

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

FORM 10-Q



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

For the quarterly period ended September 30, 2020

OR



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

Commission file number 1-3932



WHIRLPOOL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

2000 North M-63

Benton Harbor, Michigan

(Address of principal executive offices)

38-1490038

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

49022-2692

(Zip Code)

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

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

| Title of each class                      | Trading symbol(s) | Name of each exchange on which registered          |
|------------------------------------------|-------------------|----------------------------------------------------|
| Common stock, par value \$1.00 per share | WHR               | Chicago Stock Exchange and New York Stock Exchange |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

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

| Class of common stock                    | Shares outstanding at October 16, 2020 |
|------------------------------------------|----------------------------------------|
| Common stock, par value \$1.00 per share | 62,546,876                             |

**WHIRLPOOL CORPORATION**

**QUARTERLY REPORT ON FORM 10-Q**

**Three and Nine Months Ended September 30, 2020**

**TABLE OF CONTENTS**

|                                                                                                                      | PAGE                      |
|----------------------------------------------------------------------------------------------------------------------|---------------------------|
| <b>PART I</b>                                                                                                        |                           |
| Item 1. <a href="#"><u>Financial Statements</u></a>                                                                  |                           |
| <a href="#"><u>Consolidated Condensed Statements of Comprehensive Income</u></a>                                     | <a href="#"><u>5</u></a>  |
| <a href="#"><u>Consolidated Condensed Balance Sheets</u></a>                                                         | <a href="#"><u>6</u></a>  |
| <a href="#"><u>Consolidated Condensed Statements of Cash Flows</u></a>                                               | <a href="#"><u>7</u></a>  |
| <a href="#"><u>Notes to the Consolidated Condensed Financial Statements</u></a>                                      | <a href="#"><u>8</u></a>  |
| Item 2. <a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a> | <a href="#"><u>34</u></a> |
| Item 3. <a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>                            | <a href="#"><u>49</u></a> |
| Item 4. <a href="#"><u>Controls and Procedures</u></a>                                                               | <a href="#"><u>49</u></a> |
| <b>PART II</b>                                                                                                       |                           |
| Item 1. <a href="#"><u>Legal Proceedings</u></a>                                                                     | <a href="#"><u>50</u></a> |
| Item 1A. <a href="#"><u>Risk Factors</u></a>                                                                         | <a href="#"><u>50</u></a> |
| Item 2. <a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>                           | <a href="#"><u>51</u></a> |
| Item 3. <a href="#"><u>Defaults Upon Senior Securities</u></a>                                                       | <a href="#"><u>51</u></a> |
| Item 4. <a href="#"><u>Mine Safety Disclosures</u></a>                                                               | <a href="#"><u>51</u></a> |
| Item 5. <a href="#"><u>Other Information</u></a>                                                                     | <a href="#"><u>51</u></a> |
| Item 6. <a href="#"><u>Exhibits</u></a>                                                                              | <a href="#"><u>52</u></a> |
| <b><u>SIGNATURES</u></b>                                                                                             | <a href="#"><u>53</u></a> |

---

## FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Certain statements contained in this quarterly report, including those within the forward-looking perspective section within the Management's Discussion and Analysis, and other written and oral statements made from time to time by us or on our behalf do not relate strictly to historical or current facts and may contain forward-looking statements that reflect our current views with respect to future events and financial performance. As such, they are considered "forward-looking statements" which provide current expectations or forecasts of future events. Such statements can be identified by the use of terminology such as "may," "could," "will," "should," "possible," "plan," "predict," "forecast," "potential," "anticipate," "estimate," "expect," "project," "intend," "believe," "may impact," "on track," and 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, and the impact of the COVID-19 pandemic on our operations and financial condition. Many risks, contingencies and uncertainties could cause actual results to differ materially from Whirlpool's forward-looking statements. Among these factors are: (1) COVID-19 pandemic-related business disruptions and economic uncertainty; (2) intense competition in the home appliance industry reflecting the impact of both new and established global competitors, including Asian and European manufacturers, and the impact of the changing retail environment, including direct-to-consumer sales; (3) 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; (4) Whirlpool's ability to maintain its reputation and brand image; (5) 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; (6) Whirlpool's ability to obtain and protect intellectual property rights; (7) acquisition and investment-related risks, including risks associated with our past acquisitions, and risks associated with our increased presence in emerging markets; (8) risks related to our international operations, including changes in foreign regulations, regulatory compliance and disruptions arising from political, legal and economic instability; (9) information technology system failures, data security breaches, data privacy compliance, network disruptions, and cybersecurity attacks; (10) product liability and product recall costs; (11) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (12) our ability to attract, develop and retain executives and other qualified employees; (13) the impact of labor relations; (14) fluctuations in the cost of key materials (including steel, resins, copper and aluminum) and components and the ability of Whirlpool to offset cost increases; (15) Whirlpool's ability to manage foreign currency fluctuations; (16) impacts from goodwill impairment and related charges; (17) triggering events or circumstances impacting the carrying value of our long-lived assets; (18) inventory and other asset risk; (19) the uncertain global economy and changes in economic conditions which affect demand for our products; (20) health care cost trends, regulatory changes and variations between results and estimates that could increase future funding obligations for pension and postretirement benefit plans; (21) changes in LIBOR, or replacement of LIBOR with an alternative reference rate; (22) 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; (23) the effects and costs of governmental investigations or related actions by third parties; and (24) 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 Part II, Item 1A of this report.

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

## **Website Disclosure**

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

## PART I. FINANCIAL INFORMATION

---

### ITEM 1. FINANCIAL STATEMENTS

#### TABLE OF CONTENTS

|                                                                             | PAGE      |
|-----------------------------------------------------------------------------|-----------|
| <b>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</b>                          |           |
| <u>Consolidated Condensed Statements of Comprehensive Income</u>            | <u>5</u>  |
| <u>Consolidated Condensed Balance Sheets</u>                                | <u>6</u>  |
| <u>Consolidated Condensed Statements of Cash Flows</u>                      | <u>7</u>  |
|                                                                             | PAGE      |
| <b>NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)</b> |           |
| 1. <u>Basis of Presentation</u>                                             | <u>8</u>  |
| 2. <u>Revenue Recognition</u>                                               | <u>11</u> |
| 3. <u>Cash, Cash Equivalents and Restricted Cash</u>                        | <u>12</u> |
| 4. <u>Inventories</u>                                                       | <u>12</u> |
| 5. <u>Property, Plant and Equipment</u>                                     | <u>12</u> |
| 6. <u>Financing Arrangements</u>                                            | <u>13</u> |
| 7. <u>Commitments and Contingencies</u>                                     | <u>15</u> |
| 8. <u>Pension and Other Postretirement Benefit Plans</u>                    | <u>19</u> |
| 9. <u>Hedges and Derivative Financial Instruments</u>                       | <u>20</u> |
| 10. <u>Fair Value Measurements</u>                                          | <u>24</u> |
| 11. <u>Stockholders' Equity</u>                                             | <u>25</u> |
| 12. <u>Restructuring Charges</u>                                            | <u>28</u> |
| 13. <u>Income Taxes</u>                                                     | <u>30</u> |
| 14. <u>Segment Information</u>                                              | <u>31</u> |
| 15. <u>Divestitures and Held for Sale</u>                                   | <u>33</u> |

**WHIRLPOOL CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIODS ENDED SEPTEMBER 30**  
(Millions of dollars, except per share data)

|                                                                 | Three Months Ended |                 | Nine Months Ended |                  |
|-----------------------------------------------------------------|--------------------|-----------------|-------------------|------------------|
|                                                                 | 2020               | 2019            | 2020              | 2019             |
| <b>Net sales</b>                                                | <b>\$ 5,291</b>    | <b>\$ 5,091</b> | <b>\$ 13,658</b>  | <b>\$ 15,037</b> |
| <b>Expenses</b>                                                 |                    |                 |                   |                  |
| Cost of products sold                                           | 4,136              | 4,350           | 11,172            | 12,552           |
| Gross margin                                                    | 1,155              | 741             | 2,486             | 2,485            |
| Selling, general and administrative                             | 513                | 491             | 1,354             | 1,580            |
| Intangible amortization                                         | 16                 | 17              | 46                | 53               |
| Restructuring costs                                             | 63                 | 56              | 186               | 142              |
| (Gain) loss on sale and disposal of businesses                  | (7)                | (516)           | (7)               | (437)            |
| Operating profit                                                | 570                | 693             | 907               | 1,147            |
| <b>Other (income) expense</b>                                   |                    |                 |                   |                  |
| Interest and sundry (income) expense                            | (22)               | (29)            | (38)              | (222)            |
| Interest expense                                                | 51                 | 45              | 142               | 148              |
| Earnings before income taxes                                    | 541                | 677             | 803               | 1,221            |
| Income tax expense (benefit)                                    | 143                | 313             | 233               | 311              |
| Net earnings                                                    | 398                | 364             | 570               | 910              |
| Less: Net earnings (loss) available to noncontrolling interests | 1                  | 6               | (14)              | 14               |
| Net earnings available to Whirlpool                             | <u>\$ 397</u>      | <u>\$ 358</u>   | <u>\$ 584</u>     | <u>\$ 896</u>    |
| <b>Per share of common stock</b>                                |                    |                 |                   |                  |
| Basic net earnings available to Whirlpool                       | <u>\$ 6.35</u>     | <u>\$ 5.62</u>  | <u>\$ 9.33</u>    | <u>\$ 14.04</u>  |
| Diluted net earnings available to Whirlpool                     | <u>\$ 6.27</u>     | <u>\$ 5.57</u>  | <u>\$ 9.26</u>    | <u>\$ 13.93</u>  |
| Dividends declared                                              | <u>\$ 1.20</u>     | <u>\$ 1.20</u>  | <u>\$ 3.60</u>    | <u>\$ 3.55</u>   |
| <b>Weighted-average shares outstanding (in millions)</b>        |                    |                 |                   |                  |
| Basic                                                           | 62.6               | 63.6            | 62.6              | 63.8             |
| Diluted                                                         | 63.3               | 64.2            | 63.1              | 64.3             |
| <b>Comprehensive income</b>                                     | <u>\$ 375</u>      | <u>\$ 419</u>   | <u>\$ 436</u>     | <u>\$ 1,002</u>  |

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

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

|                                                                                                                                                       | (Unaudited)        |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                                                                                                       | September 30, 2020 | December 31, 2019 |
| <b>Assets</b>                                                                                                                                         |                    |                   |
| Current assets                                                                                                                                        |                    |                   |
| Cash and cash equivalents                                                                                                                             | \$ 3,528           | \$ 1,952          |
| Accounts receivable, net of allowance of \$144 and \$132, respectively                                                                                | 2,716              | 2,198             |
| Inventories                                                                                                                                           | 2,216              | 2,438             |
| Prepaid and other current assets                                                                                                                      | 847                | 810               |
| Total current assets                                                                                                                                  | 9,307              | 7,398             |
| Property, net of accumulated depreciation of \$6,681 and \$6,444, respectively                                                                        | 3,136              | 3,301             |
| Right of use assets                                                                                                                                   | 904                | 921               |
| Goodwill                                                                                                                                              | 2,463              | 2,440             |
| Other intangibles, net of accumulated amortization of \$644 and \$593, respectively                                                                   | 2,190              | 2,225             |
| Deferred income taxes                                                                                                                                 | 2,146              | 2,238             |
| Other noncurrent assets                                                                                                                               | 213                | 358               |
| Total assets                                                                                                                                          | \$ 20,359          | \$ 18,881         |
| <b>Liabilities and stockholders' equity</b>                                                                                                           |                    |                   |
| Current liabilities                                                                                                                                   |                    |                   |
| Accounts payable                                                                                                                                      | \$ 4,179           | \$ 4,547          |
| Accrued expenses                                                                                                                                      | 687                | 652               |
| Accrued advertising and promotions                                                                                                                    | 751                | 949               |
| Employee compensation                                                                                                                                 | 516                | 450               |
| Notes payable                                                                                                                                         | 1,735              | 294               |
| Current maturities of long-term debt                                                                                                                  | 298                | 559               |
| Other current liabilities                                                                                                                             | 939                | 918               |
| Total current liabilities                                                                                                                             | 9,105              | 8,369             |
| Noncurrent liabilities                                                                                                                                |                    |                   |
| Long-term debt                                                                                                                                        | 4,965              | 4,140             |
| Pension benefits                                                                                                                                      | 470                | 542               |
| Postretirement benefits                                                                                                                               | 163                | 322               |
| Lease liabilities                                                                                                                                     | 735                | 778               |
| Other noncurrent liabilities                                                                                                                          | 643                | 612               |
| Total noncurrent liabilities                                                                                                                          | 6,976              | 6,394             |
| Stockholders' equity                                                                                                                                  |                    |                   |
| Common stock, \$1 par value, 250 million shares authorized, 112 million shares issued, and 62 million and 63 million shares outstanding, respectively | 113                | 112               |
| Additional paid-in capital                                                                                                                            | 2,865              | 2,806             |
| Retained earnings                                                                                                                                     | 8,223              | 7,870             |
| Accumulated other comprehensive loss                                                                                                                  | (2,754)            | (2,618)           |
| Treasury stock, 50 million and 49 million shares, respectively                                                                                        | (5,076)            | (4,975)           |
| Total Whirlpool stockholders' equity                                                                                                                  | 3,371              | 3,195             |
| Noncontrolling interests                                                                                                                              | 907                | 923               |
| Total stockholders' equity                                                                                                                            | 4,278              | 4,118             |
| Total liabilities and stockholders' equity                                                                                                            | \$ 20,359          | \$ 18,881         |

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

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

|                                                                                           | Nine Months Ended |        |
|-------------------------------------------------------------------------------------------|-------------------|--------|
|                                                                                           | 2020              | 2019   |
| <b>Operating activities</b>                                                               |                   |        |
| Net earnings                                                                              | \$ 570            | \$ 910 |
| Adjustments to reconcile net earnings to cash provided by (used in) operating activities: |                   |        |
| Depreciation and amortization                                                             | 414               | 443    |
| (Gain) loss on sale and disposal of businesses                                            | —                 | (437)  |
| Changes in assets and liabilities:                                                        |                   |        |
| Accounts receivable                                                                       | (663)             | (517)  |
| Inventories                                                                               | 158               | (525)  |
| Accounts payable                                                                          | (162)             | (110)  |
| Accrued advertising and promotions                                                        | (179)             | (62)   |
| Accrued expenses and current liabilities                                                  | (163)             | 29     |
| Taxes deferred and payable, net                                                           | 90                | (59)   |
| Accrued pension and postretirement benefits                                               | (55)              | (72)   |
| Employee compensation                                                                     | 137               | 77     |
| Other                                                                                     | 260               | (243)  |
| Cash provided by (used in) operating activities                                           | 407               | (566)  |
| <b>Investing activities</b>                                                               |                   |        |
| Capital expenditures                                                                      | (251)             | (306)  |
| Proceeds from sale of assets and business                                                 | 27                | 1,034  |
| Other                                                                                     | —                 | (5)    |
| Cash provided by (used in) investing activities                                           | (224)             | 723    |
| <b>Financing activities</b>                                                               |                   |        |
| Net proceeds from borrowings of long-term debt                                            | 1,031             | 699    |
| Repayments of long-term debt                                                              | (568)             | (946)  |
| Net proceeds (repayments) from short-term borrowings                                      | 1,405             | (63)   |
| Dividends paid                                                                            | (232)             | (229)  |
| Repurchase of common stock                                                                | (121)             | (100)  |
| Common stock issued                                                                       | 16                | 5      |
| Other                                                                                     | —                 | (7)    |
| Cash provided by (used in) financing activities                                           | 1,531             | (641)  |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash             | (125)             | (55)   |
| Increase (decrease) in cash, cash equivalents and restricted cash                         | 1,589             | (539)  |
| Cash, cash equivalents and restricted cash at beginning of year                           | 1,952             | 1,538  |
| Cash, cash equivalents and restricted cash at end of year                                 | \$ 3,541          | \$ 999 |

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

## NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

### (1) BASIS OF PRESENTATION

#### General Information

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes required by U.S. GAAP for complete financial statements. As a result, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Form 10-K for the year ended December 31, 2019.

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

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

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

#### Risks and Uncertainties

COVID-19 continues to spread throughout the United States and other countries across the world, and the duration and severity of the effects are currently unknown. The pandemic has impacted the Company and could materially impact our financial results in the future. The Consolidated Condensed Financial Statements presented herein reflect estimates and assumptions made by management at September 30, 2020 and for the nine months ended September 30, 2020.

Such estimates and assumptions affect, among other things, the Company's goodwill, long-lived asset and indefinite-lived intangible asset valuation; inventory valuation; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; and the allowance for expected credit losses and bad debt. Events and changes in circumstances arising after October 22, 2020, including those resulting from the impacts of COVID-19, will be reflected in management's estimates for future periods.

#### *Goodwill and indefinite-lived intangible assets*

Our Critical Accounting Policies and Estimates for goodwill and other indefinite-life intangibles are disclosed in Note 1 to the Consolidated Financial Statements and in Management's Discussion and Analysis of our annual report on Form 10-K for the fiscal year ended December 31, 2019.

We continue to monitor the significant global economic uncertainty as a result of COVID-19 to assess the outlook for demand for our products and the impact on our business and our overall financial performance. The goodwill in our EMEA reporting unit and our *Indesit*, *Hotpoint\** and *Maytag* trademarks continue to be at risk at September 30, 2020. The goodwill in our other reporting units or indefinite-lived intangible assets are not presently at risk for future impairment.

