on the market value for LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us, and could adversely affect our financial statements. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. In addition, any transaction process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in the value of certain instruments, mismatches between rates in hedging documentation and in the documentation for the underlying obligation being hedged, increased borrowing costs, uncertainty under applicable documentation, and/or difficult and costly consent processes.

## LEGAL & COMPLIANCE RISKS

### **Unfavorable results of legal and regulatory proceedings could materially adversely affect our business and financial condition and performance.**

We are subject to a variety of litigation and legal compliance risks relating to, among other things: products; intellectual property rights; income and indirect taxes; environmental matters; corporate matters; commercial matters; credit matters; competition laws; distribution, marketing and trade practice matters; anti-bribery and anti-corruption regulations; energy regulations; data privacy regulations; financial regulations; and employment and benefit matters. For example, we are currently disputing certain income and indirect tax related assessments issued by the Brazilian authorities (see Note 8 and Note 15 to the Consolidated Financial Statements for additional information on these matters). Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial statements in any particular reporting period. Results of legal and regulatory proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost-effectively available. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation and brand image, regardless of the existence or amount of liability. We estimate loss contingencies and establish accruals as required by generally accepted accounting principles, based on our assessment of contingencies where liability is deemed probable and reasonably estimable, in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings, volatility in foreign currency exchange rates and other factors may affect our assessment and estimates of the loss contingency recorded and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which amounts would be paid. Actual results may significantly vary from our reserves.

### **We are subject to, and could be further subject to, governmental investigations or actions by other third parties.**

We are subject to various federal, foreign and state laws, including antitrust and product-related laws and regulations, violations of which can involve civil or criminal sanctions. Responding to governmental investigations or other actions may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. The impact of these and other investigations and lawsuits could have a material adverse effect on our financial statements.

### **Changes in the legal and regulatory environment, including data privacy, potential climate regulations and changes in taxes and tariffs, could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation.**

The conduct of our businesses, and the production, distribution, sale, advertising, labeling, safety, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in countries in which we operate. In addition, we operate in an environment in which there are different and potentially conflicting data privacy and data access laws in effect in the various U.S. states and foreign jurisdictions in which we operate and we must understand and comply with each law and standard in each of these jurisdictions while ensuring the data is secure. These laws and regulations may change, sometimes dramatically, as a result of political, economic or social events. Changes in laws, regulations or governmental policy and the related interpretations may alter the environment in which we do business and may impact our results or increase our costs or liabilities.

In addition, we incur and will continue to incur capital and other expenditures to comply with various laws and regulations, especially relating to the protection of the environment, human health and safety, and water and energy efficiency. Climate change regulations at the federal, state or local level or in international jurisdictions could require us to limit emissions, change our manufacturing processes or product offerings, or undertake other costly activities. There is also increased focus by governmental and non-governmental entities on sustainability matters. We have set rigorous science-based targets for greenhouse gas reductions and related sustainability goals, and any failure to achieve our sustainability goals or reduce our impact on the environment, any changes in the scientific or governmental metrics utilized to objectively measure success, or the perception that we have failed to act responsibly regarding climate change could result in negative publicity and adversely affect our business and reputation.

Additionally, we could be subjected to future liabilities, fines or penalties or the suspension of product production for failing to comply with various laws and regulations, including environmental regulations. Cleanup obligations that might arise at any of our manufacturing sites or the imposition of more stringent environmental laws in the future could also adversely affect us.

Additionally, as a global company based in the United States, we are exposed to the impact of U.S. tax changes, especially those that affect the effective corporate income tax rate. In addition, the current domestic and international political environment, including government shutdowns and changes to U.S. policies related to global trade and tariffs, has resulted in uncertainty surrounding the future state of the global economy. The U.S. federal government may propose additional changes to international trade agreements, tariffs, taxes, and other government rules and regulations. These regulatory changes could significantly impact our business and financial performance. For additional information about our consolidated tax provision, see Note 15 to the Consolidated Financial Statements, and for additional information about global trade and tariffs, please see "Other Matters" in the Management's Discussion and Analysis section of this Annual Report on Form 10-K.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

Our principal executive offices are located in Benton Harbor, Michigan. On December 31, 2019, our principal manufacturing operations were carried on at 36 locations in 13 countries worldwide. We occupied a total of approximately 82.4 million square feet devoted to manufacturing, service, sales and administrative offices, warehouse and distribution space. Over 44.3 million square feet of such space was occupied under lease. Whirlpool properties include facilities which are suitable and adequate for the manufacture and distribution of Whirlpool's products.



The Company's principal manufacturing sites by operating segment were as follows:

Operating Segment	North America	Europe, Middle East and Africa	Latin America	Asia
Manufacturing Locations	10	12	9	5

## ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings can be found in Note 8 to the Consolidated Financial Statements and is incorporated herein by reference.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Whirlpool's common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange under the ticker symbol WHR. As of February 7, 2020, the number of holders of record of Whirlpool common stock was approximately 8,760.

On July 25, 2017, our Board of Directors authorized an additional share repurchase program of up to \$2 billion. For the year ended December 31, 2019, we repurchased 1,043,121 shares at an aggregate purchase price of approximately \$148 million under this program. At December 31, 2019, there were approximately \$652 million in remaining funds authorized under this program.

Share repurchases are made from time to time on the open market as conditions warrant. These programs do not obligate us to repurchase any of our shares and they have no expiration date.

The following table summarizes repurchases of Whirlpool's common stock in the three months ended December 31, 2019:

Period (Millions of dollars, except number and price per share)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans
October 1, 2019 through October 31, 2019	35,000	\$ 158.53	35,000	\$ 694
November 1, 2019 through November 30, 2019	184,000	149.61	184,000	667
December 1, 2019 through December 31, 2019	105,700	145.38	105,700	\$ 652
Total	<u>324,700</u>	\$ 149.19	<u>324,700</u>	

## ITEM 6. SELECTED FINANCIAL DATA

### FIVE-YEAR SELECTED FINANCIAL DATA

(Millions of dollars, except share and employee data)	2019	2018	2017	2016	2015
<b>CONSOLIDATED OPERATIONS</b>					
Net sales	\$ 20,419	\$ 21,037	\$ 21,253	\$ 20,718	\$ 20,891
Restructuring costs	188	247	275	173	201
Impairment of goodwill and other intangibles	—	747	—	—	—
(Gain) loss on sale and disposal of businesses	(437)	—	—	—	—
Depreciation and amortization	587	645	654	655	668
Operating profit	1,571	279	1,136	1,368	1,242
Earnings (loss) before income taxes	1,552	(21)	887	1,114	1,031
Net earnings (loss)	1,198	(159)	337	928	822
Net earnings (loss) available to Whirlpool	1,184	(183)	350	888	783
Capital expenditures	532	590	684	660	689
Dividends paid	305	306	312	294	269
Repurchase of common stock	148	1,153	750	525	250
<b>CONSOLIDATED FINANCIAL POSITION</b>					
Current assets	\$ 7,398	\$ 7,898	\$ 7,930	\$ 7,339	\$ 7,325
Current liabilities	8,369	9,678	8,505	7,662	7,744
Accounts receivable, inventories and accounts payable, net	89	256	856	918	746
Property, net	3,301	3,414	4,033	3,810	3,774
Total assets <sup>(1)</sup>	18,881	18,347	20,038	19,153	19,010
Long-term debt	4,140	4,046	4,392	3,876	3,470
Total debt <sup>(2)</sup>	4,993	6,027	5,218	4,470	3,998
Whirlpool stockholders' equity	3,195	2,291	4,198	4,773	4,743
<b>PER SHARE DATA</b>					
Basic net earnings (loss) available to Whirlpool	\$ 18.60	\$ (2.72)	\$ 4.78	\$ 11.67	\$ 9.95
Diluted net earnings (loss) available to Whirlpool	18.45	(2.72)	4.70	11.50	9.83
Dividends	4.75	4.55	4.30	3.90	3.45
Book value <sup>(3)</sup>	49.77	34.08	56.42	61.82	59.54
Closing Stock Price-NYSE	147.53	106.87	168.64	181.77	146.87
<b>KEY RATIOS</b>					
Operating profit margin	7.7 %	1.3 %	5.3%	6.6%	5.9%
Pre-tax margin <sup>(4)</sup>	7.6 %	(0.1)%	4.2%	5.4%	4.9%
Net margin <sup>(5)</sup>	5.8 %	(0.9)%	1.6%	4.3%	3.7%
Return on average Whirlpool stockholders' equity <sup>(6)</sup>	43.2 %	(5.6)%	7.8%	18.7%	16.3%
Return on average total assets <sup>(7)</sup>	6.4 %	(1.0)%	1.8%	4.7%	4.0%
Current assets to current liabilities	0.9	0.8	0.9	1.0	0.9
Total debt as a percent of invested capital <sup>(8)</sup>	54.8 %	65.3 %	50.4%	43.8%	41.2%
Price earnings ratio <sup>(9)</sup>	8.0	(39.3)	35.9	15.8	14.9
<b>OTHER DATA</b>					
Common shares outstanding (in thousands):					
Average number - on a diluted basis	64,199	67,225	74,400	77,211	79,667
Year-end common shares outstanding	62,894	63,528	70,646	74,465	77,221
Year-end number of stockholders	8,804	9,248	9,960	10,528	10,663
Year-end number of employees	77,000	92,000	92,000	93,000	97,000
Five-year annualized total return to stockholders <sup>(10)</sup>	(2.7)%	(5.1)%	13.0%	33.6%	13.0%

<sup>(1)</sup> Total assets for 2019 includes the impact related to ASC 842 for leases adopted as of January 1, 2019. See Note 3 to the Consolidated Financial Statements for additional information.

<sup>(2)</sup> Total debt includes notes payable and current and long-term debt.

<sup>(3)</sup> Total Whirlpool stockholders' equity divided by average number of shares on a diluted basis.

<sup>(4)</sup> Earnings (loss) before income taxes, as a percent of net sales. 2019 includes the effect of a \$437 million gain on sale and disposal of businesses, a \$180 million gain related to Brazil indirect tax credits and a \$105 million charge related to product warranty expense on EMEA-produced washers. See Note 8, Note 11, Note 14 and Note 17 to the Consolidated Financial Statements for additional information. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the French Competition Authority (FCA) settlement agreement. See Note 6 and Note 8 to the Consolidated Financial Statements for additional information.



- <sup>(5)</sup> Net earnings (loss) available to Whirlpool, as a percent of net sales. 2019 includes the effect of a \$437 million gain on sale and disposal of businesses, a \$180 million gain related to Brazil indirect tax credits a \$105 million charge related to product warranty expense on EMEA-produced washers. See Note 8, Note 11, Note 14 and Note 17 to the Consolidated Financial Statements for additional information. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the French Competition Authority (FCA) settlement agreement. See Note 6 and Note 8 to the Consolidated Financial Statements for additional information.
- <sup>(6)</sup> Net earnings (loss) available to Whirlpool, divided by average Whirlpool stockholders' equity. 2019 includes the effect of a \$437 million gain on sale and disposal of businesses, a \$180 million gain related to Brazil indirect tax credits and a \$105 million charge related to product warranty expense on EMEA-produced washers. See Note 8, Note 11, Note 14 and Note 17 to the Consolidated Financial Statements for additional information. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the French Competition Authority (FCA) settlement agreement. See Note 6 and Note 8 to the Consolidated Financial Statements for additional information.
- <sup>(7)</sup> Net earnings (loss) available to Whirlpool, divided by average total assets. 2019 includes the effect of a \$437 million gain on sale and disposal of businesses, a \$180 million gain related to Brazil indirect tax credits and a \$105 million charge related to product warranty expense on EMEA-produced washers. See Note 8, Note 11, Note 14 and Note 17 to the Consolidated Financial Statements for additional information. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the French Competition Authority (FCA) settlement agreement. See Note 6 and Note 8 to the Consolidated Financial Statements for additional information.
- <sup>(8)</sup> Total debt divided by total debt and total stockholders' equity.
- <sup>(9)</sup> Closing stock price divided by diluted net earnings (loss) available to Whirlpool.
- <sup>(10)</sup> Stock appreciation plus reinvested dividends, divided by share price at the beginning of the period.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management Discussion and Analysis should be read in connection with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and Selected Financial Data included in this Form 10-K. Certain references to particular information in the Notes to the Consolidated Financial Statements are made to assist readers.

### **OVERVIEW**

Whirlpool had full-year GAAP net earnings available to Whirlpool of \$1.2 billion (net earnings margin of 5.8%), or \$18.45 per share, compared to GAAP net loss available to Whirlpool of \$183 million (net earnings margin of (0.9)%), or \$(2.72) per share in the same prior-year period. On a GAAP basis, net earnings were favorably impacted by the gain on the sale of our Embraco compressor business of approximately \$511 million, partially offset by product warranty and liability expense of approximately \$131 million and losses associated with strategic actions executed in EMEA of approximately \$74 million. In the same prior-year period, non-recurring items negatively impacted net earnings available to Whirlpool by approximately \$850 million. Solid cash provided by operating activities of \$1.2 billion was driven by higher earnings and working capital improvement.

Whirlpool delivered ongoing (non-GAAP) earnings per share of \$16.00 and full-year ongoing EBIT margin of 6.9%, compared to 6.3% in the same prior-year period. These results were driven by positive price/mix and strong cost discipline, which were partially offset by cost inflation, increased brand investments and currency. In addition, we delivered strong free cash flow (non-GAAP) of \$912 million, primarily driven by working capital improvement and lower capital expenditures. Lastly, we strengthened our balance sheet and made strong progress toward our long-term Gross Debt to EBITDA target of approximately 2.0.

We are very pleased with the successful execution of our strong price-mix actions driven by new product introductions and cost-based price increases and targeted cost takeout. In addition, the strong actions to restore profitability in EMEA resulted in approximately \$75 million of EBIT improvement compared to the prior-year.

We are committed to generating margin expansion and strong cash flow and are confident that our actions will drive positive results in 2020 as outlined in our long-term value creation strategy.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS - (CONTINUED)**

**RESULTS OF OPERATIONS**

The following table summarizes the consolidated results of operations:

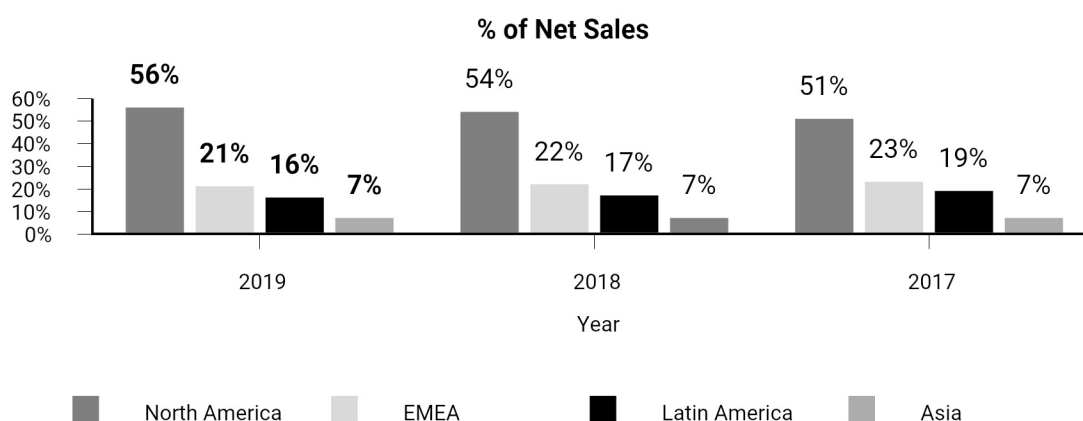
Consolidated - In Millions (except per share data)	December 31,				
	2019	Better/ (Worse)	2018	Better/ (Worse)	2017
Units (in thousands)	67,405	(1.5)%	68,440	(4.6)%	71,704
Net sales	\$ 20,419	(2.9)	\$ 21,037	(1.0)	\$ 21,253
Gross margin	3,533	(0.1)	3,537	(1.8)	3,602
Selling, general and administrative	2,142	2.1	2,189	(3.6)	2,112
Restructuring costs	188	23.9	247	10.0	275
Impairment of goodwill and other intangibles	—	nm	747	nm	—
(Gain) loss on sale and disposal of businesses	(437)	nm	—	nm	—
Interest and sundry (income) expense	(168)	nm	108	(24.3)	87
Interest expense	187	2.6	192	(18.2)	162
Income tax expense	354	nm	138	74.7	550
Net earnings (loss) available to Whirlpool	1,184	nm	(183)	nm	350
Diluted net earnings (loss) available to Whirlpool per share	\$ 18.45	nm	\$ (2.72)	nm	\$ 4.70

nm: not meaningful

Consolidated net sales for 2019 decreased 2.9% compared to 2018, primarily driven by the divestiture of the Embraco compressor business, unfavorable foreign currency and unit volume declines, partially offset by the favorable impact of product price/mix. Organic net sales, or net sales excluding the impact of foreign currency and Embraco, for 2019 increased 1.6% compared to 2018. Consolidated net sales for 2018 decreased 1.0% compared to 2017, primarily driven by unit volume declines and unfavorable foreign currency, partially offset by favorable impacts from product price/mix. Excluding the impact of foreign currency, consolidated net sales for 2018 decreased 0.1% compared to 2017.

For additional information regarding non-GAAP financial measures including organic net sales and net sales excluding the impact of foreign currency, see the Non-GAAP Financial Measures section of this Management's Discussion and Analysis.

The chart below summarizes the balance of net sales by operating segment for 2019, 2018 and 2017, respectively.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS - (CONTINUED)**

The consolidated gross margin percentage for 2019 increased to 17.3% compared to 16.8% in 2018, primarily driven by the favorable impact of product price/mix, cost reduction initiatives in the EMEA region and a gain on sale-leaseback, partially offset by lower unit volumes, cost inflation (raw material, tariff and freight costs) in the North America region, unfavorable foreign currency and product warranty expense related to EMEA-produced washers. The consolidated gross margin percentage for 2018 decreased to 16.8% compared to 16.9% in 2017, primarily driven by unfavorable impacts from raw material inflation across all regions and cost inflation (raw material, tariff and freight costs) in the North America region, lower unit volumes in the EMEA region, partially offset by the favorable impact of product price/mix and restructuring benefits.

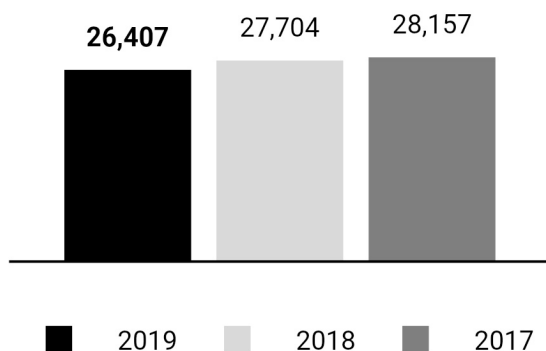
Our operating segments are based upon geographical region and are defined as North America, EMEA, Latin America and Asia. These regions also represent our reportable segments. The chief operating decision maker evaluates performance based on each segment's earnings (loss) before interest and taxes (EBIT), which we define as operating profit less interest and sundry (income) expense and excluding restructuring costs, asset impairment charges and certain other items that management believes are not indicative of the region's ongoing performance, if any. See Note 16 to the Consolidated Financial Statements for additional information.

The following is a discussion of results for each of our operating segments.

## North America

Following are the results for the North America region:

### Units Sold (Thousands)



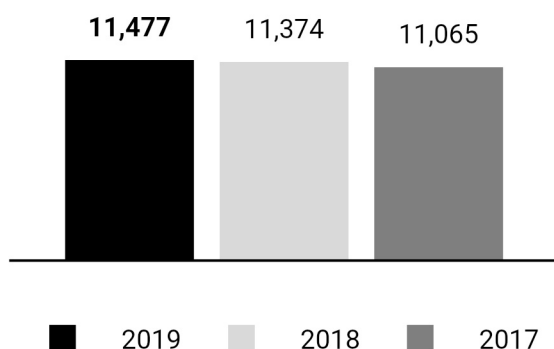
#### 2019 compared to 2018

Units sold for 2019 decreased 4.7% compared to 2018.

#### 2018 compared to 2017

Units sold for 2018 decreased 1.6% compared to 2017.

### Net Sales (\$ Millions)



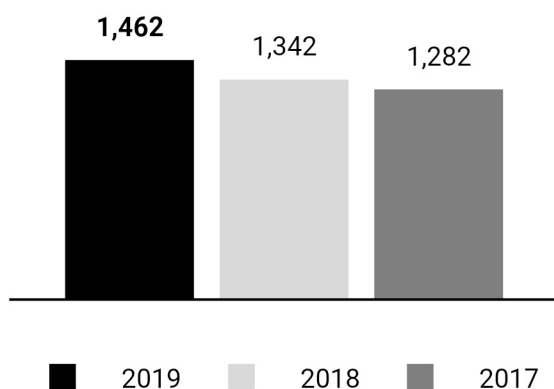
#### 2019 compared to 2018

Net sales for 2019 increased 0.9% compared to 2018 primarily due to the favorable impact of product price/mix, partially offset by unit volume declines. Excluding the impact of foreign currency, net sales increased 1.1% in 2019.

#### 2018 compared to 2017

Net sales for 2018 increased 2.8% compared to 2017 primarily due to the favorable impact of product price/mix, partially offset by unit volume declines. Excluding the impact of foreign currency, net sales increased 2.8% in 2018.

### EBIT (\$ Millions)



#### 2019 compared to 2018

EBIT margin for 2019 was 12.7% compared to 11.8% for 2018. EBIT increased primarily due to the favorable impact of product price/mix which was partially offset by cost inflation (raw material, tariffs and freight costs).

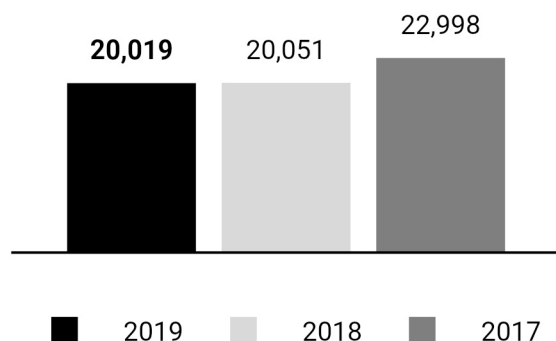
#### 2018 compared to 2017

EBIT margin for 2018 was 11.8% compared to 11.6% for 2017. EBIT increased primarily due to the favorable impact of product price/mix, partially offset by cost inflation (raw material, tariffs and freight costs).

## EMEA

Following are the results for the EMEA region:

### Units Sold (Thousands)



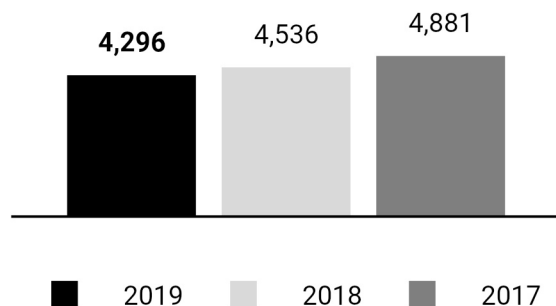
#### 2019 compared to 2018

Units sold for 2019 decreased 0.2% compared to 2018.

#### 2018 compared to 2017

Units sold for 2018 decreased 12.8% compared to 2017.

### Net Sales (\$ Millions)



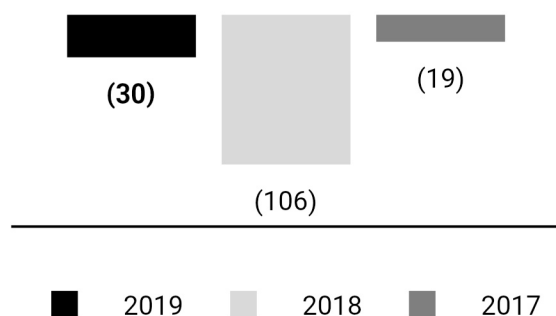
#### 2019 compared to 2018

Net sales for 2019 decreased 5.3% compared to 2018 primarily due to unfavorable impacts of foreign currency and product/price mix. Excluding the impact of foreign currency, net sales decreased 1.1% in 2019.

#### 2018 compared to 2017

Net sales for 2018 decreased 7.1% compared to 2017, primarily due to unit volume declines, partially offset by the favorable impacts of product price/mix and foreign currency. Excluding the impact of foreign currency, net sales decreased 8.5% in 2018.

### EBIT (\$ Millions)



#### 2019 compared to 2018

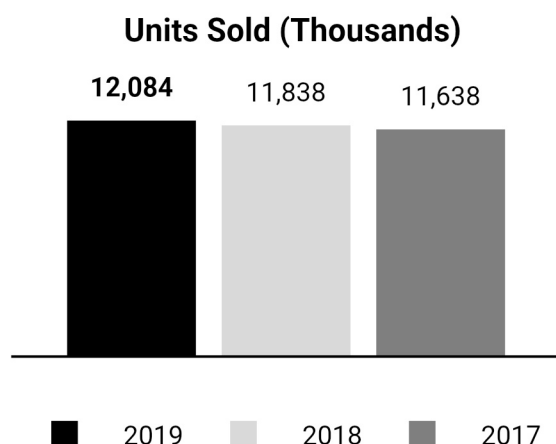
EBIT margin for 2019 was (0.7%) compared to (2.3%) for 2018. EBIT increased primarily due to the favorable impact of cost reduction initiatives.

#### 2018 compared to 2017

EBIT margin for 2018 was (2.3%) compared to (0.4%) for 2017. EBIT decreased primarily due to the unfavorable productivity from unit volume declines and raw material inflation, partially offset by the favorable impact of product price/mix and foreign currency.

## Latin America

Following are the results for the Latin America Region:

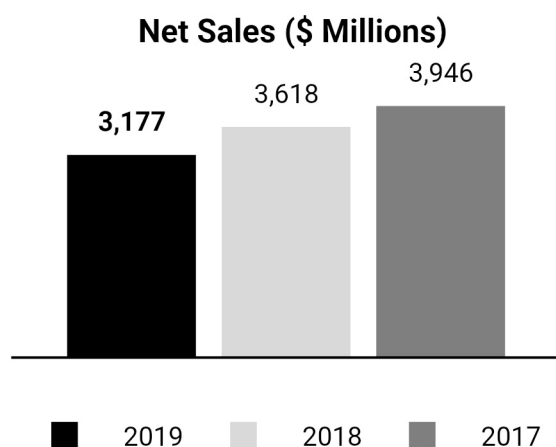


### 2019 compared to 2018

Units sold for 2019 increased 2.1% compared to 2018.

### 2018 compared to 2017

Units sold for 2018 increased 1.7% compared to 2017.

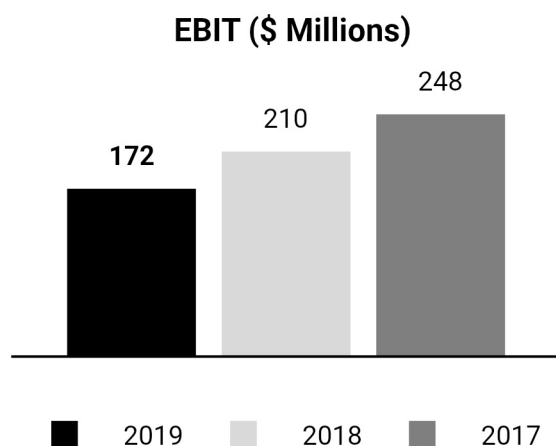


### 2019 compared to 2018

Net sales for 2019 decreased 12.2% compared to 2018 primarily due to the divestiture of the Embraco compressor business and the unfavorable impact of foreign currency, partially offset by unit volume growth. Excluding the impact of foreign currency and Embraco, net sales increased 9.3% in 2019.

### 2018 compared to 2017

Net sales for 2018 decreased 8.3% compared to 2017 primarily due to the unfavorable impacts of foreign currency and product price/mix, partially offset by unit volume growth. Excluding the impact of foreign currency, net sales decreased 2.4% in 2018.



### 2019 compared to 2018

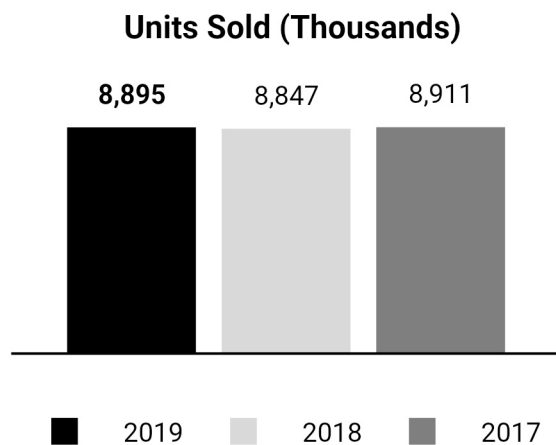
EBIT margin for 2019 was 5.4% compared to 5.8% for 2018. EBIT decreased primarily due to the divestiture of the Embraco compressor business and the unfavorable impact of foreign currency, partially offset by favorable product price/mix.

### 2018 compared to 2017

EBIT margin for 2018 was 5.8% compared to 6.3% for 2017. EBIT decreased primarily due to raw material inflation and foreign currency impacts, partially offset by the favorable impact of product price/mix. The prior period was positively impacted by the sale and monetization of certain tax credits.

## Asia

Following are the results of the Asia region:

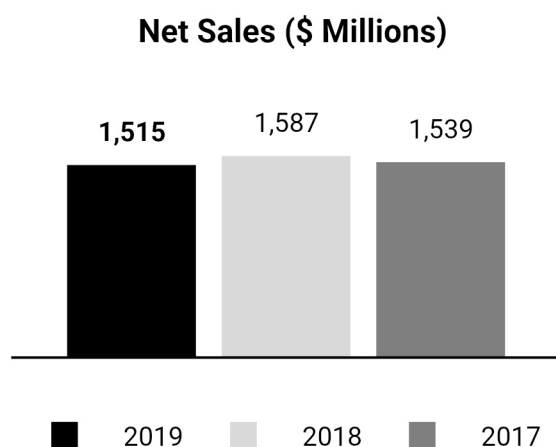


### 2019 compared to 2018

Units sold for 2019 increased 0.5% compared to 2018.

### 2018 compared to 2017

Units sold for 2018 decreased 0.7% compared to 2017.

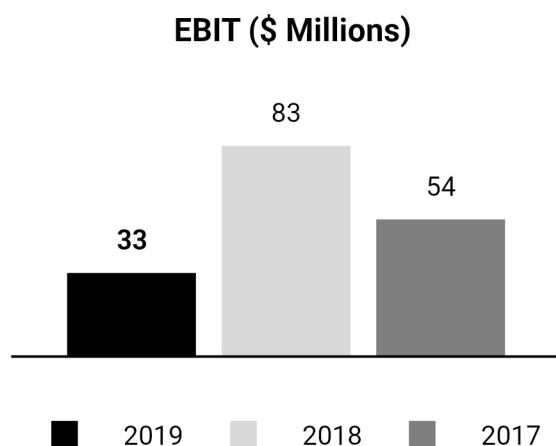


### 2019 compared to 2018

Net sales for 2019 decreased 4.5% compared to 2018 primarily due to the unfavorable impacts of foreign currency and product price/mix, partially offset by unit volume growth. Excluding the impact of foreign currency, net sales decreased 1.5% in 2019.

### 2018 compared to 2017

Net sales for 2018 increased 3.2% compared to 2017 primarily due to the favorable impacts of product price/mix, partially offset by the unfavorable impacts of foreign currency and unit volume declines. Excluding the impact of foreign currency, net sales increased 4.5% in 2018.



### 2019 compared to 2018

EBIT margin for 2019 was 2.2% compared to 5.2% for 2018. EBIT decreased primarily due to the unfavorable impacts of product price/mix and brand investments in China, partially offset by the favorable impacts of unit volume growth and cost productivity in India.

