

WHIRLPOOL CORP /DE/  
Form 10-K  
February 12, 2019

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

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-3932

WHIRLPOOL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 38-1490038  
(State of Incorporation) (I.R.S. Employer Identification No.)

2000 North M-63, Benton Harbor, Michigan 49022-2692  
(Address of principal executive offices) (Zip Code)

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

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

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

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

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Section 13  
or  
Section 15(d)  
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the  
Exchange  
Act.

Indicate by check mark whether the  
registrant (1) has filed all reports  
required to be filed by Section 13 or  
15(d) of the Exchange Act during  
the preceding 12 months (or for  
such shorter period that the  
registrant was required to file such  
reports), and (2) has been subject to  
such  
filing  
requirements

for  
 Yes  No

past  
90  
days.

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

Yes  No

required  
to  
submit

such files).

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference

in Part III of this Form 10-K or any amendment to this Form 10-K.

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

(Check one)

- Large accelerated filer
- Accelerated filer
- Non-accelerated filer
- Smaller reporting company
- Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards

provided pursuant to Section 13(a)  
of the Exchange Act. o

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The aggregate market value of voting common stock of the registrant held by stockholders not including voting stock held by directors and executive officers of the registrant and certain employee plans of the registrant (the exclusion of such shares shall not be deemed an admission by the registrant that any such person is an affiliate of the registrant) at the close of business on June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was \$9,182,730,950.

On February 8, 2019, the registrant had 63,569,688 shares of common stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

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

Document	Part of Form 10-K into which incorporated
The registrant's proxy statement for the 2019 annual meeting of stockholders (the "Proxy Statement")	Part III

WHIRLPOOL CORPORATION  
 ANNUAL REPORT ON FORM 10-K  
 For the fiscal year ended December 31, 2018  
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PART

I

ITEM 1. BUSINESS

Our

Company

More than

100 years

of

delivering

value one

moment at

a time

Whirlpool Corporation ("Whirlpool"), the world's leading major home appliance company, was incorporated in 1955 under the laws of Delaware and was founded in 1911. Whirlpool manufactures products in 14 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 \$21 billion in annual sales and 92,000 employees in 2018.

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

Our Strategic Architecture

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

Unique Global Position

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

Global Leading Manufacturer	Best Brand Portfolio	Legacy of Innovation	Best Cost Position
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#### Global Leading Manufacturer

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

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

#### Best Brand Portfolio

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

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

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

#### Legacy of Innovation

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

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

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

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

As the shift to digital continues, consumers are beginning to desire connected appliances which fit seamlessly into the larger home ecosystem. We are excited to bring new connected technologies to market, including scan-to-cook, voice control, and remote service diagnostics. Whether developed internally or with one of our many collaborators, we believe these digitally-enabled services will increasingly enhance the appliance experience for our consumers. Whirlpool manufactures and markets a full line of major home appliances and related products. Our principal products are laundry appliances, refrigerators and freezers, cooking appliances, dishwashers, mixers and other small domestic appliances. We also produce hermetic compressors for refrigeration systems. The following chart provides the percentage of net sales for each of our product categories which accounted for 10% or more of our consolidated net sales over the last three years:

#### Best Cost Position

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

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

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



### Value Creation Framework

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

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

Net Sales	YoY Change	Net Earnings (Loss) Available to Whirlpool <sup>(1)</sup>	Ongoing EBIT Margin <sup>(1)</sup>	Ongoing EBIT Margin YoY Change	Cash Provided by Operating Activities <sup>(1)</sup>	Free Cash Flow <sup>(1)</sup>	FCF as % of Net Sales
2018 \$21.0B	(1.0)%	(\$183)M	6.3%	(0.1)%	\$1,229M	\$853M	4.1%
2017 \$21.3B	2.6%	\$350M	6.4%	(0.9)%	\$1,264M	\$707M	3.3%
2016 \$20.7B	(0.8)%	\$888M	7.3%	0.4%	\$1,203M	\$630M	3.0%

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

### Capital Allocation Strategy

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

Fund the Business Target  
Capex: 3%+ of net sales

Capex / R&D  
R&D: ~3% of net sales

Mergers & Acquisitions Explore value-creating M&A to accelerate strategy

Return to Shareholders Target

Dividends 25-30% of trailing 12-month ongoing net earnings

Share Repurchase Continued repurchasing opportunistically

Targeted Capital Structure Maintain strong investment grade rating; target gross Debt/EBITDA of ~2.0

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



## Regional Business Summary

### North America

- In the United States, we market and distribute major home appliances and small domestic appliances primarily under the Whirlpool, Maytag, KitchenAid, JennAir, Amana, Roper, Admiral, Affresh and Gladiator brand names primarily to retailers, distributors and builders.