The potential impact of COVID-19 related demand disruptions, production impacts and supply constraint impacts on our operating results for the EMEA reporting unit in the short-term is uncertain, but we remain committed to the strategic actions necessary to realize the long-term forecasted EBIT margins and expect that the macroeconomic environment will recover in the medium to long-term. The potential negative demand effect on revenues for the *Indesit* and *Hotpoint\** trademarks and the *Maytag* trademark is also uncertain given the volatile environment, but we expect that demand and production levels will continue to recover.

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

As a result of our analysis, and in consideration of the totality of events and circumstances, there were no triggering events of impairment identified during the third quarter of 2020.

A lack of recovery or further deterioration in market conditions, a sustained trend of weaker than expected financial performance in EMEA or for our *Indesit*, *Hotpoint*\* and *Maytag* trademarks or a lack of recovery or further decline in the Company's market capitalization, among other factors, as a result of the COVID-19 pandemic or other unforeseen events could result in an impairment charge in future periods which could have a material adverse effect on our financial statements.

#### *Income taxes*

Under U.S. GAAP, the Company calculates its quarterly tax provision based on an estimated effective tax rate for the year and then adjusts this amount by certain discrete items each quarter. The changing and volatile macro-economic conditions connected with the COVID-19 pandemic may cause fluctuations in forecasted earnings before income taxes. As such, the Company's effective tax rate could be subject to volatility as forecasted earnings before income taxes are impacted by events which cannot be predicted. In addition, continued economic deterioration brought on by the pandemic may negatively impact the realizability of certain deferred tax assets.

#### **Other Accounting Matters**

##### *Synthetic lease arrangements*

In the first quarter of 2020, we entered into a synthetic lease arrangement with a financial institution for non-core properties in the North America region. The term of these leases commenced in the first quarter of 2020 and will expire five years after commencement. The leases contain provisions for options to purchase, extend the original term for additional periods or return the property. We have assessed the reasonable certainty of these provisions to determine the appropriate lease term. These arrangements include a residual value guarantee that could potentially come due in future periods. The current obligation residual value guarantee is not material as of September 30, 2020.

We assessed the lease classification of the agreements and determined they were operating leases. These leases were measured using our incremental borrowing rate and are included in our right of use assets and lease liabilities in the Consolidated Condensed Balance Sheets for a nominal amount. Rental payments are calculated at the applicable LIBOR rate plus a margin and the annual lease payments are not material.

#### **Prior Year Out-of-Period Adjustments**

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

In addition, during the third quarter of 2019 we recorded an adjustment of \$22 million related to the first quarter of 2019 resulting from other foreign subsidiary income items and corresponding tax credit impacts. This adjustment resulted in a decrease of \$22 million in net earnings available to Whirlpool and a decrease of \$0.34 in diluted earnings per share for the three months ended September 30, 2019. The Consolidated Condensed Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2019 is not impacted by this adjustment.

#### **Adoption of New Accounting Standards**

On January 1, 2020 we adopted Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The guidance in ASU 2016-13 creates a new impairment standard replacing the current "incurred loss" model. The incurred loss model required that for a loss to be impaired and recognized on the financial statements it must be probable that it has been incurred at the measurement date. The new standard utilizes an "expected credit loss" model also referred to as "the current expected credit loss" (CECL) model. Under CECL, there is no threshold for impairment loss recognition, but it instead reflects a current estimate of all expected credit losses. The adoption of this standard did not have a material impact to the Consolidated Condensed Financial Statements.

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

For additional information on the required disclosures related to the impact of adopting this standard, see Note 2 to the Consolidated Condensed Financial Statements.

We adopted the following standards, none of which had a material impact on our Consolidated Condensed Financial Statements:

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

All other newly issued and effective accounting standards during 2020 were not relevant or material to the Company.

#### Accounting Pronouncements Issued But Not Yet Effective

In March 2020, the FASB issued Update 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting". The amendments in Update 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The new guidance provides the following optional expedients: simplify accounting analyses under current U.S. GAAP for contract modifications, simplify the assessment of hedge effectiveness, allow hedging relationships affected by reference rate reform to continue and allow a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform. The amendments are effective for all entities from the beginning of an interim period that includes the issuance date of the ASU. An entity may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact of adopting this guidance.

In December 2019, the FASB issued Update 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". The amendments in this Update affect entities within the scope of Topic 740, Income Taxes. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating the impact of adopting this guidance.

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

| Standard                                                                                                                                                                                                                                 | Effective Date  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans                                                  | January 1, 2021 |
| 2020-06 Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entities Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entities Own Equity | January 1, 2022 |

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

## 2) REVENUE RECOGNITION

### Disaggregation of Revenue

The following table presents our disaggregated revenues by revenue source. We sell products within all product categories in each operating segment. For additional information on the disaggregated revenues by geographic regions, see Note 14 to the Consolidated Condensed Financial Statements.

| Millions of dollars                           | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                  |
|-----------------------------------------------|----------------------------------|-----------------|---------------------------------|------------------|
|                                               | 2020                             | 2019            | 2020                            | 2019             |
| <b>Major product categories:</b>              |                                  |                 |                                 |                  |
| Laundry                                       | \$ 1,588                         | \$ 1,576        | \$ 3,989                        | \$ 4,531         |
| Refrigeration                                 | 1,701                            | 1,673           | 4,368                           | 4,694            |
| Cooking                                       | 1,159                            | 1,183           | 3,011                           | 3,289            |
| Dishwashing                                   | 509                              | 414             | 1,320                           | 1,169            |
| <b>Total major product category net sales</b> | <b>\$ 4,957</b>                  | <b>\$ 4,846</b> | <b>\$ 12,688</b>                | <b>\$ 13,683</b> |
| Compressors <sup>(1)</sup>                    | —                                | —               | —                               | 557              |
| Spare parts and warranties                    | 247                              | 227             | 681                             | 749              |
| Other                                         | 87                               | 18              | 289                             | 48               |
| <b>Total net sales</b>                        | <b>\$ 5,291</b>                  | <b>\$ 5,091</b> | <b>\$ 13,658</b>                | <b>\$ 15,037</b> |

<sup>(1)</sup> Change in compressors compared to the prior year is due to the divestiture of the Embraco compressor business.

The impact to revenue related to prior period performance obligations was not material for the three and nine months ended September 30, 2020.

### Allowance for Expected Credit Losses and Bad Debt Expense

We estimate our expected credit losses primarily by using an aging methodology and establish customer-specific reserves for higher risk trade customers. Our expected credit losses are evaluated and controlled within each geographic region considering the unique credit risk specific to the country, marketplace and economic environment. We take into account past events, current conditions and reasonable and supportable forecasts in developing the reserve. The adoption of the new credit loss standard did not have a material impact on the Consolidated Condensed Financial Statements.

The following table summarizes our allowance for doubtful accounts by operating segment for the nine months ended September 30, 2020.

| Millions of dollars | December 31, 2019 | Charged to Earnings | Write-offs     | Foreign Currency | September 30, 2020 |
|---------------------|-------------------|---------------------|----------------|------------------|--------------------|
| North America       | \$ 4              | \$ 5                | \$ —           | \$ —             | 9                  |
| EMEA                | 83                | 5                   | (13)           | —                | 75                 |
| Latin America       | 33                | 13                  | (3)            | (6)              | 37                 |
| Asia                | 12                | 11                  | —              | —                | 23                 |
| <b>Consolidated</b> | <b>\$ 132</b>     | <b>\$ 34</b>        | <b>\$ (16)</b> | <b>\$ (6)</b>    | <b>144</b>         |

We also have an allowance on certain financing receivables that are recorded in prepaid and other current assets and other noncurrent assets on our Consolidated Condensed Balance Sheets. The allowance at September 30, 2020 and December 31, 2019 was approximately \$45 million and \$48 million, respectively. The amount charged to earnings and write-offs for the nine months ended September 30, 2020 were not material.

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

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

| Millions of dollars                                                                                            | September 30,   |               |
|----------------------------------------------------------------------------------------------------------------|-----------------|---------------|
|                                                                                                                | 2020            | 2019          |
| Cash and cash equivalents as presented in our Consolidated Condensed Balance Sheets                            | \$ 3,528        | \$ 993        |
| Restricted cash included in prepaid and other current assets <sup>(1)</sup>                                    | 13              | 6             |
| Cash, cash equivalents and restricted cash as presented in our Consolidated Condensed Statements of Cash Flows | <u>\$ 3,541</u> | <u>\$ 999</u> |

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

<sup>(1)</sup> In 2020, restricted cash represents contributions held as part of the Company's Charitable Foundation which is consolidated as of September 30, 2020. In 2019 and 2018, restricted cash was used to fund capital expenditures and technical resources to enhance Whirlpool China's research and development and working capital, as required by the terms of the Whirlpool China (formerly Hefei Sanyo) acquisition.

### (4) INVENTORIES

The following table summarizes our inventories at September 30, 2020 and December 31, 2019:

| Millions of dollars                      | September 30, 2020 | December 31, 2019 |
|------------------------------------------|--------------------|-------------------|
| Finished products                        | \$ 1,708           | \$ 1,979          |
| Raw materials and work in process        | 627                | 602               |
|                                          | <u>2,335</u>       | <u>2,581</u>      |
| Less: excess of FIFO cost over LIFO cost | (119)              | (143)             |
| Total inventories                        | <u>\$ 2,216</u>    | <u>\$ 2,438</u>   |

LIFO inventories represented 41% and 43% of total inventories at September 30, 2020 and December 31, 2019, respectively.

### (5) PROPERTY, PLANT AND EQUIPMENT

The following table summarizes our property, plant and equipment at September 30, 2020 and December 31, 2019:

| Millions of dollars                | September 30, 2020 | December 31, 2019 |
|------------------------------------|--------------------|-------------------|
| Land                               | \$ 91              | \$ 97             |
| Buildings                          | 1,540              | 1,540             |
| Machinery and equipment            | 8,186              | 8,108             |
| Accumulated depreciation           | (6,681)            | (6,444)           |
| Property, plant and equipment, net | <u>\$ 3,136</u>    | <u>\$ 3,301</u>   |

During the nine months ended September 30, 2020, we disposed of buildings, machinery and equipment with a net book value of \$20 million. The net gain on the disposals were not material.

## **(6) FINANCING ARRANGEMENTS**

### **Debt Offering**

On May 7, 2020, Whirlpool Corporation (the "Company"), completed its offering of \$500 million in principal amount of 4.60% Senior Notes due 2050 (the "Notes"), in a public offering pursuant to a registration statement on Form S-3 (File No. 333-224381). The Notes were issued under an indenture (the "Indenture"), dated March 20, 2000, between the Company, as issuer, and U.S. Bank National Association (as successor to Citibank, N.A.), as trustee. The notes contain covenants that limit the Company'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 Company used the net proceeds from the sale of the Notes to repay a portion of the outstanding borrowings under the Company's revolving credit facility, as amended and restated, dated as of August 6, 2019, 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.

On February 21, 2020, Whirlpool EMEA Finance S.à r.l., an indirect, wholly-owned finance subsidiary of Whirlpool Corporation, completed a bond offering consisting of €500 million (approximately \$540 million at closing) in principal amount of 0.50% Senior Notes due in 2028 (the "Notes") in a public offering pursuant to a registration statement on Form S-3 (File No. 333-224381). The Notes were issued under an indenture, dated February 21, 2020, among Whirlpool EMEA Finance S.à r.l., as issuer, the Company, as parent guarantor, and U.S. Bank National Association, as trustee. Whirlpool Corporation has fully and unconditionally guaranteed the Notes on a senior unsecured basis. 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.

On February 26, 2019, Whirlpool Corporation completed a bond offering consisting of \$700 million in principal amount of 4.75% Senior Notes due in 2029. The Notes were issued under an indenture (the "Indenture"), dated March 20, 2000, between the Company, as issuer, and U.S. Bank National Association (as successor to Citibank, N.A.), as trustee. 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 pursuant to a registration statement on Form S-3 (File No. 333-224381).

### **Debt Repayment**

On March 12, 2020, €500 million (approximately \$566 million at repayment) of 0.625% senior notes matured and were repaid.

On August 9, 2019, we repaid \$1.0 billion pursuant to our April 23, 2018 Term Loan Agreement with Citibank, N.A., as Administrative Agent, and certain other financial institutions, representing full repayment of amounts borrowed under the term loan. As previously disclosed, we agreed to repay this term loan amount with the net cash proceeds received from the sale of our Embraco business unit to Nidec Corporation, which closed on July 1, 2019.

On March 1, 2019, \$250 million of 2.40% senior notes matured and were repaid.

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

## Credit Facilities

On April 27, 2020, Whirlpool Corporation entered into a revolving 364-Day Credit Agreement (the "364-Day Facility") by and among the Company, the lenders referred to therein, and Citibank, N.A. as Administrative Agent. The 364-Day Facility provides aggregate borrowing capacity of \$500 million, and has a termination date of April 26, 2021. The interest and fee rates payable with respect to the 364-Day Facility based on the Company's current debt rating are as follows: (1) the Eurodollar Margin is 1.625%; (2) the spread over prime is 0.625%; and (3) the unused commitment fee is 0.400%. The 364-Day Facility contains customary covenants and warranties which are consistent with the Company's \$3.5 billion revolving credit facility, including, among other things, a debt to capitalization ratio of less than or equal to 0.65 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 for each fiscal quarter. In addition, the covenants limit the Company's ability to (or to permit any subsidiaries to), subject to various exceptions and limitations: (i) merge with other companies; (ii) create liens on its property; and (iii) incur debt at the subsidiary level.

On August 6, 2019, Whirlpool Corporation entered into a Fourth Amended and Restated Long-Term Credit Agreement (the "Amended Long-Term Facility", or "revolving credit facility") by and among the Company, certain other borrowers, the lenders referred to therein, JPMorgan Chase Bank, N.A. as Administrative Agent, and Citibank, N.A., as Syndication Agent. The Amended Long-Term Facility provides aggregate borrowing capacity of \$3.5 billion, an increase of \$500 million from the Company's prior amended and restated credit agreement. The Amended Long-Term Facility has a maturity date of August 6, 2024, unless earlier terminated. The interest and fee rates payable with respect to the Amended Long-Term Facility based on our current debt rating are as follows: (1) the spread over EURIBOR is 1.125%; (2) the spread over prime is 0.125%; and (3) the unused commitment fee is 0.100%. The Amended Long-Term Facility contains customary covenants and warranties including, among other things, a debt to capitalization ratio of less than or equal to 0.65 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 for each fiscal quarter. In addition, the covenants limit our ability to (or to permit any subsidiaries to), subject to various exceptions and limitations: (i) merge with other companies; (ii) create liens on our property; (iii) incur debt at the subsidiary level.

We are in compliance with both our debt to capitalization ratio and interest coverage ratio under the revolving credit facilities as of September 30, 2020.

In addition to the committed \$3.5 billion Amended Long-Term Facility and the \$500 million 364-Day Credit Agreement, we have committed credit facilities in Brazil and India. The committed credit facilities in Brazil and India provide borrowings up to 1 billion Brazilian reais and 1 billion Indian rupees (totaling approximately \$191 million at September 30, 2020 and \$262 million at December 31, 2019), maturing through 2022. On August 5, 2019 we terminated a €250 million European revolving credit facility that we entered into in July 2015. The termination of this facility did not have a material impact on our Consolidated Condensed Financial Statements.

## Facility Borrowings

On March 13, 2020, we initiated a borrowing of approximately \$2.2 billion under the Amended Long-Term Facility, for which a portion of the proceeds from the borrowing were used to fund commercial paper repayment. We repaid \$500 million of this Amended Long-Term Facility borrowing with the proceeds from our May 2020 Notes offering. We repaid an additional \$500 million of this Amended Long-Term Facility borrowing by drawing on the full amount of the 364-Day Facility.

As of September 30, 2020, we had aggregate borrowing capacity of approximately \$2.5 billion on our committed credit facilities, consisting of \$2.3 billion under the Amended Long-Term Facility and approximately \$191 million under our committed credit facilities in Brazil and India.

## Notes Payable

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

The following table summarizes the carrying value of notes payable at September 30, 2020 and December 31, 2019:

| Millions of dollars                | September 30, 2020 | December 31, 2019 |
|------------------------------------|--------------------|-------------------|
| Commercial paper                   | \$ —               | \$ 274            |
| Short-term borrowings due to banks | 1,735              | 20                |
| Total notes payable                | <u>\$ 1,735</u>    | <u>\$ 294</u>     |

Short-term borrowings due to banks include amounts outstanding under the Amended Long-Term Facility, which are expected to be repaid in the next twelve months.

### Transfers and Servicing of Financial Assets

In an effort to manage economic and geographic trade customer risk, from time to time, the Company will transfer, primarily without recourse, accounts receivable balances of certain customers to financial institutions resulting in a nominal impact recorded in interest and sundry (income) expense. These transactions are accounted for as sales of the receivables resulting in the receivables being de-recognized from the Consolidated Condensed Balance Sheets. These transfers primarily do not require continuing involvement from the Company, however certain arrangements include servicing of transferred receivables by Whirlpool. Outstanding accounts receivable transferred under arrangements where the Company continues to service the transferred asset were \$73 million and \$348 million as of September 30, 2020 and December 31, 2019, respectively.