### 2018 compared to 2017

EBIT margin for 2018 was 5.2% compared to 3.5% for 2017. EBIT increased primarily due to the favorable impacts of product price/mix and cost productivity, partially offset by raw material inflation and foreign currency impacts. The gross margin in 2017 also includes an adjustment related to trade promotion accruals in prior periods.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS - (CONTINUED)**

## Selling, General and Administrative

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

Millions of dollars	December 31,					
	2019	As a % of Net Sales	2018	As a % of Net Sales	2017	As a % of Net Sales
North America	\$ 826	7.2 %	\$ 787	6.9 %	\$ 751	6.8 %
EMEA	497	11.6	564	12.4	557	11.4
Latin America	306	9.6	369	10.2	356	9.0
Asia	253	16.7	244	15.4	258	16.8
Corporate/other	260	—	225	—	190	—
Consolidated	<u>\$ 2,142</u>	<u>10.5 %</u>	<u>\$ 2,189</u>	<u>10.4 %</u>	<u>\$ 2,112</u>	<u>9.9 %</u>

Consolidated selling, general and administrative expenses as a percent of consolidated net sales in 2019 is comparable to 2018. Consolidated selling, general and administrative expenses as a percent of consolidated net sales in 2018 increased compared to 2017 due to expenses related to the bad debt expense from a Brazilian retailer, expenses related to the sale of the Embraco compressor business and the negative impact of unit volume declines.

## Restructuring

We incurred restructuring charges of \$188 million, \$247 million and \$275 million for the years ended December 31, 2019, 2018 and 2017, respectively. For the full year 2020, we expect to incur up to \$100 million of restructuring charges, driven by previously announced fixed cost reduction actions in the EMEA region.

See Note 14 to the Consolidated Financial Statements for additional information.

## Impairment of Goodwill and Other Intangibles

We recorded an impairment charge of \$747 million related to goodwill (\$579 million) and other intangibles (\$168 million) for the year ended December 31, 2018 related to the EMEA reporting unit.

See Note 6 and Note 11 to the Consolidated Financial Statements and the Critical Accounting Policies and Estimates section of this Management's Discussion and Analysis for additional information.

## (Gain) Loss on Sale and Disposal of Businesses

We recorded a pre-tax gain of \$511 million on the sale of the Embraco compressor business for the year ended December 31, 2019.

We recorded a loss of \$74 million for the year ended December 31, 2019 related to charges on the sale of the South Africa business (\$63 million) and costs associated with the exit of the Turkey domestic sales operations (\$11 million).

See Note 17 to the Consolidated Financial Statements for additional information.

## Interest and Sundry (Income) Expense

Interest and sundry (income) expenses were \$(168) million, \$108 million and \$87 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Interest and sundry income in 2019 primarily includes the effect of Brazil indirect tax credits recorded of \$180 million, which reflects \$196 million of indirect tax credits, net of related fees, partially offset by a trade customer insolvency claim settlement of €52.75 million (approximately \$59 million as of December 31, 2019) and foreign currency.

Interest and sundry expense increased \$21 million in 2018 compared to 2017, primarily due to the French Competition Authority (FCA) settlement agreement, partially offset by Latin America tax credits and a favorable impact from foreign currency.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS - (CONTINUED)**

See Note 8 to the Consolidated Financial Statements for additional information.

### Interest Expense

Interest expense was \$187 million, \$192 million and \$162 million for the years ended December 31, 2019, 2018 and 2017, respectively. Interest expense in 2019 was comparable to 2018. During 2018, interest expense increased by \$30 million compared to 2017. This was primarily due to higher average debt and notes payable balances and higher average interest rates.

### Income Taxes

Income tax expense was \$354 million, \$138 million and \$550 million for the years ended December 31, 2019, 2018 and 2017, respectively. The increase in tax expense in 2019 compared to 2018 is primarily due to higher earnings before tax, reduced foreign tax credits and the sale of Embraco, partially offset by net reductions in valuation allowances, and impacts from a statutory legal entity merger. As part of ongoing efforts to reduce costs and simplify the Company's legal entity structure, the Company has completed a statutory legal entity merger within our EMEA business. The completion of the merger created a tax-deductible loss which was recognized in the fourth quarter of 2019, and resulted in a \$147 million tax benefit.

The decrease in tax expense in 2018 compared to 2017 is primarily due to lower level of earnings, the reduction in statutory U.S. tax rate from 35% to 21%, impact of non-deductible goodwill impairments and government payment accruals, valuation allowances and tax planning actions.

See Note 15 to the Consolidated Financial Statements for additional information.

### FORWARD-LOOKING PERSPECTIVE

Earnings per diluted share presented below are net of tax, while each adjustment is presented on a pre-tax basis. The aggregate income tax impact of the taxable components of each adjustment is presented in the income tax impact line item at our anticipated 2020 full-year tax rate between 20% and 25%. We currently estimate earnings per diluted share and industry demand for 2020 to be within the following ranges:

	2020 Current Outlook		
<b>Estimated earnings per diluted share, for the year ending December 31, 2020</b>	\$14.80	—	\$15.80
Including:			
Restructuring Expense			\$(1.56)
Income Tax Impact			\$0.36
<b>Industry demand</b>			
North America	(1)%	—	1%
EMEA	1%	—	2%
Latin America	3%	—	4%
Asia	(1)%	—	1%

For the full-year 2020, we expect to generate cash from operating activities of \$1.3 billion to \$1.4 billion and free cash flow of approximately \$800 million to \$900 million, including restructuring cash outlays of up to \$200 million and, with respect to free cash flow, capital expenditures of approximately \$550 million.

The table below reconciles projected 2020 cash provided by operating activities determined in accordance with GAAP to free cash flow, a non-GAAP measure. Management believes that free cash flow provides stockholders with a relevant measure of liquidity and a useful basis for assessing Whirlpool's ability to fund its activities and obligations. There are limitations to using non-GAAP financial measures, including the difficulty associated with comparing companies that use similarly named non-GAAP measures whose calculations may differ from our calculations. For 2020 we define free cash flow as cash provided by operating activities less capital expenditures and including proceeds from the sale of assets/businesses. For additional information regarding non-GAAP financial measures, see the Non-GAAP Financial Measures section of Management's Discussion and Analysis.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS - (CONTINUED)**

Millions of dollars	2020 Current Outlook
Cash provided by operating activities <sup>(1)</sup>	\$ 1,350 – \$1,450
Capital expenditures and proceeds from sale of assets/businesses	(550)
Free cash flow	<u>\$ 800 – \$ 900</u>

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

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

## NON-GAAP FINANCIAL MEASURES

We supplement the reporting of our financial information determined under U.S. generally accepted accounting principles (GAAP) with certain non-GAAP financial measures, some of which we refer to as "ongoing" measures, including:

- Earnings before interest and taxes (EBIT)
- EBIT margin
- Ongoing EBIT
- Ongoing EBIT margin
- Sales excluding currency
- Ongoing net sales
- Organic net sales
- Free cash flow

Non-GAAP measures exclude items that may not be indicative of, or are unrelated to, results from our ongoing operations and provide a better baseline for analyzing trends in our underlying businesses. EBIT margin is calculated by dividing EBIT by net sales. Ongoing EBIT margin is calculated by dividing ongoing EBIT by net sales for 2019 and 2018 and ongoing net sales for 2017. Ongoing net sales for 2017 excludes \$32 million primarily related to an adjustment for trade promotion accruals in prior periods. Sales excluding foreign currency is calculated by translating the current period net sales, in functional currency, to U.S. dollars using the prior-year period's exchange rate compared to the prior-year period net sales. Organic net sales is calculated by excluding divestitures and foreign currency. Management believes that organic net sales and sales excluding foreign currency provides stockholders with a clearer basis to assess our results over time, excluding the impact of exchange rate fluctuations. We also disclose segment EBIT, which we define as operating profit less interest and sundry (income) expense and excluding restructuring costs, asset impairment charges and certain other items, if any, that management believes are not indicative of the region's ongoing performance, as the financial metric used by the Company's Chief Operating Decision Maker to evaluate performance and allocate resources in accordance with ASC 280, *Segment Reporting*. 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. The Company provides free cash flow related metrics, such as free cash flow as a percentage of net sales, as long-term management goals, not an element of its annual financial guidance, and as such does not provide a reconciliation of free cash flow to cash provided by (used in) operating activities, the most directly comparable GAAP measure, for these long-term goal metrics. Any such reconciliation would rely on market factors and certain other conditions and assumptions that are outside of the Company's control. Whirlpool does not provide a non-GAAP reconciliation for its other forward-looking long-term value creation and other goals, such as organic net sales, EBIT, and gross debt/EBITDA, as such reconciliation would rely on market factors and certain other conditions and assumptions that are outside of the company's control.

We believe that these non-GAAP measures provide meaningful information to assist investors and stockholders in understanding our financial results and assessing our prospects for future performance, and reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP financial measures, provide a more complete understanding of our business. Because non-GAAP financial measures are not standardized, it may not be possible

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These non-GAAP financial measures should not be considered in isolation or as a substitute for reported net earnings (loss) available to Whirlpool, net sales, net earnings as a percentage of net sales and cash provided by (used in) operating activities, the most directly comparable GAAP financial measures. We strongly encourage investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

Please refer to a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures below.

<b>Total Whirlpool Organic Net Sales Reconciliation: in millions</b>	<b>Twelve Months Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Net sales	\$ 20,419	\$ 21,037	(2.9)%
Less: Embraco net sales	(635)	(1,135)	
Add-Back: currency	430	—	
Organic net sales	<u>\$ 20,214</u>	<u>\$ 19,902</u>	1.6 %

<b>Latin America Organic Net Sales Reconciliation: in millions</b>	<b>Twelve Months Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Net sales	\$ 3,177	\$ 3,618	(12.2)%
Less: Embraco net sales	(635)	(1,135)	
Add-Back: currency	171	—	
Organic net sales	<u>\$ 2,713</u>	<u>\$ 2,483</u>	9.3 %

<b>Ongoing Earnings Before Interest &amp; Taxes (EBIT) Reconciliation: in millions</b>	<b>Twelve Months Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net earnings (loss) available to Whirlpool <sup>(1)</sup>	\$ 1,184	\$ (183)	\$ 350
Net earnings (loss) available to noncontrolling interests	14	24	(13)
Income tax expense	354	138	550
Interest expense	187	192	162
Earnings before interest & taxes	<u>\$ 1,739</u>	<u>\$ 171</u>	<u>\$ 1,049</u>
Restructuring expense	188	247	275
Brazil indirect tax credit	(180)	—	—
Product warranty and liability expense	131	—	—
(Gain) loss on sale and disposal of businesses	(437)	—	—
Sale leaseback, real estate and receivable adjustments	(86)	—	—
Trade customer insolvency claim settlement	59	—	—
Impairment of goodwill and intangibles	—	747	—
France antitrust settlement	—	103	—
Trade customer insolvency	—	30	—
Divestiture related transition costs	—	21	—
Out-of-period adjustment	—	—	40
Ongoing EBIT	<u>\$ 1,414</u>	<u>\$ 1,319</u>	<u>\$ 1,364</u>

<sup>(1)</sup> Net earnings margin is approximately 5.8%, (0.9)% and 1.6% for the twelve months ended December 31, 2019, 2018 and 2017, respectively, and is calculated by dividing net earnings (loss) available to Whirlpool by consolidated net sales for the twelve months ended December 31, 2019, 2018 and 2017 of \$20.4 billion, \$21.0 billion and \$21.3 billion, respectively.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS - (CONTINUED)**

<b>Free Cash Flow (FCF) Reconciliation: in millions</b>	<b>Twelve Months Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash provided by operating activities	\$ 1,230	\$ 1,229	\$ 1,264
Capital expenditures	(532)	(590)	(684)
Proceeds from sale of assets and businesses <sup>(3)</sup>	1,174	160	61
Change in restricted cash <sup>(2)</sup>	40	54	66
Repayment of term loan <sup>(3)</sup>	(1,000)	—	—
<b>Free cash flow</b>	<b>\$ 912</b>	<b>\$ 853</b>	<b>\$ 707</b>
Cash provided by (used in) investing activities	\$ 636	\$ (399)	\$ (721)
Cash provided by (used in) financing activities	\$ (1,424)	\$ (518)	\$ (553)

<sup>(2)</sup> See Note 4 to the Consolidated Financial Statements for additional information

<sup>(3)</sup> Proceeds from the sale of assets and business for the twelve months ended December 31, 2019 include \$1,011 million of net cash proceeds received to date for the sale of the Embraco compressor business; \$1,000 million of these proceeds were used to repay an outstanding term loan in August 2019.

## **FINANCIAL CONDITION AND LIQUIDITY**

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

Our short term potential uses of liquidity include funding our ongoing capital spending, restructuring activities, and returns to shareholders. We also have \$559 million of term debt maturing in the next twelve months, and are currently evaluating our options in connection with this maturing debt, which may include repayment through refinancing, free cash flow generation, or cash on hand.

The Company had cash and cash equivalents of approximately \$2.0 billion at December 31, 2019, of which the significant majority was held by subsidiaries in foreign countries. Our cash and cash equivalents are temporarily elevated as of December 31, 2019 from commercial paper outstanding of \$274 million that was subsequently repaid after year-end. For each of its foreign subsidiaries, the Company makes an assertion regarding the amount of earnings intended for permanent reinvestment, with the balance available to be repatriated to the United States. The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operational activities and expected future foreign investments. Our intent is to permanently reinvest these funds outside of the United States and our current plans do not demonstrate a need to repatriate the cash to fund our U.S. operations. However, if these funds were repatriated, we would be required to accrue and pay applicable United States taxes (if any) and withholding taxes payable to various countries. It is not practical to estimate the amount of the deferred tax liability associated with the repatriation of cash due to the complexity of its hypothetical calculation.

At December 31, 2019, we had cash or cash equivalents greater than 1% of our consolidated assets in China, Brazil, the United States and India, which represented 2.5%, 2.0%, 1.6% and 1.1%, respectively. In addition, we did not have any third-party accounts receivable greater than 1% of our consolidated assets in any single country outside of the United States. We continue to monitor general financial instability and uncertainty globally.

Notes payable consists of short-term borrowings payable to banks and commercial paper, which are generally used to fund working capital requirements. At December 31, 2019, we had \$294 million of notes payable outstanding which primarily included \$274 million of commercial paper. See Note 7 to the Consolidated Financial Statements for additional information.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

In June 2018, Whirlpool of India Limited (Whirlpool India), a majority-owned subsidiary of Whirlpool Corporation, acquired a 49% equity interest in Elica PB India for \$22 million. Whirlpool India has an option to acquire the remaining equity interest in the future for fair value, and the non-Whirlpool India shareholders of Elica PB India received an option to sell their remaining equity interest to Whirlpool India in the future for fair value, which could be material to the financial statements depending on the performance of the venture. We account for our minority interest under the equity method of accounting.

We continue to review customer conditions globally. At December 31, 2019, we had 272 million Brazilian reais (approximately \$68 million at December 31, 2019) in short and long-term receivables due to us from Maquina de Vendas S.A., a trade customer in Brazil. In 2018, as part of their extrajudicial recovery plan, we agreed to receive payment of our outstanding receivable, plus interest, over eight years under a tiered payment schedule. At December 31, 2019, we have 129 million Brazilian reais (approximately \$32 million at December 31, 2019) of insurance against this credit risk through policies purchased from high-quality underwriters.

In the past, when faced with a potential volume reduction from any one particular segment of our trade distribution network, we generally have been able to offset such declines through increased sales throughout our broad distribution network.

For additional information on transfers and servicing of financial assets, accounts payable outsourcing and guarantees, see Note 1 and Note 8 to the Consolidated Financial Statements.

### **Embraco Sale Transaction**

On April 24, 2018, we and certain of our subsidiaries entered into a purchase agreement with Nidec Corporation, a leading manufacturer of electric motors incorporated under the laws of Japan, to sell our Embraco business unit (the "Transaction").

On June 26, 2019, Whirlpool and Nidec received the European Commission's final approval of the Transaction, and the parties closed the Transaction on July 1, 2019. At closing, pursuant to the purchase agreement and a subsequent agreement memorializing the purchase price adjustment, the Company received \$1.1 billion inclusive of anticipated cash on hand at the time of closing, with final purchase price amounts subject to working capital and other customary post-closing adjustments. Whirlpool has agreed to retain certain liabilities relating to tax, environmental, labor and products following closing of the Transaction.

On August 9, 2019, the Company repaid \$1.0 billion pursuant to the Company's April 23, 2018 Term Loan Agreement by and among the Company, Citibank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. as Syndication Agent, and certain other financial institutions, representing full repayment of amounts borrowed under the term loan. As previously disclosed, the Company agreed to repay this outstanding term loan amount with the net cash proceeds received from the sale of Embraco.

For additional information on the Embraco sale transaction, see Note 17 to the Consolidated Financial Statements.

### **Share Repurchase Program**

For additional information about our share repurchase program, see Note 12 to the Consolidated Financial Statements.

### **Sources and Uses of Cash**

We met our cash needs during 2019 through cash flows from operations, cash and cash equivalents, and financing arrangements. Our cash, cash equivalents and restricted cash at December 31, 2019 increased \$414 million compared to the same period in 2018. Our cash and cash equivalents are temporarily elevated at December 31, 2019 from commercial paper outstanding of \$274 million that was subsequently repaid after year-end.

The following table summarizes the net increase (decrease) in cash, cash equivalents and restricted cash for the periods presented. Significant drivers of changes in our cash and cash equivalents balance during 2019 are discussed below:

## Cash Flow Summary

Millions of dollars	2019	2018	2017
<b>Cash provided by (used in):</b>			
Operating activities	\$ 1,230	\$ 1,229	\$ 1,264
Investing activities	636	(399)	(721)
Financing activities	(1,424)	(518)	(553)
Effect of exchange rate changes	(28)	(67)	63
Net increase in cash, cash equivalents and restricted cash	<u>\$ 414</u>	<u>\$ 245</u>	<u>\$ 53</u>

### Cash Flows from Operating Activities

Cash provided by operating activities in 2019 was comparable to 2018. The impact of working capital primarily includes inventory reduction efforts, credit management activities and the divestiture of the Embraco compressor business. Net earnings includes the non-cash impacts from the gain on sale and disposal of businesses.

The decrease in cash provided by operating activities during 2018 primarily reflects \$350 million of discretionary pension funding, partially offset by the working capital impact from inventory reduction efforts, lower volumes and credit management activities. Net loss includes the non-cash impacts from impairment of goodwill and other intangibles.

Cash provided by operating activities in 2017 reflects effective credit management and working capital, despite lower cash earnings.

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

### Cash Flows from Investing Activities

The increase in cash used in investing activities during 2019 primarily reflects proceeds from the sale of the Embraco compressor business (approximately \$1 billion) along with proceeds from a real estate sale-leaseback transaction (approximately \$140 million) and a decrease in capital expenditures (approximately \$60 million)

The decrease in cash used in investing activities during 2018 primarily reflects proceeds from a real estate sale-leaseback transaction (approximately \$130 million), a decrease in capital expenditures (approximately \$95 million), and the proceeds related to held-to-maturity securities (approximately \$60 million).

The increase in cash used in investing activities in 2017 primarily reflects the net impact of purchases (approximately \$170 million) and proceeds (approximately \$110 million) related to held-to-maturity securities and an increase in capital expenditures (approximately \$25 million).

In June 2016, Whirlpool China Co., Ltd. ("Whirlpool China"), our majority-owned indirect subsidiary, entered into an agreement to return land use rights for land now occupied by two Whirlpool China plants in Hefei, China to a division of the Hefei municipal government. The aggregate price for the return of land use rights was approximately RMB 687 million (approximately \$103 million as of June 27, 2016). Whirlpool China received RMB 127 million (approximately \$20 million) in 2018 and RMB 280 million (approximately \$42 million) in 2017. The related cash flow impact from these transactions is included in investing activities in each respective year.

### Cash Flows from Financing Activities

The increase in cash used in financing activities during 2019 primarily reflects higher repayments of long-term debt (increase of approximately \$550 million), net effect of changes in short-term debt (increase of approximately \$1.4 billion), partially offset by lower share repurchase activity (decrease of approximately \$1 billion). Short-term debt reflects the activity on the \$1 billion term loan that was borrowed in 2018 and repaid in 2019, offset by changes in commercial paper for funding normal working capital requirements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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The decrease in cash used in financing activities during 2018 primarily reflects higher proceeds from borrowings of short-term debt (increase of approximately \$300 million) and lower repayments of long-term debt (decrease of approximately \$175 million), partially offset by higher share repurchase activity (increase of approximately \$400 million). We also acquired the remaining minority interest in a subsidiary.

The increase in cash used in financing activities during 2017 primarily reflects higher share repurchase activity (increase of approximately \$225 million).

Dividends paid in financing activities approximated \$300 million during 2019, 2018 and 2017.

### Financing Arrangements

The Company had total committed credit facilities of approximately \$3.8 billion at December 31, 2019. The facilities are geographically diverse and reflect the Company's global operations. The Company believes these facilities are sufficient to support its global operations. We had no borrowings outstanding under the committed credit facilities at December 31, 2019 and 2018, respectively.

See Note 7 to the Consolidated Financial Statements for additional information.

### Dividends

In April 2019, our Board of Directors approved a 4.3% increase in our quarterly dividend on our common stock to \$1.20 per share from \$1.15 per share.

### CONTRACTUAL OBLIGATIONS AND FORWARD-LOOKING CASH REQUIREMENTS

The following table summarizes our expected cash outflows resulting from financial contracts and commitments:

Millions of dollars	Payments due by period				
	Total	2020	2021 & 2022	2023 & 2024	Thereafter
Long-term debt obligations <sup>(1)</sup>	\$ 6,172	\$ 706	\$ 856	\$ 753	\$ 3,857
Operating lease obligations <sup>(2)</sup>	1,154	203	324	252	375
Purchase obligations <sup>(3)</sup>	672	205	290	120	57
United States and foreign pension plans <sup>(4)</sup>	18	18	—	—	—
Other postretirement benefits <sup>(5)</sup>	271	33	65	58	115
Legal settlements <sup>(6)</sup>	65	65	—	—	—
Total <sup>(7)</sup>	<u>\$ 8,352</u>	<u>\$ 1,230</u>	<u>\$ 1,535</u>	<u>\$ 1,183</u>	<u>\$ 4,404</u>

(1) Principal and interest payments related to long-term debt are included in the table above. See Note 7 to the Consolidated Financial Statements for additional information.

(2) Operating lease obligations includes the impact of sale leaseback transactions. See Note 1 to the Consolidated Financial Statements for additional information.

(3) Purchase obligations include our "take-or-pay" contracts with materials vendors and minimum payment obligations to other suppliers.

(4) Represents the minimum contributions required for foreign and domestic pension plans based on current interest rates, asset return assumptions, legislative requirements and other actuarial assumptions at December 31, 2019. See Note 9 to the Consolidated Financial Statements for additional information.

(5) Represents our portion of expected benefit payments under our retiree healthcare plans.

(6) Legal settlements includes €52.75 million (approximately \$59 million as of December 31, 2019) related to a trade customer insolvency claim settlement. See Note 8 to the Consolidated Financial Statements for additional information.

(7) This table does not include credit facility, short-term borrowings to banks and commercial paper borrowings. See Note 7 to the Consolidated Financial Statements for additional information. This table does not include future anticipated income tax settlements. See Note 15 to the Consolidated Financial Statements for additional information.

### OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we enter into agreements with financial institutions to issue bank guarantees, letters of credit and surety bonds. These agreements are primarily associated with unresolved tax matters in Brazil, as is customary under local regulations, and other governmental obligations and debt agreements. At December 31, 2019 and 2018, we had approximately \$333 million and \$355 million outstanding under these agreements, respectively.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS - (CONTINUED)**

For additional information about our off-balance sheet arrangements, see Note 1 and Note 8 to the Consolidated Financial Statements.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements, in conformity with GAAP, requires management to make certain estimates and assumptions. We periodically evaluate these estimates and assumptions, which are based on historical experience, changes in the business environment and other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates.

**Pension and Other Postretirement Benefits**

Accounting for pensions and other postretirement benefits involves estimating the costs of future benefits and attributing the cost over the employee's expected period of employment. The determination of our obligation and expense for these costs requires the use of certain assumptions. Those key assumptions include the discount rate, expected long-term rate of return on plan assets, life expectancy, and health care cost trend rates. These assumptions are subject to change based on interest rates on high quality bonds, stock and bond markets and medical cost inflation, respectively. Actual results that differ from our assumptions are accumulated and amortized over future periods and therefore, generally affect our recognized expense and accrued liability in such future periods. While we believe that our assumptions are appropriate given current economic conditions and actual experience, significant differences in results or significant changes in our assumptions may materially affect our pension and other postretirement benefit obligations and related future expense.

Our pension and other postretirement benefit obligations at December 31, 2019 and preliminary retirement benefit costs for 2020 were prepared using the assumptions that were determined as of December 31, 2019. The following table summarizes the sensitivity of our December 31, 2019 retirement obligations and 2020 retirement benefit costs of our United States plans to changes in the key assumptions used to determine those results:

Millions of dollars	Percentage Change	Estimated increase (decrease) in	
		2020 Expense	PBO/APBO <sup>(1)</sup> for 2019
<b>United States Pension Plans</b>			
Discount rate	+/-50bps	\$ 1/(1)	\$ (161)/177
Expected long-term rate of return on plan assets	+/-50bps	(13)/13	-
<b>United States Other Postretirement Benefit Plan</b>			
Discount rate	+/-50bps	1/(1)	(13)/14
Health care cost trend rate	+/-100bps	-	-

<sup>(1)</sup> Projected benefit obligation (PBO) for pension plans and accumulated postretirement benefit obligation (APBO) for other postretirement benefit plans.

These sensitivities may not be appropriate to use for other years' financial results. Furthermore, the impact of assumption changes outside of the ranges shown above may not be approximated by using the above results. For additional information about our pension and other postretirement benefit obligations, see Note 9 to the Consolidated Financial Statements.

## **Income Taxes**

We estimate our income taxes in each of the taxing jurisdictions in which we operate. This involves estimating actual current tax expense together with assessing any temporary differences resulting from the different treatment of certain items, such as the timing for recognizing expenses, for tax and accounting purposes. These differences may result in deferred tax assets or liabilities, which are included in our Consolidated Balance Sheets. We are required to assess the likelihood that deferred tax assets, which include net operating loss carryforwards, general business credits and deductible temporary differences, will be realizable in future years. Realization of our net operating loss and general business credit deferred tax assets is supported by specific tax planning strategies and, where possible, considers projections of future profitability. If recovery is not more likely than not, we provide a valuation allowance based on estimates of future taxable income in the various taxing jurisdictions, for the amount of deferred taxes that are ultimately realizable. If future taxable income is lower than expected or if tax planning strategies are not available as anticipated, we may record additional valuation allowances through income tax expense in the period such determination is made. Likewise, if we determine that we are able to realize our deferred tax assets in the future in excess of net recorded amounts, an adjustment to the deferred tax asset will benefit income tax expense in the period such determination is made.

At December 31, 2019 and 2018, we had total deferred tax assets of \$3.3 billion and \$2.9 billion, respectively, net of valuation allowances of \$192 million and \$348 million, respectively. During 2019, the Company used proceeds from a bond offering to recapitalize various entities in EMEA which resulted in a reduction in the valuation allowance. In addition, the Company has established tax planning strategies and transfer pricing policies to provide sufficient future taxable income to realize these deferred tax assets. Our income tax expense has fluctuated considerably over the last five years. The tax expense has been influenced primarily by U.S. energy tax credits, foreign tax credits, audit settlements and adjustments, tax planning strategies, enacted legislation, and dispersion of global income. Future changes in the effective tax rate will be subject to several factors, including business profitability, tax planning strategies, and enacted tax laws.

In addition, we operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. For additional information about income taxes, see Note 1, Note 8 and Note 15 to the Consolidated Financial Statements.

## **Warranty Obligations**

The estimation of warranty obligations is determined in the same period that revenue from the sale of the related products is recognized. The warranty obligation is based on historical experience and represents our best estimate of expected costs at the time products are sold. Warranty accruals are adjusted for known or anticipated warranty claims as new information becomes available. New product launches require a greater use of judgment in developing estimates until historical experience becomes available. Future events and circumstances could materially change our estimates and require adjustments to the warranty obligations. For additional information about warranty obligations, see Note 8 to the Consolidated Financial Statements.

## **Goodwill and Indefinite-Lived Intangibles**

Certain business acquisitions have resulted in the recording of goodwill and trademark assets which are not amortized. At December 31, 2019 and 2018, we had goodwill of approximately \$2.4 billion and \$2.5 billion, respectively. We have trademark assets with a carrying value of approximately \$1.9 billion at December 31, 2019 and 2018, respectively.

We perform our annual impairment assessment for goodwill and other indefinite-lived intangible assets as of October 1st or more frequently if events or changes in circumstances indicate that the asset might be impaired. We consider qualitative factors to assess if it is more likely than not that the fair value for goodwill or indefinite-lived intangible assets is below the carrying amount. We may also elect to bypass the qualitative assessment and perform a quantitative assessment.

In conducting a qualitative assessment, the Company analyzes a variety of events or factors that may influence the fair value of the reporting unit or indefinite-lived intangible, including, but not limited to: the results of prior quantitative assessments performed; changes in the carrying amount of the reporting unit or indefinite-lived intangible; actual and projected revenue and EBIT margin; relevant market data for both the Company and its peer companies; industry outlooks; macroeconomic conditions; liquidity; changes in key personnel; and the Company's competitive position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

Significant judgment is used to evaluate the totality of these events and factors to make the determination of whether it is more likely than not that the fair value of the reporting unit or indefinite-lived intangible asset is less than its carrying value.

For our annual impairment assessment as of October 1, 2019, the Company elected to bypass the qualitative assessment and perform a quantitative assessment to evaluate goodwill and certain brand trademarks. The Company elected to perform a qualitative assessment on the other indefinite-lived intangible assets noting no events that indicated that the fair value was less than carrying value that would require a quantitative impairment assessment.

### Goodwill Valuations

In performing a quantitative assessment, we estimate each reporting unit's fair value primarily by using the income approach. The income approach uses each reporting unit's projection of estimated operating results and cash flows that are discounted using a market participant discount rate based on a weighted-average cost of capital. The financial projections reflect management's best estimate of economic and market conditions over the five-year projected period including forecasted revenue growth, EBIT margin, tax rate, capital expenditures, depreciation and amortization and changes in working capital requirements. Other assumptions include discount rate and terminal growth rate. For one of our reporting units we use a blended approach that includes a market capitalization methodology given publicly available information and a discounted cash flow approach. The estimated fair value of each reporting unit is compared to their respective carrying values.

Additionally, we validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach. A market approach estimates fair value by applying cash flow multiples to the operating performance of each reporting unit. The multiples are derived from comparable publicly traded companies with operating and investment characteristics similar to the reporting units. We also corroborate the fair value through a market capitalization reconciliation to determine whether the implied control premium is reasonable based on recent market transactions and other qualitative considerations.

Based on the results of our annual quantitative assessment performed as of October 1, 2019, the fair values of our NAR, Asia and LAR reporting units exceeded their respective carrying values by 139%, 253% and 27%, respectively.

Based on the quantitative assessment performed for the EMEA reporting unit, the fair value of the reporting unit exceeded its carrying value by 7%. The EMEA reporting unit has goodwill of approximately \$300 million at December 31, 2019.

In evaluating the EMEA reporting unit, significant weight was provided to the forecasted EBIT margins and the discount rate used in the discounted cash flow model, as we determined that these items have the most significant impact on the fair value of this reporting unit.

- Forecasted EBIT margins are expected to recover as we stabilize volumes, improve our price/mix and recover market share and benefit from the recently announced strategic actions to rightsize and refocus the business. The 5-year average forecasted EBIT margin in the discounted cash flow model was approximately 4%.
- We used a discount rate of 11.25% based on market participant assumptions.

We performed a sensitivity analysis on our estimated fair value noting that a 100 basis point increase in the discount rate or a 5% reduction in the projected EBIT margins in the forecasted periods would result in an impairment charge of \$180 million and \$49 million, respectively.

If actual results are not consistent with management's estimates and assumptions, a material impairment charge of goodwill could occur, which could have a material adverse effect on our consolidated financial statements.

### Indefinite-Lived Intangible Valuations

In performing a quantitative assessment of indefinite-lived intangible assets other than goodwill, primarily trademarks, we estimate the fair value of these intangible assets using the relief-from-royalty method which requires assumptions related to projected revenues from our annual long-range plan; assumed royalty rates that could be payable if we did

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

not own the trademark; and a market participant discount rate based on a weighted-average cost of capital. If the estimated fair value of the indefinite-lived intangible asset is less than its carrying value, we would recognize an impairment loss.

