WHIRLPOOL CORP /DE/
Form 10-K
February 13, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
o 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 | 38-1490038 |
| (State of Incorporation) | (I.R.S. Employer Identification No.) |
| 2000 North M-63, Benton Harbor, Michigan | 49022-2692 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code (269) 923-5000
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common stock, par value $1 per share | Chicago Stock Exchange and New York Stock Exchange |
| 0.625% Senior Notes due 2020 | 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 ý 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¨ Noý

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 report), and (2) has been subject to such filing requirements for the past 90 days. Yesý No¨

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

shorter
period
that
the
registrant
was
required
to
submit
and
post
such
files).
Indicate by check mark if disclosure
of delinquent filers pursuant to
Item 405 of Regulation S-K
(§229.405 of this chapter) is not
contained
herein, and will not be contained, to
the best of the registrant's
knowledge, in definitive proxy or
information statements incorporated
by
reference
in
Part
III
of
this
Form
ý 10-K
or
any
amendment
to
this
Form
10-K.
Indicate by check mark whether the
registrant is a large accelerated filer,
an accelerated filer, a
non-accelerated filer, or 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 ý
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. o

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

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 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter) was $13,656,775,240.

On February 9, 2018, the registrant had 70,688,134 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 2018 annual meeting of stockholders (the "Proxy Statement") | Part III |

WHIRLPOOL CORPORATION
ANNUAL REPORT ON FORM 10-K
For the fiscal year ended December 31, 2017
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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 number one major appliance manufacturer in the world, was incorporated in 1955 under the laws of Delaware as the successor to a business that traces its origin to 1898. Whirlpool manufactures products in 15 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's operating segments consist of North America, Europe, Middle East and Africa ("EMEA"), Latin America and Asia. As of December 31, 2017, Whirlpool had net sales of approximately $21 billion and 92,000 employees.

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 number one major appliance manufacturer in the world 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. It drives our strategy that is centered around our product leadership, brand leadership, operating excellence and people excellence. Below are the key components of our strategic architecture.

Vision
The Best Branded Consumer Products...
In Every Home Around The World

Mission
Create Demand and Earn Trust Every
Day

Strategy

| | |
|---|---|
| Product Leadership | Brand Leadership |
| Operating Excellence | People Excellence |

Values
Respect § Integrity § Diversity &
Inclusion § Teamwork § Spirit of
Winning

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 manufacturer, best brand portfolio, legacy of innovation and best cost position.

| Global Leading Manufacturer | Best Brand Portfolio | Legacy of Innovation | Best Cost Position |
|---|---|---|---|

Global Leading Manufacturer
We are the number one major appliance manufacturer in the world.
Our leading market 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 seven brands with more than $1 billion in revenue.

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.

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

Legacy of Innovation

Whirlpool Corporation has been responsible for a number of first-to-market innovations. From the first electric wringer washer in 1911, followed by the first residential stand mixer in 1919, to 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 technologies to market, including scan-to-cook, voice control, and remote service diagnostics. Whether developed internally or with one of our many collaborators, we believe these digitally-enabled 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. We also produce hermetic 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:

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:

| Profitable Growth | Margin Expansion | Cash Conversion |
|---|---|---|
| Innovation-fueled growth at or above the market | Drive cost and mix to grow profitability | Asset efficiency converts profitable growth to cash |
| 3-5% | 10% | 5-6% |
| Annual Organic Net Sales Growth | EBIT Margin (by 2020) | FCF as % of Net Sales (by 2018) |

| | Net Sales | YoY Change | Net Earnings Available to Whirlpool (1) | Ongoing EBIT Margin (1) | Ongoing EBIT Margin YoY Change | Cash Provided by Operating Activities (1) | Free Cash Flow (1) | FCF as % of Net Sales |
|---|---|---|---|---|---|---|---|---|
| 2017 | $21.3B | 2.6% | $350M | 6.4% | (0.9)% | $1,264M | $707M | 3.3% |
| 2016 | $20.7B | (0.8)% | $888M | 7.3% | 0.4% | $1,203M | $630M | 3.0% |
| 2015 | $20.9B | 5.1% | $783M | 6.9% | 0.0% | $1,225M | $620M | 3.0% |

(1) Net Earnings Available to Whirlpool and Cash Provided by Operating Activities are the most comparable GAAP measures to Ongoing EBIT Margin and Free Cash Flow, respectively, which are non-GAAP financial measures. For additional information and a reconciliation for these non-GAAP financial measures, see the Non-GAAP Financial Measures section in Management's Discussion and Analysis of this Form 10-K.

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: ~3.5% of net sales<br>R&D: ~3% of net sales |
| Mergers & Acquisitions | Explore value-creating M&A to accelerate strategy |

| Return to Shareholders | Target |
|---|---|
| Dividends | 25-30% of trailing 12-month earnings |
| Share Repurchase | Continued repurchasing |
| Targeted Capital Structure | Maintain strong investment grade rating |

We remain confident in our ability to effectively manage our business regardless of the operating environment and expect to continue delivering long-term value for all of our shareholders.

Regional Business Summary

| | |
|---|---|
| North America | • In the United States, we market and distribute major home appliances and small domestic appliances primarily under the Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Roper, Admiral, Affresh and Gladiator brand names primarily to retailers, distributors and builders.<br>• In Canada, we market and distribute major home appliances primarily under the Admiral, Whirlpool, Maytag, Jenn-Air, Amana, Roper, Estate, Speed Queen and KitchenAid brand names.<br>• In Mexico, we market and distribute major home appliances primarily under the Whirlpool, Maytag, Acros, KitchenAid and Supermatic brand names.<br>• We sell some products to other manufacturers, distributors, and retailers for resale in North America under those manufacturers' and retailers' respective brand names. |
| Europe, Middle East and Africa (EMEA) | • In EMEA, we market and distribute our major home appliances primarily under the Whirlpool, Bauknecht, Ignis, Maytag, Laden, Indesit and Privileg brand names. We also market major home appliances and small domestic appliances under the KitchenAid, Hotpoint*, and Hotpoint-Ariston brand name.<br>• We market and distribute a full line of products under the Whirlpool and KIC brand names in South Africa. We also market and distribute products under the Whirlpool, Bauknecht, Maytag, Indesit, Ariston, Amana and Ignis brand names to distributors and dealers in Africa and the Middle East.<br>• In addition to our operations in Western and Eastern Europe, Turkey and Russia, we have sales subsidiaries in Morocco and Dubai. |
| Latin America | • In Latin America, we market and distribute our major home appliances and small domestic appliances primarily under the Consul, Brastemp, Whirlpool and KitchenAid brand names.<br>• We manage sales and distribution through our local entities in Brazil, Argentina, Chile, Peru, Ecuador, Colombia and Guatemala.<br>• 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.<br>• Our Latin America operations also produce hermetic compressors for refrigeration systems. |
| Asia | • |

In Asia, we have organized the marketing and distribution of our major home appliances and small domestic appliances into five operating groups.

- These five groups are: (1) mainland China; (2) Hong Kong and Taiwan; (3) India, which includes Bangladesh, Sri Lanka, Nepal and Pakistan; (4) Oceania, which includes Australia, New Zealand and Pacific Islands; and (5) Southeast Asia, which includes Thailand, Singapore, Malaysia, Indonesia, Vietnam, the Philippines, Korea, Myanmar and Japan.

- We market and distribute our products in Asia primarily under the Whirlpool, Maytag, KitchenAid, Amana, Bauknecht, Jenn-Air, Diqua, and Royalstar 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.

*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, Bosch Siemens, 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 preferences 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, expanding our regional footprint and trade distribution channels, increasing productivity, improving quality, lowering costs, and taking other efficiency-enhancing measures.

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.

Research and Development

Expenditures for research and development relating to new and innovative products and the improvement of existing products were approximately $596 million, $604 million and $579 million in 2017, 2016 and 2015, respectively.

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, Jenn-Air, KitchenAid, Amana and Acros. The most important trademarks to EMEA are Whirlpool, KitchenAid, Bauknecht, Indesit, Hotpoint*, Hotpoint-Ariston and Ignis.

The most important trademarks to Latin America are Consul, Brastemp, Whirlpool and KitchenAid. The most important trademarks to Asia are Whirlpool and Royalstar. We receive royalties from licensing our trademarks to third parties to manufacture, sell and service certain products bearing the Whirlpool, Maytag, KitchenAid, Amana and Bauknecht brand names. We continually apply for and obtain United States and foreign patents. The primary purpose in obtaining patents is to protect our designs and technologies.

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.

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 2017 and is not expected to be material in 2018.

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.

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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.

For certain other financial information concerning our business segments and foreign and domestic operations, see Note 13 to the Consolidated Financial Statements.

For information on our global restructuring plans, and the impact of these plans on our operating segments, see Note 11 to the Consolidated Financial Statements.

Executive Officers of the Registrant

The following table sets forth the names and ages of our executive officers on February 13, 2018, 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 |
|---|---|---|---|
| Jeff M. Fettig | Director, Executive Chairman of the Board | 1994 | 60 |
| Marc R. Bitzer | Director, President and Chief Executive Officer | 2006 | 53 |
| James W. Peters | Executive Vice President and Chief Financial Officer | 2016 | 48 |
| João C. Brega | Executive Vice President and President, Whirlpool Latin America | 2012 | 54 |
| Esther Berrozpe Galindo | Executive Vice President and President, Whirlpool EMEA | 2013 | 48 |
| Joseph T. Liotine | Executive Vice President and President, Whirlpool North America | 2014 | 45 |

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 2018 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.

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. 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.

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

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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 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 Arcelik, Bosch Siemens, Electrolux, Haier, Kenmore, LG, Mabe, Midea, Panasonic and Samsung are large, well-established companies, many ranking among the Global Fortune 150, and have demonstrated a commitment to global success. Moreover, our customer base includes large, sophisticated trade customers who have many choices and demand competitive products, services and prices. Competition in the global appliance industry is based on a number of factors including selling price, product features and design, performance, innovation, reputation, energy efficiency, quality, cost, distribution, and financial incentives, such as cooperative advertising, co-marketing funds, sales person 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 marketplaces 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. 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, sales to any of our key trade customers, major buying groups, and builders could adversely affect our financial performance.

We sell to a sophisticated customer base of large 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, 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. 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 liquidity, financial position and results of operations.

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, or product quality issues, 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 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 product sales, financial condition and results of operations 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. Our inability to effectively control costs and drive productivity improvements could affect our profitability. In addition, our 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 and other channels, and on successful new product 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 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, investments and participate in joint ventures. For example, we acquired Indesit and a majority interest in Hefei Sanyo in the fourth quarter of 2014. 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, and managing strategic investments, and in overseeing the operations, systems and controls of acquired companies. For example, in 2017, we recorded an adjustment primarily for trade promotion accruals by our China business, and took certain actions as a result of our review of the conduct and processes involved. Integrating acquisitions 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 acquisition 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.

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, 2017, international operations represent approximately 52% of our net sales. We expect that international sales will continue to account for a significant percentage of our net sales for the foreseeable future. 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
- 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
- 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, armed conflicts, civil unrest, natural disasters, governmental actions and epidemics 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. 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 benefit plan administration, 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, could also be 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. Cybersecurity 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. 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 business.

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

We 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 business, financial condition, or results of operations. 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 also be involved in certain class action and other litigation, for which no insurance is available. A cost effective market for product recall insurance may not exist, so any product recall we initiate could have a significant impact on our operating results and/or cash flows.

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 a limited number of potential quality and safety issues, and as appropriate, we undertake to effect repair or replacement of appliances. 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 business, financial condition or results of operations.