## (7) COMMITMENTS AND CONTINGENCIES

### Embraco Antitrust Matters

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

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

### 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.

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 was 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 ruling was subsequently affirmed by the Brazilian Supreme Court, and is now final. Based on this ruling, we were entitled to recognize \$72 million in additional credits, which were recognized in prior periods. At September 30, 2020, no BEFIEX credits remain to be monetized.

Our Brazilian operations have received tax assessments for income and social contribution taxes associated with certain monetized BEFIEX credits. We do not believe BEFIEX credits are subject to income or social contribution taxes. We believe these tax assessments are without merit and are vigorously defending our positions. We have not provided for income or social contribution taxes on these BEFIEX credits, and based on the opinions of tax and legal advisors, we have not accrued any amount related to these assessments at September 30, 2020. 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 2.0 billion Brazilian reais (approximately \$349 million at September 30, 2020).

Relying on existing Brazilian legal precedent, in 2003 and 2004, we recognized tax credits in an aggregate amount of \$26 million, adjusted for currency, on the purchase of raw materials used in production ("IPI tax credits"). The Brazilian tax authority subsequently challenged the recording of IPI tax credits. No such credits have been recognized since 2004. In 2009, we entered into a Brazilian government program ("IPI Amnesty") which provided extended payment terms and reduced penalties and interest to encourage tax payers to resolve this and certain other disputed tax credit amounts. As permitted by the program, we elected to settle certain debts through the use of other existing tax credits and recorded charges of approximately \$34 million in 2009 associated with these matters. In July 2012, the Brazilian revenue authority notified us that a portion of our proposed settlement was rejected and we received tax assessments of 257 million Brazilian reais (approximately \$46 million at September 30, 2020), reflecting interest and penalties to date. We believe these tax assessments are without merit and we are vigorously defending our position. The government's assessment in this case relies heavily on its arguments regarding taxability of BEFIEX credits for certain years, which we are disputing in one of the BEFIEX government assessment cases cited in the prior paragraph. Because the IPI Amnesty case is moving faster than the BEFIEX taxability case, we could be required to pay the IPI Amnesty assessment before obtaining a final decision in the BEFIEX taxability case.

We have received tax assessments from the Brazilian federal tax authorities relating to amounts allegedly due regarding unemployment/social security insurance taxes (PIS/COFINS) for tax credits recognized since 2007. These credits were recognized for inputs to certain manufacturing and other business processes. These assessments are being challenged at the administrative and judicial levels in Brazil. The total amount of outstanding tax assessments received for credits recognized for PIS/COFINS inputs is approximately 301 million Brazilian reais (approximately \$53 million at September 30, 2020). We believe these tax assessments are without merit and are vigorously defending our positions. Based on the opinion of our tax and legal advisors, we have not accrued any amount related to these assessments.

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

Litigation is inherently unpredictable and the conclusion of these matters may take many years to ultimately resolve. We may experience additional delays in resolving these matters as a result of COVID-19-related administrative and judicial system temporary delays and closures in Brazil. Amounts at issue in potential future litigation could increase as a result of interest and penalties in future periods. Accordingly, it is possible that an unfavorable outcome in these proceedings could have a material adverse effect on our financial statements in any particular reporting period.

#### **ICMS Credits**

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

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

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

### **Competition Investigation**

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

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

### **Trade Customer Insolvency**

In 2017, Alno AG and certain affiliated companies filed for insolvency protection in Germany. Bauknecht Hausgeräte GmbH, a subsidiary of the Company, was a long-standing supplier to Alno and certain of its affiliated companies. The Company was also a former indirect minority shareholder of Alno. In August 2018, the insolvency trustee asserted €174.5 million in clawback and related claims against Bauknecht. In January 2020, we entered into an agreement to settle all potential claims that the insolvency trustee may have related to this matter, resulting in a one-time charge of €52.75 million (approximately \$59 million as of December 31, 2019), which was recorded in interest and sundry (income) expense in the Consolidated Statements of Income for the year ended December 31, 2019 and paid in 2020 as planned.

### **Other Litigation**

See Note 13 for information on certain U.S. income tax litigation. In addition, we are currently defending against two lawsuits that have been certified for treatment as class actions in U.S. federal court, relating to two top-load washing machine models. In December 2019, the court in one of these lawsuits entered summary judgment in Whirlpool's favor. That ruling remains subject to appeal, and the other lawsuit is ongoing. We believe the lawsuits are without merit and are vigorously defending them. Given the preliminary stage of the proceedings, we cannot reasonably estimate a range of loss, if any, at this time. The resolution of these matters could have a material adverse effect on our financial statements in any particular reporting period.

We are currently vigorously defending a number of other lawsuits related to the manufacture and sale of our products which include class action allegations, and may become involved in similar actions. These lawsuits allege claims which include negligence, breach of contract, breach of warranty, product liability and safety claims, false advertising, fraud, and violation of federal and state regulations, including consumer protection laws. In general, we do not have insurance coverage for class action lawsuits. We are also involved in various other legal actions arising in the normal course of business, for which insurance coverage may or may not be available depending on the nature of the action. We dispute the merits of these suits and actions, and intend to vigorously defend them. Management believes, based upon its current knowledge, after taking into consideration legal counsel's evaluation of such suits and actions, and after taking into account current litigation accruals, that the outcome of these matters currently pending against Whirlpool should not have a material adverse effect, if any, on our financial statements. We may experience additional delays in resolving these and other pending litigation matters as a result of COVID-19-related temporary court and administrative body closures and postponements.

## Product Warranty and Legacy Product Corrective Action Reserves

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

| Millions of dollars                      | Product Warranty |        |
|------------------------------------------|------------------|--------|
|                                          | 2020             | 2019   |
| Balance at January 1                     | \$ 383           | \$ 268 |
| Issuances/accruals during the period     | 178              | 329    |
| Settlements made during the period/other | (272)            | (208)  |
| Balance at September 30                  | \$ 289           | \$ 389 |
| Current portion                          | \$ 186           | \$ 262 |
| Non-current portion                      | 104              | 127    |
| Total                                    | \$ 289           | \$ 389 |

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

As part of this process, we investigated incident reports associated with a particular component in certain Indesit-designed horizontal axis washers produced in EMEA. In January 2020, we commenced a product recall in the UK and Ireland for these EMEA-produced washers, for which the recall is ongoing. In the third quarter of 2019, we accrued approximately \$105 million in estimated product warranty expense related to this matter. This estimate is based on several assumptions which are inherently unpredictable and which we may need to materially revise in the future. For the nine months ended September 30, 2020, settlements of approximately \$55 million have been incurred related to this product recall. In the third quarter of 2020, we recorded a benefit of \$13 million related to a vendor recovery in our ongoing EMEA-produced washer corrective action.

For the twelve months ended December 31, 2019, we incurred approximately \$26 million of additional product warranty expense related to our previously disclosed legacy Indesit dryer corrective action campaign in the UK. For the three and nine months ended September 30, 2020, we incurred no additional material product warranty expense related to this campaign. We continue to cooperate with the UK regulator, which continues to review the overall effectiveness of the modification program.

## Guarantees

We have guarantee arrangements in a Brazilian subsidiary. For certain creditworthy customers, the subsidiary guarantees customer lines of credit at commercial banks to support purchases following its normal credit policies. If a customer were to default on its line of credit with the bank, our subsidiary would be required to assume the line of credit and satisfy the obligation with the bank. At September 30, 2020 and December 31, 2019, the guaranteed amounts totaled 463 million Brazilian reais (approximately \$82 million at September 30, 2020) and 577 million Brazilian reais (approximately \$143 million at December 31, 2019), respectively. The fair value of these guarantees were nominal at September 30, 2020 and December 31, 2019. Our subsidiary insures against a significant portion of this credit risk for these guarantees, under normal operating conditions, through policies purchased from high-quality underwriters.

We provide guarantees of indebtedness and lines of credit for various consolidated subsidiaries. The maximum contractual amount of indebtedness and lines of credit available under these lines for consolidated subsidiaries totaled \$3.4 billion at September 30, 2020 and \$2.6 billion at December 31, 2019. Our total short-term outstanding bank indebtedness under guarantees was nominal at both September 30, 2020 and December 31, 2019.

## (8) PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

| Millions of dollars                    | Three Months Ended September 30, |             |                          |             |                               |             |
|----------------------------------------|----------------------------------|-------------|--------------------------|-------------|-------------------------------|-------------|
|                                        | United States Pension Benefits   |             | Foreign Pension Benefits |             | Other Postretirement Benefits |             |
|                                        | 2020                             | 2019        | 2020                     | 2019        | 2020                          | 2019        |
| Service cost                           | \$ 1                             | \$ 1        | \$ 1                     | \$ 1        | \$ 1                          | \$ 2        |
| Interest cost                          | 25                               | 30          | 4                        | 5           | 1                             | 4           |
| Expected return on plan assets         | (42)                             | (44)        | (7)                      | (6)         | —                             | —           |
| Amortization:                          |                                  |             |                          |             |                               |             |
| Actuarial loss                         | 15                               | 11          | 3                        | 2           | —                             | —           |
| Prior service credit                   | —                                | (1)         | —                        | —           | (12)                          | (2)         |
| Settlement and curtailment (gain) loss | —                                | 10          | 1                        | —           | —                             | —           |
| Net periodic benefit cost (credit)     | <u>\$ (1)</u>                    | <u>\$ 7</u> | <u>\$ 2</u>              | <u>\$ 2</u> | <u>\$ (10)</u>                | <u>\$ 4</u> |

| Millions of dollars                    | Nine Months Ended September 30, |             |                          |             |                               |             |
|----------------------------------------|---------------------------------|-------------|--------------------------|-------------|-------------------------------|-------------|
|                                        | United States Pension Benefits  |             | Foreign Pension Benefits |             | Other Postretirement Benefits |             |
|                                        | 2020                            | 2019        | 2020                     | 2019        | 2020                          | 2019        |
| Service cost                           | \$ 2                            | \$ 2        | \$ 4                     | \$ 4        | \$ 4                          | \$ 5        |
| Interest cost                          | 74                              | 92          | 13                       | 17          | 7                             | 12          |
| Expected return on plan assets         | (124)                           | (133)       | (22)                     | (21)        | —                             | —           |
| Amortization:                          |                                 |             |                          |             |                               |             |
| Actuarial loss                         | 46                              | 35          | 9                        | 6           | —                             | —           |
| Prior service credit                   | —                               | (2)         | —                        | —           | (16)                          | (7)         |
| Settlement and curtailment (gain) loss | —                               | 10          | 1                        | 1           | (4)                           | (7)         |
| Net periodic benefit cost (credit)     | <u>\$ (2)</u>                   | <u>\$ 4</u> | <u>\$ 5</u>              | <u>\$ 7</u> | <u>\$ (9)</u>                 | <u>\$ 3</u> |

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

| Millions of dollars                  | Three Months Ended September 30, |             |                          |             |                               |             |
|--------------------------------------|----------------------------------|-------------|--------------------------|-------------|-------------------------------|-------------|
|                                      | United States Pension Benefits   |             | Foreign Pension Benefits |             | Other Postretirement Benefits |             |
|                                      | 2020                             | 2019        | 2020                     | 2019        | 2020                          | 2019        |
| Operating profit (loss)              | \$ 1                             | \$ 1        | \$ 1                     | \$ 1        | \$ 1                          | \$ 2        |
| Interest and sundry (income) expense | (2)                              | 6           | 1                        | 1           | (11)                          | 2           |
| Net periodic benefit cost            | <u>\$ (1)</u>                    | <u>\$ 7</u> | <u>\$ 2</u>              | <u>\$ 2</u> | <u>\$ (10)</u>                | <u>\$ 4</u> |

| Millions of dollars                  | Nine Months Ended September 30, |             |                          |             |                               |             |
|--------------------------------------|---------------------------------|-------------|--------------------------|-------------|-------------------------------|-------------|
|                                      | United States Pension Benefits  |             | Foreign Pension Benefits |             | Other Postretirement Benefits |             |
|                                      | 2020                            | 2019        | 2020                     | 2019        | 2020                          | 2019        |
| Operating profit (loss)              | \$ 2                            | \$ 2        | \$ 4                     | \$ 4        | \$ 4                          | \$ 5        |
| Interest and sundry (income) expense | (4)                             | 2           | 1                        | 3           | (13)                          | (2)         |
| Net periodic benefit cost            | <u>\$ (2)</u>                   | <u>\$ 4</u> | <u>\$ 5</u>              | <u>\$ 7</u> | <u>\$ (9)</u>                 | <u>\$ 3</u> |

## **401(k) Defined Contribution Plan**

During March 2020, we announced that the company matching contributions for our 401(k) defined contribution plan, equal to up to 7% of participants' eligible compensation, covering substantially all U.S. employees will be contributed in company stock starting from May 2020.

## **Other Postretirement Benefit Plans**

During the third quarter, the Company announced changes to a postretirement medical benefit program for certain groups of retirees. These plan amendments are effective January 1, 2021 and reduce reimbursement amounts available under certain postretirement medical benefit programs and eliminate these benefits effective January 1, 2024 for these same retiree groups.

During the second quarter, the Company announced changes to a postretirement medical benefit program for certain groups of active employees. These plan amendments were effective July 1, 2020 and reduced medical benefits for these pre-Medicare eligible and Medicare-eligible active employees who retire on or after July 1, 2020 and eliminate certain benefits effective January 1, 2024.

These plan amendments resulted in a reduction in the accumulated postretirement benefit obligation of approximately \$157 million with a corresponding adjustment of \$118 million in other comprehensive income, net of \$39 million in deferred taxes for the nine months ended September 30, 2020. This amount is being amortized as a reduction of future net periodic cost over approximately 3.4 years, which represents the future remaining service period of eligible active employees. The interim plan remeasurement associated with these amendments resulted in an actuarial loss of \$12 million recorded in the Other Comprehensive Income (Loss).

For additional information, see Note 11 to the Consolidated Condensed Financial Statements.

## **(9) HEDGES AND DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

### **Hedging Strategy**

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

### **Commodity Price Risk**

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

## Foreign Currency and Interest Rate Risk

We incur expenses associated with the procurement and production of products in a limited number of countries, while we sell in the local currencies of a large number of countries. Our primary foreign currency exchange exposures result from cross-currency sales of products. As a result, we enter into foreign exchange contracts to hedge certain firm commitments and forecasted transactions to acquire products and services that are denominated in foreign currencies. We enter into certain undesignated non-functional currency asset and liability hedges that relate primarily to short-term payables, receivables, intercompany loans and dividends. When we hedge a foreign currency denominated payable or receivable with a derivative, the effect of changes in the foreign exchange rates are reflected currently in interest and sundry (income) expense for both the payable/receivable and the derivative. Therefore, as a result of the economic hedge, we do not elect hedge accounting.

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

We may enter into cross-currency interest rate swaps to manage our exposure relating to cross-currency debt. Notional amount of outstanding cross-currency interest rate swap agreements was \$1,275 million at September 30, 2020 and December 31, 2019.

We may enter into interest rate swap agreements to manage interest rate risk exposure. Our interest rate swap agreements, if any, effectively modify our exposure to interest rate risk, primarily through converting certain floating rate debt to a fixed rate basis, and certain fixed rate debt to a floating rate basis. These agreements involve either the receipt or payment of floating rate amounts in exchange for fixed rate interest payments or receipts, respectively, over the life of the agreements without an exchange of the underlying principal amounts. We may enter into swap rate lock agreements to effectively reduce our exposure to interest rate risk by locking in interest rates on probable long-term debt issuances. There was a notional amount of \$300 million of outstanding interest rate swap agreements at September 30, 2020 and December 31, 2019.

## Net Investment Hedging

The following table summarizes our foreign currency denominated debt and foreign exchange forwards/options designated as net investment hedges at September 30, 2020 and December 31, 2019:

| Instrument                        | Notional (Local) |       |      |       | Notional (USD) |     |      |     | Current Maturity |
|-----------------------------------|------------------|-------|------|-------|----------------|-----|------|-----|------------------|
|                                   | 2020             |       | 2019 |       | 2020           |     | 2019 |     |                  |
| Senior note - 0.625%              | €                | —     | €    | 500   | \$             | —   | \$   | 569 | March 2020       |
| Foreign exchange forwards/options | MXN              | 7,200 | MXN  | 7,200 | \$             | 325 | \$   | 382 | August 2022      |

For instruments that are designated and qualify as a net investment hedge, the effective portion of the instruments' gain or loss is reported as a component of other comprehensive income (loss) and recorded in accumulated other comprehensive loss. The gain or loss will be subsequently reclassified into net earnings when the hedged net investment is either sold or substantially liquidated. The remaining change in fair value of the hedge instruments represents the ineffective portion, which is immediately recognized in interest and sundry (income) expense on our Consolidated Condensed Statements of Comprehensive Income. As of September 30, 2020 and December 31, 2019, there was no ineffectiveness on hedges designated as net investment hedges. Due to the volatility in the macroeconomic environment caused by the COVID-19 pandemic, we evaluated and dedesignated a nominal amount of certain foreign exchange cash flow hedges in the first quarter of 2020. No material amount was dedesignated during the nine months ended September 30, 2020.