The fair value of the *Indesit and Hotpoint\** trademarks exceeded their carrying value of €190 million (approximately \$213 million at December 31, 2019) and €135 million (approximately \$151 million at December 31, 2019) by 16% and 7%, respectively. We expect revenue trends for both these brands to improve as we stabilize volumes, recover market share and benefit from our new product investments in the EMEA region.

The fair value of the *Maytag* trademark exceeded its carrying value of \$1,021 million by approximately 6%. We expect revenue trends for this brand to continue to improve as we execute our brand leadership strategy and benefit from our new product investments.

The fair values of all other trademarks exceeded their carrying values by more than 10%.

In performing the quantitative assessment on these assets, significant assumptions used in our relief-from-royalty model included revenue growth rates, assumed royalty rates and the discount rate, which are discussed further below.

Revenue growth rates relate to projected revenues from our financial planning and analysis process and vary from brand to brand. Adverse changes in the operating environment or our inability to grow revenues at the forecasted rates may result in a material impairment charge. We performed a sensitivity analysis on our estimated fair values noting a 10% reduction of forecasted revenues in the *Hotpoint\** and *Maytag* trademarks would result in an impairment charge of approximately \$3 million and \$39 million, respectively, and a 15% reduction of forecasted revenues in the *Indesit* trademark would result in an impairment charge of approximately \$5 million.

In determining royalty rates for the valuation of our trademarks, we considered factors that affect the assumed royalty rates that would hypothetically be paid by a market participant for the use of trademarks. The most significant factors in determining the assumed royalty rates include the overall role and importance of the trademarks in the particular industry, the profitability of the products utilizing the trademarks, and the position of the trademarked products in the given product category. Based on this analysis, we determined a royalty rate of 3%, 3.5% and 4% for our *Indesit, Hotpoint\** and *Maytag* trademarks, respectively. We performed a sensitivity analysis on our estimated fair values for *Indesit, Hotpoint\** and *Maytag* noting a 50 basis point reduction of the royalty rates from each brand would result in an impairment charge of approximately \$9 million, \$27 million and \$66 million, respectively.

In developing discount rates for the valuation of our trademarks, we used a market participant discount rate based on a weighted-average cost of capital, adjusted for higher relative level of risks associated with doing business in other countries, as applicable, as well as the higher relative levels of risks associated with intangible assets. Based on this analysis, we determined the discount rates to be 14.5%, 15% and 9.75% for *Indesit, Hotpoint\** and *Maytag*, respectively. We performed a sensitivity analysis on our estimated fair values for *Maytag* noting a 100 basis point increase in the discount rate would result in an impairment charge of approximately \$57 million, and a 250 basis point increase in the discount rate for *Hotpoint\** and *Indesit* would result in an impairment charge of approximately \$13 million and \$7 million, respectively.

If actual results are not consistent with management's estimate and assumptions, a material impairment charge of our trademarks could occur, which could have a material adverse effect on our consolidated financial statements.

For additional information about goodwill and indefinite-life intangible valuations, see Note 6 and Note 11 to the Consolidated Financial Statements.

The estimates of future cash flows used in determining the fair value of goodwill and intangible assets involve significant management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions and cost of capital. Inherent in estimating the future cash flows are uncertainties beyond our control, such as changes in capital markets. The actual cash flows could differ materially from management's estimates due to changes in business conditions, operating performance and economic conditions.

\*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

## ISSUED BUT NOT YET EFFECTIVE ACCOUNTING PRONOUNCEMENTS

Additional information regarding recently issued accounting pronouncements, see Note 1 to the Consolidated Financial Statements.

## OTHER MATTERS

For additional information regarding certain of our loss contingencies/litigation, see Note 8 to the Consolidated Financial Statements.

### Grenfell Tower

On June 23, 2017, London's Metropolitan Police Service released a statement that it had identified a Hotpoint-branded refrigerator as the initial source of the Grenfell Tower fire in West London. U.K. authorities are conducting investigations, including regarding the cause and spread of the fire. The model in question was manufactured by Indesit Company between 2006 and 2009, prior to Whirlpool's acquisition of Indesit in 2014. We are fully cooperating with the investigating authorities. Whirlpool has been named as a defendant in a product liability suit related to this matter, which suit is currently pending in Pennsylvania federal court. As these matters are ongoing, we cannot speculate on their eventual outcomes or potential impact on our financial statements; accordingly, we have not recorded any significant charges in 2018 or 2019. Additional claims may be filed related to this incident.

### Antidumping and Safeguard Petition

As previously reported, Whirlpool filed petitions in 2011 and 2015 alleging that Samsung, LG and Electrolux violated U.S. and international trade laws by dumping washers into the U.S. Those petitions resulted in orders imposing antidumping duties on certain washers imported from South Korea, Mexico, and China, and countervailing duties on certain washers from South Korea. These orders could be subject to administrative reviews and possible appeals. In March 2019, the order covering certain washers from Mexico was extended for an additional five years, while the order covering certain washers from South Korea was revoked.

Whirlpool also filed a safeguard petition in May 2017 to address our concerns that Samsung and LG are evading U.S. trade laws by moving production from countries covered by antidumping orders. A safeguard remedy went into effect in February 2018, implementing tariffs on finished washers and certain covered parts for three years. During the third year of the remedy, beginning February 7, 2020, the remedy imposes a 16% tariff on the first 1.2 million large residential washing machines imported into the United States ("under tariff") and a 40% tariff on such imports in excess of 1.2 million, and also imposes a 40% tariff on washer tub, drum, and cabinet imports in excess of 90,000 units. In January 2020, the President modified the safeguard order to allocate the 1.2 million under tariff by quarter during the third year of remedy (300,000 washing machines per quarter). The President maintains discretion to modify the remedy. We cannot speculate on the modification's impact, which will depend on Samsung and LG's U.S. production capabilities and import plans.

### U.S. Tariffs and Global Economy

The current domestic and international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy. The impact of previously-announced U.S. tariffs was a component of increased raw material costs during the year ended December 31, 2019. We expect these and other tariffs to impact material and freight costs in future quarters, which could require us to modify our current business practices and could have a material adverse effect on our financial statements in any particular reporting period.

### Brexit

In 2016, the UK held a referendum, the outcome of which was an expressed public desire to exit the European Union ("Brexit"), which has resulted in greater uncertainty related to the free movement of goods, services, people and capital between the UK and the EU. On January 31, 2020, the UK officially exited the European Union and entered into a transition period to negotiate the final terms of Brexit. Many potential future impacts of Brexit remain unclear and could adversely impact certain areas of our business, including, but not limited to, an increase in duties and delays in the delivery of products, and adverse impacts to our suppliers and financing institutions. In order to mitigate the risks associated

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

with Brexit, we are preparing for potential adverse impacts by collaborating across Company functions and working with external partners to develop and revise the necessary contingency plans.

### 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 annual 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 words or expressions. Our forward-looking statements generally relate to our growth strategies, financial results, product development, and sales efforts. These forward-looking statements should be considered with the understanding that such statements involve a variety of risks and uncertainties, known and unknown, and may be affected by inaccurate assumptions. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

This document contains forward-looking statements about Whirlpool Corporation and its consolidated subsidiaries ("Whirlpool") that speak only as of this date. Whirlpool disclaims any obligation to update these statements. Forward-looking statements in this document may include, but are not limited to, statements regarding expected earnings per share, cash flow, productivity and raw material prices. Many risks, contingencies and uncertainties could cause actual results to differ materially from Whirlpool's forward-looking statements. Among these factors are: (1) intense competition in the home appliance industry reflecting the impact of both new and established global competitors, including Asian and European manufacturers, and the impact of the changing retail environment, including direct-to-consumer sales; (2) Whirlpool's ability to maintain or increase sales to significant trade customers and the ability of these trade customers to maintain or increase market share; (3) Whirlpool's ability to maintain its reputation and brand image; (4) the ability of Whirlpool to achieve its business plans, productivity improvements, and cost control objectives, and to leverage its global operating platform, and accelerate the rate of innovation; (5) Whirlpool's ability to obtain and protect intellectual property rights; (6) acquisition and investment-related risks, including risks associated with our past acquisitions, and risks associated with our increased presence in emerging markets; (7) risks related to our international operations, including changes in foreign regulations, regulatory compliance and disruptions arising from political, legal and economic instability; (8) information technology system failures, data security breaches, data privacy compliance, network disruptions, and cybersecurity attacks; (9) product liability and product recall costs; (10) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (11) our ability to attract, develop and retain executives and other qualified employees; (12) the impact of labor relations; (13) fluctuations in the cost of key materials (including steel, resins, copper and aluminum) and components and the ability of Whirlpool to offset cost increases; (14) Whirlpool's ability to manage foreign currency fluctuations; (15) impacts from goodwill impairment and related charges; (16) triggering events or circumstances impacting the carrying value of our long-lived assets; (17) inventory and other asset risk; (18) the uncertain global economy and changes in economic conditions which affect demand for our products; (19) health care cost trends, regulatory changes and variations between results and estimates that could increase future funding obligations for pension and postretirement benefit plans; (20) changes in LIBOR, or replacement of LIBOR with an alternative reference rate; (21) litigation, tax, and legal compliance risk and costs, especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same; (22) the effects and costs of governmental investigations or related actions by third parties; and (23) changes in the legal and regulatory environment including environmental, health and safety regulations, and taxes and tariffs.

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

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

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### MARKET RISK

We have in place an enterprise risk management process that involves systematic risk identification and mitigation covering the categories of enterprise, strategic, financial, operational and compliance and reporting risks. The enterprise risk management process receives Board of Directors and management oversight, drives risk mitigation decision-making and is fully integrated into our internal audit planning and execution cycle.

We are exposed to market risk from changes in foreign currency exchange rates, domestic and foreign interest rates, and commodity prices, which can affect our operating results and overall financial condition. We manage exposure to these risks through our operating and financing activities and, when deemed appropriate, through the use of derivatives. Derivatives are viewed as risk management tools and are not used for speculation or for trading purposes. Derivatives are generally contracted with a diversified group of investment grade counterparties to reduce exposure to nonperformance on such instruments.

We use foreign currency forward contracts, currency options, currency swaps and cross-currency swaps to hedge the price risk associated with firmly committed and forecasted cross-border payments and receipts related to ongoing business and operational financing activities. We also use forward or option contracts to hedge our investment in the net assets of certain international subsidiaries to offset foreign currency translation adjustments related to our net investment in those subsidiaries. These foreign currency contracts are sensitive to changes in foreign currency exchange rates. At December 31, 2019, a 10% favorable or unfavorable exchange rate movement in each currency in our portfolio of foreign currency contracts would have resulted in an incremental unrealized gain of approximately \$436 million or loss of approximately \$449 million, respectively. Consistent with the use of these contracts to mitigate the effect of exchange rate fluctuations, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the re-measurement of the underlying exposures.

We enter into interest rate swap and cross-currency swap agreements to manage our exposure to interest rate risk from probable long-term debt issuances or cross-currency debt. At December 31, 2019, a 100 basis point increase or decrease in interest rates would have resulted in an incremental unrealized gain of approximately \$47 million or unrealized loss of approximately \$64 million, respectively, related to these contracts.

We enter into commodity swap contracts to hedge the price risk associated with firmly committed and forecasted commodities purchases, the prices of which are not fixed directly through supply contracts. At December 31, 2019, a 10% favorable or unfavorable shift in commodity prices would have resulted in an incremental gain or loss of approximately \$17 million, respectively, related to these contracts.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**WHIRLPOOL CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
Year Ended December 31,  
(Millions of dollars, except per share data)

	2019	2018	2017
<b>Net sales</b>	\$ 20,419	\$ 21,037	\$ 21,253
<b>Expenses</b>			
Cost of products sold	16,886	17,500	17,651
Gross margin	3,533	3,537	3,602
Selling, general and administrative	2,142	2,189	2,112
Intangible amortization	69	75	79
Restructuring costs	188	247	275
Impairment of goodwill and other intangibles	—	747	—
(Gain) loss on sale and disposal of businesses	(437)	—	—
Operating profit	1,571	279	1,136
<b>Other (income) expense</b>			
Interest and sundry (income) expense	(168)	108	87
Interest expense	187	192	162
Earnings (loss) before income taxes	1,552	(21)	887
Income tax expense	354	138	550
Net earnings (loss)	1,198	(159)	337
Less: Net earnings (loss) available to noncontrolling interests	14	24	(13)
Net earnings (loss) available to Whirlpool	\$ 1,184	\$ (183)	\$ 350
<b>Per share of common stock</b>			
Basic net earnings (loss) available to Whirlpool	\$ 18.60	\$ (2.72)	\$ 4.78
Diluted net earnings (loss) available to Whirlpool	\$ 18.45	\$ (2.72)	\$ 4.70
<b>Weighted-average shares outstanding (in millions)</b>			
Basic	63.7	67.2	73.3
Diluted	64.2	67.2	74.4

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

**WHIRLPOOL CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
Year Ended December 31,  
(Millions of dollars)

	2019	2018	2017
Net earnings (loss)	\$ 1,198	\$ (159)	\$ 337
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustments	54	(272)	32
Derivative instruments:			
Net gain (loss) arising during period	71	77	(84)
Less: reclassification adjustment for gain (loss) included in net earnings (loss)	88	107	(80)
Derivative instruments, net	(17)	(30)	(4)
Marketable securities:			
Net gain (loss) arising during period	—	—	6
Marketable securities, net	—	—	6
Defined benefit pension and postretirement plans:			
Prior service (cost) credit arising during period	9	(5)	(16)
Net gain (loss) arising during period	(6)	(102)	(51)
Less: amortization of prior service credit (cost) and actuarial (loss)	(49)	(59)	(52)
Defined benefit pension and postretirement plans, net	52	(48)	(15)
Other comprehensive income (loss), before tax	89	(350)	19
Income tax benefit (expense) related to items of other comprehensive income (loss)	(12)	5	50
Other comprehensive income (loss), net of tax	\$ 77	\$ (345)	\$ 69
Comprehensive income (loss)	\$ 1,275	\$ (504)	\$ 406
Less: comprehensive income (loss), available to noncontrolling interests	14	26	(13)
Comprehensive income (loss) available to Whirlpool	\$ 1,261	\$ (530)	\$ 419

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

**WHIRLPOOL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**At December 31,**  
**(Millions of dollars)**

	2019	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,952	\$ 1,498
Accounts receivable, net of allowance of \$132 and \$136, respectively	2,198	2,210
Inventories	2,438	2,533
Prepaid and other current assets	810	839
Assets held for sale	—	818
Total current assets	<u>7,398</u>	<u>7,898</u>
Property, net of accumulated depreciation of \$6,444 and \$6,190, respectively	3,301	3,414
Right of use assets	921	—
Goodwill	2,440	2,451
Other intangibles, net of accumulated amortization of \$593 and \$527, respectively	2,225	2,296
Deferred income taxes	2,238	1,989
Other noncurrent assets	358	299
Total assets	<u>\$ 18,881</u>	<u>\$ 18,347</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities		
Accounts payable	\$ 4,547	\$ 4,487
Accrued expenses	652	690
Accrued advertising and promotions	949	827
Employee compensation	450	393
Notes payable	294	1,034
Current maturities of long-term debt	559	947
Other current liabilities	918	811
Liabilities held for sale	—	489
Total current liabilities	<u>8,369</u>	<u>9,678</u>
Noncurrent liabilities		
Long-term debt	4,140	4,046
Pension benefits	542	637
Postretirement benefits	322	318
Lease liabilities	778	—
Other noncurrent liabilities	612	463
Total noncurrent liabilities	<u>6,394</u>	<u>5,464</u>
Stockholders' equity		
Common stock, \$1 par value, 250 million shares authorized, 112 million shares issued, and 63 million and 64 million shares outstanding, respectively	112	112
Additional paid-in capital	2,806	2,768
Retained earnings	7,870	6,933
Accumulated other comprehensive loss	(2,618)	(2,695)
Treasury stock, 49 million and 48 million shares, respectively	(4,975)	(4,827)
Total Whirlpool stockholders' equity	<u>3,195</u>	<u>2,291</u>
Noncontrolling interests	923	914
Total stockholders' equity	<u>4,118</u>	<u>3,205</u>
Total liabilities and stockholders' equity	<u>\$ 18,881</u>	<u>\$ 18,347</u>

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

**WHIRLPOOL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Year Ended December 31,  
(Millions of dollars)

	2019	2018	2017
<b>Operating activities</b>			
Net earnings (loss)	\$ 1,198	\$ (159)	\$ 337
Adjustments to reconcile net earnings (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	587	645	654
Impairment of goodwill and other intangibles	—	747	—
(Gain) loss on sale and disposal of businesses	(437)	—	—
Changes in assets and liabilities:			
Accounts receivable	(87)	79	160
Inventories	(39)	73	(229)
Accounts payable	140	210	180
Accrued advertising and promotions	118	12	76
Accrued expenses and current liabilities	22	162	(230)
Taxes deferred and payable, net	(116)	(67)	239
Accrued pension and postretirement benefits	(81)	(434)	(58)
Employee compensation	106	44	36
Other	(181)	(83)	99
Cash provided by operating activities	<u>1,230</u>	<u>1,229</u>	<u>1,264</u>
<b>Investing activities</b>			
Capital expenditures	(532)	(590)	(684)
Proceeds from sale of assets and business	1,174	160	61
Purchase of held-to-maturity securities	—	—	(173)
Proceeds from held-to-maturity securities	—	60	113
Investment in related businesses	—	(25)	(35)
Other	(6)	(4)	(3)
Cash provided by (used in) investing activities	<u>636</u>	<u>(399)</u>	<u>(721)</u>
<b>Financing activities</b>			
Net proceeds from borrowings of long-term debt	700	705	691
Repayments of long-term debt	(949)	(386)	(564)
Net proceeds (repayments) from short-term borrowings	(723)	653	367
Dividends paid	(305)	(306)	(312)
Repurchase of common stock	(148)	(1,153)	(750)
Purchase of noncontrolling interest shares	—	(41)	(5)
Common stock issued	8	17	34
Other	(7)	(7)	(14)
Cash used in financing activities	<u>(1,424)</u>	<u>(518)</u>	<u>(553)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(28)	(67)	63
Increase in cash, cash equivalents and restricted cash	414	245	53
Cash, cash equivalents and restricted cash at beginning of year	1,538	1,293	1,240
Cash, cash equivalents and restricted cash at end of year	<u>\$ 1,952</u>	<u>\$ 1,538</u>	<u>\$ 1,293</u>
<b>Supplemental disclosure of cash flow information</b>			
Cash paid for interest	\$ 194	\$ 183	\$ 181
Cash paid for income taxes	\$ 469	\$ 206	\$ 311

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

**WHIRLPOOL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
Year ended December 31,  
(Millions of dollars)

	Whirlpool Stockholders' Equity					
	Total	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock/ Additional Paid-in-Capital	Common Stock	Non-Controlling Interests
<b>Balances, December 31, 2016</b>	\$ 5,728	\$ 7,314	\$ (2,400)	\$ (252)	\$ 111	\$ 955
Comprehensive income						
Net earnings (loss)	337	350	—	—	—	(13)
Other comprehensive income (loss)	69	—	69	—	—	—
Comprehensive income	406	350	69	—	—	(13)
Stock issued (repurchased)	(682)	—	—	(683)	1	—
Dividends declared	(324)	(312)	—	—	—	(12)
<b>Balances, December 31, 2017</b>	5,128	7,352	(2,331)	(935)	112	930
Comprehensive income						
Net earnings (loss)	(159)	(183)	—	—	—	24
Other comprehensive income (loss)	(345)	—	(347)	—	—	2
Comprehensive income	(504)	(183)	(347)	—	—	26
Adjustment to beginning retained earnings	72	72	—	—	—	—
Adjustment to beginning accumulated other comprehensive loss	(17)	—	(17)	—	—	—
Stock issued (repurchased)	(1,160)	—	—	(1,124)	—	(36)
Dividends declared	(314)	(308)	—	—	—	(6)
<b>Balances, December 31, 2018</b>	3,205	6,933	(2,695)	(2,059)	112	914
Comprehensive income						
Net earnings	1,198	1,184	—	—	—	14
Other comprehensive income (loss)	77	—	77	—	—	—
Comprehensive income	1,275	1,184	77	—	—	14
Adjustment to beginning retained earnings	61	61	—	—	—	—
Stock issued (repurchased)	(110)	—	—	(110)	—	—
Dividends declared	(313)	(308)	—	—	—	(5)
<b>Balances, December 31, 2019</b>	<u>\$ 4,118</u>	<u>\$ 7,870</u>	<u>\$ (2,618)</u>	<u>\$ (2,169)</u>	<u>\$ 112</u>	<u>\$ 923</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) SIGNIFICANT ACCOUNTING POLICIES

#### General Information

Whirlpool Corporation, a Delaware corporation, manufactures products in 13 countries and markets products in nearly every country around the world under brand names such as *Whirlpool*, *KitchenAid*, *Maytag*, *Consul*, *Brastemp*, *Amana*, *Bauknecht*, *JennAir*, *Indesit* and *Hotpoint*\*. We conduct our business through four operating segments, which we define based on geography. Whirlpool Corporation's operating and reportable segments consist of North America, Europe, Middle East and Africa ("EMEA"), Latin America and Asia.

#### Principles of Consolidation

The consolidated financial statements are prepared in conformity with GAAP, and include all majority-owned subsidiaries. All material intercompany transactions have been eliminated upon consolidation. We do not consolidate the financial statements of any company in which we have an ownership interest of 50% or less, unless that company is deemed to be a variable interest entity ("VIE") of which we are the primary beneficiary. VIEs are consolidated when the company is the primary beneficiary of these entities and has the ability to directly impact the activities of these entities. Our primary business purpose and involvement with VIE's is for product development and distribution.

#### Reclassifications

We reclassified certain prior period amounts in the Consolidated Financial Statements and in the accompanying notes to conform with current year presentation.

All major classes of assets and liabilities on the Consolidated Balance Sheets at December 31, 2019 and 2018, and in the accompanying notes, exclude the held for sale amounts for Embraco. The assets and liabilities of Embraco were de-consolidated as of the July 1, 2019 closing date and there are no remaining carrying amounts in Consolidated Balance Sheets at December 31, 2019. At December 31, 2018 all assets and liabilities of Embraco were presented as Assets held for sale and Liabilities held for sale in the Consolidated Balance Sheets. See Note 17 to the Consolidated Financial Statements for additional information.

#### Use of Estimates

We are required to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes. The most significant assumptions are estimates in determining the fair value of goodwill and indefinite-lived intangible assets, legal contingencies, income taxes and pension and postretirement benefits. Actual results could differ materially from those estimates.

#### Revenue Recognition

Revenue is recognized when performance obligations under the terms of a contract with our customers are satisfied, the sales price is determinable, and the risk and rewards of ownership are transferred. Generally the risk and rewards of ownership are transferred with the transfer of control of our products and services. For the majority of our sales, control is transferred to the customer as soon as products are shipped. For a portion of our sales, control is transferred to the customer upon receipt of products at the customer's location. Sales are net of allowances for product returns, which are based on historical return rates and certain promotions. See Note 2 to the Consolidated Financial Statements for additional information.

#### Sales Incentives

The cost of sales incentives is accrued at the date at which revenue is recognized by Whirlpool as a reduction of revenue. If new incentives are added after the product has been shipped, then they are accrued at that time, also as a reduction of revenue. These accrued promotions are recognized based on the expected value amount of incentives that will be ultimately claimed by trade customers or consumers. The expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. If the amount of incentives cannot be reasonably estimated, an accrued promotion liability is recognized for the maximum potential amount. See Note 2 to the Consolidated Financial Statements for additional information.

\*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

**Accounts Receivable and Allowance for Doubtful Accounts**

We carry accounts receivable at sales value less an allowance for doubtful accounts. We periodically evaluate accounts receivable and establish an allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions, market conditions and the history of write-offs and collections. We evaluate items on an individual basis when determining accounts receivable write-offs. In general, our policy is to not charge interest on trade receivables after the invoice becomes past due. A receivable is considered past due if payment has not been received within agreed upon invoice terms.

**Transfers and Servicing of Financial Assets**

In an effort to manage economic and geographic trade customer risk, from time to time, the Company will transfer, primarily without recourse, accounts receivable balances of certain customers to financial institutions resulting in a nominal impact recorded in interest and sundry (income) expense. These transactions are accounted for as sales of the receivables resulting in the receivables being de-recognized from the Consolidated Balance Sheets. These transfers primarily do not require continuing involvement from the Company, however certain arrangements include servicing of transferred receivables by Whirlpool. Outstanding accounts receivable transferred under arrangements where the Company continues to service the transferred asset were \$348 million and \$161 million at December 31, 2019 and 2018, respectively. The increase in the amount of transferred receivables under these arrangements is primarily due to a receivables purchasing agreement, that was initiated in EMEA in 2018 and expanded to the North America region in 2019, as a result of a shift in mix of trade customer credit management activities.

**Freight and Warehousing Costs**

We classify freight and warehousing costs within cost of products sold in our Consolidated Statements of Income (Loss).

**Cash and Cash Equivalents**

All highly liquid debt instruments purchased with an initial maturity of three months or less are considered cash equivalents. Short-term investments are primarily comprised of money market funds and highly liquid, low risk investments with initial maturities less than 90 days. See Note 11 to the Consolidated Financial Statements for additional information.

**Restricted Cash**

Restricted cash can only be used to fund capital expenditures and technical resources to enhance Whirlpool China's research and development and working capital, as required by the terms of the Hefei Sanyo acquisition. At December 31, 2019 and 2018, restricted cash was approximately \$0 million and \$40 million, respectively. See Note 4 to the Consolidated Financial Statements for additional information.

**Fair Value Measurements**

We measure fair value 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. Certain investments are valued based on net asset value (NAV), which approximates fair value. Such basis is determined by referencing the respective fund's underlying assets. There are no unfunded commitments or other restrictions associated with these investments. We had Level 3 assets at December 31, 2019 and 2018 that included pension plan assets disclosed in Note 9 to the Consolidated Financial Statements. At December 31, 2018, we also had Level 3 assets for goodwill and other intangibles disclosed in Note 6 and Note 11 to the Consolidated Financial Statements. We had no Level 3 liabilities at December 31, 2019 and 2018, respectively.

We measured fair value for money market funds, available for sale investments and held-to-maturity securities using quoted market prices in active markets for identical or comparable assets. We measured fair value for derivative contracts, all of which have counterparties with high credit ratings, based on model driven valuations using significant inputs derived from observable market data. For assets measured at net asset values, we have no unfunded

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

commitments or significant restraints. We measured fair value (non-recurring) for goodwill and other intangibles using a discounted cash flow model and a relief-from-royalty method, respectively, with inputs based on both observable and unobservable market data.

### Inventories

United States production inventories are stated at last-in, first-out ("LIFO") cost. Latin America and Asia inventories are stated at average cost. The remaining inventories are stated at first-in, first-out ("FIFO") cost. Costs include materials, labor and production overhead at normal production capacity. Costs do not exceed net realizable values. Changes in the amount that FIFO cost exceed LIFO cost are recognized in cost of goods sold. See Note 5 to the Consolidated Financial Statements for additional information about inventories.

### Property

Property is stated at cost, net of accumulated depreciation. For production machinery and equipment, we record depreciation based on units produced, unless units produced drop below a minimum threshold at which point depreciation is recorded using the straight-line method, excluding property acquired from the Hefei Sanyo acquisition and certain property acquired from the Indesit acquisition in 2014. For non-production assets and assets acquired from Hefei Sanyo and certain production assets acquired from Indesit, we depreciate costs based on the straight-line method. Depreciation expense for property, including accelerated depreciation classified as restructuring expense in our Consolidated Statements of Income (Loss), was \$518 million, \$570 million and \$575 million in 2019, 2018 and 2017, respectively.

The following table summarizes our property at December 31, 2019 and 2018:

Millions of dollars	2019	2018	Estimated Useful Life
Land	\$ 97	\$ 102	n/a
Buildings	1,540	1,593	10 to 50 years
Machinery and equipment	8,108	7,909	3 to 20 years
Accumulated depreciation	(6,444)	(6,190)	
Property plant and equipment, net	<u>\$ 3,301</u>	<u>\$ 3,414</u>	

We classify gains and losses associated with asset dispositions in the same line item as the underlying depreciation of the disposed asset in the Consolidated Statements of Income (Loss). During 2019, we primarily retired land and buildings related to a sale leaseback transaction and machinery and equipment with a net book value of approximately \$41 million that was no longer in use. During 2019, we recognized a gain of \$106 million in cost of products sold primarily related to the sale lease back transaction in the fourth quarter of 2019. During 2018, we primarily retired land and buildings related to a sale leaseback transaction and machinery and equipment with a net book value of \$100 million that was no longer in use. Net gains and losses recognized in cost of products sold were not material for 2018 and 2017.

We record impairment losses on long-lived assets, excluding goodwill and indefinite-lived intangibles, when events and circumstances indicate the assets may be impaired and the estimated undiscounted future cash flows generated by those assets are less than their carrying amounts. There were no significant impairments recorded during 2019, 2018 and 2017.

#### *Sale leaseback transactions*

In the fourth quarter of 2019, the Company sold and leased back a group of non-core properties for net proceeds of approximately \$140 million. The initial total annual rent for the properties is approximately \$10 million per year over an initial 12 year lease term and is subject to annual rent increases. Under the terms of the lease agreement, the Company is responsible for all taxes, insurance and utilities and is required to adequately maintain the properties for the lease term. The Company has five, sequential five-year renewal options.

The transaction met the requirements for sale leaseback accounting. Accordingly, the Company recorded the sale of the properties, which resulted in a gain of approximately \$111 million (\$88 million, net of tax) recorded in cost of products sold (\$95 million) and selling, general and administrative expense (\$16 million) in the Consolidated Statements of Income (Loss). The related land and buildings were removed from property, plant and equipment, net



and the appropriate right-of-use asset and lease liabilities of approximately \$108 million were recorded in the Consolidated Balance Sheets.

In the fourth quarter of 2018, the Company sold and leased back a group of properties in our Latin American region for net proceeds of approximately \$133 million. The initial total annual rent for the properties is approximately \$11 million per year over an initial 10 year lease term and is subject to consumer price index increases. Under the terms of the lease agreements, the Company is responsible for all taxes, insurance and utilities and is required to adequately maintain the property. The Company also has two, sequential five year renewal options and the right of first refusal in the event that the purchaser agrees to sell the property to an unrelated third party at a future date.

This transaction met the requirements for sale leaseback accounting. Accordingly, the Company recorded the sale of the property, which resulted in a deferred gain of approximately \$69 million, and removed the related land, buildings and equipment from the Consolidated Balance Sheets. Upon adoption of ASU No. 2016-02, "Leases (Topic 842)" substantially all of the deferred gain was recognized as a cumulative adjustment to retained earnings and right-of-use asset and lease liabilities of approximately \$90 million were recorded in the Consolidated Balance Sheets.

### **Goodwill and Other Intangibles**

We perform our annual impairment assessment for goodwill and indefinite-lived intangible assets as of October 1st and more frequently if indicators of impairment exist. We consider qualitative factors to assess if it is more likely than not that the fair value for goodwill or indefinite-lived intangible assets is below the carrying amount. We may also elect to bypass the qualitative assessment and perform a quantitative assessment.

In conducting a qualitative assessment, the Company analyzes a variety of events or factors that may influence the fair value of the reporting unit or indefinite-lived intangible asset, including, but not limited to: macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, share price and other relevant factors.

### **Goodwill**

We have four reporting units for which we assess for impairment which also represent our operating segments and are defined as North America, EMEA, Latin America and Asia. In performing a quantitative assessment of goodwill, we estimate each reporting unit's fair value using the best information available to us, including market information and discounted cash flow projections also referred to as the income approach. The income approach uses the reporting unit's projections of estimated operating results and cash flows that are discounted using a market participant discount rate based on a weighted-average cost of capital. Additionally, we validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach.