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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. 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, information technology failures, and hazards such as fire, earthquakes, flooding, or other natural disasters, insurance for any of which may not be available, affordable or adequate. Such disruption could interrupt our ability to manufacture certain products. Any significant disruption could negatively impact our revenue and/or earnings performance.

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, 2017, we had approximately 92,000 employees. We are subject to separate collective bargaining agreements with certain labor unions, which generally have four to five year terms, 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, all of which may also have a material adverse effect on our business, financial condition, or results of operations.

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 (such as conflict mineral provisions) and tariffs, changes in currency exchange rates, price controls, the economic climate, and other unforeseen circumstances. For example, we experienced significant raw material inflation during 2017, which negatively impacted our operating results. Significant increases in these and other costs now and in the future could have a material adverse effect on our operating results.

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-life intangible asset impairment charges may adversely affect our operating results.

We have a substantial amount of goodwill and indefinite-life 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, operating margins, capital expenditures, working capital requirements, tax rates, terminal growth rates, discount rates, royalty rates, benefits associated with a taxable transaction and synergistic benefits 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 condition and results of operations.

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 condition and results of operations.

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 condition and operating results.

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

Uncertain and changing economic conditions within our regions, along with national debt and fiscal concerns in various regions and government austerity measures, 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.

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. 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 business, financial condition and results of operations 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, 2017, 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 $1.4 billion, including $1.0 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. These assumptions include 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.

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 non-income taxes, environmental matters, corporate matters, commercial matters, competition laws and distribution, marketing and trade practices, anti-bribery, anti-corruption, energy regulations, financial regulations and employment and benefit matters. For example, we are currently disputing certain income and non-income tax related assessments issued by the Brazilian authorities (see Notes 5 and 12 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 position, liquidity, or results of operations in any particular reporting period. Results of such proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost effectively available. Regardless of merit, such 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 position, liquidity and results of operations.

Changes in the legal and regulatory environment, including 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. 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 protection of the environment, human health and safety and energy efficiency. These types of costs could adversely affect our financial performance. 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 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 to the changes recently enacted in the Tax Cuts and Jobs Act, the U.S. federal government may propose additional changes to international trade agreements, tariffs, taxes, and other government rules and regulations. At December 31, 2017, the Company had not completed its accounting for the tax effects of the enactment of the Tax Cuts and Jobs Act; however, in certain cases the Company has made a reasonable estimate of the effects on its existing deferred tax balances and impact of the one-time Transition Tax. The tax expense recognized represents the Company's best estimate of the impact of the Tax Cuts and Jobs Act. During 2018, the Company will continue to refine the calculations related to both provisional amounts as it gains a more thorough understanding of the tax law, and certain aspects of the Tax Cuts and Jobs Act are clarified by the taxing authorities. These regulatory changes could significantly impact our business and financial performance. For additional information about our consolidated tax provision, see Note 12 to the Consolidated Financial Statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in Benton Harbor, Michigan. On December 31, 2017, our principal manufacturing operations were carried on at 43 locations in 15 countries worldwide. We occupied a total of approximately 86.4 million square feet devoted to manufacturing, service, sales and administrative offices, warehouse and distribution space. Over 42.3 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 | 13 | 14 | 10 | 6 |

ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings can be found in Note 5 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 traded on the New York Stock Exchange and the Chicago Stock Exchange. As of February 9, 2018, the number of holders of record of Whirlpool common stock was approximately 9,904.

Quarterly market and dividend information can be found in Note 14 to the Consolidated Financial Statements.

On April 18, 2016, our Board of Directors authorized a share repurchase program of up to $1 billion. For the year ended December 31, 2017, we repurchased 4,010,000 shares at an aggregate purchase price of approximately $700 million under this program. As of December 31, 2017, there were no remaining funds authorized under this 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, 2017, we repurchased 305,500 shares at an aggregate purchase price of approximately $50 million under this program. At December 31, 2017, there were approximately $1.95 billion 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, 2017:

| Period (Millions of dollars, except number and price per share) | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans |
|---|---|---|---|---|
| October 1, 2017 through October 31, 2017 | 370,200 | $ 161.99 | 370,200 | $ 2,090 |
| November 1, 2017 through November 30, 2017 | 857,499 | 163.37 | 857,499 | 1,950 |
| December 1, 2017 through December 31, 2017 | — | — | — | $ 1,950 |
| Total | 1,227,699 | $ 162.95 | 1,227,699 | |

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SELECTED FINANCIAL DATA

| (Millions of dollars, except share and employee data) | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| CONSOLIDATED OPERATIONS | | | | | |
| Net sales | $21,253 | $20,718 | $20,891 | $19,872 | $18,769 |
| Restructuring costs | 275 | 173 | 201 | 136 | 196 |
| Depreciation and amortization | 654 | 655 | 668 | 560 | 540 |
| Operating profit | 1,136 | 1,368 | 1,242 | 1,216 | 1,267 |
| Earnings before income taxes and other items | 887 | 1,114 | 1,031 | 881 | 917 |
| Net earnings | 337 | 928 | 822 | 692 | 849 |
| Net earnings available to Whirlpool | 350 | 888 | 783 | 650 | 827 |
| Capital expenditures | 684 | 660 | 689 | 720 | 578 |
| Dividends paid | 312 | 294 | 269 | 224 | 187 |
| Repurchase of common stock | 750 | 525 | 250 | 25 | 350 |
| CONSOLIDATED FINANCIAL POSITION | | | | | |
| Current assets | $7,930 | $7,339 | $7,325 | $8,098 | $7,022 |
| Current liabilities | 8,505 | 7,662 | 7,744 | 8,403 | 6,794 |
| Accounts receivable, inventories and accounts payable, net | 856 | 918 | 746 | 778 | 548 |
| Property, net | 4,033 | 3,810 | 3,774 | 3,981 | 3,041 |
| Total assets | 20,038 | 19,153 | 19,010 | 20,002 | 15,544 |
| Long-term debt | 4,392 | 3,876 | 3,470 | 3,544 | 1,846 |
| Total debt[1] | 5,218 | 4,470 | 3,998 | 4,347 | 2,463 |
| Whirlpool stockholders' equity | 4,198 | 4,773 | 4,743 | 4,885 | 4,924 |
| PER SHARE DATA | | | | | |
| Basic net earnings available to Whirlpool | $4.78 | $11.67 | $9.95 | $8.30 | $10.42 |
| Diluted net earnings available to Whirlpool | 4.70 | 11.50 | 9.83 | 8.17 | 10.24 |
| Dividends | 4.30 | 3.90 | 3.45 | 2.88 | 2.38 |
| Book value[2] | 56.42 | 61.82 | 59.54 | 61.39 | 60.97 |
| Closing Stock Price—NYSE | 168.64 | 181.77 | 146.87 | 193.74 | 156.86 |
| KEY RATIOS | | | | | |
| Operating profit margin | 5.3 % | 6.6 % | 5.9 % | 6.1 % | 6.8 % |
| Pre-tax margin[3] | 4.2 % | 5.4 % | 4.9 % | 4.4 % | 4.9 % |
| Net margin[4] | 1.6 % | 4.3 % | 3.7 % | 3.3 % | 4.4 % |
| Return on average Whirlpool stockholders' equity[5] | 7.8 % | 18.7 % | 16.3 % | 13.3 % | 18.0 % |
| Return on average total assets[6] | 1.8 % | 4.7 % | 4.0 % | 3.7 % | 5.3 % |
| Current assets to current liabilities | 0.9 | 1.0 | 0.9 | 1.0 | 1.0 |
| Total debt as a percent of invested capital[7] | 50.4 % | 43.8 % | 41.3 % | 42.9 % | 33.0 % |
| Price earnings ratio[8] | 35.9 | 15.8 | 14.9 | 23.7 | 15.3 |
| OTHER DATA | | | | | |
| Common shares outstanding (in thousands): | | | | | |
| Average number-on a diluted basis | 74,400 | 77,211 | 79,667 | 79,578 | 80,761 |
| Year-end common shares outstanding | 70,646 | 74,465 | 77,221 | 77,956 | 77,417 |
| Year-end number of stockholders | 9,960 | 10,528 | 10,663 | 11,225 | 11,889 |
| Year-end number of employees | 92,000 | 93,000 | 97,000 | 100,000 | 69,000 |
| Five-year annualized total return to stockholders[9] | 13.0 % | 33.6 % | 13.0 % | 22.0 % | 34.0 % |

(1) Total debt includes notes payable and current and long-term debt.

(2) Total Whirlpool stockholders' equity divided by average number of shares on a diluted basis.

(3) Earnings (loss) before income taxes, as a percent of net sales.

(4) Net earnings available to Whirlpool, as a percent of net sales.
(5) Net earnings available to Whirlpool, divided by average Whirlpool stockholders' equity.
(6) Net earnings available to Whirlpool, divided by average total assets.
(7) Total debt divided by total debt and total stockholders' equity.
(8) Closing stock price divided by diluted net earnings available to Whirlpool.
(9) 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 Corporation delivered record revenues and the second highest year ever in terms of ongoing earnings per share in 2017. These results were solid, but we committed to delivering better results, and the challenges we faced caused us to revise our outlook throughout the year.

We experienced significant raw material inflation during the year, particularly resins, which turned into a $600 million challenge for 2017 and 2018 combined. Our results were also impacted by slow progress on European and China integration activities. These two combined factors led to a performance shortfall against our targets.

To offset these challenges, we have taken strong and decisive actions. We implemented cost-based price increases across the majority of our business effective early 2018, and have committed to a net fixed cost reduction of $150 million, which is already over 80 percent implemented. We firmly believe these are the right actions and that we have the right strategy to deliver improved performance in 2018 and our long-term goals.

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:

| | December 31, | | | | |
|---|---|---|---|---|---|
| Consolidated - In Millions (except per share data) | 2017 | Better/(Worse) | 2016 | Better/(Worse) | 2015 |
| Units (in thousands) | 71,704 | —% | 71,692 | 2.0% | 70,272 |
| Net sales | $21,253 | 2.6 | $20,718 | (0.8) | $20,891 |
| Gross margin | 3,602 | (2.2) | 3,692 | 0.9 | 3,660 |
| Selling, general and administrative | 2,112 | (1.5) | 2,080 | 2.8 | 2,143 |
| Restructuring costs | 275 | (58.9) | 173 | 13.9 | 201 |
| Interest and sundry (income) expense | 87 | 6.5 | 93 | nm | 46 |
| Interest expense | 162 | (0.7) | 161 | 2.4 | 165 |
| Income tax expense | 550 | nm | 186 | 11.3 | 209 |
| Net earnings available to Whirlpool | 350 | (60.6) | 888 | 13.4 | 783 |
| Diluted net earnings available to Whirlpool per share | $4.70 | (59.1)% | $11.50 | 17.0% | $9.83 |

nm: not meaningful

Consolidated net sales for 2017 increased 2.6% compared to 2016, primarily driven by favorable impacts from product price/mix and foreign currency. Excluding the impact of foreign currency, consolidated net sales for 2017 increased 1.5% compared to 2016. Consolidated net sales for 2016 decreased 0.8% compared to 2015 primarily driven by unfavorable impacts from foreign currency and product price/mix, partially offset by higher unit volumes. Excluding the impact of foreign currency, consolidated net sales for 2016 increased 1.6% compared to 2015.

For additional information regarding non-GAAP financial measures including 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 segments for 2017, 2016 and 2015, respectively.