The following table summarizes our outstanding derivative contracts and their effects in our Consolidated Condensed Balance Sheets at September 30, 2020 and December 31, 2019:

| Millions of dollars                                | Fair Value of   |          |              |        |                   |        |         | Maximum Term<br>(Months) |      |  |
|----------------------------------------------------|-----------------|----------|--------------|--------|-------------------|--------|---------|--------------------------|------|--|
|                                                    | Notional Amount |          | Hedge Assets |        | Hedge Liabilities |        |         | 2020                     | 2019 |  |
|                                                    | 2020            | 2019     | 2020         | 2019   | 2020              | 2019   |         |                          |      |  |
| Derivatives accounted for as hedges <sup>(1)</sup> |                 |          |              |        |                   |        |         |                          |      |  |
| Commodity swaps/options                            | \$ 223          | \$ 174   | \$ 19        | \$ 4   | \$ 14             | \$ 10  | (CF)    | 33                       | 21   |  |
| Foreign exchange forwards/options                  | 2,901           | 3,177    | 72           | 94     | 29                | 84     | (CF/NI) | 137                      | 32   |  |
| Cross-currency swaps                               | 1,275           | 1,275    | 26           | 25     | 16                | 23     | (CF)    | 101                      | 110  |  |
| Interest rate derivatives                          | 300             | 300      | —            | 6      | 46                | —      | (CF)    | 56                       | 65   |  |
| Total derivatives accounted for as hedges          |                 |          | \$ 117       | \$ 129 | \$ 105            | \$ 117 |         |                          |      |  |
| Derivatives not accounted for as hedges            |                 |          |              |        |                   |        |         |                          |      |  |
| Commodity swaps/options                            | 1               | 1        | —            | —      | —                 | —      | N/A     | 0                        | 7    |  |
| Foreign exchange forwards/options <sup>(2)</sup>   | \$ 3,602        | \$ 3,182 | \$ 28        | \$ 15  | \$ 55             | \$ 22  | N/A     | 12                       | 12   |  |
| Total derivatives not accounted for as hedges      |                 |          | 28           | 15     | 55                | 22     |         |                          |      |  |
| Total derivatives                                  |                 |          | \$ 145       | \$ 144 | \$ 160            | \$ 139 |         |                          |      |  |
|                                                    |                 |          |              |        |                   |        |         |                          |      |  |
| Current                                            |                 |          | \$ 105       | \$ 55  | \$ 80             | \$ 61  |         |                          |      |  |
| Noncurrent                                         |                 |          | 40           | 89     | 80                | 78     |         |                          |      |  |
| Total derivatives                                  |                 |          | \$ 145       | \$ 144 | \$ 160            | \$ 139 |         |                          |      |  |

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

<sup>(2)</sup> Foreign exchange forwards/options have increased due to hedging of a future intercompany loan.

The following tables summarize the effects of derivative instruments and foreign currency debt designated as net investment hedges in our Consolidated Condensed Statements of Comprehensive Income for the periods presented:

| Cash Flow Hedges - Millions of dollars   | Three Months Ended September 30,                                 |            |
|------------------------------------------|------------------------------------------------------------------|------------|
|                                          | Gain (Loss) Recognized in OCI (Effective Portion) <sup>(3)</sup> |            |
|                                          | 2020                                                             | 2019       |
| Commodity swaps/options                  | \$ 23                                                            | \$ (5)     |
| Foreign exchange forwards/options        | (37)                                                             | 79         |
| Cross-currency swaps                     | (62)                                                             | —          |
| Interest rate derivatives                | 13                                                               | 54         |
| Net investment hedges - foreign currency | (14)                                                             | 55         |
|                                          | <u>(77)</u>                                                      | <u>183</u> |

| Cash Flow Hedges - Millions of dollars | Location of Gain (Loss) Reclassified from OCI into Earnings (Effective Portion) | Three Months Ended September 30,                                                   |           |
|----------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------|
|                                        |                                                                                 | Gain (Loss) Reclassified from OCI into Earnings (Effective Portion) <sup>(4)</sup> |           |
|                                        |                                                                                 | 2020                                                                               | 2019      |
| Commodity swaps/options                | Cost of products sold                                                           | \$ (4)                                                                             | \$ (7)    |
| Foreign exchange forwards/options      | Net sales                                                                       | 2                                                                                  | (1)       |
| Foreign exchange forwards/options      | Cost of products sold                                                           | 11                                                                                 | 5         |
| Foreign exchange forwards/options      | Interest and sundry (income) expense                                            | (21)                                                                               | 49        |
| Cross-currency swaps                   | Interest and sundry (income) expense                                            | (51)                                                                               | 47        |
| Interest rate derivatives              | Interest expense                                                                | —                                                                                  | 3         |
|                                        |                                                                                 | <u>(63)</u>                                                                        | <u>96</u> |

| Derivatives not Accounted for as Hedges - Millions of dollars | Location of Gain (Loss) Recognized on Derivatives not Accounted for as Hedges | Three Months Ended September 30,                                  |       |
|---------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------|-------|
|                                                               |                                                                               | Gain (Loss) Recognized on Derivatives not Accounted for as Hedges |       |
|                                                               |                                                                               | 2020                                                              | 2019  |
| Foreign exchange forwards/options                             | Interest and sundry (income) expense                                          | \$ (18)                                                           | \$ 53 |

<sup>(3)</sup> Change in gain (loss) recognized in OCI (effective portion) for the three months ended September 30, 2020 is primarily driven by currency fluctuations and declines in commodity prices and interest rates compared to the prior year. The tax impact of the cash flow hedges was \$2 million and \$(8) million for the three months ended September 30, 2020 and 2019, respectively. The tax impact of the net investment hedges was \$5 million and \$(15) million for the three months ended September 30, 2020 and 2019, respectively.

<sup>(4)</sup> Change in gain (loss) reclassified from OCI into earnings (effective portion) for the three months ended September 30, 2020 was primarily driven by fluctuations in currency and commodity prices and interest rates compared to prior year.

| Cash Flow Hedges - Millions of dollars   | Nine Months Ended September 30,                                  |               |
|------------------------------------------|------------------------------------------------------------------|---------------|
|                                          | Gain (Loss) Recognized in OCI (Effective Portion) <sup>(5)</sup> |               |
|                                          | 2020                                                             | 2019          |
| Commodity swaps/options                  | \$ (8)                                                           | \$ (5)        |
| Foreign exchange                         | 58                                                               | 103           |
| Cross-currency swaps                     | 33                                                               | —             |
| Interest rate derivatives                | (53)                                                             | 32            |
| Net investment hedges - foreign currency | 39                                                               | 36            |
|                                          | <u>\$ 69</u>                                                     | <u>\$ 166</u> |

| Cash Flow Hedges - Millions of dollars | Location of Gain (Loss) Reclassified from OCI into Earnings (Effective Portion) | Nine Months Ended September 30,                                                    |               |
|----------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------|
|                                        |                                                                                 | Gain (Loss) Reclassified from OCI into Earnings (Effective Portion) <sup>(6)</sup> |               |
|                                        |                                                                                 | 2020                                                                               | 2019          |
| Commodity swaps/options                | Cost of products sold                                                           | \$ (21)                                                                            | \$ (16)       |
| Foreign exchange forwards/options      | Net sales                                                                       | 5                                                                                  | (3)           |
| Foreign exchange forwards/options      | Cost of products sold                                                           | 20                                                                                 | 16            |
| Foreign exchange forwards/options      | Interest and sundry (income) expense                                            | (52)                                                                               | 82            |
| Cross-currency swaps                   | Interest and sundry (income) expense                                            | (40)                                                                               | 47            |
| Interest rate derivatives              | Interest expense                                                                | —                                                                                  | 7             |
|                                        |                                                                                 | <u>\$ (88)</u>                                                                     | <u>\$ 133</u> |

| Derivatives not Accounted for as Hedges - Millions of dollars | Location of Gain (Loss) Recognized on Derivatives not Accounted for as Hedges | Nine Months Ended September 30,                                   |       |
|---------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------|-------|
|                                                               |                                                                               | Gain (Loss) Recognized on Derivatives not Accounted for as Hedges |       |
|                                                               |                                                                               | 2020                                                              | 2019  |
| Foreign exchange forwards/options                             | Interest and sundry (income) expense                                          | \$ (1)                                                            | \$ 47 |

<sup>(5)</sup> Change in gain (loss) recognized in OCI (effective portion) for the nine months ended September 30, 2020 is primarily driven by currency fluctuations and declines in commodity prices and interest rates compared to the prior year. The tax impact of the cash flow hedges was \$(25) million and \$2 million for the nine months ended September 30, 2020 and 2019, respectively. The tax impact of the net investment hedges was \$(12) million and \$(9) million for the nine months ended September 30, 2020 and 2019, respectively.

<sup>(6)</sup> Change in gain (loss) reclassified from OCI into earnings (effective portion) for the nine months ended September 30, 2020 was primarily driven by fluctuations in currency and commodity prices and interest rates compared to prior year.

For cash flow hedges, the amount of ineffectiveness recognized in interest and sundry (income) expense was nominal for the periods ended September 30, 2020, and 2019. There were no hedges designated as fair value for the periods ended September 30, 2020, and 2019. The net amount of unrealized gain or loss on derivative instruments included in accumulated OCI related to contracts maturing and expected to be realized during the next twelve months is a gain of \$73 million at September 30, 2020.

## (10) FAIR VALUE MEASUREMENTS

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

The following table summarizes the valuation of our assets and liabilities measured at fair value on a recurring basis at September 30, 2020 and December 31, 2019 are as follows:

| Millions of dollars<br>Measured at fair value on a recurring basis: | Total Cost Basis |          | Fair Value             |        |         |        |          |          |
|---------------------------------------------------------------------|------------------|----------|------------------------|--------|---------|--------|----------|----------|
|                                                                     |                  |          | Level 1 <sup>(2)</sup> |        | Level 2 |        | Total    |          |
|                                                                     | 2020             | 2019     | 2020                   | 2019   | 2020    | 2019   | 2020     | 2019     |
| Short-term investments <sup>(1)</sup>                               | \$ 2,431         | \$ 1,308 | \$ 1,597               | \$ 398 | \$ 834  | \$ 910 | \$ 2,431 | \$ 1,308 |
| Net derivative contracts                                            | —                | —        | —                      | —      | (15)    | 5      | (15)     | 5        |

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

<sup>(2)</sup> Increase in level 1 investments reflect invested proceeds from the credit facility borrowings.

### South Africa Business Disposal

During the second quarter of 2019, we entered into an agreement to sell our South Africa business. At the time of the agreement we classified this disposal group as held for sale and recorded it at fair value because it was lower than the carrying amount. Fair value was estimated based on the cash purchase price (Level 2 input) and we recorded an impairment charge of \$35 million for the write-down of the assets to the fair value of \$5 million. During the third quarter of 2019, we completed the sale of our South Africa business and adjusted the loss on disposal based on the carrying amount at the closing date. The adjustment was not material to the Consolidated Condensed Financial Statements.

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

### Naples Manufacturing Plant Restructuring Action

By the end of 2020, the company expects to cease production and exit the Naples, Italy manufacturing plant. In the third quarter of 2019, we recorded an impairment of \$25 million as a restructuring charge for the write-down of certain assets to their fair value of \$0. Fair value was based on a feasibility study considering future use internally and marketability externally (Level 2 input). These assets were fully impaired because they were determined to have no alternative use or salvage value and insufficient cash flows to support recoverability of the carrying amount.

See Note 12 to the Consolidated Condensed Financial Statements for additional information.

### Other Fair Value Measurements

The fair value of long-term debt (including current maturities) was \$5.88 billion and \$5.00 billion at September 30, 2020 and December 31, 2019, respectively, and was estimated using discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements (Level 2 input).

## (11) STOCKHOLDERS' EQUITY

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

|                                     | Whirlpool Stockholders' Equity |                   |                                               |                                            |               |           | Non-Controlling Interests |
|-------------------------------------|--------------------------------|-------------------|-----------------------------------------------|--------------------------------------------|---------------|-----------|---------------------------|
|                                     | Total                          | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock/ Additional Paid-in-Capital | Common Stock  |           |                           |
| <b>Balances, December 31, 2019</b>  | \$ 4,118                       | \$ 7,870          | \$ (2,618)                                    | \$ (2,169)                                 | \$ 112        | \$        | 923                       |
| Comprehensive income                |                                |                   |                                               |                                            |               |           |                           |
| Net earnings                        | 147                            | 152               | —                                             | —                                          | —             |           | (5)                       |
| Other comprehensive income          | (95)                           | —                 | (97)                                          | —                                          | —             |           | 2                         |
| Comprehensive income                | 52                             | 152               | (97)                                          | —                                          | —             |           | (3)                       |
| Stock issued (repurchased)          | (115)                          | —                 | —                                             | (115)                                      | —             |           | —                         |
| Dividends declared                  | (75)                           | (75)              | —                                             | —                                          | —             |           | —                         |
| <b>Balances, March 31, 2020</b>     | <b>3,980</b>                   | <b>7,947</b>      | <b>(2,715)</b>                                | <b>(2,284)</b>                             | <b>112</b>    |           | <b>920</b>                |
| Comprehensive income                |                                |                   |                                               |                                            |               |           |                           |
| Net earnings                        | 25                             | 35                | —                                             | —                                          | —             |           | (10)                      |
| Other comprehensive income          | (16)                           | —                 | (16)                                          | —                                          | —             |           | —                         |
| Comprehensive income                | 9                              | 35                | (16)                                          | —                                          | —             |           | (10)                      |
| Stock issued (repurchased)          | 19                             | —                 | —                                             | 19                                         | —             |           | —                         |
| Dividends declared                  | (83)                           | (80)              | —                                             | —                                          | —             |           | (3)                       |
| <b>Balances, June 30, 2020</b>      | <b>3,925</b>                   | <b>7,902</b>      | <b>(2,731)</b>                                | <b>(2,265)</b>                             | <b>112</b>    |           | <b>907</b>                |
| Comprehensive income                |                                |                   |                                               |                                            |               |           |                           |
| Net earnings                        | 398                            | 397               | —                                             | —                                          | —             |           | 1                         |
| Other comprehensive income          | (23)                           | —                 | (23)                                          | —                                          | —             |           | —                         |
| Comprehensive income                | 375                            | 397               | (23)                                          | —                                          | —             |           | 1                         |
| Stock issued (repurchased)          | 55                             | —                 | —                                             | 54                                         | 1             |           | —                         |
| Dividends declared                  | (77)                           | (76)              | —                                             | —                                          | —             |           | (1)                       |
| <b>Balances, September 30, 2020</b> | <b>\$ 4,278</b>                | <b>\$ 8,223</b>   | <b>\$ (2,754)</b>                             | <b>\$ (2,211)</b>                          | <b>\$ 113</b> | <b>\$</b> | <b>907</b>                |

|                                                          | Whirlpool Stockholders' Equity |                   |                                               |                                            |              |    | Non-Controlling Interests |
|----------------------------------------------------------|--------------------------------|-------------------|-----------------------------------------------|--------------------------------------------|--------------|----|---------------------------|
|                                                          | Total                          | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock/ Additional Paid-in-Capital | Common Stock |    |                           |
| <b>Balances, December 31, 2018</b>                       | \$ 3,205                       | \$ 6,933          | \$ (2,695)                                    | \$ (2,059)                                 | \$ 112       | \$ | 914                       |
| Comprehensive income                                     |                                |                   |                                               |                                            |              |    |                           |
| Net earnings                                             | 474                            | 471               | —                                             | —                                          | —            |    | 3                         |
| Other comprehensive income                               | 93                             | —                 | 93                                            | —                                          | —            |    | —                         |
| Comprehensive income                                     | 567                            | 471               | 93                                            | —                                          | —            |    | 3                         |
| Adjustment to beginning retained earnings <sup>(1)</sup> | 61                             | 61                | —                                             | —                                          | —            |    | —                         |
| Stock issued (repurchased)                               | (40)                           | —                 | —                                             | (40)                                       | —            |    | —                         |
| Dividends declared                                       | (74)                           | (74)              | —                                             | —                                          | —            |    | —                         |
| <b>Balances, March 31, 2019</b>                          | \$ 3,719                       | \$ 7,391          | \$ (2,602)                                    | \$ (2,099)                                 | \$ 112       | \$ | 917                       |
| Comprehensive income                                     |                                |                   |                                               |                                            |              |    |                           |
| Net earnings                                             | 72                             | 67                | —                                             | —                                          | —            |    | 5                         |
| Other comprehensive income                               | (56)                           | —                 | (55)                                          | —                                          | —            |    | (1)                       |
| Comprehensive income                                     | 16                             | 67                | (55)                                          | —                                          | —            |    | 4                         |
| Stock issued (repurchased)                               | 13                             | —                 | —                                             | 13                                         | —            |    | —                         |
| Dividends declared                                       | (81)                           | (78)              | —                                             | —                                          | —            |    | (3)                       |
| <b>Balances, June 30, 2019</b>                           | 3,667                          | 7,380             | (2,657)                                       | (2,086)                                    | 112          |    | 918                       |
| Comprehensive income                                     |                                |                   |                                               |                                            |              |    |                           |
| Net earnings                                             | 364                            | 358               | —                                             | —                                          | —            |    | 6                         |
| Other comprehensive income                               | 55                             | —                 | 54                                            | —                                          | —            |    | 1                         |
| Comprehensive income                                     | 419                            | 358               | 54                                            | —                                          | —            |    | 7                         |
| Stock issued (repurchased)                               | (54)                           | —                 | —                                             | (54)                                       | —            |    | —                         |
| Dividends declared                                       | (83)                           | (79)              | —                                             | —                                          | —            |    | (4)                       |
| <b>Balances, September 30, 2019</b>                      | \$ 3,949                       | \$ 7,659          | \$ (2,603)                                    | \$ (2,140)                                 | \$ 112       | \$ | 921                       |

<sup>(1)</sup> Increase to beginning retained earnings is due to the adoption of ASU 2016-02 [increase of approximately \$61 million (net of tax)].