There was no impairment of goodwill in 2019 and 2017. In 2018, we recorded an impairment charge on goodwill of \$579 million. See Note 6 and Note 11 to the Consolidated Financial Statements for additional information about goodwill.

### **Intangible Assets**

We perform a quantitative assessment of other indefinite-lived intangible assets, which are primarily comprised of trademarks. We estimate the fair value of these intangible assets using the relief-from-royalty method, which primarily requires assumptions related to projected revenues from our long-range plan, assumed royalty rates that could be payable if we did not own the trademark, and a market participant discount rate based on a weighted-average cost of capital.

Other definite-life intangible assets are amortized over their useful life and are assessed for impairment when impairment indicators are present.

There was no impairment of other intangibles in 2019 and 2017. In 2018, we recorded an impairment charge on other intangibles of \$168 million. See Note 6 and Note 11 to the Consolidated Financial Statements for additional information about other intangibles.

### **Accounts Payable Outsourcing**

We offer our suppliers access to third party payable processors, independent from Whirlpool. The processors allow suppliers to sell their receivables to financial institutions at the sole discretion of both the supplier and the financial institution. In China, as a common practice, we pay suppliers with banker's acceptance drafts. Banker's acceptance drafts allow suppliers to sell their receivables to financial institutions at the sole discretion of both the supplier and the financial institution. We have no economic interest in the sale of these receivables and no direct financial relationship with the financial institutions concerning these services. All of our obligations, including amounts due, remain to our suppliers as stated in our supplier agreements. At December 31, 2019 and 2018, approximately \$1.2 billion and \$1.4 billion, respectively, have been issued to participating financial institutions.

### **Derivative Financial Instruments**

We use derivative instruments designated as cash flow, fair value and net investment hedges to manage our exposure to the volatility in material costs, foreign currency and interest rates on certain debt instruments. Changes in the fair value of derivative assets or liabilities (i.e., gains or losses) are recognized depending upon the type of hedging relationship and whether a hedge has been designated. For those derivative instruments that qualify for hedge accounting, we designate the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, fair value hedge, or a hedge of a net investment in a foreign operation. For a derivative instrument designated as a fair value hedge, the gain or loss on the derivative is recognized in earnings immediately 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 (Loss) and is subsequently recognized in earnings when the hedged exposure affects earnings. For a derivative instrument designated as a hedge of a net investment in a foreign operation, the effective portion of the derivative's gain or loss is reported in Other Comprehensive Income (Loss) as part of the cumulative translation adjustment. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognized immediately in current net earnings. See Note 10 to the Consolidated Financial Statements for additional information about hedges and derivative financial instruments.

### **Foreign Currency Translation and Transactions**

Foreign currency denominated assets and liabilities are translated into United States dollars at exchange rates existing at the respective balance sheet dates. Translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of Accumulated Other Comprehensive Income (Loss). The results of operations of foreign subsidiaries are translated at the average exchange rates during the respective periods. Gains and losses resulting from foreign currency transactions are included in net earnings.

### **Research and Development Costs**

Research and development costs are charged to expense and totaled \$541 million, \$572 million and \$596 million in 2019, 2018 and 2017, respectively.

### **Advertising Costs**

Advertising costs are charged to expense when the advertisement is first communicated and totaled \$335 million, \$343 million and \$330 million in 2019, 2018 and 2017, respectively.

### **Income Taxes and Indirect Tax Matters**

We account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities using enacted rates. The effect of a change in tax rates on deferred tax assets is recognized in income in the period of the enactment date.

We recognize, primarily in other noncurrent liabilities, in the Consolidated Balance Sheets, the effects of uncertain income tax positions. Interest and penalties related to uncertain tax positions are reflected in income tax expense. We record liabilities, net of the amount, after determining it is more likely than not that the uncertain tax position will be sustained upon examination based on its technical merits. We accrue for indirect tax contingencies when we determine that a loss is probable and the amount or range of loss is reasonably estimable.

Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

The Tax Cuts and Jobs Act created a new requirement that certain income earned by foreign subsidiaries, known as global intangible low-tax income (GILTI), must be included in the gross income of their U.S. shareholder. At December 31, 2019, we have recognized an immaterial provision for GILTI and have elected to treat the tax effect of GILTI as a current-period expense.

See Note 15 to the Consolidated Financial Statements for additional information.

### **Stock Based Compensation**

Stock based compensation expense is based on the grant date fair value and is expensed over the period during which an employee is required to provide service in exchange for the award (generally the vesting period). The Company's stock based compensation includes stock options, performance stock units, and restricted stock units, among other award types. The fair value of stock options are determined using the Black-Scholes option-pricing model, which incorporates assumptions regarding the risk-free interest rate, expected volatility, expected option life, expected forfeitures and dividend yield. Expected forfeitures are based on historical experience. Stock options are granted with an exercise price equal to the closing stock price on the date of grant. The fair value of restricted stock units and performance stock units is generally based on the closing market price of Whirlpool common stock on the grant date. Stock based compensation is recorded in selling, general and administrative expense on our Consolidated Statements of Income (Loss). See Note 13 to the Consolidated Financial Statements for additional information.

### **BEFIE X Credits**

In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIE X). These credits reduced Brazilian federal excise taxes on domestic sales, resulting in an increase in the operations' recorded net sales in 2017. In 2018, these credits are reflected in interest and sundry income. We recognized export credits as they were monetized. See Note 2, Note 8 and Note 15 to the Consolidated Financial Statements for additional information.

### **Out-of-Period Adjustment**

During the third quarter of 2019, we recorded a net adjustment of \$34 million related to prior years resulting from the one time transition tax deemed repatriation on earnings of certain foreign subsidiaries that were previously tax deferred and related impacts. This adjustment resulted in a decrease of net earnings available to Whirlpool of \$34 million and a decrease of \$0.53 in diluted earnings per share. The Company determined the impact was immaterial to prior periods and is not material to the Consolidated Statements of Income (Loss) for the year ended December 31, 2019.

In addition, during the third quarter of 2019 we recorded an adjustment of \$22 million related to the first quarter of 2019 resulting from other foreign subsidiary income items and corresponding tax credit impacts. The Consolidated Statements of Income (Loss) for the year ended December 31, 2019 is not impacted by this adjustment.

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

### **Related Party Transaction**

In 2018, Whirlpool of India Limited (Whirlpool India), a majority-owned subsidiary of Whirlpool Corporation, acquired a 49% equity interest in Elica PB India for \$22 million. Whirlpool India has an option to acquire the remaining equity interest in the future for fair value, and the non-Whirlpool India shareholders of Elica PB India received an option to sell their remaining equity interest to Whirlpool India in the future for fair value, which could be material to the financial statements depending on the performance of the venture. We account for our minority interest under the equity method of accounting.

In the third quarter of 2019, Whirlpool Corporation sold our 12.54% ownership interest in Elica S.p.A., the parent of Elica PB India, for a nominal amount.

### Adoption of New Accounting Standards

On January 1, 2019, we adopted Accounting Standards Update ("ASU") No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The adoption of this standard did not have a material impact on our Consolidated Financial Statements, however we have expanded our use of hedge accounting to hedge contractually specified components in commodity contracts designated as cash flow hedges. See Note 10 to the Consolidated Financial Statements for additional information.

On January 1, 2019, we adopted ASU No. 2016-02, "Leases (Topic 842)" and as part of that process the Company made the following elections:

- The Company did not elect the hindsight practical expedient, for all leases.
- The Company elected the package of practical expedients and, as a result, did not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs for all leases.
- In March 2018, the FASB approved an optional transition method that allows companies to use the effective date as the date of initial application on transition. The Company elected this transition method, and as a result, did not adjust its comparative period financial information or make the newly required lease disclosures for periods before the effective date.
- The Company elected to make the accounting policy election for short-term leases resulting in lease payments being recorded as an expense on a straight-line basis over the lease term.
- The Company elected to not separate lease and non-lease components for all leases.
- The Company did not elect the land easement practical expedient.

Upon adoption, we recognized the cumulative effect of initially applying this new standard resulting in the addition of approximately \$858 million of right of use assets, of which \$46 million were classified as held for sale, as well as the corresponding short-term and long-term lease liabilities. Additionally, the Company has sold and leased back a group of properties in our Latin American region and, upon adoption, the Company recorded a cumulative adjustment to retained earnings of approximately \$82 million related to deferred gains associated with these transactions.

See Note 3 to the Consolidated Financial Statements for additional information.

All other new issued and effective accounting standards during 2019 were not relevant or material to the Company.

### Accounting Pronouncements Issued But Not Yet Effective

In July 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance in ASU 2016-13 creates a new impairment standard replacing the current "incurred loss" model. The incurred loss model required that for a loss to be impaired and recognized on the financial statements it must be probable that it has been incurred at the measurement date. The new standard will utilize an "expected credit loss" model also referred to as "the current expected credit loss" (CECL) model. Under CECL, there will be no threshold for impairment loss recognition, but instead should reflect a current estimate of all expected credit losses. The new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods therein. The standard should be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings at the beginning of the period of adoption. The Company anticipates the adoption of this new standard will have an immaterial impact to the Consolidated Financial Statements.

The FASB has issued the following relevant standards, which are not expected to have a material impact on our Consolidated Financial Statements:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Standard		Effective Date
2018-13	Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	January 1, 2020
2018-14	Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	January 1, 2021
2018-15	Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred In a Cloud Computing Arrangement That Is a Service Contract	January 1, 2020
2018-18	Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606	January 1, 2020

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

## (2) REVENUE RECOGNITION

### Revenue from Contracts with Customers

On January 1, 2018, we adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" using the modified retrospective method, as a result, we recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. This adjustment did not have a material impact on our Consolidated Financial Statements. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Revenue Recognition ("Topic 605"). The adoption of Topic 606 did not have a material impact on our Consolidated Statements of Comprehensive Income (Loss) and Consolidated Balance Sheets.

In accordance with Topic 606, revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our products or services. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or providing services. Certain customers may receive cash and/or non-cash incentives, which are accounted for as variable consideration. To achieve this core principle, the Company applies the following five steps:

#### 1. Identify the contract with a customer

A contract with a customer exists when (i) the Company enters into an agreement with a customer that defines each party's rights regarding the products or services to be transferred and identifies the payment terms related to these products or services, (ii) both parties to the contract are committed to perform their respective obligations, (iii) the contract has commercial substance, and (iv) the Company determines that collection of substantially all consideration for products or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's payment history or, in the case of a new customer, published credit and financial information pertaining to the customer.

#### 2. Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the products or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the product or service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the products or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised products or services, the Company must apply judgment to determine whether promised products or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised products or services are accounted for as a combined performance obligation. The Company has elected to account for shipping and handling activities as a fulfillment cost as permitted by the standard.

#### 3. Determine the transaction price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring products or services to the customer. To the extent the transaction price is variable, revenue is recognized

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

at an amount equal to the consideration to which the Company expects to be entitled. This estimate includes customer sales incentives which are accounted for as a reduction to revenue and estimated primarily using the expected value method. Determining the transaction price requires significant judgment, which is discussed by revenue category in further detail below.

In practice, we do not offer extended payment terms beyond one year to customers. As such, we do not adjust our consideration for financing arrangements.

#### 4. Allocate the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless a portion of the variable consideration related to the contract is allocated entirely to a performance obligation. The Company determines standalone selling price based on the price at which the performance obligation is sold separately.

#### 5. Recognize revenue when or as the Company satisfies a performance obligation

The Company generally satisfies performance obligations at a point in time. Revenue is recognized based on the transaction price at the time the related performance obligation is satisfied by transferring a promised product or service to a customer. The impact to revenue related to prior period performance obligations in the twelve months ended December 31, 2019 is immaterial.

### **Disaggregation of Revenue**

The following table presents our disaggregated revenues by revenue source. We sell products within all major product categories in each operating segment. For additional information on the disaggregated revenues by geographical regions, see Note 16 to the Consolidated Financial Statements.

Revenues related to our former compressor business were fully reflected in our Latin America segment through June 30, 2019. We completed the sale of our compressor business on July 1, 2019. For additional information on the sale of Embraco, see Note 17 to the Consolidated Financial Statements.

Millions of dollars	Twelve months ended	
	2019	2018
<b>Major product categories:</b>		
Laundry	\$ 6,193	\$ 6,200
Refrigeration	6,229	6,051
Cooking	4,670	4,821
Dishwashing	1,598	1,645
<b>Total major product category net sales</b>	<b>\$ 18,690</b>	<b>\$ 18,717</b>
Compressors	557	1,135
Spare parts and warranties	979	1,030
Other	193	155
<b>Total net sales</b>	<b>\$ 20,419</b>	<b>\$ 21,037</b>

The impact to revenue related to prior period performance obligations was not material for the year ended December 31, 2019.

### **Major Product Category Sales**

Whirlpool Corporation manufactures and markets a full line of home appliances and related products and services. Our major product categories include the following: refrigeration, laundry, cooking, and dishwashing. The refrigeration

product category includes refrigerators, freezers, ice makers and refrigerator water filters. The laundry product category includes laundry appliances and related laundry accessories. The cooking category includes cooking appliances and other small domestic appliances. The dishwashing product category includes dishwasher appliances and related accessories.

For product sales, we transfer control and recognize a sale when we ship the product from our manufacturing facility to our customer or when the customer receives the product based upon agreed shipping terms. Each unit sold is considered an independent, unbundled performance obligation. We do not have any additional performance obligations other than product sales that are material in the context of the contract. The amount of consideration we receive and revenue we recognize varies due to sales incentives and returns we offer to our customers. When we give our customers the right to return eligible products, we reduce revenue for our estimate of the expected returns which is primarily based on an analysis of historical experience.

### **Spare Parts & Warranties**

Spare parts are primarily sold to parts distributors and retailers, with a small number of sales to end consumers. For spare part sales, we transfer control and recognize a sale when we ship the product to our customer or when the customer receives product based upon agreed shipping terms. Each unit sold is considered an independent, unbundled performance obligation. We do not have any additional performance obligations other than spare part sales that are material in the context of the contract. The amount of consideration we receive and revenue we recognize varies due to sales incentives and returns we offer to our customers. When we give our customers the right to return eligible products, we reduce revenue for our estimate of the expected returns which is primarily based on an analysis of historical experience.

Warranties are classified as either assurance type or service type warranties. A warranty is considered an assurance type warranty if it provides the consumer with assurance that the product will function as intended. A warranty that goes above and beyond ensuring basic functionality is considered a service type warranty. The Company offers certain limited warranties that are assurance type warranties and extended service arrangements that are service type warranties. Assurance type warranties are not accounted for as separate performance obligations under the revenue model. If a service type warranty is sold with a product or separately, revenue is recognized over the life of the warranty. The Company evaluates warranty offerings in comparison to industry standards and market expectations to determine appropriate warranty classification. Industry standards and market expectations are determined by jurisdictional laws, competitor offerings and customer expectations. Market expectations and industry standards can vary based on product type and geography. The Company primarily offers assurance type warranties.

Whirlpool sells certain extended service arrangements separately from the sale of products. Whirlpool acts as a sales agent under some of these arrangements whereby the Company receives a fee that is recognized as revenue upon the sale of the extended service arrangement. The Company is also the principal for certain extended service arrangements. Revenue related to these arrangements is recognized ratably over the contract term.

### **Other Revenue**

Other revenue sources include subscription arrangements and licenses as described below.

The Company has a water subscription business in our Latin America segment which provides the customer with a water filtration system that is delivered to the consumer's home. Our water subscription contracts represent a performance obligation that is satisfied over time and revenue is recognized as the performance obligation is completed. The installation and maintenance of the water filtration system are not distinct services in the context of the contract (i.e. the customer views all activities associated with the arrangement as one singular value proposition). The contract term is generally less than one year for these arrangements and revenue is recognized based on the monthly invoiced amount which directly corresponds to the value of our performance completed to date.

We license our brands in arrangements that do not include other performance obligations. Whirlpool licensing provides a right of access to the Company's intellectual property throughout the license period. Whirlpool recognizes licensing revenue over the life of the license contract as the underlying sale or usage occurs. As a result, we recognize revenue for these contracts at the amount which directly corresponds to the value provided to the customer.

**Costs to Obtain or Fulfill a Contract**

We do not capitalize costs to obtain a contract because a nominal number of contracts have terms that extend beyond one year. The Company does not have a significant amount of capitalized costs related to fulfillment.

**Sales Tax and Indirect Taxes**

The Company is subject to certain indirect taxes in certain jurisdictions including but not limited to sales tax, value added tax, excise tax and other taxes we collect concurrent with revenue-producing activities that are excluded from the transaction price, and therefore, excluded from revenue.

**Bad Debt Expense**

For the year ended December 31, 2019, we recorded an immaterial amount of bad debt expense. For the year ended December 31, 2018 we recorded approximately \$27 million of bad debt expense related to trade customer insolvency of a Brazilian retailer.

**Financial Statement Impact of Adopting Topic 606**

On January 1, 2018, we adopted Topic 606 using the modified retrospective method. In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIEX). These credits reduced Brazilian federal excise taxes on domestic sales. Prior to the adoption of Topic 606, the excise taxes in our Brazilian operations were reflected in revenue. In accordance with Topic 606, we made a policy election to exclude indirect taxes from the transaction price. As a result, these credits in 2018 were reflected in interest and sundry income. Based on our evaluation, we determined no significant changes are required to our business processes, systems and controls to effectively report revenue recognition under the new standard. Adoption of the new standard does not materially change the timing or amount of revenue recognized in our Consolidated Financial Statements.

**(3) LEASES**

**Leases**

We lease certain manufacturing facilities, warehouses/distribution centers, office space, land, vehicles, and equipment. At lease inception, we determine the lease term by assuming the exercise of those renewal options that are reasonably assured. Leases with an initial term of 12 months or less are not recorded in the Consolidated Balance Sheets and we recognize lease expense for these leases on a straight-line basis over the lease term. The Company had operating lease costs of approximately \$214 million for the year ended December 31, 2019.

At December 31, 2019, we have approximately \$49 million of non-cancelable operating lease commitments that have not yet commenced. These operating leases are expected to commence by the end of fiscal year 2021 with lease terms of up to 10 years.

At December 31, 2019, we have no leases classified as financing leases and we have approximately \$1,105 million of non-cancellable operating lease commitments, excluding variable consideration. The undiscounted annual future minimum lease payments are summarized by year in the table below:

Maturity of Lease Liabilities	Operating Leases (in millions)
2020	\$ 203
2021	172
2022	146
2023	132
2024	110
After 2024	342
<b>Total lease payments</b>	<b>\$ 1,105</b>
Less: interest	161
<b>Present value of lease liabilities</b>	<b>\$ 944</b>



The long-term portion of the lease liabilities included in the amounts above is \$778 million. The remainder of our lease liabilities are included in other current liabilities in the Consolidated Balance Sheets.

At December 31, 2019, the weighted average remaining lease term and weighted average discount rate for operating leases was 7 years and 4%, respectively.

During the year ended December 31, 2019 the cash paid for amounts included in the measurement of the liabilities and the operating cash flows was \$210 million. The right of use assets obtained in exchange for new liabilities was \$298 million partially offset by \$68 million in terminations in the year ended December 31, 2019.

As the Company's lease agreements normally do not provide an implicit interest rate, we apply the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future lease payments. Relevant information used in determining the Company's incremental borrowing rate includes the duration of the lease, location of the lease, and the Company's credit risk relative to risk-free market rates.

Many of our leases include renewal options that can extend the lease term. The execution of those renewal options is at our sole discretion and reflected in the lease term when they are reasonably certain to be exercised.

Certain leases also include options to purchase the underlying asset at fair market value. If leased assets have leasehold improvements, typically the depreciable life of those leasehold improvements are limited by the expected lease term. Additionally, certain lease agreements include lease payment adjustments for inflation.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We rent or sublease certain real estate to third parties. Our sublease portfolio primarily consists of operating leases within our warehouses, resulting in a nominal amount of sublease income in 2019.

Rent expense under the Company's operating leases during the years ended December 31, 2018 and 2017, prior to the Company's adoption of ASC 842, was \$250 million and \$238 million, respectively. The Company's future minimum lease obligations under non-cancellable operating leases as of December 31, 2018 was comparable to those as of December 31, 2019.

#### *Synthetic lease arrangement*

In 2019, we entered into a synthetic lease arrangement with a financial institution for a non-core property in the North America region. The term of this lease commenced in the fourth quarter of 2019 and will expire five years after commencement. The lease contains provisions for options to purchase, extend the original term for additional periods or return the property. This arrangement includes a residual value guarantee that is not material to the Consolidated Financial Statements at December 31, 2019. We have assessed the reasonable certainty of these provisions to determine the appropriate lease term.

We assessed the lease classification of the agreement and determined it was an operating lease. This lease was measured using our incremental borrowing rate and is included in our right of use assets and lease liabilities in the Consolidated Balance Sheets for a nominal amount. Rental payments are calculated at the applicable LIBOR rate plus a margin and the annual lease payments are nominal.

#### (4) CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash as reported within our Consolidated Statements of Cash Flows:

Millions of dollars	December 31,		
	2019	2018	2017
Cash and cash equivalents as presented in our Consolidated Balance Sheets	\$ 1,952	\$ 1,498	\$ 1,196
Restricted cash included in prepaid and other current assets <sup>(1)</sup>	—	40	48
Restricted cash included in other noncurrent assets <sup>(1)</sup>	—	—	49
Cash, cash equivalents and restricted cash as presented in our Consolidated Statements of Cash Flows	<u>\$ 1,952</u>	<u>\$ 1,538</u>	<u>\$ 1,293</u>

<sup>(1)</sup> Change in restricted cash resulted in realization of foreign currency translation adjustments of \$0 million and \$3 million, respectively, for the year ended December 31, 2019 and 2018 compared to the prior year.

Restricted cash was used to fund capital expenditures and technical resources to enhance Whirlpool China's research and development and working capital, as required by the terms of the Whirlpool China (formerly Hefei Sanyo) acquisition. In 2019, we spent the remaining amount for these purposes resulting in restricted cash of \$0 at December 31, 2019.

See Financial Condition and Liquidity in the Management's Discussion and Analysis section for additional information on cash and cash equivalents.

#### (5) INVENTORIES

The following table summarizes our inventories at December 31, 2019 and 2018:

Millions of dollars	2019	2018
Finished products	\$ 1,979	\$ 2,076
Raw materials and work in process	602	617
	<u>2,581</u>	<u>2,693</u>
Less: excess of FIFO cost over LIFO cost	(143)	(160)
Total inventories	<u>\$ 2,438</u>	<u>\$ 2,533</u>

LIFO inventories represented 43% and 41% of total inventories at December 31, 2019 and 2018, respectively.

#### (6) GOODWILL AND OTHER INTANGIBLES

##### Goodwill

The following table summarizes goodwill attributable to our reporting units for the periods presented:

Millions of dollars	North America	EMEA	Latin America	Asia	Total Whirlpool
Ending balance December 31, 2017	\$1,755	\$ 920	\$ 5	\$ 438	\$ 3,118
Reassignment of goodwill <sup>(1)</sup>	(54)	—	53	1	—
Impairment <sup>(2)</sup>	—	(579)	—	—	(579)
Reclassification to asset held for sale	—	—	(23)	—	(23)
Currency translation adjustment	(8)	(32)	(2)	(23)	(65)
Ending balance December 31, 2018	<u>\$1,693</u>	<u>\$ 309</u>	<u>\$ 33</u>	<u>\$ 416</u>	<u>\$ 2,451</u>
Currency translation adjustment	2	(7)	—	(6)	(11)
Ending balance December 31, 2019	<u>\$1,695</u>	<u>\$ 302</u>	<u>\$ 33</u>	<u>\$ 410</u>	<u>\$ 2,440</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

<sup>(1)</sup> Effective January 1, 2018, we realigned the composition of certain segments to align with our new leadership reporting structure. We now report our Mexico business as a part of our Latin America segment. As a result, we reassigned approximately \$53 million of goodwill, using a relative fair value approach, from the North America reporting unit to the Latin America reporting unit.

<sup>(2)</sup> The EMEA reporting unit has \$579 million of accumulated impairment losses at December 31, 2019. No other reporting units have accumulated impairment losses at December 31, 2019.

### 2019 and 2018 annual impairment assessment

We completed our annual impairment test for goodwill as of October 1, 2019 and 2018. The Company elected to bypass the qualitative assessment and perform a quantitative assessment to evaluate goodwill for all our reporting units. Based on the quantitative assessment we determined there was no impairment of goodwill.

### 2018 interim impairment assessment

During the second quarter of 2018, we identified indicators of goodwill impairment for our EMEA reporting unit based on our qualitative assessment, which required us to complete an interim quantitative impairment assessment. The primary indicator of impairment for our EMEA reporting unit was the segment's continuing negative financial performance in 2018 that did not improve as anticipated, primarily driven by significant volume loss. The actual operating results during the second quarter of 2018 were significantly lower than forecasted resulting in weak business performance.

In performing our quantitative assessment of goodwill, we estimated the reporting unit's fair value under an income approach using a discounted cash flow model. The income approach used the reporting unit's projections of estimated operating results and cash flows that were discounted using a market participant discount rate based on the weighted-average cost of capital. The main assumptions supporting the cash flow projections included revenue growth, EBIT margins and the discount rate. The financial projections reflected management's best estimate of economic and market conditions over the projected period including forecasted revenue growth, EBIT margins, tax rate, capital expenditures, depreciation and amortization, changes in working capital requirements and the terminal growth rate.

Based on our interim quantitative impairment assessment, the carrying value of the EMEA reporting unit exceeded its fair value by \$579 million and we recorded a goodwill impairment charge in 2018.

### Other Intangible Assets

The following table summarizes other intangible assets for the period presented:

Millions of dollars	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Other intangible assets, finite lives:						
Customer relationships <sup>(1)</sup>	\$ 624	\$ (377)	\$ 247	\$ 622	\$ (330)	\$ 292
Patents and other <sup>(2)</sup>	324	(216)	108	328	(197)	131
Total other intangible assets, finite lives	<u>\$ 948</u>	<u>\$ (593)</u>	<u>\$ 355</u>	<u>\$ 950</u>	<u>\$ (527)</u>	<u>\$ 423</u>
Trademarks, indefinite lives <sup>(3)</sup>	1,870	—	1,870	1,873	—	1,873
Total other intangible assets	<u>\$ 2,818</u>	<u>\$ (593)</u>	<u>\$ 2,225</u>	<u>\$ 2,823</u>	<u>\$ (527)</u>	<u>\$ 2,296</u>

<sup>(1)</sup> Customer relationships have an estimated useful life of 5 to 19 years.

<sup>(2)</sup> Patents and other intangibles have an estimated useful life of 3 to 43 years. Includes impairment charges of \$60 million at June 30, 2018.

<sup>(3)</sup> Includes impairment charges of \$108 million at June 30, 2018. Trademarks includes the *Indesit* and *Hotpoint\** indefinite-lived brand intangible assets of approximately \$213 million and \$151 million, respectively, at December 31, 2019.

### 2019 and 2018 annual impairment assessment

We completed our annual impairment assessment for other intangible assets as of October 1, 2019. The Company elected to bypass the qualitative assessment and perform a quantitative assessment to evaluate certain brand trademarks. Based on the quantitative assessment we determined there was no impairment of intangible assets.

\*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

We completed our annual impairment assessment for other intangible assets as of October 1, 2018. The Company elected to bypass the qualitative assessment and perform a quantitative assessment to evaluate certain brand trademarks. Based on the results of the quantitative assessment, we determined there was an immaterial impairment as a result of the restructuring initiative announced in the fourth quarter to exit from the domestic sales operations in Turkey (not including manufacturing operations). See Note 14 to the Consolidated Financial Statements for additional information. There was no impairment of any other indefinite-life intangible assets.

The Company elected to perform a qualitative assessment on all other indefinite-life intangible assets at both annual impairment assessment dates noting no events that indicated that the fair value was less than carrying value that would require a quantitative impairment assessment.

See Note 11 to the Consolidated Financial Statements for additional information.

### *2018 interim impairment assessment*

During the second quarter of 2018, we identified indicators of impairment associated with other intangible assets in our EMEA reporting unit based on our qualitative assessment, which required us to complete an interim quantitative impairment assessment. The primary indicator of impairment was the continuing decline in revenue from weaker volumes in the first half of 2018 that did not improve as anticipated. The actual operating results for the second quarter of 2018 were significantly lower than forecasted.

In performing our quantitative assessment of other intangible assets, primarily brands, we estimated the fair value using the relief-from-royalty method which required assumptions related to projected revenues from our long-range plans; assumed royalty rates that could be payable if we did not own the brand; and a market participant discount rate based on a weighted-average cost of capital.

Based on our interim quantitative impairment assessment at June 30, 2018, the carrying value of certain other intangible assets, including *Indesit* and *Hotpoint\**, exceeded their fair value, and we recorded an impairment charge of \$168 million in 2018.

The estimates of future cash flows used in determining the fair value of goodwill and intangible assets involve significant management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions and cost of capital. Inherent in estimating the future cash flows are uncertainties beyond our control, such as changes in capital markets. The actual cash flows could differ materially from management's estimates due to changes in business conditions, operating performance and economic conditions.

Amortization expense was \$69 million, \$75 million and \$79 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The following table summarizes our future estimated amortization expense by year:

Millions of dollars	
2020	\$ 58
2021	56
2022	49
2023	42
2024	30

\*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

## (7) FINANCING ARRANGEMENTS

### Long-Term Debt

The following table summarizes our long-term debt at December 31, 2019 and 2018:

Millions of dollars	2019	2018
Senior Note - 2.40%, maturing 2019	\$ —	\$ 250
Term Loan - 1.00%, maturing 2019	—	687
Senior Note - 0.625%, maturing 2020	561	572
Senior Note - 4.85%, maturing 2021	300	300
Senior Note - 4.70%, maturing 2022	300	300
Senior Note - 3.70%, maturing 2023	250	250
Senior Note - 4.00%, maturing 2024	300	300
Senior Note - 3.70%, maturing 2025	350	350
Senior Note - 1.25%, maturing 2026	556	567
Senior Note - 1.10%, maturing 2027	667	681
Senior Note - 4.75%, maturing 2029	692	—
Senior Note - 5.15%, maturing 2043	249	250
Senior Note - 4.50%, maturing 2046	496	496
Other, net	(22)	(10)
	<u>\$ 4,699</u>	<u>\$ 4,993</u>
Less current maturities	559	947
Total long-term debt	<u>\$ 4,140</u>	<u>\$ 4,046</u>

For outstanding notes issued by our wholly-owned subsidiaries the debt is fully and unconditionally guaranteed by the Company.

The following table summarizes the contractual maturities of our long-term debt, including current maturities, at December 31, 2019:

Millions of dollars	
2020	\$ 559
2021	297
2022	298
2023	247
2024	298
Thereafter	3,000
Long-term debt, including current maturities	<u>\$ 4,699</u>

### Debt Offering

On February 26, 2019, Whirlpool Corporation completed a bond offering consisting of \$700 million in principal amount of 4.75% Senior Notes due in 2029. The notes contain covenants that limit Whirlpool Corporation's ability to incur certain liens or enter into certain sale and leaseback transactions. In addition, if we experience a specific kind of change of control, we are required to make an offer to purchase all of the notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The notes are registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-3 (File No.333-224381) previously filed with the Securities and Exchange Commission.

### Debt Repayment

On August 9, 2019, we repaid \$1.0 billion pursuant to our April 23, 2018 Term Loan Agreement with Citibank, N.A., as Administrative Agent, and certain other financial institutions, representing full repayment of amounts borrowed under

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

the term loan. As previously disclosed, we agreed to repay this term loan amount with the net cash proceeds received from the sale of our Embraco business unit to Nidec Corporation, which closed on July 1, 2019.

On February 27, 2019, we repaid €600 million (approximately \$673 million as of that date) pursuant to our June 5, 2018 Term Loan Agreement with Wells Fargo Bank, National Association, as Administrative Agent, and certain other financial institutions (the "Whirlpool EMEA Finance Term Loan"), representing full repayment of amounts borrowed under the Whirlpool EMEA Finance Term Loan.

On March 1, 2019, \$250 million of 2.40% senior notes matured and were repaid. On April 26, 2018, \$363 million of 4.50% senior notes matured and were repaid.