The consolidated gross margin percentage for 2017 decreased to 16.9% compared to 17.8% in 2016, primarily driven by unfavorable impacts from raw material inflation across all regions and product price/mix in the EMEA region, partially offset by cost productivity and restructuring benefits. The consolidated gross margin percentage for 2016 increased to 17.8% compared to 17.5% in 2015, primarily due to ongoing cost productivity and acquisition synergies, unit volume growth, and benefits from cost and capacity-reduction initiatives, partially offset by the unfavorable impacts from product price/mix and foreign currency.

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

North America

Following are the results for the North America region:

2017 compared to 2016
Units sold for 2017 increased 4.8% compared to 2016.
2016 compared to 2015
Units sold for 2016 increased 7.7% compared to 2015.

2017 compared to 2016
Net sales for 2017 increased 4.6% compared to 2016 primarily driven by unit volume growth. Excluding the impact of foreign currency, net sales increased 4.5% in 2017 compared to the same period in 2016.
2016 compared to 2015
Net sales for 2016 increased 3.9% compared to 2015 primarily due to unit volume growth, partially offset by unfavorable impacts from product price/mix and foreign currency. Excluding the impact of foreign currency, net sales increased 5.0% in 2016.

2017 compared to 2016
Gross margin percentage for 2017 decreased compared to 2016 primarily driven by an unfavorable impact from raw material inflation, partially offset by unit volume growth and favorable cost productivity.
2016 compared to 2015
Gross margin percentage increased compared to 2015 primarily due to the reclassification of certain components of net periodic benefit cost for pension and postretirement benefits, unit volume growth, ongoing cost productivity, partially offset by unfavorable product price/mix, recognition of postretirement-benefit curtailment gains in 2015 and foreign currency.

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

EMEA

Following are the results for the EMEA region:

2017 compared to 2016

Units sold for 2017 decreased 6.8% compared to 2016.

2016 compared to 2015

Units sold for 2016 decreased 1.9% compared to 2015.

2017 compared to 2016

Net sales for 2017 decreased 5.2% compared to 2016 primarily driven by unit volume declines, partially offset by a favorable impact from foreign currency. Excluding the impact of foreign currency, net sales decreased 6.8% in 2017.

2016 compared to 2015

Net sales for 2016 decreased 8.1% compared to 2015, primarily due to unfavorable impacts from foreign currency, product price/mix and unit volume declines. Excluding the impact of foreign currency, net sales decreased 4.3% in 2016.

2017 compared to 2016

Gross margin percentage for 2017 decreased compared to 2016 primarily driven by unfavorable impacts from product price/mix, unit volume declines and raw material inflation, partially offset by cost productivity and restructuring benefits.

2016 compared to 2015

Gross margin percentage for 2016 remained flat compared to 2015.

Latin America

Following are the results for the Latin America Region:

2017 compared to 2016
Units sold for 2017 increased 1.9% compared to 2016.
2016 compared to 2015
Units sold for 2016 decreased 11.5% compared to 2015.

2017 compared to 2016
Net sales for 2017 increased 7.2% compared to 2016 primarily driven by favorable impacts from foreign currency, unit volume growth, product price/mix and the sale and monetization of certain tax credits. Excluding the impact of foreign currency, net sales increased 3.2% in 2017.
2016 compared to 2015
Net sales for 2016 decreased 4.7% compared to 2015 primarily due to unit volume declines and unfavorable impacts from foreign currency, partially offset by favorable product price/mix. Excluding the impact of foreign currency, net sales decreased 1.5% in 2016.

2017 compared to 2016
Gross margin percentage for 2017 increased compared to 2016 primarily driven by favorable cost productivity and the sale and monetization of certain tax credits, partially offset by unfavorable raw material inflation.
2016 compared to 2015
Gross margin percentage for 2016 increased compared to 2015 primarily due to favorable product price/mix and benefits from cost and capacity reduction initiatives, partially offset by unit volume declines due to the weakened demand environment in Brazil.

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

Asia

Following are the results of the Asia region:

2017 compared to 2016

Units sold for 2017 increased 1.4% compared to 2016.

2016 compared to 2015

Units sold for 2016 increased 12.3% compared to 2015.

2017 compared to 2016

Net sales for 2017 increased 3.0% compared to 2016 primarily driven by favorable impacts from product price/mix and unit volume growth. Excluding the impact of foreign currency, Asia net sales increased by 2.9% in 2017.

2016 compared to 2015

Net sales for 2016 increased 0.5% compared to 2015 primarily due to unit volume growth, partially offset by unfavorable impacts from product price/mix and foreign currency. Excluding the impact of foreign currency, Asia net sales increased 5.4% in 2016.

2017 compared to 2016

Gross margin percentage decreased in 2017 compared to 2016, primarily driven by unfavorable raw material inflation, partially offset by restructuring benefits, favorable cost productivity, unit volume growth and favorable impact of Chinese government incentives. Additionally, gross margin also includes an adjustment primarily related to trade promotion accruals in prior periods.

2016 compared to 2015

Asia gross margin percentage decreased in 2016, compared to 2015, primarily due to unfavorable product price/mix and increased investments in marketing, technology and products, partially offset by unit volume growth and benefits from ongoing cost productivity.

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:

| | December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Millions of dollars | 2017 | As a % of Net Sales | | 2016 | As a % of Net Sales | | 2015 | As a % of Net Sales | |
| North America | $795 | 6.8 | % | $783 | 7.0 | % | $780 | 7.3 | % |
| EMEA | 556 | 11.4 | | 577 | 11.2 | | 601 | 10.7 | |
| Latin America | 331 | 9.7 | | 304 | 9.5 | | 314 | 9.4 | |
| Asia | 240 | 16.3 | | 216 | 15.2 | | 226 | 16.0 | |
| Corporate/other | 190 | — | | 200 | — | | 222 | — | |
| Consolidated | $2,112 | 9.9 | % | $2,080 | 10.0 | % | $2,143 | 10.3 | % |

Consolidated selling, general and administrative expenses as a percent of consolidated net sales in 2017 remained flat compared to 2016. Consolidated selling, general and administrative expenses as a percent of consolidated net sales in 2016 decreased compared to 2015, reflecting the favorable impact of acquisition synergies, partially offset by foreign currency.

Restructuring

We incurred restructuring charges of $275 million, $173 million and $201 million for the years ended December 31, 2017, 2016 and 2015, respectively. For the full year 2018, we expect to incur up to $200 million of restructuring charges, which should result in ongoing substantial cost reductions.

For additional information about restructuring activities, see Note 11 to the Consolidated Financial Statements.

Interest and Sundry (Income) Expense

Interest and sundry (income) expenses were $87 million, $93 million and $46 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Interest and sundry (income) expense decreased $6 million in 2017 compared to 2016, primarily due to a favorable impact from foreign currency. During 2016, interest and sundry (income) expense increased $47 million compared to 2015, primarily due to the reclassification of certain components of net periodic benefit cost for pension and postretirement benefits.

For additional information about the retrospective presentation and impact of net periodic benefit cost, see Note 1 to the Consolidated Financial Statements.

Interest Expense

Interest expenses were $162 million, $161 million and $165 million for the years ended December 31, 2017, 2016 and 2015, respectively. Interest expense increased by $1 million in 2017 compared to 2016. This was primarily due to higher average long-term debt balances. During 2016, interest expense decreased by $4 million compared to 2015. This was a result of lower average interest rates on long-term debt, offset by higher average long-term debt balances.

Income Taxes

Income tax expenses were $550 million, $186 million and $209 million for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in tax expense in 2017 compared to 2016 is primarily due to the one-time charge of approximately $420 million as result of the enactment of the Tax Cuts and Jobs Act, including the impact from a reduced tax rate on the valuations of deferred tax assets, the one-time deemed repatriation tax and other related items. Excluding the impact from tax reform, the decrease in tax expense compared to 2016 is primarily due to increased tax planning benefits. The decrease in tax expense in 2016 compared to 2015 is primarily due to favorable audits and settlements and tax planning resulting in valuation allowance releases, partially offset by higher pre-tax earnings.

For additional information about our consolidated tax provision, see Note 12 to the Consolidated Financial Statements.

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

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 2018 full-year tax rate in the mid 20's. We currently estimate earnings per diluted share and industry demand for 2018 to be within the following ranges:

| | 2018 Current Outlook | |
|---|---|---|
| Estimated earnings per diluted share, for the year ending December 31, 2018 | $12.45 — $13.45 | |
| Including: | | |
| Restructuring Expense | $(2.76) | |
| Income Tax Impact | $0.71 | |
| | | |
| Industry demand | | |
| North America [(1)] | 2% | — 3% |
| EMEA | 1% | — 2% |
| Latin America [(2)] | 1% | — 2% |
| Asia | 2% | — 4% |

(1) Reflects industry demand in the United States.

(2) Reflects industry demand in Brazil.

For the full-year 2018, we expect to generate cash from operating activities of $1.7 billion to $1.8 billion and free cash flow of approximately $1.0 billion to $1.1 billion, including primarily acquisition related restructuring cash outlays of up to $300 million, pension contributions of $34 million and, with respect to free cash flow, capital expenditures of approximately $675 million.

The table below reconciles projected 2018 cash provided by operating activities determined in accordance with GAAP to free cash flow, a non-GAAP measure. Management believes that free cash flow provides stockholders with a relevant measure of liquidity and a useful basis for assessing Whirlpool's ability to fund its activities and obligations. There are limitations to using non-GAAP financial measures, including the difficulty associated with comparing companies that use similarly named non-GAAP measures whose calculations may differ from our calculations. We define free cash flow as cash provided by continuing operations less capital expenditures and including proceeds from the sale of assets/businesses, and changes in restricted cash. The change in restricted cash relates to the private placement funds paid by Whirlpool to acquire majority control of Hefei Sanyo in 2014 and which are 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 completed in October 2014. For additional information regarding non-GAAP financial measures, see the Non-GAAP Financial Measures section of Management's Discussion and Analysis.

| Millions of dollars | 2018 Current Outlook |
|---|---|
| Cash provided by operating activities[(1)] | $ 1,675 — $ 1,775 |
| Capital expenditures, proceeds from sale of assets/businesses and changes in restricted cash | ~ (675) |
| Free cash flow | $ 1,000 — $ 1,100 |

(1) 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.

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

## 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)
- Ongoing EBIT
- Ongoing EBIT margin
- Sales excluding currency
- Ongoing net sales
- Free cash flow

Ongoing 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. Ongoing EBIT margin is calculated by dividing ongoing EBIT by ongoing net sales. Ongoing net sales for the twelve months ended December 31, 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. Management believes that sales excluding foreign currency provides stockholders with a clearer basis to assess our results over time, excluding the impact of exchange rate fluctuations. Management believes that free cash flow provides investors and stockholders with a relevant measure of liquidity and a useful basis for assessing the Company'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.

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 to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These ongoing financial measures should not be considered in isolation or as a substitute for reported net earnings available to Whirlpool, 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.