### Other Comprehensive Income (Loss)

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

| Millions of dollars                                                           | Three Months Ended September 30, |            |          |         |            |       |
|-------------------------------------------------------------------------------|----------------------------------|------------|----------|---------|------------|-------|
|                                                                               | 2020                             |            |          | 2019    |            |       |
|                                                                               | Pre-tax                          | Tax Effect | Net      | Pre-tax | Tax Effect | Net   |
| Currency translation adjustments <sup>(2)</sup>                               | \$ (117)                         | 5          | \$ (112) | \$ 35   | (15)       | \$ 20 |
| Cash flow hedges                                                              | —                                | —          | —        | 32      | (8)        | 24    |
| Pension and other postretirement benefits plans                               | 118                              | (29)       | 89       | 17      | (6)        | 11    |
| Other comprehensive income (loss)                                             | 1                                | (24)       | (23)     | 84      | (29)       | 55    |
| Less: Other comprehensive income (loss) available to noncontrolling interests | —                                | —          | —        | 1       | —          | 1     |
| Other comprehensive income (loss) available to Whirlpool                      | \$ 1                             | \$ (24)    | \$ (23)  | \$ 83   | \$ (29)    | \$ 54 |

| Millions of dollars                                                           | Nine Months Ended September 30, |            |          |         |            |     |
|-------------------------------------------------------------------------------|---------------------------------|------------|----------|---------|------------|-----|
|                                                                               | 2020                            |            |          | 2019    |            |     |
|                                                                               | Pre-tax                         | Tax Effect | Net      | Pre-tax | Tax Effect | Net |
| Currency translation adjustments <sup>(2)</sup>                               | \$ (350)                        | \$ (12)    | \$ (362) | \$ 73   | \$ (9)     | 64  |
| Cash flow hedges                                                              | 118                             | (25)       | 93       | (3)     | 2          | (1) |
| Pension and other postretirement benefits plans                               | 180                             | (44)       | 136      | 39      | (10)       | 29  |
| Other comprehensive income (loss)                                             | (52)                            | (81)       | (133)    | 109     | (17)       | 92  |
| Less: Other comprehensive income (loss) available to noncontrolling interests | 2                               | —          | 2        | —       | —          | —   |
| Other comprehensive income (loss) available to Whirlpool                      | \$ (54)                         | \$ (81)    | \$ (135) | \$ 109  | \$ (17)    | 92  |

<sup>(2)</sup> Currency translation adjustments includes net investment hedges.

### Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

The following table provides the reclassification adjustments out of accumulated other comprehensive income (loss), by component, which was included in net earnings for the three and nine months ended September 30, 2020:

| Millions of dollars                          | Three Months Ended<br>(Gain) Loss Reclassified | Nine Months Ended<br>(Gain) Loss Reclassified | Classification in Earnings           |
|----------------------------------------------|------------------------------------------------|-----------------------------------------------|--------------------------------------|
| Pension and postretirement benefits, pre-tax | 7                                              | 36                                            | Interest and sundry (income) expense |

### Net Earnings per Share

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

| Millions of dollars and shares                                                                  | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|-------------------------------------------------------------------------------------------------|-------------------------------------|--------|------------------------------------|--------|
|                                                                                                 | 2020                                | 2019   | 2020                               | 2019   |
| Numerator for basic and diluted earnings per share - Net earnings (loss) available to Whirlpool | \$ 397                              | \$ 358 | \$ 584                             | \$ 896 |
| Denominator for basic earnings per share - weighted-average shares                              | 62.6                                | 63.6   | 62.6                               | 63.8   |
| Effect of dilutive securities - share-based compensation                                        | 0.7                                 | 0.6    | 0.5                                | 0.5    |
| Denominator for diluted earnings per share - adjusted weighted-average shares                   | 63.3                                | 64.2   | 63.1                               | 64.3   |
| Anti-dilutive stock options/awards excluded from earnings per share                             | 1.1                                 | 1.3    | 1.7                                | 1.5    |

### Share Repurchase Program

On July 25, 2017, our Board of Directors authorized a share repurchase program of up to \$2 billion. During the nine months ended September 30, 2020, we repurchased 902,000 shares under this share repurchase program at an aggregate price of approximately \$121 million, all of which were repurchased in the first quarter of 2020. At September 30, 2020, there were approximately \$531 million in remaining funds authorized under this program.

Share repurchases are made from time to time on the open market as conditions warrant. Given the level of uncertainty surrounding the COVID-19 pandemic, beginning with the second quarter of 2020 we temporarily suspended our share repurchase program to protect liquidity. The program does not obligate us to repurchase any of our shares and it has no expiration date.

## (12) RESTRUCTURING CHARGES

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

On June 26, 2020, the Company committed to a workforce reduction plan in the United States, as part of the Company's continued cost reduction efforts. The workforce reduction plan included a voluntary retirement program and involuntary severance actions which were effective as of the end of the second quarter of 2020. Total expected costs for these actions is \$100 million. These actions are expected to be substantially complete in 2020. To date the Company has incurred \$95 million in employee termination costs related to these actions.

During the third quarter, the Company committed to additional workforce reductions outside of the United States, as part of the Company's previously announced continued cost reduction efforts. In connection with this action, the Company anticipates that it will incur approximately \$145 million in employee-related costs, and approximately \$3 million in other associated costs. All of these costs will result in future cash settlement. The Company estimates that approximately \$86 million of the \$148 million total costs will be incurred in 2020 and that approximately \$79 million of the estimated \$148 million total cash settlement will occur in 2020. The Company expects these actions to be substantially completed in 2021.

On May 31, 2019, we announced our intention to reconvert our Naples, Italy manufacturing plant and potentially sell the plant to a third party. On September 16, 2019, we entered into a preliminary agreement to sell the plant to a third-party purchaser and to support costs associated with the transition. In October 2019, we announced that, based on further discussions with unions and the Italian government, we will continue production at the Naples manufacturing plant in the near-term and resume negotiations with unions and the Italian government related to our exit of the plant. Our preliminary agreement to sell the plant to a third-party purchaser terminated in accordance with its terms in March 2020. We are ceasing production in the plant and exiting the facility in 2020 as previously disclosed.

In connection with this action, we have incurred approximately \$63 million total costs comprised of \$43 million in asset impairment costs, \$14 million in other associated costs and \$6 million in employee-related costs through September 30, 2020. As of September 30, 2020, we expect estimated total costs of \$137 million and cash settlement of \$89 million. We estimate that the remaining costs of approximately \$74 million, including approximately \$46 million in employee-related costs and approximately \$28 million in other associated costs, will be substantially incurred in 2020.

The Company expected the cash settlement of these actions to be substantially complete in 2020. As a result of COVID-19 related external factors, substantially all of the approximately \$89 million cash settlement is currently expected to occur in 2021.

In 2018, we announced actions in EMEA to reduce fixed costs by \$50 million. The initiatives primarily include headcount reductions throughout the EMEA region. Additionally, we exited domestic sales operations in Turkey. These actions which totaled \$83 million were substantially complete as of March 31, 2020.

The following table contains a subset of our restructuring actions above for the nine months ended September 30, 2020 and the total costs to date for each plan:

| Millions of dollars              | 2020  | Total |
|----------------------------------|-------|-------|
| North America Fixed Cost Actions | \$ 95 | \$ 95 |
| Other Global Fixed Cost Actions  | 60    | 60    |
| EMEA Naples Facility Closure     | 9     | 63    |
| EMEA Fixed Cost Actions          | 6     | 83    |

The following table summarizes the changes to our restructuring liability during the nine months ended September 30, 2020:

| Millions of dollars        | December 31, 2019 | Charges to Earnings | Cash Paid | Non-Cash and Other | September 30, 2020 |
|----------------------------|-------------------|---------------------|-----------|--------------------|--------------------|
| Employee termination costs | \$ 57             | \$ 163              | \$ (126)  | \$ —               | \$ 94              |
| Asset impairment costs     | 8                 | 1                   | —         | —                  | 9                  |
| Facility exit costs        | —                 | 2                   | (2)       | —                  | —                  |
| Other exit costs           | 12                | 20                  | (15)      | 2                  | 19                 |
| Total                      | \$ 77             | \$ 186              | \$ (143)  | \$ 2               | \$ 122             |

The following table summarizes the restructuring charges by operating segment for the period presented:

| Millions of dollars | Nine Months Ended<br>September 30, 2020 |     |
|---------------------|-----------------------------------------|-----|
| North America       | \$                                      | 77  |
| EMEA                |                                         | 61  |
| Latin America       |                                         | 21  |
| Asia                |                                         | 7   |
| Corporate / Other   |                                         | 20  |
| Total               | \$                                      | 186 |

### (13) INCOME TAXES

Income tax expense was \$143 million and \$233 million for the three and nine months ended September 30, 2020, respectively, compared to income tax expense of \$313 million and \$311 million in the same period of 2019. For the three months ended September 30, 2020, the decrease in tax expense from the prior period is due primarily to tax expense on the sale of Embraco, prior period adjustments, and impact of tax law changes in the prior period. For the nine months ended September 30, 2020, the decrease in tax expense from the prior period is due to tax expense on the sale of Embraco, prior period adjustments, partially offset by valuation allowance releases in the prior period.

The following table summarizes the difference between income tax expense (benefit) at the U.S. statutory rate of 21% and the income tax expense (benefit) at effective worldwide tax rates for the respective periods:

| Millions of dollars                                                    | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |          |
|------------------------------------------------------------------------|-------------------------------------|--------|------------------------------------|----------|
|                                                                        | 2020                                | 2019   | 2020                               | 2019     |
| Earnings before income taxes                                           | \$ 541                              | \$ 677 | \$ 803                             | \$ 1,221 |
| Income tax expense computed at United States statutory tax rate        | 113                                 | 142    | 169                                | 256      |
| Valuation allowances                                                   | 6                                   | 1      | 12                                 | (195)    |
| U.S. transition tax and prior period adjustments                       | —                                   | 56     | —                                  | 56       |
| Audits and settlements                                                 | 14                                  | 7      | 31                                 | (6)      |
| U.S. foreign income items, net of credits                              | (2)                                 | 8      | (1)                                | 19       |
| Changes in enacted tax rates                                           | (6)                                 | 41     | (6)                                | 66       |
| Sale of Embraco                                                        | —                                   | 43     | —                                  | 54       |
| Other                                                                  | 18                                  | 15     | 28                                 | 61       |
| Income tax expense (benefit) computed at effective worldwide tax rates | \$ 143                              | \$ 313 | \$ 233                             | \$ 311   |

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

#### Valuation Allowances

We routinely review the future realization of deferred tax assets based on projected future reversal of taxable temporary differences, available tax planning strategies and projected future taxable income. During the first quarter of 2019, we completed a \$700 million bond offering for which the proceeds were used to refinance and recapitalize various entities in the EMEA region. Based upon existing transfer pricing policies, these actions are projected to provide sufficient future taxable income to realize the deferred tax assets. These actions injected additional internal capital into certain EMEA entities to meet local country capitalization requirements, as well as repaid all outstanding borrowings under the Whirlpool EMEA Finance Term Loan. As a result, we reduced the valuation allowance by \$235 million during the first quarter of 2019.

#### Other Income Tax Matters

During its examination of Whirlpool's 2009 U.S. federal income tax return, the IRS asserted that income earned by a Luxembourg subsidiary via its Mexican branch should be recognized as income on its 2009 U.S. federal income tax return. The Company believed the proposed assessment was without merit and contested the matter in United

States Tax Court (US Tax Court). Both Whirlpool and the IRS moved for partial summary judgment on this issue. On May 5, 2020, the US Tax Court granted the IRS's motion for partial summary judgment and denied Whirlpool's. The Company has appealed the US Tax Court decision to the United States Sixth Circuit Court of Appeals. The Company believes that it will be successful upon appeal and has not recorded any impact of the US Tax Court's decision in its consolidated financial statements.

## (14) SEGMENT INFORMATION

Our reportable segments are based upon geographical region and are defined as North America, EMEA, Latin America and Asia. These regions also represent our operating segments. Each segment manufactures home appliances and related components, but serves strategically different marketplaces. The chief operating decision maker evaluates performance based on each segment's earnings (loss) before interest and taxes (EBIT), which we define as operating profit less interest and sundry (income) expense and excluding restructuring costs, asset impairment charges and certain other items that management believes are not indicative of the region's ongoing performance, if any. Total assets by segment are those assets directly associated with the respective operating activities. The "Other/Eliminations" column primarily includes corporate expenses, assets and eliminations, as well as restructuring costs, asset impairment charges and certain other items that management believes are not indicative of the region's ongoing performance, if any. Intersegment sales are eliminated within each region except compressor sales out of Latin America through June 30, 2019, which were included in Other/Eliminations.

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

|                               |  | Three Months Ended September 30, |          |               |          |                      |            |                 |
|-------------------------------|--|----------------------------------|----------|---------------|----------|----------------------|------------|-----------------|
|                               |  | OPERATING SEGMENTS               |          |               |          |                      |            | Total Whirlpool |
|                               |  | North America                    | EMEA     | Latin America | Asia     | Other / Eliminations |            |                 |
| Net sales                     |  | 2020                             | \$ 2,961 | \$ 1,258      | \$ 719   | \$ 353               | \$ —       | \$ 5,291        |
|                               |  | 2019                             | 3,010    | 1,090         | 632      | 358                  | 1          | 5,091           |
| Intersegment sales            |  | 2020                             | \$ 84    | \$ 31         | \$ 344   | \$ 117               | \$ (576)   | \$ —            |
|                               |  | 2019                             | 70       | 20            | 331      | 87                   | (508)      | —               |
| Depreciation and amortization |  | 2020                             | \$ 53    | \$ 42         | \$ 16    | \$ 19                | \$ 16      | \$ 146          |
|                               |  | 2019                             | 45       | 46            | 17       | 17                   | 16         | 141             |
| EBIT                          |  | 2020                             | \$ 567   | \$ 43         | \$ 77    | \$ 6                 | \$ (101)   | \$ 592          |
|                               |  | 2019                             | 387      | (4)           | 29       | 9                    | 301        | 722             |
| Total assets                  |  | September 30, 2020               | \$ 7,571 | \$ 11,096     | \$ 3,928 | \$ 2,433             | \$ (4,669) | \$ 20,359       |
|                               |  | December 31, 2019                | 7,791    | 9,450         | 4,226    | 2,581                | (5,167)    | 18,881          |
| Capital expenditures          |  | 2020                             | \$ 34    | \$ 29         | \$ 12    | \$ 10                | \$ 11      | \$ 96           |
|                               |  | 2019                             | 35       | 24            | 23       | 17                   | 10         | 109             |

|                               |  | Nine Months Ended September 30, |          |               |          |                      |                 |           |
|-------------------------------|--|---------------------------------|----------|---------------|----------|----------------------|-----------------|-----------|
|                               |  | OPERATING SEGMENTS              |          |               |          |                      |                 |           |
|                               |  | North America                   | EMEA     | Latin America | Asia     | Other / Eliminations | Total Whirlpool |           |
| Net sales                     |  | 2020                            | \$ 8,002 | \$ 2,973      | \$ 1,771 | \$ 912               | \$ —            | \$ 13,658 |
|                               |  | 2019                            | 8,403    | 3,126         | 2,395    | 1,159                | (46)            | 15,037    |
| Intersegment sales            |  | 2020                            | \$ 203   | \$ 70         | \$ 894   | \$ 275               | \$ (1,442)      | \$ —      |
|                               |  | 2019                            | 181      | 63            | 1,010    | 258                  | (1,512)         | —         |
| Depreciation and amortization |  | 2020                            | \$ 143   | \$ 123        | \$ 47    | \$ 52                | \$ 49           | \$ 414    |
|                               |  | 2019                            | 149      | 147           | 48       | 51                   | 48              | 443       |
| EBIT                          |  | 2020                            | \$ 1,186 | \$ (38)       | \$ 119   | \$ (28)              | \$ (294)        | \$ 945    |
|                               |  | 2019                            | 1,052    | (41)          | 130      | 31                   | 197             | 1,369     |
| Total assets                  |  | September 30, 2020              | \$ 7,571 | \$ 11,096     | \$ 3,928 | \$ 2,433             | \$ (4,669)      | \$ 20,359 |
|                               |  | December 31, 2019               | 7,791    | 9,450         | 4,226    | 2,581                | (5,167)         | 18,881    |
| Capital expenditures          |  | 2020                            | \$ 87    | \$ 61         | \$ 38    | \$ 33                | \$ 32           | \$ 251    |
|                               |  | 2019                            | 113      | 51            | 68       | 46                   | 28              | 306       |

The following table summarizes the reconciling items in the Other/Eliminations column for total EBIT for the periods presented:

| in millions                                   | Three Months Ended September 30, |         | Nine Months Ended September 30, |          |
|-----------------------------------------------|----------------------------------|---------|---------------------------------|----------|
|                                               | 2020                             | 2019    | 2020                            | 2019     |
| Items not allocated to segments:              |                                  |         |                                 |          |
| Restructuring costs                           | \$ (63)                          | \$ (56) | \$ (186)                        | \$ (142) |
| Corrective action recovery                    | 13                               | —       | 13                              | —        |
| Brazil indirect tax credit                    | —                                | —       | —                               | 180      |
| Legacy product warranty and liability expense | —                                | (119)   | —                               | (131)    |
| Gain (loss) on disposal of businesses         | 7                                | 516     | 7                               | 437      |
| Corporate expenses and other                  | (58)                             | (40)    | (128)                           | (147)    |
| Total other/eliminations                      | \$ (101)                         | \$ 301  | \$ (294)                        | \$ 197   |

A reconciliation of our segment information for total EBIT to the corresponding amounts in the Consolidated Condensed Statements of Comprehensive Income (Loss) is shown in the table below for the periods presented:

| in millions                                              | Three Months Ended September 30, |        | Nine Months Ended September 30, |          |
|----------------------------------------------------------|----------------------------------|--------|---------------------------------|----------|
|                                                          | 2020                             | 2019   | 2020                            | 2019     |
| Operating profit                                         | \$ 570                           | \$ 693 | \$ 907                          | \$ 1,147 |
| Interest and sundry (income) expense                     | (22)                             | (29)   | (38)                            | (222)    |
| Total EBIT                                               | \$ 592                           | \$ 722 | \$ 945                          | \$ 1,369 |
| Interest expense                                         | 51                               | 45     | 142                             | 148      |
| Income tax expense                                       | 143                              | 313    | 233                             | 311      |
| Net earnings (loss)                                      | \$ 398                           | \$ 364 | \$ 570                          | \$ 910   |
| Less: Net earnings available to noncontrolling interests | 1                                | 6      | (14)                            | 14       |
| Net earnings (loss) available to Whirlpool               | \$ 397                           | \$ 358 | \$ 584                          | \$ 896   |

## (15) DIVESTITURES AND HELD FOR SALE

### Whirlpool China Partial Tender Offer

On August 25, 2020, Guangdong Galanz Household Appliances Manufacturing Co., Ltd. ("Galanz") announced its intention to pursue a partial tender offer for majority control of Whirlpool China Co. Ltd. ("Whirlpool China"), a majority-owned subsidiary of the Company with shares listed on the Shanghai Stock Exchange. In its announcement, Galanz notes that it expects to offer RMB 5.23 per share (approximately \$0.76 per share as of August 25, 2020) to obtain no less than 51% and no more than 61% of Whirlpool China's outstanding shares. This share price offer is equal to the daily weighted average trading price for Whirlpool China stock over the 30 trading days prior to the announcement.