### Credit Facilities

On August 6, 2019, Whirlpool Corporation entered into a Fourth Amended and Restated Long-Term Credit Agreement (the "Amended Long-Term Facility") by and among the Company, certain other borrowers, the lenders referred to therein, JPMorgan Chase Bank, N.A. as Administrative Agent, and Citibank, N.A., as Syndication Agent. The Amended Long-Term Facility provides aggregate borrowing capacity of \$3.5 billion, an increase of \$500 million from the Company's prior amended and restated credit agreement. The Amended Long-Term Facility has a maturity date of August 6, 2024, unless earlier terminated, and amends and restates in its entirety our previously existing Third Amended and Restated Long-Term Credit Agreement, dated May 17, 2016, as amended.

The interest and fee rates payable with respect to the Amended Long-Term Facility based on our current debt rating are as follows: (1) the spread over EURIBOR is 1.125%; (2) the spread over prime is 0.125%; and (3) the ticking fee is 0.100%. The Amended Long-Term Facility contains customary covenants and warranties including, among other things, a debt to capitalization ratio of less than or equal to 0.65 to 1.00 as of the last day of each fiscal quarter, and a rolling twelve month interest coverage ratio required to be greater than or equal to 3.0 to 1.0 for each fiscal quarter. In addition, the covenants limit our ability to (or to permit any subsidiaries to), subject to various exceptions and limitations: (i) merge with other companies; (ii) create liens on our property; (iii) incur debt at the subsidiary level.

In addition to the committed \$3.5 billion Amended Long-Term Facility, we have committed credit facilities in Brazil. The committed credit facilities in Brazil provide borrowings up to 1.0 billion Brazilian reais (approximately \$248 million at December 31, 2019), maturing through 2022. On August 5, 2019 we terminated a €250 million European revolving credit facility that we entered into in July 2015. The termination of this facility did not have a material impact on our Consolidated Financial Statements.

We had no borrowings outstanding under the committed credit facilities at December 31, 2019 and 2018, respectively.

### Notes Payable

Notes payable, which consist of short-term borrowings payable to banks or commercial paper, are generally used to fund working capital requirements. The fair value of our notes payable approximates the carrying amount due to the short maturity of these obligations.

Included in short-term borrowings at December 31, 2018 were the proceeds of the \$1.0 billion term loan, which were used to fund accelerated share repurchases through a modified Dutch auction tender offer in the second quarter of 2018. During the third quarter of 2019 we repaid the term loan with the proceeds from the sale of Embraco.

The following table summarizes the carrying value of notes payable at December 31, 2019 and 2018, respectively.

Millions of dollars	2019	2018
Commercial paper	\$ 274	\$ —
Short-term borrowings to banks	20	1,034
Total notes payable	<u>\$ 294</u>	<u>\$ 1,034</u>

See Financial Condition and Liquidity in the Management's Discussion and Analysis section for additional information on notes payable.

**(8) COMMITMENTS AND CONTINGENCIES****OTHER MATTERS****Embraco Antitrust Matters**

Beginning in February 2009, the Embraco compressor business headquartered in Brazil ("Embraco") was notified of antitrust investigations of the global compressor industry by government authorities in various jurisdictions. Embraco resolved the government investigations and related claims in various jurisdictions and certain other claims remain pending.

Whirlpool has agreed to retain potential liabilities related to this matter following closing of the Embraco sale transaction. We continue to defend these actions. While it is currently not possible to reasonably estimate the aggregate amount of costs which we may incur in connection with these matters, such costs could have a material adverse effect on our financial statements in any particular reporting period.

**BEFIEC Credits and Other Brazil Tax Matters**

In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIEC). These credits reduced Brazilian federal excise taxes on domestic sales. Prior to the adoption of Topic 606, the excise taxes in our Brazilian operations were reflected in revenue. In accordance with Topic 606, we made a policy election to exclude indirect taxes from the transaction price. As a result, these credits were reflected in interest and sundry (income) expense as they were monetized in 2017 and 2016.

In December 2013, the Brazilian government reinstated the monetary adjustment index applicable to BEFIEC credits that existed prior to July 2009, when the Brazilian government required companies to apply a different monetary adjustment index to BEFIEC credits. Whether use of the reinstated index should be given retroactive effect for the July 2009 to December 2013 period has been subject to review by the Brazilian courts. In the third quarter of 2017, the Brazilian Supreme Court ruled that the reinstated index should be given retroactive effect for the July 2009 to December 2013 period, which ruling was subsequently affirmed by the Brazilian Supreme Court, but remains subject to further proceedings. Based on this ruling, we were entitled to recognize \$72 million in additional credits, which were recognized in prior periods. At December 31, 2019, no BEFIEC credits remain to be monetized.

Our Brazilian operations have received tax assessments for income and social contribution taxes associated with certain monetized BEFIEC credits. We do not believe BEFIEC credits are subject to income or social contribution taxes. We believe these tax assessments are without merit and are vigorously defending our positions. We have not provided for income or social contribution taxes on these BEFIEC credits, and based on the opinions of tax and legal advisors, we have not accrued any amount related to these assessments at December 31, 2019. The total amount of outstanding tax assessments received for income and social contribution taxes relating to the BEFIEC credits, including interest and penalties, is approximately 2.0 billion Brazilian reais (approximately \$484 million at December 31, 2019).

Relying on existing Brazilian legal precedent, in 2003 and 2004, we recognized tax credits in an aggregate amount of \$26 million, adjusted for currency, on the purchase of raw materials used in production ("IPI tax credits"). The Brazilian tax authority subsequently challenged the recording of IPI tax credits. No such credits have been recognized since 2004. In 2009, we entered into a Brazilian government program ("IPI Amnesty") which provided extended payment terms and reduced penalties and interest to encourage tax payers to resolve this and certain other disputed tax credit amounts. As permitted by the program, we elected to settle certain debts through the use of other existing tax credits and recorded charges of approximately \$34 million in 2009 associated with these matters. In July 2012, the Brazilian revenue authority notified us that a portion of our proposed settlement was rejected and we received tax assessments of 254 million Brazilian reais (approximately \$63 million at December 31, 2019), reflecting interest and penalties to date. We believe these tax assessments are without merit and we are vigorously defending our position. The government's assessment in this case relies heavily on its arguments regarding taxability of BEFIEC credits for certain years, which we are disputing in one of the BEFIEC government assessment cases cited in the prior paragraph. Because the IPI Amnesty case is moving faster than the BEFIEC taxability case, we could be required to pay the IPI Amnesty assessment before obtaining a final decision in BEFIEC taxability case.

We have received tax assessments from the Brazilian federal tax authorities relating to amounts allegedly due regarding unemployment/social security insurance taxes (PIS/COFINS) for tax credits recognized since 2007. These credits were recognized for inputs to certain manufacturing and other business processes. These assessments are being challenged at the administrative and judicial levels in Brazil. We estimate the possible losses related to these assessments to be approximately 292 million Brazilian reais (approximately \$72 million at December 31, 2019). We believe these tax

assessments are without merit and are vigorously defending our positions. Based on the opinion of our tax and legal advisors, we have not accrued any amount related to these assessments.

In addition to the IPI tax credit and PIS/CONFINS inputs matters noted above, other assessments issued to us by the Brazilian tax authorities related to indirect and income tax matters, and other matters, are at various stages of review in numerous administrative and judicial proceedings. The amounts related to these assessments will continue to be increased by monetary adjustments at the Selic rate, which is the benchmark rate set by the Brazilian Central Bank. In accordance with our accounting policies, we routinely assess these matters and, when necessary, record our best estimate of a loss. We believe these tax assessments are without merit and are vigorously defending our positions.

Litigation is inherently unpredictable and the conclusion of these matters may take many years to ultimately resolve. Amounts at issue in potential future litigation could increase as a result of interest and penalties in future periods. Accordingly, it is possible that an unfavorable outcome in these proceedings could have a material adverse effect on our financial statements in any particular reporting period.

### **ICMS Credits**

We also filed legal actions in Brazil to recover certain social integration and social contribution taxes paid over gross sales including ICMS receipts, which is a form of Value Added Tax in Brazil. During 2017, we sold the rights to certain portions of this litigation to a third party for 90 million Brazilian reais (approximately \$27 million at December 31, 2017). In the first quarter of 2019, we received a favorable decision in the largest of these ICMS legal actions. This decision is final and not subject to appeals. Based on the opinion of our tax and legal advisors, we recognized a gain of approximately \$84 million, after related taxes and fees and based on exchange rates then in effect, during the first quarter in connection with this decision. This amount reflects approximately \$142 million in indirect tax credits ("credits") that we are entitled to monetize in future periods, offset by approximately \$58 million in taxes and fees, which have been paid.

In the second quarter of 2019, we received favorable final, non-appealable decisions in two smaller ICMS legal actions. Based on the opinion of our tax and legal advisors, we recognized a gain of approximately \$35 million, after related taxes and fees and based on exchange rates then in effect, during the second quarter in connection with this decision. This amount reflects approximately \$54 million in credits that we are entitled to monetize in future periods, offset by approximately \$18 million in taxes, which have been paid, and \$1 million in fees that we anticipate will be paid in 2020.

The ICMS credits and related fees are recorded in interest and sundry (income) expense in our Consolidated Statements of Comprehensive Income (Loss). The Brazilian tax authorities have sought clarification before the Brazilian Supreme Court (in a leading case involving another taxpayer) of certain matters, including the amount of these credits (i.e., the gross rate or net credit amount), and certain other matters that could affect the rights of Brazilian taxpayers regarding these credits, and a hearing is scheduled for April 2020. If the Brazilian tax authorities challenge our rights to these credits, we may become subject to new litigation related to credits already monetized and/or disallowance of further credit monetization. Based on the opinions of our tax and legal advisors, we have not accrued any amounts related to potential future litigation regarding these credits.

### **Competition Investigation**

In 2013, the French Competition Authority ("FCA") commenced an investigation of appliance manufacturers and retailers in France, including Whirlpool and Indesit. The FCA investigation was split into two parts, and in December 2018, we finalized settlement with the FCA on the first part for a total fine of €102 million, with €56 million attributable to Whirlpool's France business and €46 million attributable to Indesit's France business. Payment of final amounts were made in 2019, including payment by Indesit's previous owners of €17 million out of escrow to the Company. The second part of the FCA investigation, which is expected to focus primarily on manufacturer interactions with retailers, is ongoing. The Company is cooperating with this investigation.

Although it is currently not possible to assess the impact, if any, that matters related to the FCA investigation may have on our financial statements, matters related to the FCA investigation could have a material adverse effect on our financial statements in any particular reporting period.

### **Trade Customer Insolvency**

In 2017, Alno AG and certain affiliated companies filed for insolvency protection in Germany. Bauknecht Hausgeräte GmbH, a subsidiary of the Company, was a long-standing supplier to Alno and certain of its affiliated companies. The



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Company was also a former indirect minority shareholder of Alno. In August 2018, the insolvency trustee asserted €174.5 million in clawback and related claims against Bauknecht. In January 2020, we entered into an agreement to settle all potential claims that the insolvency trustee may have related to this matter, resulting in a one-time charge of €52.75 million (approximately \$59 million as of December 31, 2019), which is recorded in interest and sundry (income) expense in the Consolidated Statements of Income (Loss) for the year ended December 31, 2019.

### Other Litigation

We are currently defending against two lawsuits that have been certified for treatment as class actions in U.S. federal court, relating to two top-load washing machine models. In December 2019, the court in one of these lawsuits entered summary judgment in Whirlpool's favor. That ruling remains subject to appeal, and the other lawsuit is ongoing. We believe the lawsuits are without merit and are vigorously defending them. Given the preliminary stage of the proceedings, we cannot reasonably estimate a range of loss, if any, at this time. The resolution of this matter could have a material adverse effect on our financial statements in any particular reporting period.

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

### Product Warranty and Legacy Product Corrective Action Reserves

Product warranty 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 reserves for the periods presented:

Millions of dollars	Product Warranty	
	2019	2018
Balance at January 1	\$ 268	\$ 277
Issuances/accruals during the period	350	289
Settlements made during the period/other	(235)	(294)
Reclassification of product warranty to held for sale	-	(4)
Balance at December 31	<u>\$ 383</u>	<u>\$ 268</u>
Current portion	<u>\$ 254</u>	<u>\$ 194</u>
Non-current portion	<u>129</u>	<u>74</u>
Total	<u>\$ 383</u>	<u>\$ 268</u>

In the normal course of business, we engage in investigations of potential quality and safety issues. As part of our ongoing effort to deliver quality products to consumers, we are currently investigating certain potential quality and safety issues globally. As necessary, we undertake to effect repair or replacement of appliances in the event that an investigation leads to the conclusion that such action is warranted.

As part of this process, we investigated incident reports associated with a particular component in certain Indesit-designed horizontal axis washers produced in EMEA. In January 2020, we commenced a product recall in the UK and Ireland for these EMEA-produced washers, which recall is ongoing. In the third quarter of 2019, we accrued approximately \$105 million in estimated product warranty expense related to this matter. This estimate is based on several assumptions which are inherently unpredictable and which we may need to materially revise in the future.

For the twelve months ended December 31, 2019, we incurred approximately \$26 million of additional product warranty expense related to our previously disclosed legacy Indesit dryer corrective action campaign in the UK. We continue to cooperate with the UK regulator, which continues to review the overall effectiveness of the corrective action campaign.

**Guarantees**

We have guarantee arrangements in a Brazilian subsidiary. For certain credit worthy customers, 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 assume the line of credit and satisfy the obligation with the bank. At December 31, 2019 and December 31, 2018, the guaranteed amounts totaled 577 million Brazilian reais (approximately \$143 million at December 31, 2019) and 566 million Brazilian reais (approximately \$146 million at December 31, 2018), respectively. The fair value of these guarantees were nominal at December 31, 2019 and December 31, 2018. Our subsidiary insures against a significant portion of this credit risk for these guarantees, under normal operating conditions, through policies purchased from high-quality underwriters.

We provide guarantees of indebtedness and lines of credit for various consolidated subsidiaries. The maximum contractual amount of indebtedness and credit facilities available under these lines for consolidated subsidiaries totaled \$2.6 billion at December 31, 2019 and \$3.5 billion at December 31, 2018. Our total short-term outstanding bank indebtedness under guarantees was nominal at both December 31, 2019 and 2018.

**Purchase Obligations**

Our expected cash outflows resulting from non-cancellable purchase obligations are summarized by year in the table below:

Millions of dollars	
2020	\$ 205
2021	171
2022	119
2023	81
2024	39
Thereafter	57
Total purchase obligations	<u>\$ 672</u>

**(9) PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS**

We have funded and unfunded defined benefit pension plans that cover certain employees in North America, Europe, Asia and Brazil. The United States plans comprise the majority of our obligation. All but one of these plans are frozen for all participants. The primary formula for United States salaried employees covered under the qualified defined benefit plan was based on years of service and final average salary, while the primary formula for United States hourly employees covered under the defined benefit plans was based on specific dollar amounts for each year of service. There were multiple formulas for employees covered under the qualified and nonqualified defined benefit plans that were sponsored by Maytag, including a cash balance formula. We have foreign pension plans that accrue benefits. The plans generally provide benefit payments using a formula that is based upon employee compensation and length of service.

In addition, we sponsor an unfunded Supplemental Executive Retirement Plan that remains open to new participants and additional benefit accruals. This plan is nonqualified and provides certain key employees additional defined pension benefits that supplement those provided by the Company's other retirement plans.

A defined contribution plan is being provided to all United States employees and is not classified within the net periodic benefit cost. The Company provides annual match and automatic company contributions, in cash or Company stock, of up to 7% of employees' eligible pay. Our contributions during 2019, 2018 and 2017 were \$84 million, \$81 million and \$82 million, respectively.

We provide postretirement health care benefits for eligible retired employees in the United States, Canada and Brazil. For our United States plan, which comprises the majority of our obligation, eligible retirees include those who were full-time employees with 10 years of service who attained age 55 while in service with us and those union retirees who met the eligibility requirements of their collective bargaining agreements. In general, the postretirement health and welfare benefit plans include cost-sharing provisions that limit our exposure for recent and future retirees and are contributory, with participants' contributions adjusted annually. In the United States, benefits for certain retiree populations follow a defined contribution model that allocates certain monthly or annual amounts to a retiree's account under the plan. The plans are unfunded. We reserve the right to modify these benefits in the future.

**Defined Benefit - Pensions and Postretirement Benefit Plans**
**Obligations and Funded Status at End of Year**

Millions of dollars	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018	2019	2018
<b>Funded status</b>						
Fair value of plan assets	\$ 2,934	\$ 2,676	\$ 593	\$ 518	\$ —	\$ —
Benefit obligations	3,141	3,033	941	834	355	356
Funded status	<u>\$ (207)</u>	<u>\$ (357)</u>	<u>\$ (348)</u>	<u>\$ (316)</u>	<u>\$ (355)</u>	<u>\$ (356)</u>
<b>Amounts recognized in the consolidated balance sheets</b>						
Noncurrent asset	\$ —	\$ —	\$ 11	\$ 12	\$ —	\$ —
Current liability	(6)	(38)	(17)	(10)	(33)	(38)
Noncurrent liability	(201)	(319)	(342)	(318)	(322)	(318)
Amount recognized	<u>\$ (207)</u>	<u>\$ (357)</u>	<u>\$ (348)</u>	<u>\$ (316)</u>	<u>\$ (355)</u>	<u>\$ (356)</u>
<b>Amounts recognized in accumulated other comprehensive loss (pre-tax)</b>						
Net actuarial loss	\$ 1,329	\$ 1,445	\$ 234	\$ 192	\$ 15	\$ 1
Prior service (credit) cost	1	(1)	4	(2)	(16)	(16)
Amount recognized	<u>\$ 1,330</u>	<u>\$ 1,444</u>	<u>\$ 238</u>	<u>\$ 190</u>	<u>\$ (1)</u>	<u>\$ (15)</u>

**Change in Benefit Obligation**

Millions of dollars	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018	2019	2018
Benefit obligation, beginning of year	\$ 3,033	\$ 3,415	\$ 834	\$ 952	\$ 356	\$ 394
Service cost	2	2	6	5	6	7
Interest cost	123	118	23	23	16	15
Plan participants' contributions	—	—	1	1	—	—
Actuarial loss (gain)	279	(197)	85	(33)	14	(16)
Benefits paid	(263)	(305)	(30)	(31)	(28)	(36)
Plan amendments	—	—	6	1	(15)	4
Transfer of liabilities	—	—	(2)	—	—	—
Other adjustments	—	—	11	—	7	—
Special termination benefit	—	—	—	(5)	—	—
Settlements / curtailment (gain)	(33)	—	(13)	(22)	—	—
Foreign currency exchange rates	—	—	20	(53)	(1)	(5)
Reclassification of obligation to held for sale	—	—	—	(4)	—	(7)
Benefit obligation, end of year	<u>\$ 3,141</u>	<u>\$ 3,033</u>	<u>\$ 941</u>	<u>\$ 834</u>	<u>\$ 355</u>	<u>\$ 356</u>
Accumulated benefit obligation, end of year	<u>\$ 3,128</u>	<u>\$ 3,022</u>	<u>\$ 902</u>	<u>\$ 804</u>	<u>N/A</u>	<u>N/A</u>

Change in Plan Assets

Millions of dollars	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018	2019	2018
Fair value of plan assets, beginning of year	\$ 2,676	\$ 2,746	\$ 518	\$ 571	\$ —	\$ —
Actual return on plan assets	517	(145)	61	(7)	—	—
Employer contribution	37	380	33	39	28	36
Plan participants' contributions	—	—	1	1	—	—
Benefits paid	(263)	(305)	(30)	(31)	(28)	(36)
Transfer of plan assets	—	—	(2)	—	—	—
Other adjustments	—	—	5	—	—	—
Settlements	(33)	—	(13)	(22)	—	—
Foreign currency exchange rates	—	—	20	(31)	—	—
Reclassification of plan assets to held for sale	—	—	—	(2)	—	—
Fair value of plan assets, end of year	<u>\$ 2,934</u>	<u>\$ 2,676</u>	<u>\$ 593</u>	<u>\$ 518</u>	<u>\$ —</u>	<u>\$ —</u>

Components of Net Periodic Benefit Cost

Millions of dollars	United States Pension Benefits			Foreign Pension Benefits			Other Postretirement Benefits		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Service cost	\$ 2	\$ 2	\$ 2	\$ 6	\$ 5	\$ 5	\$ 6	\$ 7	\$ 7
Interest cost	123	118	134	23	23	23	16	15	16
Expected return on plan assets	(177)	(170)	(175)	(29)	(32)	(30)	—	—	—
Amortization:									
Actuarial loss	47	53	50	8	9	6	1	—	—
Prior service cost (credit)	(2)	(3)	(3)	—	—	—	(16)	—	(4)
Special termination benefit	—	—	—	—	—	—	—	—	4
Curtailment (gain) / loss	—	—	—	—	(4)	—	—	—	—
Settlement loss	9	—	—	2	3	2	—	—	—
Net periodic benefit cost	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 10</u>	<u>\$ 4</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 22</u>	<u>\$ 23</u>

The following table summarizes the net periodic cost recognized in operating profit and interest and sundry (income) expense for the years ending December 31, 2019, 2018 and 2017:

Millions of dollars	United States Pension Benefits			Foreign Pension Benefits			Other Postretirement Benefits		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Operating profit (loss)	\$ 2	\$ 2	\$ 2	\$ 6	\$ 5	\$ 5	\$ 6	\$ 7	\$ 7
Interest and sundry (income) expense	—	(2)	6	4	(1)	1	1	15	16
Net periodic benefit cost	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 10</u>	<u>\$ 4</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 22</u>	<u>\$ 23</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

**Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Loss) (Pre-Tax) in 2019**

Millions of dollars	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
Current year actuarial loss / (gain)	\$	(60)	\$	52	\$	14
Actuarial (loss) recognized during the year		(56)		(10)		(1)
Current year prior service cost (credit)		—		6		(15)
Prior service credit (cost) recognized during the year		2		—		16
<b>Total recognized in other comprehensive income (loss) (pre-tax)</b>	<b>\$</b>	<b>(114)</b>	<b>\$</b>	<b>48</b>	<b>\$</b>	<b>14</b>
<b>Total recognized in net periodic benefit costs and other comprehensive income (loss) (pre-tax)</b>	<b>\$</b>	<b>(112)</b>	<b>\$</b>	<b>58</b>	<b>\$</b>	<b>21</b>

**Estimated Pre-Tax Amounts that will be amortized from Accumulated Other Comprehensive Loss into Net Periodic Pension Cost in 2020**

Millions of dollars	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
Actuarial loss	\$	62	\$	12	\$	1
Prior service (credit)		—		—		(8)
<b>Total</b>	<b>\$</b>	<b>62</b>	<b>\$</b>	<b>12</b>	<b>\$</b>	<b>(7)</b>

We amortize actuarial losses and prior service costs (credits) over a period of up to 21 years and 13 years, respectively.

**Assumptions**

**Weighted-Average Assumptions used to Determine Benefit Obligation at End of Year**

	United States Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018	2019	2018
Discount rate	3.30%	4.30%	2.04%	2.90%	3.45%	4.64%
Rate of compensation increase	4.50%	4.50%	3.10%	3.29%	N/A	N/A

**Weighted-Average Assumptions used to Determine Net Periodic Cost**

	United States Pension Benefits			Foreign Pension Benefits			Other Postretirement Benefits		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Discount rate	4.30%	3.65%	4.15%	2.90%	2.57%	2.64%	4.80%	4.35%	4.73%
Expected long-term rate of return on plan assets	6.50%	6.75%	6.75%	5.56%	5.81%	5.78%	N/A	N/A	N/A
Rate of compensation increase	4.50%	4.50%	4.50%	3.29%	3.20%	3.08%	N/A	N/A	N/A
Health care cost trend rate									
Initial rate	N/A	N/A	N/A	N/A	N/A	N/A	6.50%	6.50%	6.75%
Ultimate rate	N/A	N/A	N/A	N/A	N/A	N/A	5.00%	5.00%	5.00%
Year that ultimate rate will be reached	N/A	N/A	N/A	N/A	N/A	N/A	2025	2025	2025

**Discount Rate**

For our United States pension and postretirement benefit plans, the discount rate was selected using a hypothetical portfolio of high quality bonds outstanding at December 31 that would provide the necessary cash flows to match our projected benefit payments. For our foreign pension and postretirement benefit plans, the discount rate was primarily selected using high quality bond yields for the respective country or region covered by the plan.

**Expected Return on Plan Assets**

In the United States, the expected return on plan assets is developed considering asset mix, historical asset class data and long-term expectations. The resulting weighted-average return was rounded to the nearest quarter of one percent and applied to the fair value of plan assets at December 31, 2019.

For foreign pension plans, the expected rate of return on plan assets was primarily determined by observing historical returns in the local fixed income and equity markets and computing the weighted average returns with the weights being the asset allocation of each plan.

**Estimated Impact of One Percentage-Point Change in Assumed Health Care Cost Trend Rate**

A one percentage point change in assumed health care cost trend rates would have the following effects on our health care plan:

Millions of dollars	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost	\$ —	\$ —
Effect on postretirement benefit obligations	3	(2)

**Cash Flows**

**Funding Policy**

Our funding policy is to contribute to our United States pension plans amounts sufficient to meet the minimum funding requirement as defined by employee benefit and tax laws, plus additional amounts which we may determine to be appropriate. In certain countries other than the United States, the funding of pension plans is not common practice. Contributions to our United States pension plans may be made in the form of cash or, in narrow circumstances, company stock. We pay for retiree medical benefits as they are incurred.

There have been no contributions to the pension trust for our U.S. defined benefit plans during the twelve months ended December 31, 2019. On September 15, 2018, we contributed \$358 million in cash contributions to the pension trust for our U.S. defined benefit pension plans, which included \$350 million of discretionary contributions.

**Expected Employer Contributions to Funded Plans**

Millions of dollars	United States Pension Benefits	Foreign Pension Benefits
2020	\$ —	\$ 18

**Expected Benefit Payments**

Millions of dollars	United States Pension Benefits	Foreign Pension Benefits	Other Postretirement Benefits
2020	\$ 284	\$ 39	\$ 33
2021	257	35	33
2022	248	38	32
2023	238	38	30
2024	233	36	28
2025-2029	1,019	199	115

### Plan Assets

Our overall investment strategy is to achieve an appropriate mix of investments for long-term growth and for near-term benefit payments with a wide diversification of asset types, fund strategies, and investment fund managers. The target allocation for our plans is approximately 24% in equity, 74% in fixed income securities and 2% in alternative investments, with exceptions for foreign pension plans. The fixed income securities duration is intended to match that of our United States pension liabilities.

Plan assets are reported at fair value based on an exit price, representing the amount that would be received to sell an asset 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. 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. Certain investments are valued based on net asset value (NAV), which approximates fair value. Such basis is determined by referencing the respective fund's underlying assets. There are no unfunded commitments or other restrictions associated with these investments. We manage the process and approve the results of a third-party pricing service to value the majority of our securities and to determine the appropriate level in the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

The fair values of our pension plan assets at December 31, 2019 and 2018, by asset category were as follows:

Millions of dollars	December 31,									
	Quoted prices (Level 1)		Other significant observable inputs (Level 2)		Significant unobservable inputs (Level 3)		Net Asset Value		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Cash and cash equivalents	\$ —	\$ —	\$ 24	\$ 10	\$ —	\$ —	\$ —	\$ —	\$ 24	\$ 10
Government and government agency securities <sup>(1)</sup>										
U.S. securities	—	—	488	761	—	—	—	—	488	761
International securities	—	—	97	97	—	—	—	—	97	97
Corporate bonds and notes <sup>(1)</sup>										
U.S. companies	—	—	1,389	860	—	—	—	—	1,389	860
International companies	—	—	277	155	—	—	—	—	277	155
Equity securities <sup>(2)</sup>										
U.S. companies	—	18	—	—	—	—	—	—	—	18
International companies	51	185	—	—	—	—	—	—	51	185
Mutual funds <sup>(3)</sup>	—	35	128	—	—	—	—	—	128	35
Investments at net asset value										
U.S. equity securities <sup>(4)</sup>	—	—	—	—	—	—	367	501	367	501
International equity securities <sup>(4)</sup>	—	—	—	—	—	—	215	52	215	52
Short-term investment fund <sup>(4)</sup>	—	—	—	—	—	—	15	102	15	102
International debt securities <sup>(5)</sup>	—	—	—	—	—	—	251	209	251	209
International equity securities <sup>(5)</sup>	—	—	—	—	—	—	59	50	59	50
Real estate <sup>(6)</sup>	—	—	—	—	—	—	34	36	34	36
Limited partnerships <sup>(7)</sup>										
U.S. private equity investments	—	—	—	—	53	68	—	—	53	68
Diversified fund of funds	—	—	—	—	5	6	—	—	5	6
Emerging growth	—	—	—	—	8	12	—	—	8	12
All other investments	—	—	34	18	—	—	32	19	66	37
	<u>\$ 51</u>	<u>\$238</u>	<u>\$2,437</u>	<u>\$1,901</u>	<u>\$ 66</u>	<u>\$ 86</u>	<u>\$ 973</u>	<u>\$ 969</u>	<u>\$3,527</u>	<u>\$3,194</u>

<sup>(1)</sup> Valued using pricing vendors who use proprietary models to estimate the price a dealer would pay to buy a security using significant observable inputs, such as interest rates, yield curves, and credit risk.

<sup>(2)</sup> Valued using the closing stock price on a national securities exchange, which reflects the last reported sales price on the last business day of the year.

<sup>(3)</sup> Valued using the net asset value (NAV) of the fund, which is based on the fair value of underlying securities. The fund primarily invests in a diversified portfolio of equity securities, fixed income debt securities and real estate issued by non-U.S. companies.

<sup>(4)</sup> Common and collective trust funds valued using the NAV of the fund, which is based on the fair value of underlying securities.

<sup>(5)</sup> Fund of funds valued using the NAV of the fund, which is based on the fair value of underlying securities. International debt securities includes corporate bonds and notes and government and government agency securities.

<sup>(6)</sup> Valued using the NAV of the fund, which is based on the fair value of underlying assets.

<sup>(7)</sup> Valued at estimated fair value based on the proportionate share of the limited partnership's fair value, as determined by the general partner.



**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

Millions of dollars	Limited Partnerships
Balance, December 31, 2018	\$ 86
Realized gains (net)	16
Unrealized losses (net)	(14)
Purchases	—
Settlements	(22)
Balance, December 31, 2019	<u>\$ 66</u>

**Additional Information**

The projected benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets at December 31, 2019 and 2018 were as follows:

Millions of dollars	United States Pension Benefits		Foreign Pension Benefits	
	2019	2018	2019	2018
Projected benefit obligation	\$ 2,622	\$ 3,033	\$ 844	\$ 753
Fair value of plan assets	2,409	2,676	491	430

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2019 and 2018 were as follows:

Millions of dollars	United States Pension Benefits		Foreign Pension Benefits	
	2019	2018	2019	2018
Projected benefit obligation	\$ 2,622	\$ 3,033	\$ 800	\$ 720
Accumulated benefit obligation	2,609	3,022	776	699
Fair value of plan assets	\$ 2,409	\$ 2,676	\$ 450	\$ 396

**(10) HEDGES AND DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative instruments are accounted for at fair value based on market rates. Derivatives where we elect hedge accounting are designated as either cash flow, fair value or net investment hedges. Derivatives that are not accounted for based on hedge accounting are marked to market through earnings. If the designated cash flow hedges are highly effective, the gains and losses are recorded in other comprehensive income (loss) and subsequently reclassified to earnings to offset the impact of the hedged items when they occur. In the event it becomes probable the forecasted transaction to which a cash flow hedge relates will not occur, the derivative would be terminated and the amount in accumulated other comprehensive income (loss) would be recognized in earnings. The fair value of the hedge asset or liability is present in either other current assets/liabilities or other noncurrent assets/liabilities on the Consolidated Balance Sheets and in other within cash provided by (used in) operating activities in the Consolidated Statements of Cash Flows.

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 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 commodity prices, foreign exchange rates and interest rates. Fluctuations in these rates and prices can affect our operating results and financial condition. We use a variety of strategies, including the use of derivative instruments, to manage these risks. We do not enter into derivative financial instruments for trading or speculative purposes.