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

| Ongoing Earnings Before Interest & Taxes (EBIT) Reconciliation: in millions | Twelve Months Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net earnings available to Whirlpool | $350 | $888 | $783 |
| Net earnings (loss) available to noncontrolling interests | (13) | 40 | 39 |
| Income tax expense | 550 | 186 | 209 |
| Interest expense | 162 | 161 | 165 |
| Earnings before interest & taxes | $1,049 | $1,275 | $1,196 |
| Restructuring expense | 275 | 173 | 201 |
| Out-of-period adjustment | 40 | — | — |
| Legacy product warranty and liability expense | — | (23) | 42 |
| Acquisition related transition costs | — | 86 | 64 |
| Benefit plan curtailment gain | — | — | (62) |
| Gain related to a business investment | — | — | (46) |
| Pension settlement charges | — | — | 15 |
| Antitrust and dispute resolutions | — | — | 35 |
| Ongoing EBIT | $1,364 | $1,511 | $1,445 |

| Free Cash Flow (FCF) Reconciliation: in millions | Twelve Months Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Cash provided by operating activities | $1,264 | $1,203 | $1,225 |
| Capital expenditures, proceeds from sale of assets/businesses and change in restricted cash | (557) | (573) | (605) |
| Free cash flow | $707 | $630 | $620 |

## 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. We avoid concentrations of debt and reduce liquidity risk by diversifying the maturity structure. 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, funding pension plans and returns to shareholders. We also have $376 million of term debt maturing in the next twelve months, and are currently evaluating our options, which may include repayment through refinancing, free cash flow generation, or cash on hand.

We monitor the credit ratings and market indicators of credit risk of our lending, depository, and derivative counterparty banks 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.

As of December 31, 2017, we had cash or cash equivalents greater than 1% of our consolidated assets in China and Brazil, which represented 2.7% 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 North America. We continue to monitor general financial instability and uncertainty globally.

The Company had cash and cash equivalents of approximately $1.2 billion at December 31, 2017, of which substantially all was held by subsidiaries in foreign countries. 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 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

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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.

Sources and Uses of Cash

We met our cash needs during 2017 through cash flows from operations, cash and cash equivalents, and financing arrangements. Our cash and cash equivalents at December 31, 2017 increased $111 million compared to the same period in 2016.

The following table summarizes the net increase (decrease) in cash and cash equivalents for the periods presented. Significant drivers of changes in our cash and cash equivalents balance during 2017 are discussed below:

Cash Flow Summary

| Millions of dollars | 2017 | 2016 | 2015 |
|---|---|---|---|
| Cash provided by (used in): | | | |
| Operating activities | $1,264 | $1,203 | $1,225 |
| Investing activities | (655) | (588) | (681) |
| Financing activities | (553) | (278) | (707) |
| Effect of exchange rate changes | 55 | (24) | (91) |
| Net increase (decrease) in cash and cash equivalents | $111 | $313 | $(254) |

Cash Flows from Operating Activities

The increase in cash provided by operating activities during 2017 is primarily driven by effective credit management, improvement in working capital and lower cash expenditures related to legacy product corrective action, partially offset by lower net 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 2017 primarily reflects an increase in capital expenditures, the net impact of purchases and proceeds related to held to maturity securities and investment in related businesses.

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 280 million (approximately $42 million) in 2016 and we received payments totaling RMB 280 million in 2017, with the remainder to be paid in 2018. The remaining balance is RMB 127 million (approximately $19 million as of December 31, 2017).

Cash Flows from Financing Activities

The increase in cash used in financing activities during 2017 primarily reflects share repurchase activity, repayments of long-term debt and dividend payments, partially offset by net proceeds from long-term and short-term debt. Cash used in financing activities during 2016 primarily reflects share repurchase activity and repayments of long-term debt. Cash used in financing activities during 2015 primarily reflects share repurchase activity.

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

Whirlpool Subsidiary Share Repurchase

On July 12, 2016, Whirlpool S.A. ("WHR SA") and Brasmotor S.A. ("BMT"), both majority-owned indirect subsidiaries of Whirlpool Corporation, issued public announcements in Brazil reporting that Whirlpool do Brasil Ltda., the controlling shareholder of both WHR SA and BMT, intended to acquire the outstanding common and preferred shares of WHR SA and BMT by means of tender offers for the publicly-held shares. At that time, Whirlpool do Brasil Ltda. and other Whirlpool entities held 99.20% of the common and 95.68% of the preferred shares of WHR SA and 99.40% of the common and 93.55% of the preferred shares of BMT. The tender offers were launched in November 2016 and concluded in December 2016. The offer for BMT was successful and the squeeze-out was completed in January 2017 at a total cost of approximately $31 million. The WHR SA tender offer was abandoned because the minimum number of interested minority shareholders was not obtained.

Financing Arrangements

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

For additional information about our financing arrangements, see Note 4 to the Consolidated Financial Statements.

Dividends

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

Repurchase Program

For additional information about our repurchase program, see Note 9 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS AND FORWARD-LOOKING CASH REQUIREMENTS

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

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| Millions of dollars | Total | 2018 | 2019 & 2020 | 2021 & 2022 | Thereafter |
| Long-term debt obligations[1] | $6,227 | $506 | $1,091 | $792 | $ 3,838 |
| Operating lease obligations | 976 | 222 | 341 | 194 | 219 |
| Purchase obligations[2] | 614 | 179 | 278 | 112 | 45 |
| United States & Foreign pension plans[3] | 752 | 52 | 125 | 150 | 425 |
| Other postretirement benefits[4] | 310 | 41 | 76 | 63 | 130 |
| Legal settlements[5] | 7 | 7 | — | — | — |
| Total[6] | $8,886 | $1,007 | $1,911 | $1,311 | $ 4,657 |

(1) Interest payments related to long-term debt are included in the table above. For additional information about our financing arrangements, see Note 4 to the Consolidated Financial Statements.

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

(3) 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, 2017. Management may elect to contribute amounts in addition to those required by law. See Note 6 to the Consolidated Financial Statements for additional information.

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

(5) For additional information regarding legal settlements, see Note 5 to the Consolidated Financial Statements.

(6) This table does not include credit facility and commercial paper borrowings. For additional information about short-term borrowings, see Note 4 to the Consolidated Financial Statements. This table does not include future

anticipated income tax settlements; see Note 12 to the Consolidated Financial Statements.

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

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. As of December 31, 2017 and 2016, we had approximately $407 million and $327 million outstanding under these agreements, respectively.

For additional information about our off-balance sheet arrangements, see Note 5 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, 2017 and preliminary retirement benefit costs for 2018 were prepared using the assumptions that were determined as of December 31, 2017. The following table summarizes the sensitivity of our December 31, 2017 retirement obligations and 2018 retirement benefit costs of our United States plans to changes in the key assumptions used to determine those results:

| | | Estimated increase (decrease) in | |
|---|---|---|---|
| Millions of dollars | Percentage Change | 2018 Expense | PBO/APBO* for 2017 |
| United States Pension Plans | | | |
| Discount rate | +/-50bps | $ 1/(0) | $ (183)/209 |
| Expected long-term rate of return on plan assets | +/-50bps | (13)/13 | – |
| United States Other Postretirement Benefit Plan | | | |
| Discount rate | +/-50bps | 1/(1) | (14)/15 |
| Health care cost trend rate | +/-100bps | – | – |

* 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 6 to the Consolidated Financial Statements.

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

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, that are expected to 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, and 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.

As of December 31, 2017 and 2016, we had total deferred tax assets of $2.9 billion and $3.2 billion, respectively, net of valuation allowances of $178 million and $150 million, respectively. Our income tax expense has fluctuated considerably over the last five years from $68 million in 2013 to $550 million in the current year. 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 Notes 1, 5 and 12 to the Consolidated Financial Statements.

Legacy Product Corrective Action Reserves

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

As part of that process, in 2015, Whirlpool engaged in thorough investigations of incident reports associated with two of its dryer production platforms developed by Indesit. These dryer production platforms were developed prior to Whirlpool's acquisition of Indesit in October 2014. This led to Indesit reporting the issue to regulatory authorities for consideration. These discussions determined that corrective action of the affected dryers was required. Whirlpool has implemented modifications at the point of manufacture to ensure that dryers produced after October 2015 are not affected by this issue. An outreach and service campaign was undertaken to modify dryers that have already been sold. Such dryers were manufactured between April 2004 and October 2015 and sold in the UK and other countries in the EMEA region under the Hotpoint* and Indesit brand names, as well as various other brands owned by other manufacturers, distributors and retailers whose products Indesit produced.

During the third quarter of 2017, the corrective action was substantially complete and any remaining charges related to the action will be recorded under product warranty. In the twelve months ended December 31, 2017, Whirlpool had $61 million of cash settlements made related to the corrective action.

For additional information about the legacy product corrective action, see Note 5 to the Consolidated Financial Statements.

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

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

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 5 to the Consolidated Financial Statements.

Goodwill and Indefinite-Life Intangibles

Certain business acquisitions have resulted in the recording of goodwill and indefinite-life intangible assets, primarily trademark assets, which are not amortized. At December 31, 2017 and 2016, we had goodwill of approximately $3.1 billion and $3.0 billion, respectively. We primarily have trademark assets with a carrying value of approximately $2.6 billion as of December 31, 2017 and 2016, respectively.

We perform our annual impairment assessment for goodwill and other indefinite-life intangible assets as of October 1st or more frequently if events or changes in circumstances indicate that the asset might be impaired.

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-life intangible, including, but not limited to: the results of prior quantitative assessments performed; changes in the carrying amount of the reporting unit or indefinite-life intangible; actual and projected revenue and operating 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. 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-life intangible is less than its carrying value.

In 2017, the Company elected to bypass the qualitative assessment and primarily perform a quantitative analysis using a discounted cash flow model and other valuation techniques, to evaluate goodwill and certain indefinite-life intangible assets.

Goodwill Valuations

In performing a quantitative assessment, we estimate each reporting unit's fair value under an income approach using a discounted cash flow model. 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 projected period including forecasted revenue growth, operating margins, tax rate, capital expenditures, depreciation and amortization and changes in working capital requirements. Other assumptions include discount rate and terminal growth rate. 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 fair value estimate using a market approach. A market approach estimates fair value by applying cash flow multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics of the reporting units. We consider the implied control premium and conclude whether it is reasonable based on other recent market transactions.

Based on the results of our annual quantitative assessment conducted on October 1, 2017, the fair values of our North America, Latin America and Asia reporting unit's exceeded their respective carrying values in a range of 72% to 183%.

Based on the quantitative assessment performed, the fair value of the EMEA reporting unit exceeded its carrying value by approximately 3%. The EMEA reporting unit has goodwill of $0.9 billion at December 31, 2017 primarily related to our acquisition of Indesit during the fourth quarter of 2014.

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

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

- Forecasted operating margins are expected to recover beginning in 2018 from the challenges associated with the integration beginning from the stabilization of operations, better supply chain effectiveness and commercial transformation efforts.
- We used a discount rate of 11.75% based on market participant assumptions.

We performed a sensitivity analysis on our estimated fair value noting that a 50 basis point increase in the discount rate or a 5% reduction in the projected operating profit in each forecasted period would result in an impairment charge of approximately $86 million or $98 million, respectively.

If actual results are not consistent with management's estimate and assumptions, a material impairment charge of our goodwill could occur, which could have an adverse effect on the Company's financial condition and results of operations.

Indefinite-Life Intangible Valuations

In performing a quantitative assessment of indefinite-life 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 long-range plans; assumed royalty rates that could be payable if we did not own the trademark; and a discount rate using a market based weighted-average cost of capital. If the estimated fair value of the indefinite-life intangible asset is less than its carrying value, we would recognize an impairment loss.

Based on the quantitative assessment performed as of October 1, 2017, an impairment of our Diqua trademark was determined to exist, primarily driven by a significant decrease in the revenue projections due to a change in our brand strategy. This resulted in an impairment charge of $8 million which reduced the carrying value of this trademark to $31 million. There were no other impairments of indefinite-life intangible assets in 2017.