The Company is considering the terms of the offer and other aspects of this potential strategic relationship along with any potential impact on the Company's financial statements and other aspects of its operations. Formal partial tender offer is not expected until regulatory approvals are obtained. If an offer is launched, tender of our shares is subject to Company board approval, and the Company's shares cannot be tendered until a regulatory transfer restriction expires on February 1, 2021. We have not recorded any impact relating to this announcement as of September 30, 2020.

### Embraco Sale Transaction

On April 23, 2018, our Board of Directors approved the sale of Embraco and we subsequently entered into an agreement to sell the compressor business for a cash purchase price of \$1.08 billion, subject to customary adjustments including for indebtedness, cash and working capital at closing.

On July 1, 2019, we completed the sale of Embraco and received cash proceeds of \$1.1 billion inclusive of anticipated cash on hand at the time of closing. With the proceeds from this transaction, we repaid the outstanding term loan amount of approximately \$1 billion as required under the April 23, 2018 Term Loan Agreement with Citibank, N.A., as Administrative Agent.

In connection with the sale, we recorded a pre-tax gain, net of transaction and other costs, of \$511 million (\$350 million net of taxes) during the twelve months ended December 31, 2019. The gain calculation is no longer subject to change, as amounts for working capital and other customary post-closing adjustments have been finalized. A \$7 million gain related to final purchase price adjustments was recorded in the third quarter of 2020.

Embraco was reported within our Latin America reportable segment and met the criteria for held for sale accounting through the closing date. The operations of Embraco did not meet the criteria to be presented as discontinued operations. The assets and liabilities of Embraco were de-consolidated as of the closing date and there are no remaining carrying amounts in the Consolidated Balance Sheets at December 31, 2019.

## South Africa Business Disposal

On June 28, 2019, we entered into an agreement to sell our South Africa operations for a cash purchase price of \$5 million, subject to customary adjustments at closing.

On September 5, 2019, we completed the sale of our South Africa operations. In connection with the sale, we finalized the loss on disposal of \$63 million which is recorded in the nine months ended September 30, 2019. The loss includes a charge of \$29 million for the write-down of the assets of the disposal group to fair value and \$34 million of cumulative foreign currency translation adjustments included in the carrying amount of the disposal group to calculate the impairment.

The South Africa business was reported within our EMEA reportable segment and met the criteria for held for sale accounting through the closing date. The operations of South Africa did not meet the criteria to be presented as discontinued operations.

See Note 10 to the Consolidated Condensed Financial Statements for additional information.

## Divestiture of Turkey Domestic Sales Operations

For the nine months ended September 30, 2019, we incurred approximately \$11 million of divestiture related costs, primarily inventory liquidation costs, related to the exit from our domestic sales operations in Turkey.

For additional information, see Note 12 to the Consolidated Condensed Financial Statements.

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

## ABOUT WHIRLPOOL

Whirlpool Corporation ("Whirlpool"), the world's leading kitchen and laundry appliance company, was incorporated in 1955 under the laws of Delaware and was founded in 1911. Whirlpool manufactures products in 13 countries and markets products in nearly every country around the world. We have received worldwide recognition for accomplishments in a variety of business and social efforts, including leadership, diversity, innovative product design, business ethics, social responsibility and community involvement. We conduct our business through four operating segments, which we define based on geography. Whirlpool's operating segments consist of North America, Europe, Middle East and Africa ("EMEA"), Latin America and Asia. Whirlpool had approximately \$20 billion in annual sales and 77,000 employees in 2019. The world's leading kitchen and laundry appliance company claim is based on publicly reported annual product sales, parts, and support revenues for 2019.

## OVERVIEW

Whirlpool successfully executed on the early, decisive actions taken in response to the COVID-19 pandemic, delivering net sales growth of 3.9% globally (+7.0% organic) and a third-quarter GAAP net earnings available to Whirlpool of \$397 million (net earnings margin of 7.5%), or \$6.27 per diluted share, compared to GAAP net earnings available to Whirlpool of \$358 million (net earnings margin of 7.0%), or \$5.57 per diluted share, in the same prior-year period. This also resulted in ongoing EBIT (non-GAAP) margin of 12.0% or ongoing earnings per diluted share of \$6.91, compared to 7.2% or \$3.97 per diluted share in the same prior-year period.

Despite continued COVID-19 disruptions, GAAP net earnings margin and ongoing EBIT margin both increased, driven by increased demand, favorable product price/mix, cost reduction initiatives, and raw material deflation, partially offset by foreign currency. GAAP results from the prior period were favorably impacted by a gain on the sale of the Embraco compressor business of approximately \$511 million.

In addition, we delivered a significant improvement in cash provided by operating activities with positive free cash flow in the quarter, driven by strong net earnings and disciplined working capital management.

Our strong third-quarter results and current liquidity position provides confidence in our ability to weather continued macroeconomic uncertainty and firmly demonstrates the viability of our long-term shareholder value creation strategy.

Whirlpool continues to assess the ongoing impact of COVID-19 on business results. We remain firmly committed to proactively addressing business impacts in order to position Whirlpool appropriately and provide operating and financial flexibility to successfully navigate this uncertain environment.

## RESULTS OF OPERATIONS

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

| Consolidated - Millions of dollars, except per share data | Three Months Ended September 30, |                 |                | Nine Months Ended September 30, |                  |                |
|-----------------------------------------------------------|----------------------------------|-----------------|----------------|---------------------------------|------------------|----------------|
|                                                           | 2020                             | 2019            | Better/(Worse) | 2020                            | 2019             | Better/(Worse) |
| <b>Net sales</b>                                          | <b>\$ 5,291</b>                  | <b>\$ 5,091</b> | <b>3.9%</b>    | <b>\$ 13,658</b>                | <b>\$ 15,037</b> | <b>(9.2)%</b>  |
| Gross margin                                              | <b>1,155</b>                     | 741             | 56.0           | <b>2,486</b>                    | 2,485            | —              |
| Selling, general and administrative                       | <b>513</b>                       | 491             | (4.7)          | <b>1,354</b>                    | 1,580            | 14.3           |
| Restructuring costs                                       | <b>63</b>                        | 56              | 12.1           | <b>186</b>                      | 142              | (31.2)         |
| (Gain) loss on sale and disposal of businesses            | <b>(7)</b>                       | (516)           | nm             | <b>(7)</b>                      | (437)            | nm             |
| Interest and sundry (income) expense                      | <b>(22)</b>                      | (29)            | (21.3)         | <b>(38)</b>                     | (222)            | (82.6)         |
| Interest expense                                          | <b>51</b>                        | 45              | (13.3)         | <b>142</b>                      | 148              | 3.6            |
| Income tax expense (benefit)                              | <b>143</b>                       | 313             | 54.6           | <b>233</b>                      | 311              | 25.6           |
| Net earnings available to Whirlpool                       | <b>\$ 397</b>                    | <b>\$ 358</b>   | <b>11.0%</b>   | <b>\$ 584</b>                   | <b>\$ 896</b>    | <b>(34.8)%</b> |
| Diluted net earnings available to Whirlpool per share     | <b>\$ 6.27</b>                   | <b>\$ 5.57</b>  | <b>12.6%</b>   | <b>\$ 9.26</b>                  | <b>\$ 13.93</b>  | <b>(33.5)%</b> |

nm = not meaningful

Consolidated net sales increased 3.9% and decreased 9.2% for the three and nine months ended September 30, 2020 compared to the same periods in 2019, respectively. The increase in the third quarter was primarily driven by volume increases and favorable product price/mix, partially offset by unfavorable foreign currency impact. The decrease for the nine months ended September 30, 2020 was primarily driven by lower volumes, the divestiture of Embraco, unfavorable product price/mix and unfavorable foreign currency impact. The volume decline was driven by the negative demand and production/supply disruption effect of COVID-19. Organic net sales, or net sales excluding the impact of foreign currency and Embraco, increased 7% and decreased 2.3% for the three and nine months ended September 30, 2020, compared to the same periods in 2019.

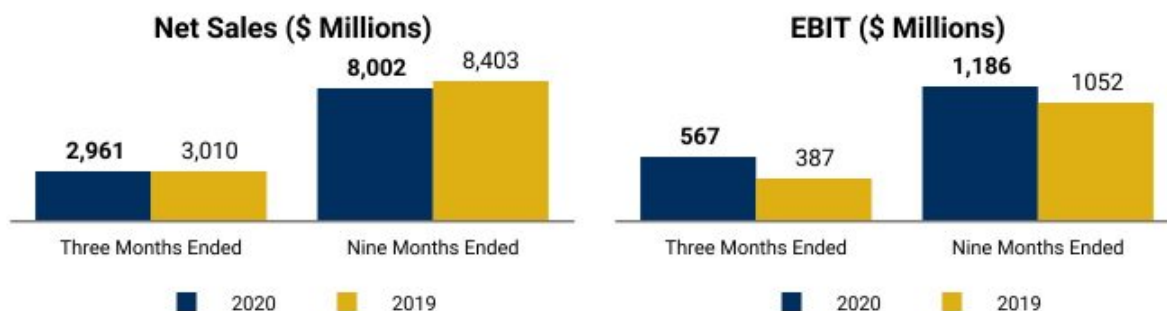
For additional information regarding non-GAAP financial measures including organic net sales and net sales excluding the impact of foreign currency, see the Non-GAAP Financial Measures section of this Management's Discussion and Analysis.

The consolidated gross margin percentage for the three and nine months ended September 30, 2020 increased to 21.8% and 18.2%, respectively, compared to 14.5% and 16.5% in the same prior-year periods. For the third quarter, the increase was primarily driven by favorable product price/mix, raw material deflation and higher cost productivity, partially offset by unfavorable foreign currency impact. For the nine months ended, the increase was primarily driven by raw material deflation, favorable product price/mix and cost productivity, partially offset by unfavorable impacts of volume decrease and foreign currency.

Our operating segments are based upon geographical region and are defined as North America, EMEA, Latin America and Asia. These regions also represent our reportable segments. The chief operating decision maker evaluates performance based on each segment's earnings (loss) before interest and taxes (EBIT), which we define as operating profit less interest and sundry (income) expense and excluding restructuring costs, asset impairment charges and certain other items that management believes are not indicative of the region's ongoing performance, if any. For additional information, see Note 14 to the Consolidated Condensed Financial Statements.

The following is a discussion of results for each of our operating segments. Each of our operating segments has been impacted by COVID-19 in the areas of manufacturing operations such as a decrease in production levels resulting in production level below normal capacity. Excess capacity costs were not material for the third quarter 2020. Additionally, operating segments have been impacted by disruptions in supply chains, distribution channels, and demand, among other COVID-19 related impacts.

## NORTH AMERICA



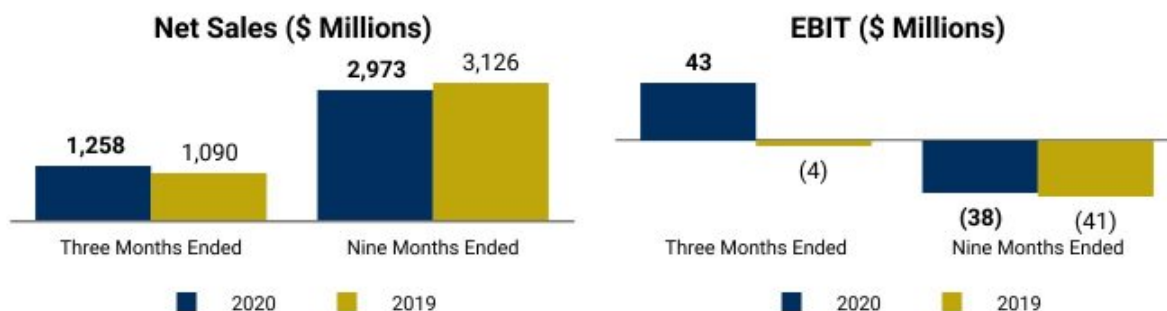
### Net Sales

Net sales decreased 1.6% and 4.8% for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease for the three and nine months ended September 30, 2020 was primarily driven by lower volumes, partially offset by favorable product price/mix. Excluding the impact from foreign currency, net sales decreased 1.6% and 4.7% for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019.

### EBIT

EBIT increased for the three and nine months ended September 30, 2020 compared to the same periods in 2019 primarily due to the favorable impact of raw material deflation, product price/mix and cost reductions driven by fixed cost actions, partially offset by the unfavorable impacts of the volume decrease. EBIT margin was 19.2% and 14.8% for the three and nine months ended September 30, 2020, respectively, compared to 12.8% and 12.5% for the same periods in 2019.

## EMEA



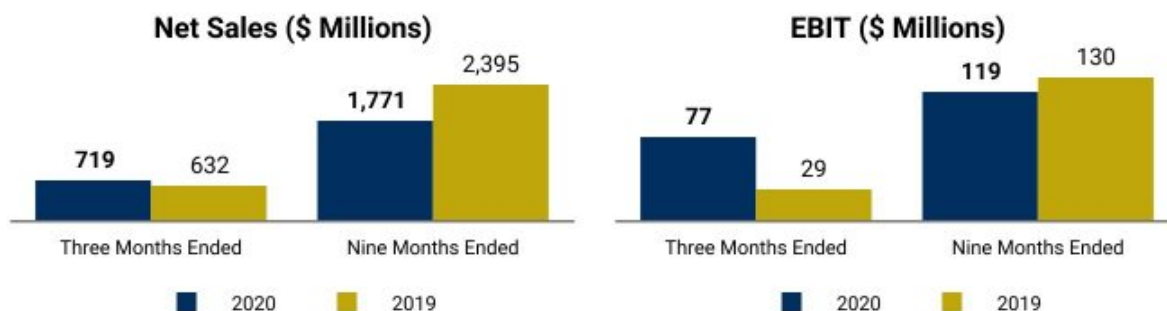
### Net Sales

Net sales increased 15.4% and decreased 4.9% for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase for the three months ended September 30, 2020 was driven by favorable product price/mix and higher volumes. The decrease for the nine months ended September 30, 2020 was driven by lower volumes and foreign currency. Excluding the impact from foreign currency, net sales increased 13.6% and decreased 4.2% for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019.

### EBIT

EBIT increased for the three and nine months ended September 30, 2020 compared to the same periods in 2019 primarily due to the favorable impact of raw material deflation and cost reductions driven by fixed cost actions, partially offset by the unfavorable impact of foreign currency. EBIT margin was 3.4% and (1.3)% for the three and nine months ended September 30, 2020, respectively, compared to (0.4)% and (1.3)% for the same periods in 2019.

## LATIN AMERICA



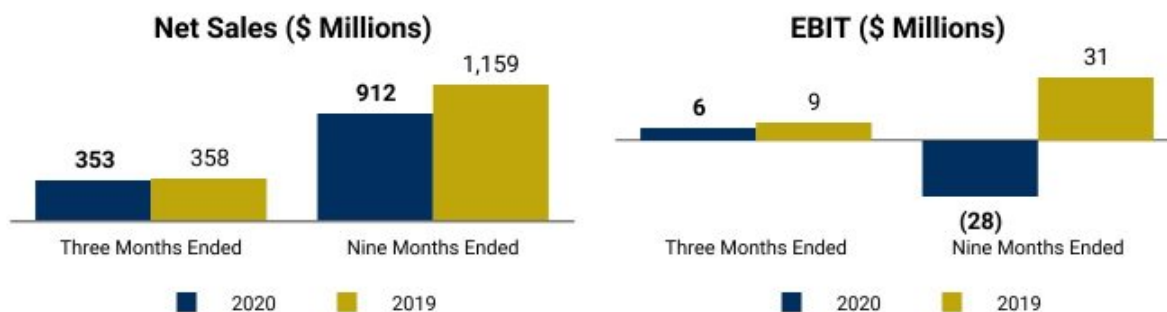
### Net Sales

Net sales increased 13.7% and decreased 26.1% for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The increase for the three months ended September 30, 2020 was primarily driven by higher volume and favorable product price/mix, partially offset by the unfavorable impact of foreign currency. The decrease for the nine months ended September 30, 2020 was primarily driven by the divestiture of the Embraco compressor business and the unfavorable impact of foreign currency. Organic net sales increased 40% and 20.5% for the three and nine months ended September 30, 2020, compared to the same prior periods in 2019.