### Commodity Price Risk

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

### Foreign Currency and Interest 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, intercompany loans 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.

We also enter into hedges to mitigate currency risk primarily related to forecasted foreign currency denominated expenditures, intercompany financing agreements and royalty agreements and designate them as cash flow hedges. Gains and losses on derivatives designated as cash flow hedges, to the extent they are included in the assessment of effectiveness, are recorded in other comprehensive income (loss) and subsequently reclassified to earnings to offset the impact of the hedged items when they occur.

We may enter into cross-currency interest rate swaps to manage our exposure relating to cross-currency debt. At December 31, 2019 there was a notional amount of \$1,275 million of outstanding cross-currency interest rate swap agreements. At December 31, 2018 there were no outstanding cross-currency interest rate swap agreements.

We may enter into interest rate swap agreements to manage interest rate risk exposure. Our interest rate swap agreements, if any, effectively modify our exposure to interest rate risk, primarily through converting certain floating rate debt to a fixed rate basis, and certain fixed rate debt to a floating rate basis. These agreements involve either the receipt or payment of floating rate amounts in exchange for fixed rate interest payments or receipts, respectively, over the life of the agreements without an exchange of the underlying principal amounts. We may enter into swap rate lock agreements to effectively reduce our exposure to interest rate risk by locking in interest rates on probable long-term debt issuances. At December 31, 2019 there was a notional amount of \$300 million of outstanding interest rate swap agreements. At December 31, 2018 there were no outstanding swap agreements.

### Net Investment Hedging

The following table summarizes our foreign currency denominated debt and foreign exchange forwards/options designated as net investment hedges at December 31, 2019 and 2018:

Instrument	Notional (local)		Notional (USD)		Current Maturity
	2019	2018	2019	2018	
Senior note - 0.625%	€ 500	€ 500	\$ 561	\$ 573	March 2020
Foreign exchange forwards/options	MXN 7,200	MXN 7,200	\$ 382	\$ 366	August 2022

For instruments that are designated and qualify as a net investment hedge, the effective portion of the instruments' gain or loss is reported as a component of other comprehensive income (loss) and recorded in accumulated other comprehensive loss. The gain or loss will be subsequently reclassified into net earnings when the hedged net investment is either sold or substantially liquidated. The remaining change in fair value of the hedge instruments represents the ineffective portion, which is immediately recognized in interest and sundry (income) expense on our Consolidated Statements of Income. As of December 31, 2019, there was no ineffectiveness on hedges designated as net investment hedges.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

The following table summarizes our outstanding derivative contracts and their effects on our Consolidated Balance Sheets at December 31, 2019 and 2018:

Millions of dollars	Notional Amount		Fair Value of				Type of Hedge <sup>(1)</sup>	Maximum Term (Months)	
			Hedge Assets		Hedge Liabilities				
	2019	2018	2019	2018	2019	2018		2019	2018
<b>Derivatives accounted for as hedges</b>									
Commodity swaps/options	\$ 174	\$ 216	\$ 4	\$ 1	\$ 10	\$ 27	(CF)	21	30
Foreign exchange forwards/options	3,177	3,126	94	49	84	48	(CF/NI)	32	44
Cross-currency swaps	1,275	—	25	—	23	—	(CF)	110	0
Interest rate derivatives	300	—	6	—	—	—	(CF)	65	0
Total derivatives accounted for as hedges			\$ 129	\$ 50	\$ 117	\$ 75			
<b>Derivatives not accounted for as hedges</b>									
Commodity swaps/options	\$ 1	\$ 3	\$ —	\$ —	\$ —	\$ —	N/A	7	0
Foreign exchange forwards/options	3,182	4,382	15	27	22	69	N/A	12	21
Total derivatives not accounted for as hedges			\$ 15	\$ 27	\$ 22	\$ 69			
Total derivatives			\$ 144	\$ 77	\$ 139	\$ 144			
Current			\$ 55	\$ 60	\$ 61	\$ 95			
Noncurrent			89	17	78	49			
Total derivatives			\$ 144	\$ 77	\$ 139	\$ 144			

<sup>(1)</sup> Derivatives accounted for as hedges are considered either cash flow (CF) or net investment (NI) hedges.

The following tables summarize the effects of derivative instruments on our Consolidated Statements of Income (Loss) and Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019 and 2018:

Cash Flow Hedges - Millions of dollars	Gain (Loss) Recognized in OCI (Effective Portion) <sup>(2)</sup>	
	2019	2018
Commodity swaps/options	\$ (4)	\$ (51)
Foreign exchange forwards/options	60	131
Cross-currency swaps	9	—
Interest rate derivatives	6	(3)
<b>Net Investment Hedges</b>		
Foreign currency	5	23
	<b>\$ 76</b>	<b>\$ 100</b>

Cash Flow Hedges - Millions of dollars	Location of Gain (Loss) Reclassified from OCI into Earnings (Effective Portion)	Gain (Loss) Reclassified from OCI into Earnings (Effective Portion)	
		2019	2018
Commodity swaps/options <sup>(3)</sup>	Cost of products sold	\$ (22)	\$ 22
Foreign exchange forwards/options	Net sales	(4)	(3)
Foreign exchange forwards/options	Cost of products sold	16	(5)
Foreign exchange forwards/options	Interest and sundry (income) expense	73	94
Cross-currency swaps	Interest and sundry (income) expense	26	—
Interest rate derivatives	Interest expense	(1)	(1)
		<b>\$ 88</b>	<b>\$ 107</b>

Derivatives not Accounted for as Hedges - Millions of dollars	Location of Gain (Loss) Recognized on Derivatives not Accounted for as Hedges	Gain (Loss) Recognized on Derivatives not Accounted for as Hedges <sup>(3)</sup>	
		2019	2018
Foreign exchange forwards/options	Interest and sundry (income) expense	\$ 30	\$ 19

<sup>(2)</sup> The tax impact of the cash flow hedges was \$4 million and \$7 million in 2019 and 2018, respectively. The tax impact of the net investment hedges was \$2 million and \$(15) million in 2019 and 2018, respectively.

<sup>(3)</sup> Cost for commodity swaps/options are recognized in cost of sales as products are sold.

For cash flow hedges, the amount of ineffectiveness recognized in interest and sundry (income) expense was nominal during 2019 and 2018. There were no hedges designated as fair value in 2019 and 2018. The net amount of unrealized gain or loss on derivative instruments included in accumulated other comprehensive income (loss) related to contracts maturing and expected to be realized during the next twelve months is nominal at December 31, 2019.

## (11) FAIR VALUE MEASUREMENTS

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

The non-recurring fair values represent only those assets whose carrying values were adjusted to fair value during the reporting period. See Note 6 to the Consolidated Financial Statements for additional information on the goodwill and other intangibles impairment during 2018.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

Assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018 are as follows:

Millions of dollars	Total Cost Basis		Quoted Prices In Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Total Fair Value	
	2019	2018	2019	2018	2019	2018	2019	2018
Short-term investments <sup>(1)</sup>	\$ 1,308	\$ 578	\$ 398	\$ 5	\$ 910	\$ 573	\$ 1,308	\$ 578
Net derivative contracts	—	—	—	—	5	(67)	5	(67)
Available for sale investments	—	7	—	12	—	—	—	12

<sup>(1)</sup> Short-term investments are primarily comprised of money market funds and highly liquid, low risk investments with initial maturities less than 90 days.

The following table summarizes the valuation of our assets measured at fair value on a non-recurring basis as of June 30, 2018 which is the balance sheet date at the end of the period in which the impairment charge was recorded.

Millions of dollars	Fair Value
	Level 3
<b>Measured at fair value on a non-recurring basis:</b>	
<b>Assets:</b>	
Goodwill <sup>(2)</sup>	\$ 315
Indefinite-lived intangible assets <sup>(3)</sup>	384
Definite-lived intangible assets <sup>(4)</sup>	—
<b>Total level 3 assets</b>	<b>\$ 699</b>

<sup>(2)</sup> Goodwill with a carrying amount of \$894 million was written down to a fair value of \$315 million resulting in a goodwill impairment charge of \$579 million.

<sup>(3)</sup> Indefinite-lived intangible assets with a carrying amount of approximately \$492 million were written down to a fair value of \$384 million resulting in an impairment charge of \$108 million.

<sup>(4)</sup> A definite-lived intangible asset with a carrying amount of approximately \$60 million was written down to a fair value of \$0 million resulting in an impairment charge of \$60 million.

*Goodwill*

We used a discounted cash flow analysis to determine the fair value of our EMEA reporting unit and consistent projected financial information in our analysis of goodwill and intangible assets. The discounted cash flow analysis for the quantitative impairment assessment for the EMEA reporting unit during the second quarter of 2018 utilized a discount rate of 12%. Based on the quantitative assessment performed, the carrying value of the EMEA reporting unit exceeded its fair value resulting in a goodwill impairment charge of \$579 million in 2018.

*Other Intangible Assets*

The relief-from-royalty method for the quantitative impairment assessment for other intangible assets in the EMEA reporting unit during the second quarter of 2018 utilized discount rates ranging from 11.5% - 16% and royalty rates ranging from 1.5% - 3.5%. Based on the quantitative impairment assessment performed, the carrying value of certain other intangible assets, primarily the *Indesit* and *Hotpoint\** brands, exceeded their fair value, resulting in an impairment charge of \$168 million in 2018.

See Note 6 to the Consolidated Financial Statements for additional information.

**South Africa Business Disposal**

During the second quarter of 2019, we entered into an agreement to sell our South Africa business. At the time of the agreement we classified this disposal group as held for sale and recorded it at fair value because it was lower than the carrying amount. Fair value was estimated based on the cash purchase price (Level 2 input) and we recorded an impairment charge of \$35 million for the write-down of the assets to the fair value of \$5 million. During the third quarter

\*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

of 2019, we completed the sale of our South Africa business and adjusted the loss on disposal based on the carrying amount at the closing date. The adjustment was not material to the Consolidated Financial Statements.

See Note 17 to the Consolidated Financial Statements for additional information.

#### **Naples Manufacturing Plant Restructuring Action**

In connection with the restructuring actions for our Naples, Italy manufacturing plant, we recorded an impairment charge of \$43 million for the write-down of certain assets to their fair value of \$0. Fair value was based on a feasibility study considering future use internally and marketability externally (Level 2 input). These assets were fully impaired because they were determined to have no alternative use or salvage value and insufficient cash flows to support recoverability of the carrying amount.

See Note 14 to the Consolidated Financial Statements for additional information.

#### **Other Fair Value Measurements**

The fair value of long-term debt (including current maturities) was \$5.00 billion and \$4.17 billion at December 31, 2019 and 2018, respectively, and was estimated using a discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements (Level 2 input).

### **(12) STOCKHOLDERS' EQUITY**

#### **Comprehensive Income (Loss)**

Comprehensive income (loss) primarily includes (1) our reported net earnings (loss), (2) foreign currency translation, including net investment hedges, (3) changes in the effective portion of our open derivative contracts designated as cash flow hedges, (4) changes in our unrecognized pension and other postretirement benefits and (5) changes in fair value of our available for sale marketable securities (prior to the adoption of ASU 2016-01 in 2018).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

The following table shows the components of accumulated other comprehensive income (loss) available to Whirlpool at December 31, 2017, 2018, and 2019, and the activity for the years then ended:

Millions of dollars	Foreign Currency	Derivative Instruments	Pension and Postretirement Liability	Marketable Securities	Total
<b>December 31, 2016</b>	\$ (1,395)	\$ 15	\$ (1,031)	\$ 11	(2,400)
Unrealized gain (loss)	32	(4)	—	6	34
Unrealized actuarial gain(loss) and prior service credit (cost)	—	—	(15)	—	(15)
Tax effect	43	—	7	—	50
Other comprehensive income (loss), net of tax	75	(4)	(8)	6	69
Less: Other comprehensive loss available to noncontrolling interests	—	—	—	—	—
Other comprehensive income (loss) available to Whirlpool	75	(4)	(8)	6	69
<b>December 31, 2017</b>	\$ (1,320)	\$ 11	\$ (1,039)	\$ 17	\$ (2,331)
Unrealized gain (loss)	(272)	(30)	—	—	(302)
Unrealized actuarial gain (loss) and prior service credit (cost)	—	—	(48)	—	(48)
Tax effect	(15)	7	13	—	5
Other comprehensive income (loss), net of tax	(287)	(23)	(35)	—	(345)
Less: Other comprehensive loss available to noncontrolling interests	2	—	—	—	2
Other comprehensive income (loss) available to Whirlpool	(289)	(23)	(35)	—	(347)
Adjustment to beginning accumulated other comprehensive loss	21	(21)	—	(17)	(17)
<b>December 31, 2018</b>	\$ (1,588)	\$ (33)	\$ (1,074)	\$ —	\$ (2,695)
Unrealized gain (loss)	54	(17)	—	—	37
Unrealized actuarial gain (loss) and prior service credit (cost)	—	—	52	—	52
Tax effect	2	4	(18)	—	(12)
Other comprehensive income (loss), net of tax	56	(13)	34	—	77
Less: Other comprehensive loss available to noncontrolling interests	—	—	—	—	—
Other comprehensive income (loss) available to Whirlpool	56	(13)	34	—	77
<b>December 31, 2019</b>	\$ (1,532)	\$ (46)	\$ (1,040)	\$ —	\$ (2,618)

**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	2019	2018	2017
Numerator for basic and diluted earnings per share – net earnings (loss) available to Whirlpool	\$ 1,184	\$ (183)	\$ 350
Denominator for basic earnings per share – weighted-average shares	63.7	67.2	73.3
Effect of dilutive securities – stock-based compensation	0.5	—	1.1
Denominator for diluted earnings per share – adjusted weighted-average shares	64.2	67.2	74.4
Anti-dilutive stock options/awards excluded from earnings per share	1.3	1.9	0.6

**Dividends**

Dividends per share paid to shareholders were \$4.75, \$4.55 and \$4.30 during 2019, 2018 and 2017, respectively.

**Share Repurchase Program**

On July 25, 2017, our Board of Directors authorized an additional share repurchase program of up to \$2 billion. For the year ended December 31, 2019, we repurchased 1,043,121 shares at an aggregate purchase price of approximately \$148 million under this program. At December 31, 2019, there were approximately \$652 million in remaining funds authorized under this program.

Share repurchases are made from time to time on the open market as conditions warrant. The program does not obligate us to repurchase any of our shares and it has no expiration date.

**(13) SHARE-BASED INCENTIVE PLANS**

We sponsor several share-based employee incentive plans. Share-based compensation expense for grants awarded under these plans was \$50 million, \$51 million and \$48 million in 2019, 2018, and 2017, respectively. Related income tax benefits recognized in earnings were \$6 million, \$9 million and \$16 million in 2019, 2018, and 2017, respectively.

At December 31, 2019, unrecognized compensation cost related to non-vested stock option and stock unit awards totaled \$47 million. The cost of these non-vested awards is expected to be recognized over a weighted-average remaining vesting period of 25 months.

**Share-Based Employee Incentive Plans**

On April 17, 2018, our stockholders approved the 2018 Omnibus Stock and Incentive Plan ("2018 OSIP"). This plan was adopted by our Board of Directors on February 20, 2018 and provides for the issuance of stock options, performance stock units, and restricted stock units, among other award types. No new awards may be granted under the 2018 OSIP after the tenth anniversary of the date that the stockholders approved the plan. However, the term and exercise of awards granted before then may extend beyond that date. At December 31, 2019, approximately 6.2 million shares remain available for issuance under the 2018 OSIP.

**Stock Options**

Eligible employees may receive stock options as a portion of their total compensation. Such options generally become exercisable over a 3-year period in substantially equal increments, expire 10 years from the date of grant and are subject to forfeiture upon termination of employment, other than by death, Disability, Retirement, or with the consent of the Committee (as defined in the award agreement). We use the Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. Granted options have exercise prices equal to the market price of Whirlpool common stock on the grant date. The principal assumptions used in valuing options include: (1) risk-free interest rate - an estimate based on the yield of United States zero coupon securities with a maturity equal to the expected life of the option; (2) expected volatility - an estimate based on the historical volatility of Whirlpool common stock for a period equal to the expected life of the option; and (3) expected option life - an estimate based on historical experience. Stock options are expensed on a straight-line basis, net of estimated forfeitures. Based on the results of the model, the weighted-average grant date fair value of stock options granted for 2019, 2018, and 2017 were \$27.89, \$38.34 and \$44.01, respectively, using the following assumptions:

<b>Weighted Average Black-Scholes Assumptions</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Risk-free interest rate	2.5%	2.6%	1.9%
Expected volatility	28.5%	28.2%	32.0%
Expected dividend yield	3.4%	2.6%	2.3%
Expected option life, in years	5	5	5



**Stock Option Activity**

The following table summarizes stock option activity during 2019:

In thousands, except per share data	Number of Options	Weighted-Average Exercise Price
Outstanding at January 1	2,291	\$ 144.21
Granted	256	\$ 139.24
Exercised	(85)	\$ 100.84
Canceled or expired	(75)	\$ 173.22
Outstanding at December 31	2,387	\$ 144.01
Exercisable at December 31	1,861	\$ 140.60

The total intrinsic value of stock options exercised was \$4 million, \$30 million and \$22 million for 2019, 2018, and 2017, respectively. The related tax benefits were \$1 million, \$7 million and \$8 million for 2019, 2018, and 2017, respectively. Cash received from the exercise of stock options was \$8 million, \$17 million, and \$34 million for 2019, 2018, and 2017, respectively.

The table below summarizes additional information related to stock options outstanding at December 31, 2019:

Options in thousands / dollars in millions, except per-share data	Outstanding Net of Expected Forfeitures	Options Exercisable
Number of options	2,274	1,861
Weighted-average exercise price per share	\$ 144.32	\$ 140.60
Aggregate intrinsic value	\$ 42	\$ 42
Weighted-average remaining contractual term, in years	5	4

**Stock Units**

Eligible employees may receive restricted stock units or performance stock units as a portion of their total compensation.

Restricted stock units are typically granted to selected management employees on an annual basis and vest over three years. Periodically, restricted stock units may be granted to selected executives based on special recognition or retention circumstances and generally vest from three years to seven years. Some previously granted awards accrue dividend equivalents on outstanding units (in the form of additional stock units) based on dividends declared on Whirlpool common stock. These awards convert to unrestricted common stock at the conclusion of the vesting period.

Performance stock units are granted to executives on an annual basis and generally vest at the end of a three year performance period, converting to unrestricted common stock at the conclusion of the vesting period. The final award may equal 0% to 200% of the target grant, based on Whirlpool performance results relative to pre-established goals.

We measure compensation cost for stock units based on the closing market price of Whirlpool common stock at the grant date, with adjustments for performance stock units to reflect the final award granted. The weighted average grant date fair values of awards granted during 2019, 2018, and 2017 were \$127.26, \$157.09 and \$164.26, respectively. The total fair value of stock units vested during 2019, 2018, and 2017 was \$28 million, \$29 million and \$29 million, respectively.

The following table summarizes stock unit activity during 2019:

Stock units in thousands, except per-share data	Number of Stock Units	Weighted- Average Grant Date Fair Value
Non-vested, at January 1	728	\$ 150.63
Granted	394	\$ 127.26
Canceled	(88)	\$ 143.58
Vested and transferred to unrestricted	(229)	\$ 138.40
Non-vested, at December 31	805	\$ 144.48

**Nonemployee Director Equity Awards**

In 2019, each nonemployee director received an annual grant of unrestricted Whirlpool common stock, with the number of shares issued to the director determined by dividing \$145,000 by the closing price of Whirlpool common stock on the date of the annual meeting of our stockholders.

**(14) RESTRUCTURING CHARGES**

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

In 2015, we committed to a restructuring plan to integrate our Italian legacy operations with those of Indesit. The industrial restructuring plan which was approved by the relevant labor unions and signed by the Italian government in 2015, and which was amended in an agreement with the labor unions and Italian government in 2018, provided for the closure or repurposing of certain manufacturing facilities and headcount reductions at other facilities. In addition, the restructuring plan provided for headcount reductions in the salaried employee workforce. These actions were complete at December 31, 2019.

In 2018, we announced actions in EMEA to reduce fixed costs by \$50 million. The initiatives primarily include headcount reductions throughout the EMEA region. Additionally, we exited domestic sales operations in Turkey. At December 31, 2019, approximately \$2 million remains to be expensed and the actions are substantially complete.

On May 31, 2019, we announced our intention to reconvert our Naples, Italy manufacturing plant and potentially sell the plant to a third party. On September 16, 2019, we entered into a preliminary agreement to sell the plant to a third-party purchaser and to support costs associated with the transition. Finalization of the transaction is subject to satisfaction of certain conditions precedent, including consultation with the unions and the Italian government. In October 2019, we announced that, based on further discussions with unions and the Italian government, we will continue production at the Naples manufacturing plant in the near-term and resume negotiations with unions and the Italian government related to our exit of the plant. Our preliminary agreement to sell the plant to a third-party purchaser remains in place, subject to these further negotiations. We intend to cease production in the plant and exit the facility in 2020.

In connection with this action, we incurred approximately \$43 million in asset impairment costs, \$8 million in other associated costs and \$3 million in employee-related costs at December 31, 2019. We have revised our prior estimate of total costs from \$127 million to approximately \$145 million due to an additional \$18 million of asset impairment costs incurred in the fourth quarter of 2019. We estimate that the remaining costs of approximately \$91 million, including approximately \$16 million in employee-related costs and approximately \$75 million in other associated costs, will be incurred in 2020. The Company also believes that substantially all of the \$98 million in estimated cash expenditures will occur in 2020. We expect these actions to be completed in 2020.

The following table summarizes the restructuring actions above for the year ended December 31, 2019 and the total costs to date for each plan:

Millions of dollars	2019	Total
Indesit	\$ 9	\$ 237
EMEA fixed cost actions	63	77
Naples	54	54

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

The following tables summarize the changes to our restructuring liability for the years ended December 31, 2019 and 2018:

Millions of dollars	12/31/2018	Charges to Earnings	Cash Paid	Non-Cash and Other	12/31/2019
Employee termination costs	\$ 84	\$ 84	\$ (111)	\$ —	\$ 57
Asset impairment costs	—	74	(7)	(59)	8
Facility exit costs	(9)	22	(23)	—	(10)
Other exit costs	21	8	(5)	(2)	22
<b>Total</b>	<b>\$ 96</b>	<b>\$ 188</b>	<b>\$ (146)</b>	<b>\$ (61)</b>	<b>\$ 77</b>

Millions of dollars	12/31/2017	Charge to Earnings	Cash Paid	Non-cash and Other	12/31/2018
Employee termination costs	\$ 131	\$ 155	\$ (202)	\$ —	\$ 84
Asset impairment costs	—	43	—	(43)	—
Facility exit costs	2	41	(52)	—	(9)
Other exit costs	29	8	(11)	(5)	21
<b>Total</b>	<b>\$ 162</b>	<b>\$ 247</b>	<b>\$ (265)</b>	<b>\$ (48)</b>	<b>\$ 96</b>

The following table summarizes 2019 restructuring charges by operating segment:

Millions of dollars	2019 Charges
North America	\$ —
EMEA	177
Latin America	11
Asia	—
Corporate / Other	—
<b>Total</b>	<b>\$ 188</b>

**(15) INCOME TAXES**

Income tax expense was \$354 million, \$138 million, and \$550 million in 2019, 2018 and 2017, respectively. The increase in tax expense in 2019 compared to 2018 is primarily due to higher earnings before tax, reduced foreign tax credits and the sale of Embraco, offset by net reductions in valuation allowances, and impacts from a legal entity merger. As part of ongoing efforts to reduce costs and simplify the Company's legal entity structure, the Company has completed a statutory legal entity merger within our EMEA business. The completion of the merger created a tax-deductible loss which was recognized in the fourth quarter of 2019, and resulted in a \$147 million tax benefit.

The decrease in tax expense in 2018 compared to 2017 is primarily due to lower level of earnings, the reduction in statutory U.S. tax rate from 35% to 21%, impact of non-deductible goodwill impairments and government payment accruals, valuation allowances and tax planning actions.

The following table summarizes the difference between an income tax benefit at the United States statutory rate of 21% in 2019 and 2018, respectively, and 35% in 2017, and the income tax expense at effective worldwide tax rates for the respective periods:

Millions of dollars	2019	2018	2017
Earnings (loss) before income taxes			
United States	\$ 674	\$ 729	\$ 671
Foreign	878	(750)	216
Earnings (loss) before income taxes	<u>\$ 1,552</u>	<u>\$ (21)</u>	<u>\$ 887</u>
Income tax (benefit) expense computed at United States statutory rate	\$ 326	\$ (4)	\$ 310
U.S. government tax incentives	(21)	(11)	(13)
Foreign government tax incentives, including BEFIEX	(13)	(21)	(29)
Foreign tax rate differential	70	(24)	(14)
U.S. foreign tax credits	(86)	(260)	17
Valuation allowances	(150)	75	(68)
State and local taxes, net of federal tax benefit	42	23	29
Foreign withholding taxes	54	24	41
U.S. tax on foreign dividends and subpart F income	67	72	12
Settlements and changes in unrecognized tax benefits	113	72	48
U.S. Transition Tax	26	40	190
Changes in enacted tax rates	42	(54)	49
Nondeductible goodwill	—	139	—
Nondeductible fines & penalties	—	30	—
Sale of Embraco	58	—	—
Legal entity merger tax impact	(147)	—	—
Other items, net	(27)	37	(22)
Income tax computed at effective worldwide tax rates	<u>\$ 354</u>	<u>\$ 138</u>	<u>\$ 550</u>

**Current and Deferred Tax Provision**

The following table summarizes our income tax (benefit) provision for 2019, 2018 and 2017:

Millions of dollars	2019		2018		2017	
	Current	Deferred	Current	Deferred	Current	Deferred
United States	\$ 203	\$ 74	\$ (70)	\$ 120	\$ 138	\$ 386
Foreign	432	(406)	182	(119)	213	(233)
State and local	42	9	12	13	12	34
	<u>\$ 677</u>	<u>\$ (323)</u>	<u>\$ 124</u>	<u>\$ 14</u>	<u>\$ 363</u>	<u>\$ 187</u>
Total income tax expense		<u>\$ 354</u>		<u>\$ 138</u>		<u>\$ 550</u>

**United States Government Tax Legislation**

On December 22, 2017, H.R.1 (the "Tax Cuts and Jobs Act") was signed into law. Significant provisions impacting Whirlpool's 2017 and 2018 effective tax rate include the reduction in corporate tax rate from 35% to 21% effective in

2018, a one-time deemed repatriation (“Transition Tax”) on earnings of certain foreign subsidiaries that were previously tax deferred, and the creation of new taxes on certain foreign sourced earnings.

At December 31, 2017, pursuant to the SEC guidance under SAB118, the Company made a reasonable estimate of the provisional effects of the rate reduction on its existing deferred tax balances and the impact of the one-time Transition Tax. For the items for which the Company was able to determine a reasonable estimate, it recognized the following provisional impacts. The reduction in corporate tax rate resulted in a one-time tax expense in the amount of \$49 million related to the revaluation of our U.S. net deferred tax asset. Transition Tax resulted in a one-time tax expense in the amount of \$190 million. These amounts represented the Company's best estimate of the impact of the Tax Cuts and Jobs act, at that time.

At December 31, 2018, the Company has revised these estimated amounts and recognized an additional tax benefit in the amount of \$54 million on the difference between the 2017 U.S. enacted tax rate of 35%, and the 2018 enacted tax rate of 21%, primarily related to a \$350 million tax deductible pension plan contribution included on the Company's 2017 U.S. Corporation income tax return. The Company recognized additional tax expense of \$95 million related to the Transition Tax, including \$55 million of unrecognized tax benefits during the fourth quarter.

For the full year 2019, we recognized \$26 million related to prior years resulting from the one time transition tax deemed repatriation on earnings of certain foreign subsidiaries that were previously tax deferred and related impacts. At December 31, 2019, we have recognized \$299 million tax expense related to the Transition Tax, net of unrecognized tax benefits and other correlative adjustments. During 2019, the government issued additional clarifying regulations related to tax reform. As a result, the Company recorded an additional income tax liability related to an uncertain tax position in the amount of \$117 million.

#### **United States Tax on Foreign Dividends**

We have historically reinvested all unremitted earnings of the majority of our foreign subsidiaries and affiliates, and therefore have not recognized any U.S. deferred tax liability on those earnings. However, upon the enactment of the Tax Cuts and Jobs Act, the unremitted earnings and profits of our foreign subsidiaries and affiliates, subsequent to 1986, are subject to U.S. tax under the Transition Tax provision. Under the Transition Tax provision, the Company recognized a deemed remittance of \$3.5 billion. The Company had cash and cash equivalents of approximately \$2.0 billion at December 31, 2019, of which a significant majority substantially all was held by subsidiaries in foreign countries. Our intent is to permanently reinvest these funds outside of the United States and our current plans do not demonstrate a need to repatriate the cash to fund our U.S. operations. However, if these funds were repatriated, they would likely not be subject to United States federal income tax under the previously taxed income or the dividend exemption rules. We would likely be required to accrue and pay United States state and local taxes and withholding taxes payable to various countries. It is not practicable to estimate the tax impact of the reversal of the outside basis difference, or the repatriation of cash due to the complexity of its hypothetical calculation.

#### **Valuation Allowances**

At December 31, 2019, we had net operating loss carryforwards of \$5.6 billion, \$695 million of which were U.S. state net operating loss carryforwards. Of the total net operating loss carryforwards, \$3.3 billion do not expire, with substantially all of the remaining carryforwards expiring in various years through 2038. At December 31, 2019, we had \$787 million of United States general business credit carryforwards available to offset future payments of federal income taxes, expiring between 2029 and 2038.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

We routinely review the future realization of deferred tax assets based on projected future reversal of taxable temporary differences, available tax planning strategies and projected future taxable income. We have recorded a valuation allowance to reflect the net estimated amount of certain deferred tax assets associated with net operating loss and other deferred tax assets we believe will be realized. Our recorded valuation allowance of \$192 million at December 31, 2019 consists of \$111 million of net operating loss carryforward deferred tax assets and \$81 million of other deferred tax assets. Our recorded valuation allowance was \$348 million at December 31, 2018 and consisted of \$286 million of net operating loss carryforward deferred tax assets and \$62 million of other deferred tax assets. The decrease in our valuation allowance includes \$150 million recognized in net earnings, with the remaining change related to reclassification within our net deferred tax asset. During 2019, the Company used proceeds from a bond offering to recapitalize various entities in EMEA which resulted in a reduction in the valuation allowance. In addition, the Company has established tax planning strategies and transfer pricing policies to provide sufficient future taxable income to realize these deferred tax assets. We believe that it is more likely than not that we will realize the benefit of existing deferred tax assets, net of valuation allowances mentioned above.

**Deferred Tax Liabilities and Assets**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. The following table summarizes the significant components of our deferred tax liabilities and assets at December 31, 2019 and 2018:

Millions of dollars	2019	2018
<b>Deferred tax liabilities</b>		
Intangibles	\$ 439	\$ 450
Property, net	175	195
Right of use assets	238	—
LIFO inventory	89	37
Other	215	262
Total deferred tax liabilities	<u>\$ 1,156</u>	<u>\$ 944</u>
<b>Deferred tax assets</b>		
U.S. general business credit carryforwards, including Energy Tax Credits	\$ 787	\$ 875
Lease liabilities	242	—
Pensions	66	144
Loss carryforwards	1,226	1,051
Postretirement obligations	145	99
Foreign tax credit carryforwards	39	—
Research and development capitalization	133	135
Employee payroll and benefits	96	98
Accrued expenses	93	154
Product warranty accrual	78	55
Receivable and inventory allowances	72	85
Other	574	536
Total deferred tax assets	<u>3,551</u>	<u>3,232</u>
Valuation allowances for deferred tax assets	<u>(192)</u>	<u>(348)</u>
Deferred tax assets, net of valuation allowances	<u>3,359</u>	<u>2,884</u>
Net deferred tax assets	<u>\$ 2,203</u>	<u>\$ 1,940</u>

### Unrecognized Tax Benefits

The following table represents a reconciliation of the beginning and ending amount of unrecognized tax benefits that if recognized would impact the effective tax rate, excluding federal benefits of state and local tax positions, and interest and penalties:

Millions of dollars	2019	2018	2017
Balance, January 1	\$ 278	\$ 219	\$ 102
Additions for tax positions of the current year	20	21	25
Additions for tax positions of prior years	138	60	110
Reductions for tax positions of prior years	(26)	(5)	(1)
Settlements during the period	(4)	(8)	(10)
Lapses of applicable statute of limitation	(12)	(9)	(7)
Balance, December 31	<u>\$ 394</u>	<u>\$ 278</u>	<u>\$ 219</u>

Interest and penalties associated with unrecognized tax benefits resulted in a net benefit of \$4 million at December 31, 2019, a net expense of \$2 million and \$8 million in 2018 and 2017, respectively. We have accrued a total of \$42 million, \$46 million and \$45 million at December 31, 2019, 2018 and 2017, respectively.