The fair value of the Indesit and Hotpoint* trademarks exceeded their carrying value by approximately 4% and 8%, respectively. For the Indesit and Hotpoint* trademarks, we expect revenue trends for these brands to improve as we continue to 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 analysis on these trademark 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 long-range plans 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 the estimated fair values noting a 10% reduction of forecasted revenues to the Indesit and Hotpoint* trademark projections would result in an impairment charge of approximately $18 million and $5 million, respectively.
- In determining royalty rates for the valuation of our trademarks, we considered factors that affect the assumed royalty rates that would hypothetically be paid for the use of the 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 market segment. Based on this analysis, we determined a royalty rate of 3% and 3.5% for our Indesit and Hotpoint* trademarks, respectively. We performed a sensitivity analysis on the estimated fair values for Indesit and Hotpoint* noting a 50 basis point reduction to the royalty rates would result in an impairment charge of approximately $42 million and $39 million, respectively.
- In developing discount rates for the valuation of our trademarks, we used the market based 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 15.0% for Indesit and Hotpoint*. We performed a sensitivity analysis on the estimated fair values for Indesit and Hotpoint* noting a 100 basis point increase to the discount rate would result in an impairment charge of approximately $12 million and $3 million, respectively.

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

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

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

For additional information about goodwill and intangible valuations, see Note 3 to the Consolidated Financial Statements.

ISSUED BUT NOT YET EFFECTIVE ACCOUNTING PRONOUNCEMENTS

Additional information regarding recently issued accounting pronouncements can be found in Note 1 to the Consolidated Financial Statements.

OTHER MATTERS

For information regarding certain of our loss contingencies/litigation, see Note 5 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 and are in discussions with the U.K. regulator. 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 2017. Claims may be filed related to this incident.

Antidumping and Safeguard Petition

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

In May 2017, we filed a safeguard petition with the ITC to address our concerns that Samsung and LG are evading U.S. trade laws by moving production from countries (South Korea, Mexico and China) covered by existing DOC antidumping duties. In contrast to the country-specific antidumping remedy that the U.S. Government applied to Samsung and LG in South Korea, Mexico and China, a safeguard remedy can address imports from Samsung and LG from any country that causes injury to U.S. washer manufacturers. In October 2017, the ITC determined increased washer imports were a substantial cause of serious injury to the U.S. washer industry and made a remedy recommendation to the U.S. President to address past harm and prevent future injury. In January 2018, the President signed a remedy order that took effect on February 7, 2018, effective for three years. In the first year, the President's remedy order imposes a 20% tariff on the first 1.2 million large residential washing machines imported by Samsung and LG, and a 50% tariff on such imports in excess of 1.2 million. The President's remedy order also imposes a 50% tariff on washer tub, drum, and cabinet imports ("covered parts") in excess of 50,000 units annually. The tariff rates on washers and covered parts decline slightly during the second and third years of the remedy.

Post-Retirement Benefit Litigation

For information regarding post-retirement benefit litigation, see Note 6 to the Consolidated Financial Statements.

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

Customer Contracts
We regularly negotiate with trade customers, including Sears Holdings Corporation, regarding supply arrangements for future periods. In the fourth quarter of 2017 we were unable to reach agreement on terms with Sears regarding sales of our branded products, and consequently discontinued shipment of our branded products to Sears. These sales represented approximately 1% of our 2017 consolidated net sales. In the past, when faced with a potential volume reduction from any one particular segment of our trade distribution network, we generally have been able to offset such decline through increased sales throughout our broad distribution network.

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; (2) Whirlpool's ability to maintain or increase sales to significant trade customers and the ability of these trade customers to maintain or increase market share; (3) Whirlpool's ability to maintain its reputation and brand image; (4) the ability of Whirlpool to achieve its business plans, productivity improvements, and cost control objectives, and to leverage its global operating platform, and accelerate the rate of innovation; (5) Whirlpool's ability to obtain and protect intellectual property rights; (6) acquisition and investment-related risks, including risks associated with our past acquisitions, and risks associated with our increased presence in emerging markets; (7) risks related to our international operations, including changes in foreign regulations, regulatory compliance and disruptions arising from political, legal and economic instability; (8) information technology system failures, data security breaches, network disruptions, and cybersecurity attacks; (9) product liability and product recall costs; (10) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (11) our ability to attract, develop and retain executives and other qualified employees; (12) the impact of labor relations; (13) fluctuations in the cost of key materials (including steel, resins, copper and aluminum) and components and the ability of Whirlpool to offset cost increases; (14) Whirlpool's ability to manage foreign currency fluctuations; (15) 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) 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; (21) the effects and costs of governmental investigations or related actions by third parties; and (22) 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, and 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. Foreign currency contracts are sensitive to changes in foreign currency exchange rates. At December 31, 2017, 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 $233 million or loss of approximately $237 million. Consistent with the use of these contracts to neutralize 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 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. As of December 31, 2017, a 10% favorable or unfavorable shift in commodity prices would have resulted in an incremental gain or loss of approximately $27 million, respectively, related to these contracts.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net sales | $21,253 | $20,718 | $20,891 |
| Expenses | | | |
| Cost of products sold | 17,651 | 17,026 | 17,231 |
| Gross margin | 3,602 | 3,692 | 3,660 |
| Selling, general and administrative | 2,112 | 2,080 | 2,143 |
| Intangible amortization | 79 | 71 | 74 |
| Restructuring costs | 275 | 173 | 201 |
| Operating profit | 1,136 | 1,368 | 1,242 |
| Other (income) expense | | | |
| Interest and sundry (income) expense | 87 | 93 | 46 |
| Interest expense | 162 | 161 | 165 |
| Earnings before income taxes | 887 | 1,114 | 1,031 |
| Income tax expense | 550 | 186 | 209 |
| Net earnings | 337 | 928 | 822 |
| Less: Net earnings (loss) available to noncontrolling interests | (13) | 40 | 39 |
| Net earnings available to Whirlpool | $350 | $888 | $783 |
| Per share of common stock | | | |
| Basic net earnings available to Whirlpool | $4.78 | $11.67 | $9.95 |
| Diluted net earnings available to Whirlpool | $4.70 | $11.50 | $9.83 |
| Weighted-average shares outstanding (in millions) | | | |
| Basic | 73.3 | 76.1 | 78.7 |
| Diluted | 74.4 | 77.2 | 79.7 |

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

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net earnings | $337 | $928 | $822 |
| Other comprehensive income (loss), before tax: | | | |
| Foreign currency translation adjustments | 32 | (30 ) | (432 ) |
| Derivative instruments: | | | |
| Net gain (loss) arising during period | (84 ) | 106 | (25 ) |
| Less: reclassification adjustment for gain (loss) included in net earnings | (80 ) | 35 | (2 ) |
| Derivative instruments, net | (4 ) | 71 | (23 ) |
| Marketable securities: | | | |
| Net gain (loss) arising during period | 6 | (2 ) | 3 |
| | 6 | (2 ) | 3 |

| | | | |
|---|---|---|---|
| Marketable securities, net | | | |
| Defined benefit pension and postretirement plans: | | | |
| Prior service (cost) credit arising during period | (16) | 30 | (5) |
| Net gain (loss) arising during period | (51) | (139) | (55) |
| Less: amortization of prior service credit (cost) and actuarial (loss) | (52) | (39) | 19 |
| Defined benefit pension and postretirement plans, net: | (15) | (70) | (79) |
| Other comprehensive (loss), before tax | 19 | (31) | (531) |
| Income tax benefit (expense) related to items | 50 | (37) | 30 |

| | | | |
|---|---|---|---|
| of other comprehensive income (loss) | | | |
| Other comprehensive income (loss), net of tax | $(69) | $(68) | $(501) |
| Comprehensive income | $406 | $860 | $321 |
| Less: comprehensive income (loss), available to noncontrolling interests | (13) | 40 | 30 |
| Comprehensive income available to Whirlpool | $419 | $820 | $291 |

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

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

| | 2017 | 2016 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $1,196 | $1,085 |
| Accounts receivable, net of allowance of $157 and $185, respectively | 2,665 | 2,711 |
| Inventories | 2,988 | 2,623 |
| Prepaid and other current assets | 1,081 | 920 |
| Total current assets | 7,930 | 7,339 |
| Property, net of accumulated depreciation of $6,825 and $6,055, respectively | 4,033 | 3,810 |
| Goodwill | 3,118 | 2,956 |
| Other intangibles, net of accumulated amortization of $476 and $387, respectively | 2,591 | 2,552 |
| Deferred income taxes | 2,013 | 2,154 |
| Other noncurrent assets | 353 | 342 |
| Total assets | $20,038 | $19,153 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | $4,797 | $4,416 |
| Accrued expenses | 674 | 649 |
| Accrued advertising and promotions | 853 | 742 |
| Employee compensation | 414 | 390 |
| Notes payable | 450 | 34 |
| Current maturities of long-term debt | 376 | 560 |
| Other current liabilities | 941 | 871 |
| Total current liabilities | 8,505 | 7,662 |
| Noncurrent liabilities | | |
| Long-term debt | 4,392 | 3,876 |
| Pension benefits | 1,029 | 1,074 |
| Postretirement benefits | 352 | 334 |
| Other noncurrent liabilities | 632 | 479 |
| Total noncurrent liabilities | 6,405 | 5,763 |
| Stockholders' equity | | |
| Common stock, $1 par value, 250 million shares authorized, 112 million and 111 million shares issued, and 71 million and 74 million shares outstanding, respectively | 112 | 111 |
| Additional paid-in capital | 2,739 | 2,672 |
| Retained earnings | 7,352 | 7,314 |
| Accumulated other comprehensive loss | (2,331) | (2,400) |
| Treasury stock, 41 million and 37 million shares, respectively | (3,674) | (2,924) |
| Total Whirlpool stockholders' equity | 4,198 | 4,773 |
| Noncontrolling interests | 930 | 955 |
| Total stockholders' equity | 5,128 | 5,728 |
| Total liabilities and stockholders' equity | $20,038 | $19,153 |

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

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Operating activities | | | |
| Net earnings | $337 | $928 | $822 |
| Adjustments to reconcile net earnings to cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 654 | 655 | 668 |
| Curtailment gain | — | — | (63 ) |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 160 | (291 ) | (89 ) |
| Inventories | (229 ) | (18 ) | (141 ) |
| Accounts payable | 180 | 37 | 14 |
| Accrued advertising and promotions | 76 | 46 | 74 |
| Accrued expenses and current liabilities | (230 ) | 46 | (43 ) |
| Taxes deferred and payable, net | 239 | (116 ) | (42 ) |
| Accrued pension and postretirement benefits | (58 ) | (43 ) | (129 ) |
| Employee compensation | 36 | (38 ) | 8 |
| Other | 99 | (3 ) | 146 |
| Cash provided by operating activities | 1,264 | 1,203 | 1,225 |
| Investing activities | | | |
| Capital expenditures | (684 ) | (660 ) | (689 ) |
| Proceeds from sale of assets and business | 61 | 63 | 37 |
| Change in restricted cash | 66 | 24 | 47 |
| Purchase of held to maturity securities | (173 ) | — | — |
| Proceeds from held to maturity securities | 113 | — | — |
| Investment in related businesses | (35 ) | (12 ) | (70 ) |
| Other | (3 ) | (3 ) | (6 ) |
| Cash used in investing activities | (655 ) | (588 ) | (681 ) |
| Financing activities | | | |
| Proceeds from borrowings of long-term debt | 691 | 1,012 | 531 |
| Repayments of long-term debt | (564 ) | (522 ) | (283 ) |
| Net proceeds from short-term borrowings | 367 | 55 | (465 ) |
| Dividends paid | (312 ) | (294 ) | (269 ) |
| Repurchase of common stock | (750 ) | (525 ) | (250 ) |
| Purchase of noncontrolling interest shares | (5 ) | (25 ) | — |
| Common stock issued | 34 | 26 | 38 |
| Other | (14 ) | (5 ) | (9 ) |
| Cash used in financing activities | (553 ) | (278 ) | (707 ) |
| Effect of exchange rate changes on cash and cash equivalents | 55 | (24 ) | (91 ) |
| Increase (decrease) in cash and cash equivalents | 111 | 313 | (254 ) |
| Cash and cash equivalents at beginning of year | 1,085 | 772 | 1,026 |
| Cash and cash equivalents at end of year | $1,196 | $1,085 | $772 |
| Supplemental disclosure of cash flow information | | | |
| Cash paid for interest | $181 | $198 | $178 |
| Cash paid for income taxes | $311 | $300 | $251 |