### EBIT

EBIT increased during the third quarter and decreased for the nine months ended September 30, 2020 compared to the same periods in 2019. The increase during the quarter was primarily due to favorable product price/mix, higher volumes and raw material deflation, partially offset by the unfavorable impact of foreign currency. The decrease for the nine months ended was primarily due to the divestiture of the Embraco compressor business and the unfavorable impact of foreign currency, partially offset by favorable product price/mix and cost productivity. EBIT margin was 10.7% and 6.7% for the three and nine months ended September 30, 2020, respectively, compared to 4.6% and 5.4% for the same periods in 2019.

## ASIA



### Net Sales

Net sales decreased 1.4% and 21.3% for the three and nine months ended September 30, 2020, respectively, compared to the same periods in 2019. The decrease for the three and nine months ended September 30, 2020 was primarily driven by lower volumes and the unfavorable impact of foreign currency, partially offset by the favorable impact of product price/mix. Excluding the impact from foreign currency, net sales increased 0.7% and decreased 18.8% for the three and nine months ended September 30, 2020, compared to the same periods in 2019.

## EBIT

EBIT decreased for the three and nine months ended September 30, 2020 compared to the same periods in 2019 primarily due to unfavorable impact of lower volumes and product price/mix, partially offset by raw material deflation. EBIT margin was 1.8% and (3.0)% for the three and nine months ended September 30, 2020, respectively, compared to 2.4% and 2.7% for the same periods in 2019.

## Selling, General and Administrative

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

| Millions of dollars | Three Months Ended September 30, |                        |               |                        | Nine Months Ended September 30, |                        |                 |                        |
|---------------------|----------------------------------|------------------------|---------------|------------------------|---------------------------------|------------------------|-----------------|------------------------|
|                     | 2020                             | As a %<br>of Net Sales | 2019          | As a %<br>of Net Sales | 2020                            | As a %<br>of Net Sales | 2019            | As a %<br>of Net Sales |
| North America       | \$ 181                           | 6.1 %                  | \$ 214        | 7.1 %                  | \$ 517                          | 6.5 %                  | \$ 617          | 7.3 %                  |
| EMEA                | 129                              | 10.3                   | 119           | 10.9                   | 330                             | 11.1                   | 369             | 11.8                   |
| Latin America       | 65                               | 9.0                    | 61            | 9.7                    | 172                             | 9.7                    | 229             | 9.6                    |
| Asia                | 57                               | 16.2                   | 57            | 15.9                   | 167                             | 18.4                   | 193             | 16.6                   |
| Corporate/other     | 81                               | —                      | 40            | —                      | 168                             | —                      | 172             | —                      |
| Consolidated        | <u>\$ 513</u>                    | <u>9.7 %</u>           | <u>\$ 491</u> | <u>9.6 %</u>           | <u>\$ 1,354</u>                 | <u>9.9 %</u>           | <u>\$ 1,580</u> | <u>10.5 %</u>          |

Consolidated selling, general and administrative expenses increased during the quarter and decreased for the nine months ended September 30, 2020 compared to the same periods in 2019. The increase during the three months ended was primarily driven by employee compensation accruals. The decrease during the nine months ended was primarily due to the impact of cost reduction actions and the divestiture of the Embraco compressor business.

## Restructuring

We incurred restructuring charges of \$63 million and \$186 million for the three and nine months ended September 30, 2020, respectively, compared to \$56 million and \$142 million for the same periods in 2019. The full year 2020 expected total restructuring charges increased \$20 million and we now expect to incur restructuring charges of approximately \$300 million. This includes the Company's original guidance of \$100 million, the U.S. restructuring actions of approximately \$100 million and other global fixed cost actions of \$86 million in 2020.

For additional information, see Note 12 to the Consolidated Condensed Financial Statements.

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

We recorded a pre-tax gain of \$511 million on the sale of the Embraco compressor business for the three and nine months ended September 30, 2019. In the third quarter of 2020, these adjustments have been finalized with a \$7 million gain recorded to final purchase price amounts.

We recorded a loss of \$74 million for the nine months ended September 30, 2019 related to charges on the sale of the South Africa business (\$63 million) and costs associated with the exit of the Turkey domestic sales operations (\$11 million).

For additional information, see Note 15 to the Consolidated Condensed Financial Statements.

## Interest and Sundry (Income) Expense

Interest and sundry income decreased for the three and nine months ended September 30, 2020 compared to the same periods in 2019. The decrease in interest and sundry income for the three months ended September 30, 2020 was primarily due to the unfavorable impact of foreign currency. The decrease in interest and sundry income for the nine months ended September 30, 2020 was primarily due to the prior year impact of the recognized gain of \$180 million related to Brazil indirect tax credits that we are entitled to monetize in future periods, which reflects \$196 million of monetizable indirect tax credits, net of related fees.

For additional information, see Note 7 to the Consolidated Condensed Financial Statements.

## Pension and Other Postretirement Benefit Plans

During the third quarter, the Company announced changes to a postretirement medical benefit program for certain groups of retirees. The total annualized net earnings impact of these plan amendments is approximately \$35 million.

During the second quarter, the Company announced changes to a postretirement medical benefit program for certain groups of active employees. The total annualized net earnings impact of these plan amendments is approximately \$22 million.

The impact of these changes for the third quarter is not material to the Consolidated Condensed Financial Statements at September 30, 2020.

For additional information, see Note 8 to the Consolidated Condensed Financial Statements.

## Interest Expense

Interest expense increased for the three months ended and decreased for the nine months ended September 30, 2020 compared to the same periods in 2019. For the three months ended September 30, 2020, the increase was primarily due to higher average short-term debt balances. For the nine months ended September 30, 2020, the decrease was primarily driven by declining interest rates through 2020.

## Income Taxes

Income tax expense was \$143 million and \$233 million for the three and nine months ended September 30, 2020, respectively, compared to income tax expense of \$313 million and \$311 million in the same periods of 2019. For the three months ended September 30, 2020, the decrease in tax expense from the prior period is due primarily to tax expense on the sale of Embraco, prior period adjustments, and impact of tax law changes in the prior period. For the nine months ended September 30, 2020, the decrease in tax expense from the prior period is due to tax expense on the sale of Embraco, prior period adjustments, partially offset by valuation allowance releases in the prior period.

For additional information, see Note 13 to the Consolidated Condensed Financial Statements.

## Other Information

### *Goodwill and Indefinite-Lived Intangible Assets*

Our Critical Accounting Policies and Estimates for goodwill and other indefinite-life intangibles are disclosed in Note 1 to the Consolidated Financial Statements and in Management's Discussion and Analysis of our annual report on Form 10-K for the fiscal year ended December 31, 2019.

We continue to monitor the significant global economic uncertainty as a result of COVID-19 to assess the outlook for demand for our products and the impact on our business and our overall financial performance. Our EMEA reporting unit and our *Indesit*, *Hotpoint*\* and *Maytag* trademarks continue to be at risk and none of our other reporting units or indefinite-lived intangible assets are presently at risk for future impairment.

For additional information, see Note 1 to the Consolidated Condensed Financial Statements.

## FINANCIAL CONDITION AND LIQUIDITY

### *Background*

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

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

Our short-term potential uses of liquidity include funding our business operations, ongoing capital spending, restructuring activities, payments of short and long-term debt and returns to shareholders. We currently have \$298 million of long-term debt maturing in the next twelve months.

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

#### *COVID-19 pandemic*

The COVID-19 pandemic has resulted in significant uncertainty in the macroeconomic environment and disruptions in global financial markets. We believe we have a strong financial position and the liquidity required to withstand economic uncertainty during this volatile period in consideration of the following:

- Solid investment grade credit rating
- No bond maturities for the remainder of 2020; \$300 million due in June 2021
- Ample buffers in our financial covenants to withstand additional debt or reduction to equity
- \$3.5 billion of cash and cash equivalents at September 30, 2020 with \$2.5 billion remaining on our committed credit facilities
- Completed \$500 million 30-year senior notes offering in May 2020
- Focused cost takeout including significant global restructuring actions
- Strong working capital management

#### *Cash and cash equivalents*

The Company had cash and cash equivalents of approximately \$3.5 billion at September 30, 2020, approximately half was held in 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 expected future foreign investments. Our intent is to permanently reinvest these funds outside of the United States and our current plans do not demonstrate a need to repatriate the cash to fund our U.S. operations. However, if these funds were repatriated, we would be required to accrue and pay applicable United States taxes (if any) and withholding taxes payable to various countries. It is not practicable to estimate the amount of the deferred tax liability associated with the repatriation of cash due to the complexity of its hypothetical calculation.

At September 30, 2020, we had cash or cash equivalents greater than 1% of our consolidated assets in the United States (8.7%), Brazil (1.6%), China (1.5%), India (1.3%), Switzerland (1.2%), and Mexico (1.1%). In addition, we did not have any third-party accounts receivable greater than 1% of our consolidated assets in any single country outside of the United States. We continue to monitor general financial instability and uncertainty globally.

#### *Revolving credit facility and other committed credit facilities*

The Company maintains a \$3.5 billion revolving credit facility. On March 13, 2020, we initiated a borrowing of approximately \$2.2 billion under the revolving credit facility, for which a portion of the proceeds from the borrowing were used to fund commercial paper repayment. We repaid \$500 million of this revolving credit facility borrowing with the proceeds from our May 2020 Notes offering. We repaid an additional \$500 million of this revolving credit facility borrowing by drawing on the full amount of our 364-Day Facility.

We were in compliance with both our debt to capitalization ratio and interest coverage ratio under the revolving credit facilities as of September 30, 2020. We intend to repay \$1.7 billion of outstanding short term debt by fiscal year end. We are closely monitoring our ability to meet these covenants in future periods and expect to continue to be in compliance.

At September 30, 2020, we had aggregate borrowing capacity of approximately \$2.5 billion on our committed credit facilities, consisting of \$2.3 billion under the Amended Long-Term Facility and approximately \$191 million under our committed credit facilities in Brazil and India.

#### *Notes payable*

Notes payable consists of short-term borrowings payable to banks and commercial paper, which are generally used to fund working capital requirements. At September 30, 2020, we have \$1.7 billion of notes payable under the revolving credit facilities which is expected to be repaid in the next twelve months. For additional information, see Note 6 to the Consolidated Condensed Financial Statements.

#### *Trade customers*

We continue to review customer conditions globally. In light of the COVID-19 pandemic, there is a heightened risk of trade customer financial restructuring or insolvency situations and increases in our accounts receivable balances with these trade customers. While there was not a material effect from these events during the three months ended September 30, 2020, nor do we have immediate visibility into those situations materializing in the future, we continue to monitor these situations and take appropriate risk mitigation steps in light of the current environment.

At September 30, 2020, we had 173 million Brazilian reais (approximately \$31 million at September 30, 2020) in short and long-term receivables due to us from Maquina de Vendas S.A. In 2018, as part of their extrajudicial recovery plan, we agreed to receive payment of our outstanding receivable, plus interest, over eight years under a tiered payment schedule. During the third quarter, we received insurance proceeds of 129 million Brazilian reais (approximately \$23 million at September 30, 2020) related to this matter. After consideration of the allowance for expected credit losses, we do not expect this matter to have a material impact on financial results in future periods.

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

For additional information on guarantees, see Note 7 to the Consolidated Condensed Financial Statements.

### **Share Repurchase Program**

For additional information about our share repurchase program, see Note 11 to the Consolidated Condensed Financial Statements.

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

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

| Millions of dollars                                      | Nine Months Ended September 30, |                 |
|----------------------------------------------------------|---------------------------------|-----------------|
|                                                          | 2020                            | 2019            |
| <b>Cash provided by (used in):</b>                       |                                 |                 |
| Operating activities                                     | \$ 407                          | \$ (566)        |
| Investing activities                                     | (224)                           | 723             |
| Financing activities                                     | 1,531                           | (641)           |
| Effect of exchange rate changes                          | (125)                           | (55)            |
| Net change in cash, cash equivalents and restricted cash | <u>\$ 1,589</u>                 | <u>\$ (539)</u> |

### **Cash Flows from Operating Activities**

Cash provided by operating activities during the nine months ended September 30, 2020 increased compared to the same period in 2019, which primarily reflects the impact of changes in working capital, including lower inventory due to reduced seasonal inventory build due to production and supply constraints, gains related to prior year Brazil ICMS tax cases, and restructuring, partially offset by reduced promotional activity and focused cost control in response to COVID-19.

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

Cash used in investing activities during the nine months ended September 30, 2020 decreased compared to the same period in 2019, which is primarily by the the sale of the Embraco business during the prior period, slightly offset by lower capital expenditures year over year due to capital reduction actions during the COVID-19 disruption.

## Cash Flows from Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2020 increased compared to the same period in 2019, which primarily reflects the following:

- Proceeds from borrowings under our revolving credit facilities of \$1.7 billion offset by lower commercial paper borrowing (increase of approximately \$0.7 billion);
- Repayments of long-term debt includes the repayment of the €500 million (approximately \$565 million at repayment) senior notes in March 2020 compared to the repayments of \$250 million in senior notes and the €600 million (approximately \$673 million at repayment) Whirlpool EMEA Finance Term Loan in the prior period (increase of approximately \$360 million);
- Proceeds from borrowings of long-term debt includes the €500 million (approximately \$540 million as of February 2020) senior notes offering in February 2020, the \$500 million senior notes offering in May 2020 versus the \$700 million senior notes offering in the prior period (increase of approximately \$340 million); and
- Higher stock repurchases in 2020 compared to 2019 under our share repurchase program (increase of approximately \$20 million). All 2020 share repurchases occurred in Q1.

Dividends paid in financing activities during the nine months ended September 30, 2020 was comparable to the same period in 2019.

## Financing Arrangements

The Company had total committed credit facilities of approximately \$4.2 billion at September 30, 2020. These facilities are geographically reflective of the Company's global operations. The Company believes these facilities are sufficient to support its global operations and, together with other liquidity tools, to navigate through the macroeconomic uncertainty related to the COVID-19 pandemic. We had \$900 million and €700 million (approximately \$820 million as of September 30, 2020) outstanding under the committed credit facilities at September 30, 2020. We had no borrowings outstanding under the committed credit facilities at December 31, 2019.

For additional information about our financing arrangements, see Note 6 to the Consolidated Condensed Financial Statements.

## Embraco Sale Transaction

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

On June 26, 2019, Whirlpool and Nidec received the European Commission's final approval of the Transaction, and the parties closed the Transaction on July 1, 2019. At closing, pursuant to the purchase agreement and a subsequent agreement memorializing the purchase price adjustment, the Company received \$1.1 billion inclusive of anticipated cash on hand at the time of closing, with final purchase price amounts subject to working capital and other customary post-closing adjustments. These adjustments have been finalized with a \$7 million gain recorded

to final purchase price amounts in the third quarter of 2020. Whirlpool has agreed to retain certain liabilities relating to tax, environmental, labor and products following closing of the Transaction.

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

## Dividends

In October 2020, our Board of Directors approved a 4.2% increase in our quarterly dividend on our common stock to \$1.25 per share from \$1.20 per share.

## Off-Balance Sheet Arrangements

In the ordinary course of business, we enter into agreements with financial institutions to issue bank guarantees, letters of credit, and surety bonds. These agreements are primarily associated with unresolved tax matters in Brazil, as is customary under local regulations, and other governmental obligations and debt agreements. At September 30, 2020, we had approximately \$342 million outstanding under these agreements.

For additional information about our off-balance sheet arrangements, see Notes 6 and 7 to the Consolidated Condensed Financial Statements.

## NON-GAAP FINANCIAL MEASURES

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

- Earnings before interest and taxes (EBIT)
- EBIT margin
- Ongoing EBIT
- Ongoing earnings per diluted share
- Ongoing EBIT margin
- Sales excluding foreign currency
- Organic net sales (net sales excluding foreign currency and Embraco)
- Free cash flow

Non-GAAP measures exclude items that may not be indicative of, or are unrelated to, results from our ongoing operations and provide a better baseline for analyzing trends in our underlying businesses. EBIT margin is calculated by dividing EBIT by net sales. Ongoing EBIT margin is calculated by dividing ongoing EBIT by net sales. 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. Organic net sales is calculated by excluding prior period net sales from our divested Embraco business and foreign currency. Management believes that organic net sales provides stockholders with a clearer basis to assess our results over time, excluding the revenue impact from our divested compressor business and exchange rate fluctuations. We also disclose segment EBIT, which we define as operating profit less interest and sundry (income) expense and excluding restructuring costs, asset impairment charges and certain other items that management believes are not indicative of the region's ongoing performance, if any, as the financial metric used by the Company's Chief Operating Decision Maker to evaluate performance and allocate resources in accordance with ASC 280, *Segment Reporting*.