It is reasonably possible that certain unrecognized tax benefits of \$4 million could be settled with various related jurisdictions during the next 12 months.

We are in various stages of audits by certain governmental tax authorities. We establish liabilities for the difference between tax return provisions and the benefits recognized in our financial statements. Such amounts represent a reasonable provision for taxes ultimately expected to be paid, and may need to be adjusted over time as more information becomes known. We are no longer subject to any significant United States federal tax examinations for the years before 2009, or any state, local or foreign income tax examinations by tax authorities for years before 2003.

### (16) SEGMENT INFORMATION

Our reportable segments are based upon geographic region and are defined as North America, EMEA, Latin America and Asia. These regions also represent our operating segments. Each segment manufactures home appliances and related components, but serves strategically different marketplaces. The chief operating decision maker evaluates performance based upon each segment's earnings (loss) before interest and taxes (EBIT), which we define as operating profit less interest and sundry (income) expense and excluding restructuring costs, asset impairment charges and certain other items that management believes are not indicative of the region's ongoing performance, if any. Total assets by segment are those assets directly associated with the respective operating activities. The "Other/ Eliminations" column primarily includes corporate expenses, assets and eliminations, as well as restructuring costs, asset impairments and certain other items that management believes are not indicative of the region's ongoing performance, if any. Intersegment sales are eliminated within each region except compressor sales out of Latin America through June 30, 2019, which are included in Other/Eliminations.

Sales to Lowe's, a North American retailer, represented approximately 13%, 12% and 10% of our consolidated net sales in 2019, 2018 and 2017, respectively. Lowe's also represented approximately 14% of our consolidated accounts receivable at December 31, 2019. The Company did not have any customer with accounts receivable of more than 10% of consolidated accounts receivable at December 31, 2018.

The United States individually comprised at least 10% of consolidated net sales in 2019, 2018 and 2017 in the amounts of \$10.7 billion, \$10.6 billion and \$10.4 billion, respectively.

The following table summarizes the countries that represent at least 10% of consolidated long-lived assets for the years ended December 31, 2019 and 2018. Long-lived assets includes property, plant and equipment and right-of-use assets at December 31, 2019 and property, plant and equipment at December 31, 2018.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

Millions of dollars	United States	Mexico	Italy	Poland	All Other Countries	Total
<b>2019</b>						
Long-lived assets	\$ 1,816	\$ 431	\$ 505	\$ 422	\$ 1,048	\$ 4,222
<b>2018</b>						
Long-lived assets	\$ 1,335	\$ 265	\$ 533	\$ 410	\$ 871	\$ 3,414

Millions of dollars	OPERATING SEGMENTS						Total Whirlpool
	North America	EMEA	Latin America	Asia	Other/ Eliminations		
<b>Net sales</b>							
2019	\$ 11,477	\$4,296	\$3,177	\$1,515	\$ (46)	\$ 20,419	
2018	11,374	4,536	3,618	1,587	(78)	21,037	
2017	11,065	4,881	3,946	1,539	(178)	21,253	
<b>Intersegment sales</b>							
2019	\$ 238	\$ 83	\$ 1,321	\$ 334	\$ (1,976)	\$ —	
2018	267	101	1,313	358	(2,039)	—	
2017	271	118	1,273	289	(1,951)	—	
<b>Depreciation and amortization</b>							
2019	\$ 195	\$ 187	\$ 65	\$ 67	\$ 73	\$ 587	
2018	196	204	111	72	62	645	
2017	210	197	126	63	58	654	
<b>EBIT</b>							
2019	\$ 1,462	\$ (30)	\$ 172	\$ 33	\$ 102	\$ 1,739	
2018	1,342	(106)	210	83	(1,358)	171	
2017	1,282	(19)	248	54	(516)	1,049	
<b>Total assets</b>							
2019	\$ 7,791	\$9,450	\$4,226	\$2,581	\$ (5,167)	\$ 18,881	
2018	7,161	7,299	4,745	2,636	(3,494)	18,347	
2017	6,956	8,781	4,847	2,745	(3,291)	20,038	
<b>Capital expenditures</b>							
2019	\$ 179	\$ 124	\$ 97	\$ 80	\$ 52	\$ 532	
2018	180	154	110	71	75	590	
2017	172	219	137	106	50	684	

The following table summarizes the reconciling items in the Other/Eliminations column for total EBIT for the periods presented:



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

in millions	Twelve Months Ended December 31,		
	2019	2018	2017
Items not allocated to segments:			
Restructuring costs	\$ (188)	\$ (247)	\$ (275)
Brazil indirect tax credit	180	—	—
Product warranty and liability expense	(131)	—	—
(Gain) loss on sale and disposal of businesses	437	—	—
Sale leaseback, real estate and receivable adjustment	86	—	—
Trade customer insolvency claim settlement	(59)	—	—
Impairment of goodwill and intangibles	—	(747)	—
French antitrust settlement	—	(103)	—
Trade customer insolvency	—	(30)	—
Out-of-period adjustment	—	—	(40)
Divestiture related transition costs	—	(21)	—
Corporate expenses and other	(223)	(210)	(201)
Total other/eliminations	<u>\$ 102</u>	<u>\$ (1,358)</u>	<u>\$ (516)</u>

A reconciliation of our segment information for total EBIT to the corresponding amounts in the Consolidated Statements of Income (Loss) is shown in the table below for the periods presented:

in millions	Twelve Months Ended December 31,		
	2019	2018	2017
Operating profit	\$ 1,571	\$ 279	\$ 1,136
Interest and sundry (income) expense	(168)	108	87
Total EBIT	<u>\$ 1,739</u>	<u>\$ 171</u>	<u>\$ 1,049</u>
Interest expense	187	192	162
Income tax expense	354	138	550
Net earnings (loss)	<u>\$ 1,198</u>	<u>\$ (159)</u>	<u>\$ 337</u>
Less: Net earnings (loss) available to noncontrolling interests	14	24	(13)
Net earnings (loss) available to Whirlpool	<u>\$ 1,184</u>	<u>\$ (183)</u>	<u>\$ 350</u>

## **(17) DIVESTITURES AND HELD FOR SALE**

### **Embraco Sale Transaction**

On April 23, 2018, our Board of Directors approved the sale of Embraco and we subsequently entered into an agreement to sell the compressor business for a cash purchase price of \$1.08 billion, subject to customary adjustments including for indebtedness, cash and working capital at closing.

On July 1, 2019, we completed the sale of Embraco and received cash proceeds of \$1.1 billion inclusive of anticipated cash on hand at the time of closing. With the proceeds from this transaction, we repaid the outstanding term loan amount of approximately \$1 billion as required under the April 23, 2018 Term Loan Agreement with Citibank, N.A., as Administrative Agent.

In connection with the sale, we recorded a pre-tax gain, net of transaction and other costs, of \$511 million (\$350 million net of taxes) during the twelve months ended December 31, 2019. The gain calculation is subject to change based on finalization of the amounts for working capital and other customary post-closing adjustments.

Embraco was reported within our Latin America reportable segment and met the criteria for held for sale accounting through the closing date. The operations of Embraco did not meet the criteria to be presented as discontinued

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

operations. The assets and liabilities of Embraco were de-consolidated as of the closing date and there are no remaining carrying amounts in the Consolidated Balance Sheets at December 31, 2019.

The carrying amounts of the major classes of Embraco's assets and liabilities at December 31, 2018 include the following:

<b>Millions of dollars</b>	
Accounts receivable, net of allowance of \$8	\$ 198
Inventories	165
Prepaid and other current assets	42
Property, net of accumulated depreciation of \$616	364
Other noncurrent assets	49
<b>Total assets</b>	<b>\$ 818</b>
Accounts payable	\$ 361
Accrued expenses	27
Accrued advertising and promotion	12
Other current liabilities	55
Other noncurrent liabilities	34
<b>Total liabilities</b>	<b>\$ 489</b>

The following table summarizes Embraco's earnings before income taxes for the twelve months ended December 31, 2019, 2018 and 2017:

<b>Millions of dollars</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Earnings before income taxes	\$ 47	\$ 53	\$ 90

### South Africa Business Disposal

On June 28, 2019, we entered into an agreement to sell our South Africa operations for a cash purchase price of \$5 million, subject to customary adjustments at closing.

On September 5, 2019, we completed the sale of our South Africa operations. In connection with the sale, we finalized the loss on disposal of \$63 million which is recorded in the year ended December 31, 2019. The loss includes a charge of \$29 million for the write-down of the assets of the disposal group to fair value and \$34 million of cumulative foreign currency translation adjustments included in the carrying amount of the disposal group to calculate the impairment.

The South Africa business was reported within our EMEA reportable segment and met the criteria for held for sale accounting through the closing date. The operations of South Africa did not meet the criteria to be presented as discontinued operations.

See Note 11 to the Consolidated Financial Statements for additional information.

### Divestiture of Turkey Domestic Sales Operations

For the year ended December 31, 2019, we incurred approximately \$11 million of divestiture related costs, primarily inventory liquidation costs, related to the exit from our domestic sales operations in Turkey.

See Note 14 to the Consolidated Financial Statements for additional information.

(18) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Millions of dollars, except per share data	Three months ended							
	Dec. 31		Sept. 30		Jun. 30		Mar. 31	
	2019 <sup>(4)</sup>	2018	2019 <sup>(3)</sup>	2018	2019	2018 <sup>(2)</sup>	2019	2018
Net sales	\$ 5,382	\$ 5,660	\$ 5,091	\$ 5,326	\$ 5,186	\$ 5,140	\$ 4,760	\$ 4,911
Cost of products sold	4,334	4,710	4,350	4,431	4,254	4,260	3,948	4,099
Gross margin	1,048	950	741	895	932	880	812	812
Operating profit (loss)	424	309	693	299	191	(472)	263	143
Interest and sundry (income) expense	54	2	(29)	24	(63)	90	(130)	(8)
Net earnings (loss)	288	170	364	216	72	(639)	474	94
Net earnings (loss) available to Whirlpool	288	170	358	210	67	(657)	471	94
Per share of common stock: <sup>(1)</sup>								
Basic net earnings (loss)	\$ 4.56	\$ 2.66	\$ 5.62	\$ 3.25	\$ 1.04	\$ (9.50)	\$ 7.36	\$ 1.31
Diluted net earnings (loss)	4.52	2.64	5.57	3.22	1.04	(9.50)	7.31	1.30
Dividends	1.20	1.15	1.20	1.15	1.20	1.15	1.15	1.10

<sup>(1)</sup> The quarterly earnings per share amounts will not necessarily add to the earnings per share computed for the year due to the method used in calculating per share data.

<sup>(2)</sup> The operating loss and net loss for the three months ended June 30, 2018 includes an impairment of goodwill and other intangibles of \$747 million. The net loss for the three months ended June 30, 2018 also includes a \$103 million charge related to the FCA settlement agreement. See Note 6, Note 8 and Note 11 to the Consolidated Financial Statements for additional information.

<sup>(3)</sup> The operating profit and net earnings for the three months ended September 30, 2019 includes a gain on sale and disposal of businesses of \$437 million, a \$180 million gain related to Brazil indirect tax credits and a \$105 million charge related to product warranty expense on EMEA-produced washers. See Note 8, Note 11, Note 14 and Note 17 to the Consolidated Financial Statements for additional information.

<sup>(4)</sup> The gross margin for the three months ended December 31, 2019 includes a gain of \$95 million related to the sale and leaseback transaction. See Note 1 to the Consolidated Financial Statements for additional information.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

**Disclosure controls and procedures.** Whirlpool maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act")) 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 Whirlpool's management, including its 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 Whirlpool management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2019.

**Management's annual report on internal control over financial reporting.** Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the rules and regulations adopted pursuant thereto, we included a report of management's assessment of the effectiveness of our internal control over financial reporting as part of this report. Management's report is included on page 110 of this report under the caption entitled "Management's Report on Internal Control Over Financial Reporting" and is incorporated herein by reference.

Our internal control over financial reporting as of December 31, 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included on page 114 of this report under the caption entitled "Report of Independent Registered Public Accounting Firm" and is incorporated herein by reference.

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our executive officers is included in ITEM 1 of PART I of this report under "Information About Our Executive Officers."

Information regarding the background of the directors, matters related to the Audit Committee, Section 16(a) compliance, and the process by which our shareholders may recommend nominees to our Board of Directors can be found under the captions "Directors and Nominees for Election as Directors," "Board of Directors and Corporate Governance - Board of Directors and Committees," "Delinquent Section 16(a) Reports," and "Board of Directors and Corporate Governance - Director Nominations by Stockholders" in the Proxy Statement, which is incorporated herein by reference.

We have adopted a code of ethics that applies to all of our employees, officers and directors, including our principal executive officer, principal financial officer and principal accounting officer. The text of our code of ethics, titled "Our Integrity Manual", is posted on our website at [whirlpoolcorp.com/ethics](http://whirlpoolcorp.com/ethics). Whirlpool intends to disclose future amendments to, or waivers from, certain provisions of the code of ethics for executive officers and directors on this website within four business days following the date of such amendment or waiver. Stockholders may request a free copy of the Integrity Manual from:

Investor Relations  
Whirlpool Corporation  
2000 North M-63  
Mail Drop 2609  
Benton Harbor, MI 49022-2692  
Telephone: (269) 923-2641

Whirlpool has also adopted Corporate Governance Guidelines and written charters for its Audit, Finance, Human Resources and Corporate Governance and Nominating Committees, all of which are posted on our website: [whirlpoolcorp.com](http://whirlpoolcorp.com) (scroll to the bottom of the main page and click on "Policies.") Stockholders may request a free copy of the charters and guidelines from the address or telephone number set forth above.

### ITEM 11. EXECUTIVE COMPENSATION

Information regarding compensation of our executive officers and directors can be found under the captions "Nonemployee Director Compensation," "Compensation Discussion and Analysis," "2019 Executive Compensation Tables," "Pay Ratio Disclosure," and "Human Resources Committee Interlocks and Insider Participation" in the Proxy Statement, which is incorporated herein by reference. See also the information under the caption "Human Resources Committee Report" in the Proxy Statement, which is incorporated herein by reference; however, such information is only "furnished" hereunder and not deemed "soliciting material" or "filed" with the SEC or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding the security ownership of any person that we know to beneficially own more than 5% of Whirlpool stock and by each Whirlpool director, each Whirlpool named executive officer, and all directors and executive officers as a group, can be found under the captions "Security Ownership" and "Beneficial Ownership" in the Proxy Statement, which is incorporated herein by reference. Information relating to securities authorized under equity compensation plans can be found under the caption "Equity Compensation Plan Information" in the Proxy Statement, which is incorporated herein by reference.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information regarding certain relationships and related transactions (if any) and the independence of Whirlpool's directors, can be found under the captions "Related Person Transactions" and "Board of Directors and Corporate Governance - Board of Directors and Committees" in the Proxy Statement, which is incorporated herein by reference.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information regarding our auditors and the Audit Committee's pre-approval policies can be found under the caption "Matters Relating to Independent Registered Public Accounting Firm" in the Proxy Statement, which is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

1. Financial statements

	PAGE
<u>Consolidated Statements of Income (Loss)</u>	<u>47</u>
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	<u>48</u>
<u>Consolidated Balance Sheets</u>	<u>49</u>
<u>Consolidated Statements of Cash Flows</u>	<u>50</u>
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	<u>51</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>52</u>
<u>Report by Management on the Consolidated Financial Statements</u>	<u>109</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>111</u>

2. Financial Statement Schedules - "Schedule II - Valuation and Qualifying Accounts" is contained on page 115 of this report. Certain schedules for which provisions are made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(b) The exhibits listed in the "Exhibit Index" is contained on page 102 of this report.

(c) Individual financial statements of the registrant's affiliated foreign companies, accounted for by the equity method, have been omitted since no such company individually constitutes a significant subsidiary.

### ITEM 16. Form 10-K Summary

None.

**ANNUAL REPORT ON FORM 10-K**  
**ITEMS 15(a)(3) and 15(c)**  
**EXHIBIT INDEX**  
**YEAR ENDED DECEMBER 31, 2019**

The following exhibits are submitted herewith or incorporated herein by reference in response to Items 15(a)(3) and 15(c). Each exhibit that is considered a management contract or compensatory plan or arrangement required to be filed pursuant to Item 15(a)(3) of Form 10-K is identified by a "(Z)."

**Number and Description of Exhibit**

- 2(i)\*\* Purchase Agreement dated April 24, 2018 by and among Whirlpool Corporation, certain subsidiaries thereof, and Nidec Corporation [Incorporated by reference from Exhibit 2.1 to the Company's Form 8-K (Commission file number 1-3932) filed on April 24, 2018]
- 2(ii)\*\* Amendment dated May 3, 2019 to Purchase Agreement dated April 24, 2018 by and among Whirlpool Corporation, certain subsidiaries thereof, and Nidec Corporation [Incorporated by reference from Exhibit 2.1 to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended June 30, 2019]
- 3(i) Restated Certificate of Incorporation of Whirlpool Corporation (amended and restated as of April 22, 2009) [Incorporated by reference from Exhibit 3.1 to the Company's Form 8-K (Commission file number 1-3932) filed on April 23, 2009]
- 3(ii) By-Laws of Whirlpool Corporation (amended and restated effective October 18, 2016) [Incorporated by reference from Exhibit 3.2 to the Company's Form 8-K (Commission file number 1-3932) filed on October 21, 2016]
- 4(i) The registrant hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of instruments defining the rights of holders of each issue of long-term debt of the registrant and its subsidiaries.
- 4(ii) Indenture dated as of April 15, 1990 between Whirlpool Corporation and Citibank, N.A. [Incorporated by reference from Exhibit 4(a) to the Company's Registration Statement on Form S-3 (Commission file number 33-40249) filed on May 6, 1991]
- 4(iii) Indenture dated as of March 20, 2000 between Whirlpool Corporation and U.S. Bank, National Association (as successor to Citibank, N.A.) [Incorporated by reference from Exhibit 4(a) to the Company's Registration Statement on Form S-3 (Commission file number 333-32886) filed on March 21, 2000]
- 4(iv) Indenture dated as of June 15, 1987 between Maytag Corporation and The First National Bank of Chicago [Incorporated by reference from Maytag Corporation's Quarterly Report on Form 10-Q (Commission file number 1-00655) for the quarter ended June 30, 1987]
- 4(v) Ninth Supplemental Indenture dated as of October 30, 2001 between Maytag Corporation and Bank One, National Association [Incorporated by reference from Exhibit 4.1 to Maytag Corporation's Form 8-K (Commission file number 1-00655) filed on October 31, 2001]
- 4(vi) Tenth Supplemental Indenture dated as of December 30, 2010, between Maytag Corporation, Whirlpool Corporation and The Bank of New York Mellon Trust Company, N.A. [Incorporated by reference from Exhibit 4(vi) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2010]



- 4(vii) Indenture, dated November 2, 2016, among Whirlpool Finance Luxembourg S.à. r.l., Whirlpool Corporation and U.S. Bank National Association [Incorporated by reference from Exhibit 4.1 to the Company's Form 8-K (Commission file number 1-3932) filed on November 2, 2016]
- 4(viii)\* Description of Whirlpool Corporation's securities
- 10(i)(a) Share Purchase Agreement dated July 10, 2014 among Whirlpool Corporation and Fineldo S.p.A., Franca Carloni, Andrea Merloni, Aristide Merloni, Maria Paola Merloni, and Antonella Merloni [Incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) for the quarter ended September 30, 2014]
- 10(i)(b) Share Purchase Agreement dated July 10, 2014 among Whirlpool Corporation and Fineldo S.p.A., Fines S.p.A., Franca Carloni, Andrea Merloni, Aristide Merloni, Maria Paola Merloni, Ester Merloni, Vittorio Merloni and Antonella Merloni [Incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) for the quarter ended September 30, 2014]
- 10(i)(c) Share Purchase Agreement dated July 10, 2014 between Whirlpool Corporation and Claudia Merloni [Incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) for the quarter ended September 30, 2014]
- 10(i)(d) Exclusivity Agreement dated July 10, 2014 among Whirlpool Corporation and Fineldo S.p.A., Fines S.p.A., Vittorio Merloni, Franca Carloni, Aristide Merloni, Andrea Merloni, Maria Paola Merloni, Antonella Merloni, and Ester Merloni [Incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) for the quarter ended September 30, 2014]
- 10(i)(e) Amendment dated October 14, 2014 to Share Purchase Agreement dated July 10, 2014, among Whirlpool Italia Holdings S.r.l., Whirlpool Corporation and Fineldo S.p.A., Franca Carloni, Andrea Merloni, Aristide Merloni, Maria Paola Merloni, and Antonella Merloni [Incorporated by reference from Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) for the quarter ended September 30, 2014]
- 10(i)(f) Fourth Amended and Restated Long Term Credit Agreement dated as of August 6, 2019 among Whirlpool Corporation, Whirlpool Europe B.V., Whirlpool Canada Holding Co., Whirlpool Global B.V., Whirlpool UK Appliances Limited, the other borrowers party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, and BNP Paribas, Mizuho Bank, Ltd. and Wells Fargo Bank, National Association, as Documentation Agents [Incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended September 30, 2019]
- 10(iii)(a) Whirlpool Corporation Nonemployee Director Stock Ownership Plan (amended as of February 16, 1999, effective April 20, 1999) (Z) [Incorporated by reference from Exhibit A to the Company's Proxy Statement (Commission file number 1-3932) for the 1999 annual meeting of stockholders]
- 10(iii)(b) Whirlpool Corporation Charitable Award Contribution and Additional Life Insurance Plan for Directors (effective April 20, 1993) (Z) [Incorporated by reference from Exhibit 10(iii)(p) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 1994]
- 10(iii)(c) Whirlpool Corporation Deferred Compensation Plan for Directors (as amended effective January 1, 1992 and April 20, 1993) (Z) [Incorporated by reference from Exhibit 10(iii)(f) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 1993]
- 10(iii)(d) Whirlpool Corporation Deferred Compensation Plan II for Non-Employee Directors (as amended and restated, effective January 1, 2009) (Z) [Incorporated by reference from Exhibit 10(iii)(e) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2008]

- 10(iii)(e) Whirlpool Corporation Nonemployee Director Equity Plan (effective January 1, 2005) (Z) [Incorporated by reference from Exhibit 99.1 to the Company's Form 8-K (Commission file number 1-3932) filed on April 21, 2005]
- 10(iii)(f) Amendment of the Whirlpool Corporation Nonemployee Director Equity Plan (effective January 1, 2008) (Z) [Incorporated by reference to Exhibit 10(iii)(a) to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) filed on April 24, 2008]
- 10(iii)(g) Nonemployee Director Stock Option Form of Agreement (Z) [Incorporated by reference from Exhibit 10(iii)(b) to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) filed on April 24, 2008]
- 10(iii)(h) Nonemployee Director Stock Option Form of Agreement (Z) [Incorporated by reference from Exhibit 10.2 to the Company's Form 8-K (Commission file number 1-3932) filed on April 26, 2010]
- 10(iii)(i) Whirlpool Corporation 2007 Omnibus Stock and Incentive Plan (effective January 1, 2007) (Z) [Incorporated by reference from Annex A to the Company's Proxy Statement (Commission file number 1-3932) for the 2007 annual meeting of stockholders filed on March 12, 2007]
- 10(iii)(j) Omnibus Equity Plans 409A Amendment (effective December 19, 2008) (Z) [Incorporated by reference from Exhibit 10(iii)(n) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2008]
- 10(iii)(k) Whirlpool Corporation 2010 Omnibus Stock and Incentive Plan (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K (Commission file number 1-3932) filed on April 26, 2010]
- 10(iii)(l) Whirlpool Corporation Amended and Restated 2010 Omnibus Stock and Incentive Plan (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Registration Statement on Form S-8 (Commission file number 333-187948) filed on April 16, 2013]
- 10(iii)(m) Form of Agreement for the Whirlpool Corporation Career Stock Grant Program (pursuant to one or more of Whirlpool's Omnibus Stock and Incentive Plans) (Z) [Incorporated by reference from Exhibit 10(iii)(q) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 1995]
- 10(iii)(n) Form of Amendment to Whirlpool Corporation Career Stock Grant Agreement (Z) [Incorporated by reference from Exhibit 10(iii)(p) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2008]
- 10(iii)(o) Form of Stock Option Grant Document for the Whirlpool Corporation Stock Option Program (pursuant to one or more of Whirlpool's Omnibus Stock and Incentive Plans)(Rev. 02/17/04) (Z) [Incorporated by reference from Exhibit 10(i) to the Company's Form 8-K (Commission file number 1-3932) filed on January 25, 2005]
- 10(iii)(p) Form of Restricted Stock Unit Agreement (pursuant to one or more of Whirlpool's Omnibus Stock and Incentive Plans) (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K (Commission file number 1-3932) filed on June 21, 2010]
- 10(iii)(q) Whirlpool Corporation 2010 Omnibus Stock and Incentive Plan Restricted Stock Unit Award (Z) [Incorporated by reference from Exhibit 10(iii)(a) to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2011]

- 10(iii)(r) Whirlpool Corporation 2010 Omnibus Stock and Incentive Plan Strategic Excellence Program Performance Unit Award (Z) [Incorporated by reference from Exhibit 10(iii)(b) to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2011]
- 10(iii)(s) Whirlpool Corporation 2010 Omnibus Stock and Incentive Plan Strategic Excellence Program Stock Option Grant (Z) [Incorporated by reference from Exhibit 10(iii)(c) to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2011]
- 10(iii)(t) Whirlpool Corporation 2010 Omnibus Stock and Incentive Plan Strategic Excellence Program Restricted Stock Unit Award (Z) [Incorporated by reference from Exhibit 10(iii)(d) to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2011]
- 10(iii)(u) Whirlpool Corporation 2010 Omnibus Stock and Incentive Plan Strategic Excellence Program Stock Option Grant Document (Z) [Incorporated by reference from Exhibit 10(iii)(a) to the Company's form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2012]
- 10(iii)(v) Whirlpool Corporation 2010 Omnibus Stock and Incentive Plan Strategic Excellence Program Performance Restricted Stock Unit / Performance Unit Grant Document (Z) [Incorporated by reference from Exhibit 10(iii)(b) to the Company's form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2012]
- 10(iii)(w) Whirlpool Corporation Amended and Restated 2010 Omnibus Stock and Incentive Plan Strategic Excellence Program Performance Unit Award for Executive Chairman (Z) [Incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2018]
- 10(iii)(x) Whirlpool Corporation 2018 Omnibus Stock and Incentive Plan (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K (Commission file number 1-3932) filed on April 18, 2018]
- 10(iii)(y) Form of Compensation and Benefits Assurance Agreements (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K (Commission file number 1-3932) filed on August 23, 2010]
- 10(iii)(z) Whirlpool Corporation Executive Deferred Savings Plan (as amended effective January 1, 1992) (Z) [Incorporated by reference from Exhibit 10(iii)(n) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 1993]
- 10(iii)(aa) Whirlpool Corporation Executive Deferred Savings Plan II (as amended and restated, effective January 1, 2009), including Supplement A, Whirlpool Executive Restoration Plan (as amended and restated, effective January 1, 2009) (Z) [Incorporated by reference from Exhibit 10(iii)(y) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2008]
- 10(iii)(bb) Amendment to the Whirlpool Corporation Executive Deferred Savings Plan II (dated December 21, 2009) (Z) [Incorporated by reference from Exhibit 10(iii)(x) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2009]
- 10(iii)(cc) Whirlpool Retirement Benefits Restoration Plan (as amended and restated effective January 1, 2009) (Z) [Incorporated by reference from Exhibit 10(iii)(dd) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2008]
- 10(iii)(dd) Whirlpool Supplemental Executive Retirement Plan (as amended and restated, effective January 1, 2009) (Z) [Incorporated by reference from Exhibit 10(iii)(ee) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2008]
- 10(iii)(ee) Whirlpool Corporation Form of Indemnity Agreement (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K (Commission file number 1-3932) filed on February 23, 2006]

- 10(iii)(ff) Whirlpool Corporation Performance Excellence Plan (Z) [Incorporated by reference from Exhibit 10(iii)(a) to the Company's Quarterly Report on Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2014]
- 10(iii)(gg) Whirlpool Corporation 2014 Executive Performance Excellence Plan (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K (Commission file number 1-3932) filed on April 17, 2014]
- 10(iii)(hh) Agreement dated May 1, 2012 by and between Whirlpool Corporation and Mr. João Carlos Costa Brega (Z) [Incorporated by reference from Exhibit 10(iii)(ii) to the Company's Annual Report on Form 10-K (Commission file number 1-3932) for the fiscal year ended December 31, 2015]
- 10(iii)(ii)\* Permanent Employment Contract dated April 1, 2019, between Whirlpool EMEA S.p.A. and Gilles Morel (Z)
- 10(iii)(jj) Whirlpool Corporation 2018 Omnibus Stock and Incentive Plan Strategic Excellence Program Performance Restricted Stock Unit Award Document (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2019]
- 10(iii)(kk) Whirlpool Corporation 2018 Omnibus Stock and Incentive Plan Strategic Excellence Program Stock Option Grant Document (Z) [Incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2019]
- 10(iii)(ll) Whirlpool Corporation 2018 Omnibus Stock and Incentive Plan Strategic Excellence Program Restricted Stock Unit Award Document (Z) [Incorporated by reference from Exhibit 10.3 to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended March 31, 2019]
- 10(iii)(mm) Aircraft Time Sharing Agreement dated as of July 29, 2019 by and between Whirlpool Corporation and Marc Bitzer [Incorporated by reference from Exhibit 10.1 to the Company's Form 10-Q (Commission file number 1-3932) for the quarter ended September 30, 2019]
- 21\* List of Subsidiaries
- 23\* Consent of Independent Registered Public Accounting Firm
- 24\* Power of Attorney
- 31.1\* Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\* Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32\* 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 101.SCH\* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL\* Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF\* Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB\* Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE\* Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed Herewith

\*\* Schedules (or similar attachments) have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish supplementally copies of such omitted schedules (or similar attachments) to the Securities and Exchange Commission upon request.



## REPORT BY MANAGEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The management of Whirlpool Corporation has prepared the accompanying financial statements. The financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, whose report, based upon their audits, expresses the opinion that these financial statements present fairly the consolidated financial position, statements of income and cash flows of Whirlpool and its subsidiaries in accordance with accounting principles generally accepted in the United States. Their audits are conducted in conformity with the auditing standards of the Public Company Accounting Oversight Board (United States).

The financial statements were prepared from the Company's accounting records, books and accounts which, in reasonable detail, accurately and fairly reflect all material transactions. The Company maintains a system of internal controls designed to provide reasonable assurance that the Company's books and records, and the Company's assets are maintained and accounted for, in accordance with management's authorizations. The Company's accounting records, compliance with policies and internal controls are regularly reviewed by an internal audit staff.

The audit committee of the Board of Directors of the Company is composed of six independent directors who, in the opinion of the board, meet the relevant financial experience, literacy, and expertise requirements. The audit committee provides independent and objective oversight of the Company's accounting functions and internal controls and monitors (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications and independence, and (4) the performance of the Company's internal audit function and independent registered public accounting firm. In performing these functions, the committee has the responsibility to review and discuss the annual audited financial statements and quarterly financial statements and related reports with management and the independent registered public accounting firm, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," to monitor the adequacy of financial disclosure. The committee also has the responsibility to retain and terminate the Company's independent registered public accounting firm and exercise the committee's sole authority to review and approve all audit engagement fees and terms and pre-approve the nature, extent, and cost of all non-audit services provided by the independent registered public accounting firm.