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 |
| Balances, December 31, 2014 | $5,796 | $6,209 | $ (1,840) | $ 406 | $ 110 | $ 911 |
| Comprehensive income | | | | | | |
| Net earnings | 822 | 783 | — | — | — | 39 |
| Other comprehensive income (loss) | (501) | — | (492) | — | — | (9) |
| Comprehensive income | 321 | 783 | (492) | — | — | 30 |
| Stock issued (repurchased) | (163) | — | — | (164) | 1 | — |
| Dividends declared | (280) | (270) | — | — | — | (10) |
| Balances, December 31, 2015 | 5,674 | 6,722 | (2,332) | 242 | 111 | 931 |
| Comprehensive income | | | | | | |
| Net earnings | 928 | 888 | — | — | — | 40 |
| Other comprehensive income (loss) | (68) | — | (68) | — | — | — |
| Comprehensive income | 860 | 888 | (68) | — | — | 40 |
| Stock issued (repurchased) | (506) | — | — | (494) | — | (12) |
| Dividends declared | (300) | (296) | — | — | — | (4) |
| Balances, December 31, 2016 | 5,728 | 7,314 | (2,400) | (252) | 111 | 955 |
| Comprehensive income | | | | | | |
| Net earnings | 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) |
| Balances, December 31, 2017 | $5,128 | $7,352 | $ (2,331) | $ (935) | $ 112 | $ 930 |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) SUMMARY OF PRINCIPLE ACCOUNTING POLICIES

#### General Information

Whirlpool Corporation, a Delaware corporation, manufactures products in 15 countries and markets products in nearly every country around the world under brand names such as Whirlpool, KitchenAid, Maytag, Consul, Brastemp, Amana, Bauknecht, Jenn-Air, Indesit, and Hotpoint*. We conduct our business through four operating segments, which we define based on geography. Whirlpool's operating 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. Certain 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, and have a nominal effect on the Company's results.

#### Reclassifications

We reclassified certain prior period amounts in our Consolidated Financial Statements to be consistent with current period presentation.

#### Use of Estimates

We are required to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. 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

Sales are recognized when revenue is realized or realizable and has been earned. Revenue is recognized when the sales price is determinable and the risk and rewards of ownership are transferred to the customer as determined by the shipping terms. For the majority of our sales, title is transferred to the customer as soon as products are shipped. For a portion of our sales, title 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.

#### 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.

#### 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 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.

*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)

Freight and Warehousing Costs

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

Cash and Cash Equivalents

All highly liquid debt instruments purchased with an initial maturity of three months or less are considered cash equivalents.

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 completed in October 2014. As of December 31, 2017 and 2016, restricted cash was approximately $97 million and $155 million, respectively. Approximately $48 million and $45 million is recorded in other current assets as of December 31, 2017 and 2016, respectively, with the remaining portion recorded in other non-current assets.

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 no Level 3 assets or liabilities at December 31, 2017 and 2016, with the exception of those disclosed in Note 6.

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 commitments or significant restraints.

Inventories

United States production inventories are stated at last-in, first-out ("LIFO") cost. Latin America, Asia and certain EMEA inventories are stated at average cost. The remaining inventories are stated at first-in, first-out ("FIFO") cost. 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 2 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, was $575 million, $584 million and $594 million in 2017, 2016 and 2015, respectively.

The following table summarizes our property as of December 31, 2017 and 2016:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

| Millions of dollars | 2017 | 2016 | Estimated Useful Life |
|---|---|---|---|
| Land | $123 | $128 | n/a |
| Buildings | 1,789 | 1,652 | 10 to 50 years |
| Machinery and equipment | 8,946 | 8,085 | 3 to 30 years |
| Accumulated depreciation | (6,825 ) | (6,055 ) | |
| Property plant and equipment, net | $4,033 | $3,810 | |

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. During 2017 and 2016, we primarily retired machinery and equipment with a net book value of approximately $63 million and $38 million, respectively, that was no longer in use. Net gains and losses recognized in cost of products sold were not material for 2017, 2016 and 2015.

We record impairment losses on long-lived assets, excluding goodwill and indefinite-life 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 2017, 2016 and 2015.

Goodwill and Other Intangibles

We perform our annual impairment assessment for goodwill and other indefinite-life intangible assets as of October 1st and more frequently if indicators of impairment exist. In 2017, the Company primarily elected to perform a quantitative analysis using a discounted cash flow model and other valuation techniques, to evaluate goodwill and certain indefinite-life intangible assets.

Goodwill

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 reporting unit's projections of estimated operating results and cash flows that are discounted using a weighted-average cost of capital, which is determined based on current market conditions. Additionally, we validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach. We performed our assessment as of October 1, 2017, and determined there was no impairment of goodwill.

Intangible Assets

We perform a quantitative assessment of other indefinite-life 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 plans, assumed royalty rates that could be payable if we did not own the trademark, and a discount rate based on our weighted average cost of capital. We performed our assessment as of October 1, 2017, and determined that, other than an immaterial impairment of a certain trademark, there were no other impairments of indefinite-life intangible assets.

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

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. As of December 31, 2017 and 2016, approximately $1.5 billion and $1.3 billion, respectively, have been issued to participating financial institutions.

Derivative Financial Instruments

We use derivative instruments designated as cash flow and fair value 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 7 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) within stockholders' equity. 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 $596 million, $604 million and $579 million in 2017, 2016 and 2015, respectively.

Advertising Costs

Advertising costs are charged to expense when the advertisement is first communicated and totaled $330 million, $366 million and $310 million in 2017, 2016 and 2015, respectively.

Income Taxes

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. We record liabilities net of the amount, based on technical merits, that will be sustained upon examination. We accrue for other non income tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated.

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. See Note 12 to the Consolidated Financial Statements for additional information about income taxes.

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, performance shares, restricted stock and restricted stock units. 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 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. See Note 10 to the Consolidated Financial Statements for additional information about stock based compensation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

BEFIEX Credits

In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIEX). These credits reduce Brazilian federal excise taxes on domestic sales, resulting in an increase in the operations' recorded net sales. We recognized export credits as they were monetized. See Notes 5 and 12 to the Consolidated Financial Statements for additional information regarding BEFIEX credits.

Out-of-Period 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.

Adoption of New Accounting Standards

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

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of excess tax benefits in the Consolidated Statements of Cash Flows. The new standard is effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company elected to early-adopt ASU 2016-09 in the fourth quarter of 2016 retrospectively to January 1, 2016. For the period ended December 31, 2016, there was no impact to diluted weighted average common shares outstanding or earnings per share ("EPS").

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

Accounting Pronouncements Issued But Not Yet Effective

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities". The new standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance. All transition requirements and elections should be applied to hedging relationships existing (that is, hedging relationships in which the hedging instrument has not expired, been sold, terminated, or exercised or the entity has not removed the designation of the hedging relationship) on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of adopting this guidance.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". The guidance in ASU 2017-04 eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments in the new

ASU, goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The Company is currently evaluating the impact of adopting this guidance.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory," which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption. Early adoption is permitted in the first interim period of an annual reporting period for which financial statements have not been issued. The Company will adopt this guidance in the first quarter of 2018 and is currently assessing the impact this standard will have on our Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, Leases (FAS 13). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption of the amendments in the update is permitted. The Company is currently evaluating the effect this standard will have on our Consolidated Financial Statements.

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

We adopted the requirements of the new standard on January 1, 2018 and applied the modified retrospective transition method. Under the modified retrospective method, we recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. This adjustment had an immaterial impact to our retained earnings. Results for reporting periods beginning after January 1, 2018 will be presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

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

- We established a global cross-functional project management implementation team to assess all potential impacts of this standard.
- We reviewed our current accounting policies and practices in each operating segment to identify potential differences that would result from the application of this standard, and updated them accordingly.
- We determined key factors from the five step process to recognize revenue as prescribed by the new standard that may be applicable to each of our business units that roll up into our four segments.
- Customer contracts from each business unit were identified and reviewed.
- Evaluation of the contract provisions and the comparison of historical accounting policies and practices to the requirements of the new standard (including the related qualitative disclosures regarding the potential impact of the effects of the accounting policies we expect to apply and a comparison to our current revenue recognition policies), have been completed.

We determined no significant changes are required to our business processes, systems and controls to effectively report revenue recognition under the new standard. In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIEX). These credits are used to reduce Brazilian federal excise



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taxes on domestic sales. The excise taxes in our Brazilian operations are currently reflected in revenue, with an offset to cost of sales. As a result, the monetization of BEFIEX credits has resulted in an increase to net sales. In accordance with Topic 606, we intend to make a policy election that will preclude various taxes to no longer be reflected in revenue under Topic 606.

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

| Standard | | Effective Date |
|---|---|---|
| 2016-01 | Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities | January 1, 2018 |
| 2016-04 | Liabilities—Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products | January 1, 2018 |
| 2016-18 | Statement of Cash Flows (Topic 230): Restricted Cash | January 1, 2018 |

All other issued and not yet effective accounting standards are not relevant to Whirlpool Corporation.

(2) INVENTORIES

The following table summarizes our inventories at December 31, 2017 and 2016:

| Millions of dollars | 2017 | 2016 |
|---|---|---|
| Finished products | $2,374 | $2,070 |
| Raw materials and work in process | 725 | 651 |
| | 3,099 | 2,721 |
| Less: excess of FIFO cost over LIFO cost | (111 ) | (98 ) |
| Total inventories | $2,988 | $2,623 |

LIFO inventories represented 38% and 37% of total inventories at December 31, 2017 and 2016, respectively.

(3) GOODWILL AND OTHER INTANGIBLES

Goodwill

The following table summarizes goodwill attributable to our reporting units at December 31, 2017 and 2016:

| Millions of dollars | 2017 | 2016 |
|---|---|---|
| North America | $1,755 | $1,734 |
| EMEA | 920 | 808 |
| Latin America | 5 | 4 |
| Asia | 438 | 410 |
| Total | $3,118 | $2,956 |

The change in the carrying value of goodwill was primarily due to purchase price allocations and the impact of foreign currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Other Intangible Assets

The following table summarizes other intangible assets at December 31, 2017 and 2016:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| Millions of dollars | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| Other intangible assets, finite lives: | | | | | | |
| Customer relationships [1] | $639 | $ (297) | $342 | $617 | $ (237) | $380 |
| Patents and other [2] | 387 | (179) | 208 | 337 | (150) | 187 |
| Total other intangible assets, finite lives | $1,026 | $ (476) | $550 | $954 | $ (387) | $567 |
| Trademarks, indefinite lives | 2,041 | — | 2,041 | 1,985 | — | 1,985 |
| Total other intangible assets | $3,067 | $ (476) | $2,591 | $2,939 | $ (387) | $2,552 |

(1) Customer relationships have an estimated useful life of 3 to 16 years.