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 non-GAAP financial measures should not be considered in isolation or as a substitute for reported net sales, net earnings available to Whirlpool, net earnings as a percentage of net sales and cash provided by (used in) operating activities, the most directly comparable GAAP financial measures. We strongly encourage investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

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

| Total Whirlpool Organic Net Sales Reconciliation:<br><i>in millions</i> | Three Months Ended September 30, |                 |        |
|-------------------------------------------------------------------------|----------------------------------|-----------------|--------|
|                                                                         | 2020                             | 2019            | Change |
| Net sales                                                               | \$ 5,291                         | \$ 5,091        | 3.9 %  |
| Less: Embraco net sales                                                 | —                                | —               |        |
| Add-Back: currency                                                      | 157                              | —               |        |
| Organic net sales                                                       | <u>\$ 5,448</u>                  | <u>\$ 5,091</u> | 7.0 %  |

| Latin America Organic Net Sales Reconciliation:<br><i>in millions</i> | Three Months Ended September 30, |               |        |
|-----------------------------------------------------------------------|----------------------------------|---------------|--------|
|                                                                       | 2020                             | 2019          | Change |
| Net sales                                                             | \$ 719                           | \$ 632        | 13.7 % |
| Less: Embraco net sales                                               | —                                | —             |        |
| Add-Back: currency                                                    | 166                              | —             |        |
| Organic net sales                                                     | <u>\$ 885</u>                    | <u>\$ 632</u> | 40.0 % |

| Total Whirlpool Organic Net Sales Reconciliation:<br><i>in millions</i> | Nine Months Ended September 30, |                  |         |
|-------------------------------------------------------------------------|---------------------------------|------------------|---------|
|                                                                         | 2020                            | 2019             | Change  |
| Net sales                                                               | \$ 13,658                       | \$ 15,037        | (9.2) % |
| Less: Embraco net sales                                                 | —                               | (635)            |         |
| Add-Back: currency                                                      | 413                             | —                |         |
| Organic net sales                                                       | <u>\$ 14,071</u>                | <u>\$ 14,402</u> | (2.3) % |

| Latin America Organic Net Sales Reconciliation:<br><i>in millions</i> | Nine Months Ended September 30, |                 |          |
|-----------------------------------------------------------------------|---------------------------------|-----------------|----------|
|                                                                       | 2020                            | 2019            | Change   |
| Net sales                                                             | \$ 1,771                        | \$ 2,395        | (26.1) % |
| Less: Embraco net sales                                               | —                               | (635)           |          |
| Add-Back: currency                                                    | 350                             | —               |          |
| Organic net sales                                                     | <u>\$ 2,121</u>                 | <u>\$ 1,760</u> | 20.5 %   |

| Ongoing Earnings Before Interest & Taxes (EBIT) Reconciliation:<br><i>in millions</i> | Three Months Ended |        | Nine Months Ended |          |
|---------------------------------------------------------------------------------------|--------------------|--------|-------------------|----------|
|                                                                                       | 2020               | 2019   | 2020              | 2019     |
| Net earnings available to Whirlpool <sup>(1)</sup>                                    | \$ 397             | \$ 358 | \$ 584            | \$ 896   |
| Net earnings (loss) available to noncontrolling interests                             | 1                  | 6      | (14)              | 14       |
| Income tax expense (benefit)                                                          | 143                | 313    | 233               | 311      |
| Interest expense                                                                      | 51                 | 45     | 142               | 148      |
| Earnings before interest & taxes                                                      | \$ 592             | \$ 722 | \$ 945            | \$ 1,369 |
| Restructuring expense                                                                 | 63                 | 56     | 186               | 142      |
| Corrective action recovery                                                            | (13)               | —      | (13)              | —        |
| Divestiture related transition costs                                                  | —                  | (17)   | —                 | —        |
| Brazil indirect tax credit                                                            | —                  | —      | —                 | (180)    |
| (Gain) loss on sale and disposal of businesses                                        | (7)                | (516)  | (7)               | (437)    |
| Legacy product warranty and liability expense                                         | —                  | 119    | —                 | 131      |
| Ongoing EBIT <sup>(2)</sup>                                                           | \$ 635             | \$ 364 | \$ 1,111          | \$ 1,025 |

<sup>(1)</sup> Net earnings margin is approximately 7.5% and 4.3% for the three and nine months ended September 30, 2020, respectively, compared to 7.0% and 6.0% in the same prior year periods. Net earnings margin is calculated by dividing net earnings (loss) available to Whirlpool by consolidated net sales for the three and nine months ended September 30, 2020 and September 30, 2019, respectively.

<sup>(2)</sup> Ongoing EBIT margin is approximately 12.0% and 8.1% for the three and nine months ended September 30, 2020, respectively, compared to 7.2% and 6.8% in the same prior year periods. Ongoing EBIT margin is calculated by dividing Ongoing EBIT by consolidated net sales for the three and nine months ended September 30, 2020 and September 30, 2019, respectively.

The earnings per diluted share GAAP measure and ongoing measure for the third quarter of 2020 are presented net of tax, while each adjustment is presented on a pre-tax basis. Our third-quarter GAAP tax rate was 26.4%. The aggregate income tax impact of the taxable components of each adjustment is presented in the income tax impact line item at our third-quarter adjusted tax rate (non-GAAP) of 25.0%.

| Three Months Ended September 30, 2020          |         |
|------------------------------------------------|---------|
| Earnings per diluted share                     |         |
| Earnings per diluted share                     | \$ 6.27 |
| Restructuring expense                          | 1.00    |
| Corrective action recovery                     | (0.20)  |
| (Gain) loss on sale and disposal of businesses | (0.10)  |
| Income tax impact                              | (0.17)  |
| Normalized tax rate adjustment                 | 0.11    |
| Ongoing earnings per diluted share             | \$ 6.91 |

The earnings per diluted share GAAP measure and ongoing measure for the third quarter of 2019 are presented net of tax, while each adjustment is presented on a pre-tax basis. Our third-quarter GAAP tax rate was 46.3%. The aggregate income tax impact of the taxable components of each adjustment is presented in the income tax impact line item at our third-quarter adjusted tax rate (non-GAAP) of 17.5%.

| Three Months Ended September 30, 2019          |         |
|------------------------------------------------|---------|
| Earnings per diluted share                     |         |
| Earnings per diluted share                     | \$ 5.57 |
| Restructuring expense                          | 0.88    |
| Divestiture related transition costs           | (0.27)  |
| (Gain) loss on sale and disposal of businesses | (8.03)  |
| Legacy product warranty and liability expense  | 1.85    |
| Income tax impact                              | 0.97    |
| Normalized tax rate adjustment                 | 2.99    |
| Ongoing earnings per diluted share             | \$ 3.97 |

| Free Cash Flow (FCF) Reconciliation:<br>in millions      | Nine Months Ended |          |
|----------------------------------------------------------|-------------------|----------|
|                                                          | 2020              | 2019     |
| Cash used in operating activities <sup>(1)</sup>         | \$ 407            | \$ (566) |
| Capital expenditures                                     | (251)             | (306)    |
| Proceeds from sale of assets and business <sup>(2)</sup> | 27                | 1,034    |
| Change in restricted cash <sup>(3)</sup>                 | (13)              | 33       |
| Repayment of term loan                                   | —                 | (1,000)  |
| Free cash flow                                           | \$ 170            | \$ (805) |
| Cash provided by (used in) investing activities          | \$ (224)          | \$ 723   |
| Cash provided by (used in) financing activities          | 1,531             | (641)    |

<sup>(1)</sup> Cash used in operating activities for the nine months ended September 30, 2019 included \$136 million of cash taxes paid for the sale of the Embraco compressor business

<sup>(2)</sup> Proceeds from the sale of assets and business for the nine months ended September 30, 2019 includes \$1,011 million of net cash proceeds received to date for the sale of the Embraco compressor business

<sup>(3)</sup> For additional information regarding restricted cash, see Note 3 to the Consolidated Condensed Financial Statements.

## FORWARD-LOOKING PERSPECTIVE

On March 24, 2020, Whirlpool withdrew its previously announced 2020 guidance for net sales, GAAP and ongoing (non-GAAP) earnings per share, ongoing EBIT margin, regional industry outlook, cash provided by operating activities and free cash flow due to uncertainty around the business impact of the COVID-19 pandemic. Based on the strength of our third quarter performance and confidence in our business, we are reinstating guidance for 2020, as further provided below.

Earnings per diluted share presented below are net of tax, while each adjustment is presented on a pre-tax basis. The aggregate income tax impact of the taxable components of each adjustment is presented in the income tax impact line item at our anticipated 2020 full-year adjusted tax rate between 23% and 25%. We currently estimate earnings per diluted share for 2020 to be within the following ranges:

|                                                                                    | 2020            |         |
|------------------------------------------------------------------------------------|-----------------|---------|
|                                                                                    | Current Outlook |         |
| <b>Estimated earnings per diluted share, for the year ending December 31, 2020</b> | \$14.90         | \$15.40 |
| Including:                                                                         |                 |         |
| Restructuring expense                                                              | \$(4.74)        |         |
| Corrective action recovery                                                         | \$0.20          |         |
| (Gain) loss on sale and disposal of businesses                                     | \$0.10          |         |
| Expected gain on assets <sup>(1)</sup>                                             | \$1.80          |         |
| Expected impact from benefits transaction                                          | \$(0.79)        |         |
| Income tax impact                                                                  | \$0.83          |         |

<sup>(1)</sup> Real estate portfolio optimization expected in the fourth quarter of 2020.

For the full-year 2020, we continue to expect to generate cash from operating activities of approximately \$1.2 billion and free cash flow of approximately \$900 million, including restructuring cash outlays of approximately \$260 million and capital expenditures of approximately \$475 million.

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

| Millions of dollars                                                                          | 2020<br>Current Outlook |
|----------------------------------------------------------------------------------------------|-------------------------|
| Cash provided by (used in) operating activities <sup>(1)</sup>                               | ~\$1,240                |
| Capital expenditures, proceeds from sale of assets/businesses and changes in restricted cash | 340                     |
| Free cash flow                                                                               | ~\$900                  |

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

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

## OTHER MATTERS

For additional information regarding certain of our loss contingencies/litigation, see Note 7 to the Consolidated Condensed Financial Statements.

### Grenfell Tower

On June 23, 2017, London's Metropolitan Police Service released a statement that it had identified a Hotpoint-branded refrigerator as the initial source of the Grenfell Tower fire in West London. U.K. authorities are conducting investigations, including regarding the cause and spread of the fire. The model in question was manufactured by Indesit Company between 2006 and 2009, prior to Whirlpool's acquisition of Indesit in 2014. We are fully cooperating with the investigating authorities. Whirlpool was named as a defendant in a product liability suit in Pennsylvania federal court related to this matter. The federal court dismissed the case with prejudice in September 2020. This ruling remains subject to further review. 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 2019 or 2020. Additional claims may be filed related to this incident.

### Antidumping and Safeguard Petitions

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

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

quarters, which will depend on Samsung and LG's U.S. production capabilities and import plans. On August 3, 2020, Whirlpool filed a petition with the International Trade Commission seeking an extension of the safeguard remedy.

## **U.S. Tariffs and Global Economy**

The current domestic and international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy. The impact of previously-announced U.S. tariffs increased raw material costs during 2019 and 2020. We expect these and other tariffs to impact material and freight costs in future quarters, which could require us to modify our current business practices and could have a material adverse effect on our financial statements in any particular reporting period.

## **Brexit**

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

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

There have been no material changes to our exposures to market risk since December 31, 2019.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

Prior to filing this report, we completed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of September 30, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2020.

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

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

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Information with respect to legal proceedings can be found under the heading "Commitments and Contingencies" in Note 7 to the Consolidated Condensed Financial Statements contained in Part I, Item 1 of this report.

### ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, other than as updated in our subsequent quarterly reports on Form 10-Q, including set forth below.

**Our financial condition and results of operations have been and are expected to continue to be adversely affected by the ongoing COVID-19 outbreak.**

We are closely monitoring the impact of the global COVID-19 pandemic on all aspects of our operations and regions, including the effect on our consumers, employees, trade customers, suppliers and distribution channels. The pandemic has created significant business disruption and economic uncertainty which has adversely impacted our manufacturing operations, supply chain, distribution channels and demand for our products. There remains significant uncertainty regarding the severity and duration of the pandemic and its impact on our business, including the severity of a "second wave" or other additional periods of increases or spikes in the number of COVID-19 cases in areas in which we operate. The adverse impact of the pandemic is expected to continue and may materially affect our financial statements in future periods.

The impacts of the pandemic include, but are not limited to, the following:

- Production shutdowns and slowdowns, in individual or collective groups of factories in impacted countries, which have and could in the future result in increased costs and decreased efficiency, and which have and could impact our ability to respond to rapid changes in demand;
- Lack of availability of component materials in our supply chain and an increase in raw material and component costs;
- Recent and potential future reductions in trade customer sales volume, potential trade customer financial restructuring or insolvency, and increases in accounts receivable balances with our trade customer base;
- Potential future impairment in value of our tangible or intangible assets could be recorded as a result of weaker economic conditions;
- Significant disruption of global financial markets, which could have a negative impact on our ability to access capital in the future, and which has, together with operational impacts noted above, necessitated certain recent liquidity creation and preservation actions as a precautionary measure;
- Fluctuations in forecasted earnings before tax and corresponding volatility in our effective tax rate;
- Uncertainty with respect to the application of recently enacted economic stimulus legislation in the U.S. and abroad, including uncertainty regarding impacts to our current global tax positions and future tax planning;
- Operational risk, including but not limited to data privacy and cybersecurity incidents, as a result of extended salaried workforce remote work arrangements, and operational delays as a result of recent and potential future salaried employee furlough and collective vacation actions in certain countries, and restrictions on employee travel;
- Operational disruption if key employees terminate their employment or become ill, as well as diversion of our management team's attention from non-COVID-19 related matters;
- Potential investigations, legal claims or litigation against us for actions we have taken or may take, or decisions we have made or may make, as a consequence of the pandemic; and

- Potential delays in resolving pending legal matters as a result of court, administrative and other closures and delays in many of our regions.

Our existing insurance coverages may not respond to some of these impacts. In addition, we cannot predict the impact that COVID-19 will have on our trade customers, suppliers, consumers, and each of their financial conditions; however, any material effect on these parties could adversely impact us. The impact of COVID-19 may also exacerbate other risks discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019, any of which could have a material adverse effect on our financial statements.

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

On July 25, 2017, our Board of Directors authorized a share repurchase program of up to \$2 billion. During the nine months ended September 30, 2020, we repurchased 902,000 shares under this share repurchase program at an aggregate price of approximately \$121 million, all of which repurchases occurred in the first quarter of 2020. At September 30, 2020, there were approximately \$531 million in remaining funds authorized under this program.

The following table summarizes repurchases of Whirlpool's common stock in the three months ended September 30, 2020:

| Period (Millions of dollars, except number and price per share) | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans |
|-----------------------------------------------------------------|----------------------------------|------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| July 1, 2020 through July 31, 2020                              | —                                | \$ —                         | —                                                                                | \$ 531                                                                       |
| August 1, 2020 through August 31, 2020                          | —                                | —                            | —                                                                                | 531                                                                          |
| September 1, 2020 through September 30, 2020                    | —                                | —                            | —                                                                                | 531                                                                          |
| Total                                                           | —                                | —                            | —                                                                                | —                                                                            |

Share repurchases are made from time to time on the open market as conditions warrant. Given the level of uncertainty surrounding the COVID-19 pandemic, beginning with the second quarter of 2020 we temporarily suspended our share repurchase program to protect liquidity. The program does not obligate us to repurchase any of our shares and it has no expiration date.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

|              |                                                                                                                                                                |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit 31.1 | <a href="#"><u>Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>                                     |
| Exhibit 31.2 | <a href="#"><u>Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>                                     |
| Exhibit 32.1 | <a href="#"><u>Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>                 |
| 101.INS      | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH      | Inline XBRL Taxonomy Extension Schema Document                                                                                                                 |
| 101.CAL      | Inline XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                   |
| 101.DEF      | Inline XBRL Taxonomy Extension Definition Linkbase Document                                                                                                    |
| 101.LAB      | Inline XBRL Taxonomy Extension Label Linkbase Document                                                                                                         |
| 101.PRE      | Inline XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                  |
| Exhibit 104  | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)                                                                       |

## SIGNATURES

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

WHIRLPOOL CORPORATION  
(Registrant)

By: /s/ JAMES W. PETERS

Name: James W. Peters

Title: Executive Vice President  
and Chief Financial Officer

Date: October 22, 2020

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc R. Bitzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Whirlpool Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 22, 2020

/s/ MARC R. BITZER

Name: Marc R. Bitzer

Title: Chairman of the Board, President and Chief Executive Officer

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James W. Peters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Whirlpool Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 22, 2020

/s/ JAMES W. PETERS

Name: James W. Peters

Title: Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Whirlpool Corporation ("Whirlpool") for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Marc R. Bitzer, as Chief Executive Officer of Whirlpool, and James W. Peters, as Chief Financial Officer of Whirlpool, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Whirlpool.

/s/ MARC R. BITZER

---

Name: Marc R. Bitzer  
Title: Chairman of the Board, President and Chief Executive Officer  
Date: October 22, 2020

/s/ JAMES W. PETERS

---

Name: James W. Peters  
Title: Executive Vice President and Chief Financial Officer  
Date: October 22, 2020