/s/ JAMES W. PETERS

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James W. Peters

Executive Vice President and Chief Financial Officer

February 11, 2020

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Whirlpool Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a – 15(f) and 15d – 15(f) under the Securities Exchange Act of 1934. Whirlpool's internal control system is designed to provide reasonable assurance to Whirlpool's management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The management of Whirlpool assessed the effectiveness of Whirlpool's internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control–Integrated Framework (2013 Framework). Based on the assessment and those criteria, management believes that Whirlpool maintained effective internal control over financial reporting as of December 31, 2019.

Whirlpool's independent registered public accounting firm has issued an audit report on its assessment of Whirlpool's internal control over financial reporting. This report appears on page 114.

/s/ MARC R. BITZER

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Marc R. Bitzer

Chairman of the Board, President and Chief  
Executive Officer

February 11, 2020

/s/ JAMES W. PETERS

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James W. Peters

Executive Vice President and Chief Financial Officer

February 11, 2020



## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of Whirlpool Corporation

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Whirlpool Corporation (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 11, 2020 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

## **Valuation of Europe, Middle East, and Africa (EMEA) Reporting Unit Goodwill and Certain EMEA Indefinite Lived Intangible Assets**

At December 31, 2019, the balance of the Company's goodwill related to the EMEA reporting unit was \$302 million and the balance of the Indesit and Hotpoint indefinite lived brand intangible assets was \$213 million and \$151 million, respectively. As discussed in Note 1 and Note 6 to the consolidated financial statements, goodwill and indefinite lived intangible assets are tested for impairment at least annually or when impairment indicators are present at the reporting unit or intangible asset level, respectively.

### *Description of the Matter*

Auditing management's assessment of the estimated fair value of the EMEA reporting unit goodwill was complex and required the involvement of valuation specialists due to the judgmental nature of the assumptions utilized in the valuation process. The fair value estimate was sensitive to significant assumptions such as revenue growth, EBIT margins and the discount rate. The estimate also included assumptions related to the terminal growth rate, tax rate, capital expenditures, depreciation and amortization and changes in working capital requirements. In addition, auditing management's assessment of the estimated fair value of both the Indesit and Hotpoint indefinite lived brand intangible assets was complex and required the involvement of valuation specialists due to the judgmental nature of the assumptions used in the valuation process. The fair value estimate was sensitive to significant assumptions such as future revenue, royalty rate and discount rate. The estimate also included assumptions related to the tax rate.

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill and indefinite lived intangible asset fair value assessment process. This included testing controls over management's review over the projected financial information and other key assumptions used in the valuation model as well as controls over the carrying value of the EMEA reporting unit and both the Indesit and Hotpoint brand intangibles.

### *How We Addressed the Matter in Our Audit*

To test the estimated fair value of goodwill related to the EMEA reporting unit as well as the Indesit and Hotpoint indefinite lived brand intangible assets, we performed audit procedures that included, among others, assessing methodologies used in the model and testing the significant assumptions discussed above. This included comparing the significant assumptions used by management to current industry and economic trends, changes to the Company's business model, customer base or product mix and other relevant factors. We assessed the reasonableness of management's projections used in the fair value calculation and obtained support for initiatives supporting these projections. We also compared previous forecasts to actual results to assess management's forecasting process. For example, for forecasted revenue we compared the revenue growth assumptions to the Company's historical growth rate, external economic and industry data, and various business plans designed to grow revenue. To assess the discount rate, we reviewed the methodology used by the Company and considered each input relative to current economic factors.

We involved valuation specialists to assist in evaluating the key assumptions and methodologies. We performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the EMEA reporting unit and the indefinite lived intangible assets that would result from changes in the assumptions. In addition, we tested the mathematical accuracy of the model.

## **Valuation of Unrecognized Income Tax Benefits and Indirect Tax Matters**

As of December 31, 2019, the Company has Unrecognized Income Tax Benefits and indirect tax matters as described in Note 8 and Note 15 to the consolidated financial statements, respectively. These matters also include assessments disclosed in the BEFIEX Credits and Other Brazil Tax Matters section of Note 8 of \$619 million related to Brazilian income tax and indirect tax matters. As described in Note 13, the Company has unrecognized tax benefits of \$394 million. The Company records the benefits of an uncertain tax position in the consolidated financial statements after determining it is more likely than not that the uncertain tax position will be sustained upon examination based on its technical merits. The Company accrues liabilities for the contingencies which relate to indirect tax matters when a loss probable and the amount or range of loss is reasonably estimable.

### *Description of the Matter*

Auditing management's accounting and disclosure for these unrecognized tax benefits and indirect tax matters was complex because the evaluation is based on interpretations of domestic and international tax laws, is subjective, requires significant judgment and often requires the use of subject matter resources to assist in the evaluation.

We identified and tested controls that address the risk of material misstatement relating to the valuation of these income tax and indirect tax matters. This included, among others, testing controls over the Company's process to assess the technical merits and measurement of these positions. We also tested the Company's process to determine the disclosure for these matters.

*How We  
Addressed the  
Matter in Our  
Audit*

With the assistance of our income tax professionals and subject matter resources, we performed audit procedures that included, among others, evaluating the technical merits, measurement and related disclosure for the Company's positions. For example, we assessed the inputs utilized and the conclusions reached in the assessments performed by the management, and compared the methods used to alternative methods. We also reviewed certain legal opinions obtained from external advisors and internal legal counsel, examined the Company's communications with the relevant tax authorities and read the minutes of the meetings of the committees of the board of directors. In addition, we used our knowledge of historical settlement activity, tax laws, and other market information to evaluate the technical merits of the Company's positions. Furthermore, we monitored leading cases within the respective jurisdictions to determine if precedence set in those rulings impacted the Company's cases and we monitored external sources for any information which could impact these cases.

**Revenue Recognition - Completeness and Valuation of Customer Sales Incentives (Promotions Liabilities)**

At December 31, 2019, the Company's accrued promotional liability was \$949 million. As discussed in Note 2 to the consolidated financial statements, the Company recognizes a reduction to revenue and a corresponding accrued promotional liability based on the amount of customer sales incentives to be paid to trade customers. This estimate is accounted for as a reduction to revenue in the period incurred and primarily calculated using the expected value method.

*Description of  
the Matter*

Auditing the accrued promotions liability was complex and subjective due to the large volume of activity, the manual nature of adjustments made to the liability in certain countries, and the inherent estimation uncertainty in the process performed to estimate the reduction to revenue and corresponding promotional liability. In addition, assessing the completeness of the accrual required significant auditor judgement.

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the completeness and valuation of the reduction to revenue and corresponding promotional liability. For example, we tested controls over management's review of adjustments to the accrual, as well as their review of significant assumptions to the accrual, including the validation of third-party sales data.

*How We  
Addressed the  
Matter in Our  
Audit*

Our audit procedures over completeness and valuation included, among others, testing a sample of key inputs to the promotional liability, including reviewing key customer contractual agreements and third-party sales data. We performed testing over activity subsequent to the balance sheet date to determine the impact, if any, these items have on the 2019 financial statements. In addition, to assess management's estimation accuracy, we perform a lookback analysis which compares the amount accrued in the prior year to the amount subsequently paid.

We also performed analytical procedures on a disaggregated level and performed inquiries of sales personnel and key finance management personnel. In addition, we sent confirmations to third parties, which included confirmation of the sales incentive amounts owed to customers.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1927.

Chicago, Illinois  
February 11, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Whirlpool Corporation

### Opinion on Internal Control over Financial Reporting

We have audited Whirlpool Corporation's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Whirlpool Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the index at Item 15(a) and our report dated February 11, 2020 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 11, 2020

**SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS**  
**WHIRLPOOL CORPORATION AND SUBSIDIARIES**  
**Years Ended December 31, 2019, 2018 and 2017**  
**(Millions of dollars)**

COL. A	COL. B	COL. C	COL. D	COL. E
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions <sup>(1)</sup>	Balance at End of Period
<b>Allowance for doubtful accounts</b>				
Year Ended December 31, 2019:	\$ 136	\$ 16	\$ (20)	\$ 132
Year Ended December 31, 2018:	157	54	(75)	136
Year Ended December 31, 2017:	185	73	(101)	157
<b>Deferred tax valuation allowance<sup>(2)</sup></b>				
Year Ended December 31, 2019:	\$ 348	\$ (150)	\$ (6)	\$ 192
Year Ended December 31, 2018:	178	75	95	348
Year Ended December 31, 2017:	150	(64)	92	178

<sup>(1)</sup> With respect to allowance for doubtful accounts, the amounts represent accounts charged off, net of translation adjustments and transfers. In 2018 the amount also includes an adjustment for Embraco compressor business, for additional information refer to Note 17 to the Consolidated Financial Statements. Recoveries were nominal for 2019, 2018 and 2017.

<sup>(2)</sup> For additional information about our deferred tax valuation allowances, refer to Note 15 to the Consolidated Financial Statements.



**WHIRLPOOL CORPORATION**  
**List of Subsidiaries**

<b>Subsidiary Name</b>	<b>Jurisdiction in Which Organized</b>
1900 Holdings Corporation	Delaware
Airdun Limited	UK
B. Blend Máquinas e Bebidas S.A.	Brazil
BUD Comércio de Eletrodomésticos Ltda.	Brazil
BWI Products Limited	England
Bauknecht AG	Switzerland
Bauknecht Hausgeräte GmbH	Germany
Bill Page Orchestra, Inc.	California
Brasmotor S.A.	Brazil
Brunson Place Properties, LLC	Michigan
CNB Consultoria Ltda	Brazil
Cannon Industries Ltd.	UK
Centro de Desarrollo Tecnológico e Innovación WHM, S. de R.L de C.V.	Mexico
Chieri Italia S.r.l.	Italy
Comercial Acros Whirlpool, S. de R.L. de C.V.	Mexico
Consumer Appliances Service Limited	Hong Kong
Elera Delaware, Inc.	Delaware
Elera Holdings Corporation	Delaware
Everest Campus, LLC.	Michigan
General Domestic Appliances Holdings Ltd	UK
General Domestic Appliances International Ltd.	UK
Guangdong Whirlpool Electrical Appliances Co., Ltd.	China
Haceb Whirlpool Industrias S.A.S.	Colombia
Hefei Whirlpool Enterprise Management Service Co. Ltd.	China
Hoover Comercial Limitada	Brazil
Indesit Argentina S.A.	Argentina
Indesit Company Domestic Appliances Hellas Mepe	Greece
Indesit Company International Business S.A.	Switzerland
Indesit Company Luxembourg S.A.	Luxembourg
Indesit Company Nordics AB	Sweden
Indesit Company Singapore Pte. Ltd.	Singapore
Indesit Company UK Holdings Ltd.	UK
Indesit IP S.r.l.	Italy
IRE Beteiligungs GmbH	Germany
Industrias Acros Whirlpool, S. de R.L. de C.V.	Mexico
Jackson Appliances Ltd.	UK
Joint-Stock Company Indesit International	Russia
KitchenAid Australia, Pty Ltd	Australia
KitchenAid Delaware, Inc.	Delaware
KitchenAid Europa, Inc.	Delaware
KitchenAid, Inc.	Ohio
KitchenAid Global, Inc.	Delaware

<b>Subsidiary Name</b>	<b>Jurisdiction in Which Organized</b>
KitchenAid Korea Limited	S Korea
KitchenAid Promotions, LLC	Michigan
KitchenAid Trading Co., Ltd.	China
LAWSA S.A.	Argentina
MLOG Armazém Geral Ltda.	Brazil
Maytag Limited	Ontario
Maytag Properties, LLC	Michigan
Maytag Sales, Inc.	Delaware
Maytag Worldwide N.V.	Curaçao
Merloni Domestic Appliances Ltd.	UK
Nineteen Hundred Corporation	New York
South American Sales Partnership	Florida
THC Assets Corporation	Delaware
WCGP Nova Scotia Co.	Nova Scotia
Whirlpool (Australia) Pty. Limited	Australia
Whirlpool (B.V.I.) Limited	Virgin Islands (British)
Whirlpool (China) Co., Ltd.	China
Whirlpool (China) Investment Co., Ltd.	China
Whirlpool (Hefei) Trading Co., Ltd	China
Whirlpool (Hong Kong) Limited	Hong Kong
Whirlpool (Japan) Co., Ltd.	Japan
Whirlpool (Thailand) Limited	Thailand
Whirlpool America Holdings Corp.	Delaware
Whirlpool Argentina S.r.l.	Argentina
Whirlpool ASEAN Co.	Delaware
Whirlpool Asia B.V.	Netherlands (The)
Whirlpool Asia Holdings S.à r.l.	Luxembourg
Whirlpool Asia Inc.	Delaware
Whirlpool Asia LLP	India
Whirlpool Belux N.V./S.A.	Belgium
Whirlpool Bermuda Euro Ltd.	Bermuda
Whirlpool Beyaz Esya Sanayi Ve Ticaret A.S.	Turkey
Whirlpool Bulgaria Ltd.	Bulgaria
Whirlpool CR, spol. s.r.o.	Czech Republic
Whirlpool Canada Co.	Nova Scotia
Whirlpool Canada Holding Co.	Nova Scotia
Whirlpool Canada Investments S.à r.l.	Luxembourg
Whirlpool Canada LP	Ontario
Whirlpool Canada Luxembourg Holdings S.à r.l.	Luxembourg
Whirlpool Chile Limitada	Chile
Whirlpool Colômbia S.A.S.	Colombia
Whirlpool Comercial Ltda.	Brazil
Whirlpool Company Polska Sp. z o.o.	Poland
Whirlpool Company Ukraine LLC	Ukraine
Whirlpool Croatia Ltd.	Croatia
Whirlpool CSA Holdings S.à r.l.	Luxembourg



<b>Subsidiary Name</b>	<b>Jurisdiction in Which Organized</b>
Whirlpool do Brasil Investements B.V.	Netherlands (The)
Whirlpool do Brasil Ltda.	Brazil
Whirlpool Ecuador S.A.	Ecuador
Whirlpool Eesti OU	Estonia
Whirlpool El Salvador, S.A. de C.V.	El Salvador
Whirlpool Electrodomésticos S.A.	Spain
Whirlpool Eletrodomésticos AM S.A.	Brazil
Whirlpool EMEA S.p.A.	Italy
Whirlpool EMEA Finance S.à r.l.	Luxembourg
Whirlpool EMEA Holdings S.C.S.	Luxembourg
Whirlpool Enterprises, LLC	Delaware
Whirlpool Europe B.V.	Netherlands (The)
Whirlpool Europe Coordination Center	Belgium
Whirlpool Europe Holdings Limited	Delaware
Whirlpool Ev Aletleri Pazarlama Ve Ticaret A.S.	Turkey
Whirlpool Finance Center Corp.	Delaware
Whirlpool Finance Luxembourg S.à r.l.	Luxembourg
Whirlpool Finance Overseas Ltd.	Bermuda
Whirlpool Financial Corporation	Delaware
Whirlpool Financial Corporation International	Delaware
Whirlpool Floor Care Corp.	Delaware
Whirlpool France SAS	France
Whirlpool France Holdings SAS	France
Whirlpool Germany GmbH	Germany
Whirlpool Global B.V.	Netherlands (The)
Whirlpool Global Investments B.V.	Netherlands (The)
Whirlpool Greater China Inc.	Delaware
Whirlpool Guatemala, S.A.	Guatemala
Whirlpool Hellas S.A.	Greece
Whirlpool Holdings Corporation	Delaware
Whirlpool Home Appliances B.V.	Netherlands (The)
Whirlpool India Holdings Limited	Delaware
Whirlpool of India Limited	India
Whirlpool Insurance Company, Ltd.	Bermuda
Whirlpool Internacional S. de R.L. de C.V.	Mexico
Whirlpool International GmbH	Switzerland
Whirlpool International Holdings S.à r.l.	Luxembourg
Whirlpool International Manufacturing S.à r.l.	Luxembourg
Whirlpool Ireland Appliances Limited	Ireland
Whirlpool Italia Holdings S.r.l.	Italy
Whirlpool Italia S.r.l.	Italy
Whirlpool Japan Inc.	Delaware
Whirlpool Kazakhstan LLP	Kazakhstan
Whirlpool Latin America Corporation	Delaware
Whirlpool Latvia S.I.A.	Latvia
Whirlpool Lietuva UAB	Lithuania

<b>Subsidiary Name</b>	<b>Jurisdiction in Which Organized</b>
Whirlpool Ltd Belgrade	Serbia
Whirlpool Luxembourg Holdings S.à r.l.	Luxembourg
Whirlpool Luxembourg Investments S.à r.l.	Luxembourg
Whirlpool Luxembourg S.à r.l.	Luxembourg
Whirlpool Luxembourg Ventures S.à r.l.	Luxembourg
Whirlpool Management Services S.a.g.l.	Switzerland
Whirlpool Magyarország Kereskedelmi Korlátolt Felelősségű Társaság	Hungary
Whirlpool Maroc S. à r.l.	Morocco
Whirlpool Mauritius Limited	Mauritius
Whirlpool MEEA DMCC	United Arab Emirates
Whirlpool Mexico, S. de R.L. de C.V.	Mexico
Whirlpool Mexico Holdings LLC	Delaware
Whirlpool Mexico Ventures LLC	Delaware
Whirlpool Microwave Products Development Limited	Hong Kong
Whirlpool NAAG Holdings Corporation	Delaware
Whirlpool NAR Holdings, LLC	Delaware
Whirlpool Nederland B.V.	Netherlands (The)
Whirlpool Nordic A/S	Denmark
Whirlpool Nordic AB	Sweden
Whirlpool Nordic AS	Norway
Whirlpool Nordic OY	Finland
Whirlpool Oceania Inc.	Delaware
Whirlpool Österreich GmbH	Austria
Whirlpool Overseas Holdings, LLC	Delaware
Whirlpool Overseas Hong Kong Limited	Hong Kong
Whirlpool Overseas Manufacturing S.ár.l.	Luxembourg
Whirlpool Peru S.R.L.	Peru
Whirlpool Polska Appliances Sp. z o.o.	Poland
Whirlpool Portugal, S.A.	Portugal
Whirlpool Product Development (Shenzhen) Company Limited	China
Whirlpool Properties, Inc.	Michigan
Whirlpool Puntana S.A.	Argentina
Whirlpool R&D S.r.l.	Italy
Whirlpool Realty Corporation	Delaware
Whirlpool Romania S.r.l.	Romania
Whirlpool RUS LLC	Russia
Whirlpool S.A.	Brazil
Whirlpool SSC Limited	Ireland
Whirlpool Slovakia spol. s.r.o.	Slovak Republic
Whirlpool Slovakia Home Appliances spol. s.r.o.	Slovak Republic
Whirlpool South Africa (Proprietary) Limited	South Africa
Whirlpool Southeast Asia Pte	Singapore
Whirlpool Sweden Aktiebolag	Sweden
Whirlpool Taiwan Co., Ltd.	Taiwan
Whirlpool Technologies, LLC	Michigan
Whirlpool UK Appliances Limited	UK

<b>Subsidiary Name</b>	<b>Jurisdiction in Which Organized</b>
Whirlpool UK Pension Scheme Trustee Limited	England
Whirlpool WW Holdings B.V.	Netherlands (The)
Xpelair Ltd.	UK
Yummly Canada Ltd.	British Columbia
Yummly, Inc.	Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements:

Registration Statements of Whirlpool Corporation

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33-34037	333-150942	333-203704
333-77167	333-157392	333-228927
333-125260	333-166484	
333-128686	333-181339	
333-143372	333-187948	

Registration Statement of Whirlpool Finance Luxembourg S.a.r.l

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333-203704-1

Registration Statement of Whirlpool Corporation, Whirlpool Finance Luxembourg S.a.r.l, and Whirlpool EMEA Finance S.a.r.l

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333-224381

Registration Statements of Whirlpool Corporation  
pertaining to the Whirlpool Savings Plan

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33-26680	33-53196
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Registration Statements of Whirlpool Corporation  
pertaining to the Whirlpool 401(k) Retirement Plan

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333-66163	333-138711	333-179695
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Registration Statement of Whirlpool Corporation  
pertaining to the Maytag Corporation Salary Savings Plan, Maytag Corporation Deferred  
Compensation Plan and Maytag Corporation Deferred Compensation Plan II

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333-132875

Registration Statements of Maytag Corporation  
pertaining to the Maytag Corporation Deferred Compensation and Salary Savings Plans

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333-102002	333-101995	333-121368
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of our reports dated February 11, 2020, with respect to the consolidated financial statements and schedule of Whirlpool Corporation and the effectiveness of internal control over financial reporting of Whirlpool Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 11, 2020

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director or officer, or both, of WHIRLPOOL CORPORATION, a Delaware corporation (hereinafter called the "Corporation"), does hereby constitute and appoint MARC R. BITZER and JAMES W. PETERS, with full power to each of them to act alone, as the true and lawful attorneys and agents of the undersigned, with full power of substitution and resubstitution to each of said attorneys, to execute, file or deliver any and all instruments and to do all acts and things which said attorneys and agents, or any of them, deem advisable to enable the Corporation to comply with the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under said Securities Exchange Act of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2019, including specifically, but without limitation of the general authority hereby granted, the power and authority to sign his name as a director or officer, or both, of the Corporation, to the Annual Report on Form 10-K, or any amendment, post-effective amendment, or papers supplemental thereto to be filed in respect of said Annual Report on Form 10-K; and each of the undersigned does hereby fully ratify and confirm all that said attorneys and agents, or any of them, or the substitute of any of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents, as of the 11th day of February, 2020.

<u>Signature</u>	<u>Title</u>
<u>/s/ MARC R. BITZER</u> Marc R. Bitzer	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ JAMES W. PETERS</u> James W. Peters	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ CHRISTOPHER S. CONLEY</u> Christopher S. Conley	Vice President and Corporate Controller (Principal Accounting Officer)
<u>/s/ SAMUEL R. ALLEN</u> Samuel R. Allen	Director
<u>/s/ GREG CREED</u> Greg Creed	Director
<u>/s/ GARY T. DICAMILLO</u> Gary T. DiCamillo	Director
<u>/s/ DIANE M. DIETZ</u> Diane M. Dietz	Director
<u>/s/ GERRI T. ELLIOTT</u> Gerri T. Elliott	Director
<u>/s/ MICHAEL F. JOHNSTON</u> Michael F. Johnston	Director
<u>/s/ JOHN D. LIU</u> John D. Liu	Director
<u>/s/ JAMES M. LOREE</u> James M. Loree	Director
<u>/s/ HARISH MANWANI</u> Harish Manwani	Director
<u>/s/ WILLIAM D. PEREZ</u> William D. Perez	Director
<u>/s/ PATRICIA K. POPPE</u> Patricia K. Poppe	Director
<u>/s/ LARRY O. SPENCER</u> Larry O. Spencer	Director
<u>/s/ MICHAEL D. WHITE</u> Michael D. White	Director

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc R. Bitzer, certify that:

1. I have reviewed this annual report on Form 10-K of Whirlpool Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2020

/s/ MARC R. BITZER

---

Name Marc R. Bitzer

Title: Chairman of the Board, President and Chief Executive Officer

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James W. Peters, certify that:

1. I have reviewed this annual report on Form 10-K of Whirlpool Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2020

/s/ JAMES W. PETERS

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Name James W. Peters

Title: Executive Vice President and Chief Financial Officer

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

In connection with the Annual Report on Form 10-K of Whirlpool Corporation ("Whirlpool") for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Marc R. Bitzer, as Chief Executive Officer of Whirlpool, and James W. Peters, as Chief Financial Officer of Whirlpool, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Whirlpool.

/s/ MARC R. BITZER

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Name Marc R. Bitzer

Title: Chairman of the Board, President and Chief  
Executive Officer

Date: February 11, 2020

/s/ JAMES W. PETERS

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Name James W. Peters

Title: Executive Vice President and Chief Financial Officer

Date: February 11, 2020



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FOOTNOTE (a)

The reconciliation provided below compares the non-GAAP financial measure Return on Invested Capital (ROIC)<sup>1</sup> with the most directly comparable GAAP financial measure, Return on Assets (ROA), for the 12 months ended December 31, 2019, 2018 and 2017. The Company selected ROIC because it represents an important measures of capital efficiency, which is considered a key driver of sustainable stockholder value creation. The Company defines ROIC as ongoing EBIT after taxes divided by total invested capital, defined as total assets less non-interest bearing current liabilities (NIBCLS). NIBCLS is defined as current liabilities less current maturities of long-term debt and notes payable. This ROIC definition may differ from other companies methods and therefore may not be comparable to those used by other companies.

	<b>Twelve Months Ended December 31</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net earnings (loss) available to Whirlpool	350	-183	1,184
Total Assets	20,038	18,347	18,881
Return on assets (ROA)	1.7%	-1.0%	6.3%
Ongoing earnings before interest and taxes <sup>2</sup>	1,364	1,319	1,414
Taxes @ 24% <sup>3</sup>	327	317	339
Ongoing EBIT after taxes	\$1,037	\$1,002	\$1,075
Total assets	20,038	18,347	18,881
Current liabilities	-8,505	-9,678	-8,369
Current maturities of long-term debt	376	947	559
Notes payable	450	1,034	294
Total invested capital	\$12,359	\$10,650	\$11,365
<b>Return on invested capital (ROIC)</b>	<b>8.4%</b>	<b>9.4%</b>	<b>9.5%</b>

<sup>1</sup> ROIC includes Right of Use assets based on a January 1, 2019 adoption of ASU No. 2016-02 accounting standard.

<sup>2</sup> The reconciliation provided on page 34 of our 2019 10-K reconciles the non-GAAP financial measure ongoing earnings before interest and taxes, with the most directly comparable GAAP financial measure, net earnings available to Whirlpool.

<sup>3</sup> Taxes are calculated at a flat 24% tax rate to enable standard, consistent comparisons across years and remove variability of tax credits, allowances, incentives and other tax related items that can fluctuate on an annual basis.

## STOCKHOLDER AND OTHER INFORMATION

Whirlpool Corporation's Annual Report on Form 10-K and other financial information is available free of charge to stockholders.

The financial summary information contained in this Annual Report should be read together with Whirlpool Corporation's Financial Statements and related notes and "Management's Discussion and Analysis" and "Forward-Looking Statements." This information appears in the company's 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission, which is available on the company's website at [Investors.WhirlpoolCorp.com](http://Investors.WhirlpoolCorp.com).

The Annual Report on Form 10-K and company earnings releases for each quarter—typically issued in April, July, October and January—can be obtained by contacting:

Roxanne Warner  
Senior Director, Investor Relations  
Whirlpool Corporation  
2000 N. M-63, Mail Drop 2609  
Benton Harbor, MI 49022-2692  
Telephone: 269-923-2641  
Fax: 269-923-3525  
Email: [investor\\_relations@whirlpool.com](mailto:investor_relations@whirlpool.com)

### Stock Exchanges

Common stock of Whirlpool Corporation (exchange symbol: WHR) is listed on the New York and Chicago stock exchanges.

### Trademarks

Acros, Admiral, Affresh, Amana, Ariston, Bauknecht, Brastemp, Care Counts, Consul, Diqua, Gladiator, Hotpoint\*, Ignis, Indesit, JennAir, KIC, KitchenAid, Laden, Load & Go, Maytag, Privileg, Roper, Royalstar, Sanyo, Speed Queen, Whirlpool, Yummly and the design of the stand mixer are trademarks of Whirlpool Corporation or its wholly or majority-owned affiliates.

### FOOTNOTES:

Inside Front Cover, (a) Based on most recently available publicly reported annual revenues among leading appliance manufacturers.

Page 3, (b) See table on page 128 of the 2019 Form 10-K for a reconciliation of the non-GAAP financial measure ROIC.

Page 3, (c) See table on page 21 of this annual report for a reconciliation of the non-GAAP financial measure Ongoing Earnings Per Share.

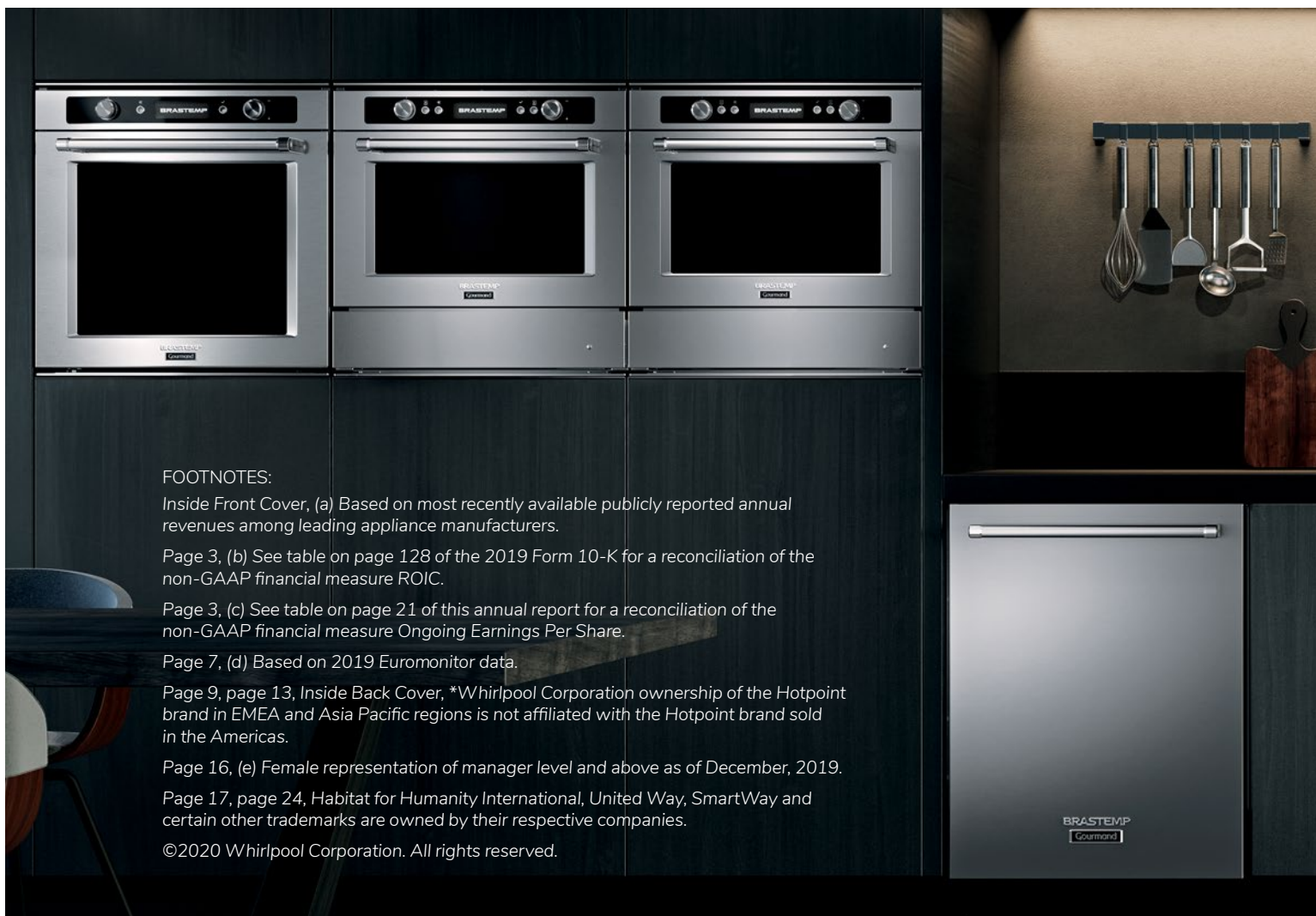
Page 7, (d) Based on 2019 Euromonitor data.

Page 9, page 13, Inside Back Cover, \*Whirlpool Corporation ownership of the Hotpoint brand in EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

Page 16, (e) Female representation of manager level and above as of December, 2019.

Page 17, page 24, Habitat for Humanity International, United Way, SmartWay and certain other trademarks are owned by their respective companies.

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**Whirlpool**  
CORPORATION

Please visit our online Annual Report at [WhirlpoolCorp.com/2019Annual](http://WhirlpoolCorp.com/2019Annual)