(2) Patents and other intangibles have an estimated useful life of 1 to 41 years.

The change in the gross carrying value of other intangible assets was primarily due to the transfer of certain intangible land use rights to the China government resulting in a $42 million gain along with the impact of foreign currency. Amortization expense was $79 million, $71 million and $74 million for the years ended December 31, 2017, 2016 and 2015, respectively. The following table summarizes our future estimated amortization expense by year:

| Millions of dollars | |
|---|---|
| 2018 | $74 |
| 2019 | 61 |
| 2020 | 61 |
| 2021 | 58 |
| 2022 | 51 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(4) FINANCING ARRANGEMENTS

Long-Term Debt

The following table summarizes our long-term debt at December 31, 2017 and 2016:

| Millions of dollars | 2017 | 2016 |
|---|---|---|
| Senior note - 1.35%, maturing 2017 | $— | $250 |
| Senior note - 1.65%, maturing 2017 | — | 300 |
| Senior note - 4.50%, maturing 2018 | 363 | 327 |
| Senior note - 2.40%, maturing 2019 | 250 | 250 |
| Senior note - 0.625% maturing 2020 | 599 | 525 |
| 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 | 594 | 517 |
| Senior note - 1.10% maturing 2027 | 713 | — |
| Senior note - 5.15% maturing 2043 | 249 | 249 |
| Senior note - 4.50% maturing 2046 | 496 | 496 |
| Other, net | 4 | 22 |
| | $4,768 | $4,436 |
| Less current maturities | 376 | 560 |
| Total long-term debt | $4,392 | $3,876 |

The following table summarizes the contractual maturities of our long-term debt, including current maturities, at December 31, 2017:

| Millions of dollars | |
|---|---|
| 2018 | $376 |
| 2019 | 261 |
| 2020 | 597 |
| 2021 | 298 |
| 2022 | 298 |
| Thereafter | 2,938 |
| Long-term debt, including current maturities | $4,768 |

Debt Offering

On May 23, 2016, we completed a debt offering of $500 million principal amount of 4.50% notes due in 2046. The notes contain covenants that limit our ability to incur certain liens or enter into certain sale and lease-back transactions. In addition, if we experience a specific kind of change of control, we are required to make an offer to purchase all of the notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The notes are registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-3 (File No. 333-203704) filed with the Securities and Exchange Commission on April 29, 2015.

On November 2, 2016, Whirlpool Finance Luxembourg S.à. r.l. ("Whirlpool Luxembourg"), an indirect, wholly-owned finance subsidiary of Whirlpool Corporation, completed a debt offering of €500 million (approximately $555 million as of the date of issuance) principal amount of 1.250% notes due in 2026. The Company has fully and unconditionally guaranteed these notes. The notes contain covenants that limit Whirlpool Corporation's ability to incur certain liens or enter into certain sale and lease-back transactions. In addition, if we experience a specific kind of change of control, we are required to make an offer to purchase all of the notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The notes are registered under the Securities Act of 1933, as amended,

pursuant to our Registration Statement on Form S-3 (File No.333-203704-1) filed with the Securities and Exchange Commission on October 25, 2016.

On November 9, 2017, Whirlpool Luxembourg, an indirect, wholly-owned finance subsidiary of Whirlpool Corporation, completed a debt offering of €600 million (approximately $699 million as of the date of issuance) principal amount of 1.100% notes due in 2027. The Company has fully and unconditionally guaranteed these notes. The notes contain covenants that limit Whirlpool Corporation's ability to incur certain liens or enter into certain sale and lease-back transactions. In addition, if we experience a specific kind of change of control, we are required to make an offer to purchase all of the notes at a purchase price of 101% of the principal amount thereof, plus accrued and unpaid interest. The notes are registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-3 (File No.333-203704-1) filed with the Securities and Exchange Commission on October 25, 2016.

Debt Repayment

On November 1, 2017, $300 million of 1.65% senior notes matured and were repaid. On March 1, 2017, $250 million of 1.35% senior notes matured and were repaid. On July 15, 2016, $244 million of 7.75% notes matured and were repaid. On June 15, 2016, $250 million of 6.50% notes matured and were repaid.

Credit Facilities

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

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

In addition to the committed $3.0 billion Amended Long-Term Facility, we have a committed European facility and committed credit facilities in Brazil. The European facility provides borrowings up to €250 million (approximately $300 million at December 31, 2017), maturing in 2019. The committed credit facilities in Brazil provide borrowings up to 1.0 billion Brazilian reais (approximately $302 million at December 31, 2017), maturing through 2018.

We had no borrowings outstanding under the committed credit facilities at December 31, 2017 and 2016, 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. The following table summarizes the carrying value of notes payable at December 31, 2017 and 2016, respectively.

| Millions of dollars | 2017 | 2016 |
|---|---|---|
| Commercial paper | $401 | $ — |

| | | |
|---|---|---|
| Short-term borrowings to banks | 49 | 34 |
| Total notes payable | $450 | $ 34 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(5) COMMITMENTS AND CONTINGENCIES

OTHER MATTERS

Embraco Antitrust Matters

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

At December 31, 2017, a nominal amount remains accrued. We continue to defend these actions and take other steps to minimize our potential exposure. The final outcome and impact of these matters, and any related claims and investigations that may be brought in the future are subject to many variables, and cannot be predicted. We establish accruals only for those matters where we determine that a loss is probable and the amount of loss can be reasonably estimated. While it is currently not possible to reasonably estimate the aggregate amount of costs which we may incur in connection with these matters, such costs could have a material adverse effect on our financial statements.

BEFIEX Credits and Other Brazil Tax Matters

In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIEX). These credits reduced Brazilian federal excise taxes on domestic sales, resulting in an increase in the operations' recorded net sales, as the credits were monetized. In the fourth quarter of 2017, the Brazilian Supreme Court issued a final judgment confirming that we had a right to these credits and that we were entitled to the full amount of credits previously monetized.

In December 2013, the Brazilian government reinstituted the monetary adjustment index applicable to BEFIEX credits that existed prior to July 2009, when the Brazilian government required companies to apply a different monetary adjustment index to BEFIEX credits. Whether use of the reinstituted 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 reinstituted index should be given retroactive effect for the July 2009 to December 2013 period, which decision may be appealed by the Brazilian government. Based on this ruling, we are entitled to recognize $72 million in additional credits. We monetized $42 million of BEFIEX credits during the twelve months ended December 31, 2017. As of December 31, 2017, approximately $30 million BEFIEX credits remain to be monetized. We did not monetize any BEFIEX credits during the years ended December 31, 2016 or 2015.

Our Brazilian operations have received governmental assessments related to claims for income and social contribution taxes associated with certain monetized BEFIEX credits. We do not believe BEFIEX export credits are subject to income or social contribution taxes. We are disputing these tax matters in various courts and intend to vigorously defend our positions. We have not provided for income or social contribution taxes on these export credits, and based on the opinions of tax and legal advisors, we have not accrued any amount related to these assessments as of December 31, 2017. The total amount of outstanding tax assessments received for income and social contribution taxes relating to the BEFIEX credits, including interest and penalties, is approximately 1.9 billion Brazilian reais (approximately $565 million as of December 31, 2017).

Relying on existing Brazilian legal precedent, in 2003 and 2004, we recognized tax credits in an aggregate amount of $26 million, adjusted for currency, on the purchase of raw materials used in production ("IPI tax credits"). The Brazilian tax authority subsequently challenged the recording of IPI tax credits. No credits have been recognized since 2004. In 2009, we entered into a Brazilian government program which provided extended payment terms and reduced penalties and interest to encourage tax payers to resolve this and certain other disputed tax credit amounts. As permitted by the program, we elected to settle certain debts through the use of other existing tax credits and recorded charges of approximately $34 million in 2009 associated with these matters. In July 2012, the Brazilian revenue authority notified us that a portion of our proposed settlement was rejected and we received tax assessments of 241 million Brazilian reais (approximately $73 million as of December 31, 2017), reflecting interest and penalties to date. We are disputing these assessments and we intend to vigorously defend our position. Among other arguments, the government's assessment in this case relies heavily on its arguments regarding taxability of BEFIEX credits for certain years, which we are disputing in one of the BEFIEX government assessment cases cited in the prior paragraph.

In 2001, Brazil adopted a law making the profits of controlled foreign corporations of Brazilian entities subject to income and social contribution tax regardless of whether the profits were repatriated ("CFC Tax"). Our Brazilian subsidiary,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

along with other corporations, challenged tax assessments on foreign profits on constitutionality and other grounds. In April 2013, the Brazilian Supreme Court ruled on one of our cases, finding that the law is constitutional, but remanding the case to a lower court for consideration of other arguments raised in our appeal, including the existence of tax treaties with jurisdictions in which controlled foreign corporations are domiciled. As of December 31, 2017, our potential exposure for income and social contribution taxes relating to profits of controlled foreign corporations, including interest and penalties and net of expected foreign tax credits, is approximately 221 million Brazilian reais (approximately $67 million as of December 31, 2017). We believe these assessments are without merit and we intend to continue to vigorously dispute them. Based on the opinion of our tax and legal advisors, we have not accrued any amount related to these assessments as of December 31, 2017.

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

We also filed legal actions 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 the fourth quarter, we sold the rights to certain portions of this litigation to a third party for 90 million Brazilian reais (approximately $27 million as of December 31, 2017). Approximately $260 million in face value of credits related to this litigation remain. While the Company's recovery with respect to the remaining litigation may be material, there is substantial uncertainty about both the amount and timing of any recovery.

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

Other Litigation

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

Competition Investigation

In 2013, the French Competition Authority ("FCA") commenced an investigation of appliance manufacturers and retailers in France. The investigation includes a number of manufacturers, including the Whirlpool and Indesit operations in France.

The Company is cooperating with this investigation. The Company understands that the FCA has split its investigation into two parts and that, with respect to the first part, it intends to issue a Statement of Objections ("SO") alleging competition law infringements regarding sales of major domestic appliances in France. An SO is a formal legal step in French competition law proceedings and does not prejudge the final outcome of the matter. The Company has not received the SO, but will carefully review and address any SO that it receives. The second part of the FCA's investigation is ongoing, but at a less advanced stage.

Although it is currently not possible to assess the impact, if any, this matter may have on our Consolidated Financial Statements, the resolution of this matter could have a material adverse effect on our financial statements in any particular reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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 and legacy product warranty liability reserves for the periods presented:

| | Product Warranty | | Legacy Product Warranty | | Total | |
|---|---|---|---|---|---|---|
| Millions of dollars | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Balance at January 1 | $251 | $239 | $69 | $254 | $320 | $493 |
| Issuances/accruals during the period | 331 | 316 | 1 | — | 332 | 316 |
| Settlements made during the period/other | (305 ) | (304 ) | (70 ) | (185 ) | (375 ) | (489 ) |
| Balance at December 31 | $277 | $251 | $— | $69 | $277 | $320 |
| Current portion | $203 | $189 | $— | $69 | $203 | $258 |
| Non-current portion | 74 | 62 | — | — | 74 | 62 |
| Total | $277 | $251 | $— | $69 | $277 | $320 |

In the normal course of business, we engage in investigations of potential quality and safety issues. As part of our ongoing effort to deliver quality products to consumers, we are currently investigating a limited number of potential quality and safety issues globally. As necessary, we undertake to effect repair or replacement of appliances in the event that an investigation leads to the conclusion that such action is warranted. As part of that process, in 2015, Whirlpool engaged in thorough investigations of incident reports associated with two of its dryer production platforms developed by Indesit, prior to Whirlpool's acquisition of Indesit in October 2014. This led to Indesit reporting the issue to regulatory authorities for consideration. These discussions determined that corrective action of the affected dryers was required.

In September 2015, we recorded a liability related to this corrective action cost of €245 million (approximately $274 million as of September 30, 2015). Approximately 90% of the affected units were manufactured by Indesit prior to its acquisition by the Company in October 2014. Accordingly, in September 2015 we increased the warranty liability as a purchase accounting adjustment in the opening balance sheet with a corresponding increase to goodwill of €210 million (approximately $235 million as of September 30, 2015). The establishment of this liability is based on several assumptions such as customer response rate, consumer options, field repair costs, inventory repair costs, and timing of tax deductibility. Our experience with respect to these factors may cause our actual costs to differ significantly from our estimated costs. Cash settlements related to this corrective action are recognized in other operating activities in the Consolidated Statements of Cash Flows. In addition, we sought recovery under the terms of the Indesit agreements and reached an agreement with the seller in the fourth quarter of 2016 to recover a portion of our acquisition-related costs. We recognized such amount in interest and sundry (income) expense. During the third quarter of 2017, the corrective action was substantially complete and any remaining charges related to the corrective action will be recorded under product warranty. In the twelve months ended December 31, 2017, Whirlpool had $61 million of cash settlements made related to the corrective action.

Guarantees

We have guarantee arrangements in a Brazilian subsidiary. As a standard business practice in Brazil, the subsidiary guarantees customer lines of credit at commercial banks to support purchases following its normal credit policies. If a customer were to default on its line of credit with the bank, our subsidiary would be required to satisfy the obligation with the bank and the receivable would revert back to the subsidiary. At December 31, 2017 and December 31, 2016, the guaranteed amounts totaled $284 million and $258 million, respectively. The fair value of these guarantees were nominal at December 31, 2017 and December 31, 2016. Our subsidiary insures against credit risk for these guarantees, under normal operating conditions, through policies purchased from high-quality underwriters.

We provide guarantees of indebtedness and lines of credit for various consolidated subsidiaries. The maximum contractual amount of indebtedness and credit facilities available under these lines for consolidated subsidiaries totaled $2.8 billion at December 31, 2017 and $2.4 billion at December 31, 2016. Our total outstanding bank indebtedness under guarantees was $49 million at December 31, 2017 and $32 million at December 31, 2016, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

We have guaranteed a $16 million five-year revolving credit facility between certain financial institutions and a not-for-profit entity in connection with a community and economic development project ("Harbor Shores"). The purpose of Harbor Shores is to stimulate employment and growth in the areas of Benton Harbor and St. Joseph, Michigan. The credit facility, which originated in 2008, was refinanced in December 2012 and we renewed our guarantee through 2017. It was also amended in 2016 and 2017 by Harbor Shores and reduced to $40 million and $16 million, respectively. The fair value of this guarantee was nominal at December 31, 2017 and December 31, 2016. In the event of default, we must satisfy the guarantee of the credit facility up to the amount borrowed at the date of default.

Operating Lease Commitments

At December 31, 2017, we had noncancelable operating lease commitments totaling $976 million. The annual future minimum lease payments are summarized by year in the table below:

| Millions of dollars | |
|---|---|
| 2018 | $222 |
| 2019 | 187 |
| 2020 | 154 |
| 2021 | 108 |
| 2022 | 86 |
| Thereafter | 219 |
| Total noncancelable operating lease commitments | $976 |

Rent expense was $238 million, $234 million and $238 million for 2017, 2016 and 2015, respectively.

Purchase Obligations

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

| Millions of dollars | |
|---|---|
| 2018 | $179 |
| 2019 | 149 |
| 2020 | 129 |
| 2021 | 57 |
| 2022 | 55 |
| Thereafter | 45 |
| Total purchase obligations | $614 |

(6) 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. For the United States plan, which comprises the majority of our obligation, the plans are frozen for the majority of participants. The 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 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. In addition, we sponsor an unfunded Supplemental Executive Retirement Plan. 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 2017, 2016 and 2015 were $82 million, $77 million and $76 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

welfare benefit plans include cost-sharing provisions that limit our exposure for recent and future retirees and are contributory, with participants' contributions adjusted annually. The plans are unfunded. We reserve the right to modify these benefits in the future.

During the second quarter 2011, we modified retiree medical benefits for certain retirees to be consistent with those benefits provided by the Whirlpool Corporation Group Benefit Plan. We accounted for these changes as a plan amendment in 2011, resulting in a reduction in the postretirement benefit obligation of $138 million of which approximately $92 million of benefit has been recognized in net earnings since 2011, with an offset to accumulated other comprehensive loss, net of tax. In response, a group of retirees initiated legal proceedings against Whirlpool asserting the above benefits are vested and changes to the plan are not permitted. We disagree with plaintiffs' assertion and are continuing to vigorously defend our position, including through any necessary appeal process. However, an unfavorable final result could require us to immediately reverse the benefit we have recognized to that point, and remeasure the associated postretirement benefit obligation, the impact of which will depend on timing and the actuarial assumptions then in effect.

Defined Benefit - Pensions and Postretirement Benefit Plans

Obligations and Funded Status at End of Year

| | United States Pension Benefits | | Foreign Pension Benefits | | Other Postretirement Benefits | |
|---|---|---|---|---|---|---|
| Millions of dollars | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Funded status | | | | | | |
| Fair value of plan assets | $2,746 | $2,664 | $571 | $510 | $— | $— |
| Benefit obligations | 3,415 | 3,415 | 952 | 855 | 394 | 376 |
| Funded status | $(669 ) | $(751 ) | $(381) | $(345) | $(394) | $(376) |
| Amounts recognized in the consolidated balance sheet | | | | | | |
| Noncurrent asset | $— | $— | $11 | $2 | $— | $— |
| Current liability | (16 ) | (14 ) | (16 ) | (10 ) | (42 ) | (42 ) |
| Noncurrent liability | (653 ) | (737 ) | (376 ) | (337 ) | (352 ) | (334 ) |
| Amount recognized | $(669 ) | $(751 ) | $(381) | $(345) | $(394) | $(376) |
| Amounts recognized in accumulated other comprehensive loss (pre-tax) | | | | | | |
| Net actuarial loss | $1,380 | $1,426 | $201 | $176 | $17 | $3 |
| Prior service (credit) cost | (4 ) | (7 ) | (4 ) | (3 ) | (20 ) | (40 ) |
| Amount recognized | $1,376 | $1,419 | $197 | $173 | $(3 ) | $(37 ) |

Change in Benefit Obligation

| | United States Pension Benefits | | Foreign Pension Benefits | |
|---|---|---|---|---|
| Millions of dollars | 2017 | 2016 | 2017 | 2016 |
| Benefit obligation, beginning of year | $3,415 | $3,470 | $855 | $865 |
| Service cost | 2 | 3 | 5 | 5 |
| Interest cost | 134 | 147 | 23 | 27 |
| Plan participants' contributions | — | — | 1 | 1 |
| | 188 | 92 | | |

Actuarial loss (gain)

| | December 31, 2005 | December 31, 2004 |
|---|---|---|
| Property and Equipment | | |
| United States | $105,699 | $ 0 |
| Canada | 57,355 | 11,294 |
| Total | $163,054 | $11,294 |

Property and equipment includes only assets held for use, and is reported by geography based on the physical location of the assets at the end of the fiscal year. As of December 31, 2005, property and equipment were held only in the United States and Canada.

Note 18. Stock Based Compensation

In accordance with the compensation plan for directors adopted by the Board on July 19, 2005, the four new non-employee directors, immediately upon his election to the Board, received 40,000 shares of Common Stock, of which 20,000 shares vested immediately and 20,000 will vest on the first anniversary of his election to the Board. If a director leaves the Board for any reason, voluntarily or involuntarily, before the first anniversary of his election to the Board, he will forfeit any unvested shares. These 160,000 shares of common stock were valued at the fair market value on the date of grant and charged as compensation over the vesting period.

Note 19. Deferred Revenues

Deferred revenue occurs where the Company invoices customers for project work that has not been completed at the balance sheet date. The Company's deferred revenue balances for 2005 and 2004 are $130,287 and $1,432, respectively.

Note 20. Subsequent Event

In January 2006, we sold 2,307,693 shares of our Common Stock to Shuffle Master for $3.0 million and issued an 18-month warrant to purchase 1,200,000 shares of our Common Stock to Shuffle Master. This warrant has an exercise price of $2.025 per share and expires on July 12, 2007. The sale of these shares and the issuance of this warrant were in connection with a strategic alliance distribution and licensing agreement between us and Shuffle Master. As part of our agreement with Shuffle Master, we agreed to register the shares of our Common Stock sold to Shuffle Master and the shares underlying the warrant.

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In December 2005, we filed a resale registration statement with the United States Securities and Exchange Commission (the ''SEC'') on behalf of various stockholders. In January 2006, while the registration statement was pending review by the SEC, we entered into a strategic alliance licensing and distribution agreement with Shuffle Master under which we agreed to develop certain wireless gaming technology for Shuffle Master. In connection with that agreement, we sold 2,307,693 shares of our common stock and warrants to purchase up to an additional 1,200,000 shares of our common stock to Shuffle Master, Inc. for $3.0 million. The proceeds from the sale of those securities were intended to provide us with the working capital we would need to fulfill our obligations under the agreement. Since we agreed to register the purchased shares and the shares underlying the warrants, we included them in the pending registration statement. We were subsequently informed by the staff of the SEC that, because we included those securities in a pending registration statement, they were questioning the availability of the exemption from registration that we were claiming. The availability of the exemption requires that the transaction have a conclusion. Including the Shuffle Master securities in the pending registration statement raises the question as to whether the transaction with Shuffle Master ever concluded. The SEC suggested that we remove the Shuffle Master securities from the pending resale registration statement, which we have done. Notwithstanding that removal, if a court of competent jurisdiction were to ultimately determine that an exemption was not available, we may have to offer Shuffle Master rescission rights. In addition, we, and possibly some of our officers, may also be subject to penalties. However, we believe the sale of securities to Shuffle Master was exempt from the registration requirements of the Securities Act as a valid private placement transaction under Sections 4(2) and 4(6) of the Securities Act for a variety of reasons and we will vigorously contest any claim to the contrary.

Note 21. Correction of error for misapplication of SFAS 133, SFAS 150 and EITF 00-19 related to the issuance of warrants.

Management has determined that the prior accounting for the Warrants issued in conjunction with the Series B Preferred Stock in June 2005 was in error. The company initially classified the Warrants as an equity instrument, however the warrant agreement includes a registration rights agreement with an uneconomic penalty which precludes this classification. The Warrants have been reclassified as a liability in accordance with the provisions of SFAS 133, SFAS 150 and EITF 00-19.

As a result of the error, stockholders' equity at June 30, 2005 and September 30, 2005 were understated by $650,083. Liabilities for the same period were overstated by $650,083 and $749,730, respectively. Further the standards require the Company to re-measure the value at the end of each reporting period with the resulting increase or decrease to the liability reported as a component of the Consolidated Statements of Operation and Comprehensive Loss. As a result of the increase in the value of the warrants since issuance to December 31, 2005, a revaluation expense of $100,020 has been included in Other Income and Expense. Of this revaluation amount, $99,287 related to the quarter ended September 30, 2005 and $733 related to quarter ended December 30, 2005.



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You may rely on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor sale of common shares means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy our common shares in any circumstances under which the offer or solicitation is unlawful.

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6,473,713 SHARES
OF
COMMON STOCK

SONA MOBILE HOLDINGS CORP.

PROSPECTUS

April 24, 2006