- In Canada, we market and distribute major home appliances primarily under the Admiral, Whirlpool, Maytag, JennAir, Amana, Roper, Estate, Inglis, Speed Queen and KitchenAid brand names.

- We sell some products to other manufacturers, distributors, and retailers for resale in North America under those manufacturers' and retailers' respective brand names.

### Europe, Middle East and Africa (EMEA)

- In EMEA, we market and distribute our major home appliances primarily under the Whirlpool, Hotpoint\*, Bauknecht, Indesit, Ignis, Maytag, Laden and Privileg brand names. We also market major home appliances and small domestic appliances under the KitchenAid brand name.

- We market and distribute a full line of products under the Whirlpool and KIC brand names in South Africa. We also market and distribute products under the Whirlpool, Bauknecht, Maytag, Indesit, Amana and Ignis brand names to distributors and dealers in Africa and the Middle East.

- In addition to our operations in Western and Eastern Europe, Turkey and Russia, we have a sales subsidiary in Morocco.

### Latin America

- In Latin America, we market and distribute our major home appliances and small domestic appliances primarily under the Consul, Brastemp, Whirlpool, KitchenAid and Acros brand names.

- We manage sales and distribution through our local entities in Brazil, Argentina, Mexico, Chile, Peru, Ecuador, Colombia and Guatemala.

- We also serve the countries of Bolivia, Paraguay, Uruguay, Venezuela, and certain Caribbean and Central America countries, where we manage appliances sales and distribution through accredited distributors.

- Our Latin America operations also produce hermetic compressors for refrigeration systems, which business is currently in the process of sale.

### Asia

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

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

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We market and distribute our products in Asia primarily under the Whirlpool, Maytag, KitchenAid, Ariston, Indesit, Bauknecht, Sanyo, Diqua, and Royalstar brand names through a combination of direct sales to appliance retailers and chain stores and through full-service distributors to a large network of retail stores.

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

### Competition

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

### Raw Materials and Purchased Components

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

### Trademarks, Licenses and Patents

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

### Protection of the Environment

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

We believe that we are in compliance, in all material respects, with presently applicable governmental provisions relating to environmental protection in the countries in which we have manufacturing operations. Compliance with these environmental laws and regulations did not have a material effect on capital expenditures, earnings, or our competitive position during 2018 and is not expected to be material in 2019.

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

Whirlpool participates in environmental assessments and cleanup at a number of locations globally. These include operating and non-operating facilities, previously owned properties and waste sites, including "Superfund" (under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)) sites. However, based upon

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

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evaluation of the facts and circumstances relating to these sites along with the evaluation of our technical consultants, we do not presently anticipate any material adverse effect on our financial statements arising out of the resolution of these matters or the resolution of any other known governmental proceeding regarding environmental protection matters.

#### Other Information

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

Whirlpool is a major supplier of laundry, refrigeration, cooking and dishwasher home appliances to Lowe's, a North American retailer. Net sales attributable to Lowe's in 2018, 2017 and 2016, were approximately 12%, 10% and 9%, respectively, of our consolidated net sales. For certain other financial information concerning our business segments and foreign and domestic operations, see Note 15 to the Consolidated Financial Statements.

For information on our global restructuring plans, and the impact of these plans on our operating segments, see Note 13 to the Consolidated Financial Statements.

#### Executive Officers of the Registrant

The following table sets forth the names and ages of our executive officers on February 12, 2019, the positions and offices they held on that date, and the year they first became executive officers:

Name	Office	First Became an Executive Officer	Age
Marc R. Bitzer	Chairman of the Board, President and Chief Executive Officer	2006	54
James W. Peters	Executive Vice President and Chief Financial Officer	2016	49
João C. Brega	Executive Vice President and President, Whirlpool Latin America	2012	55
Joseph T. Liotine	Executive Vice President and President, Whirlpool North America	2014	46
Shengpo (Samuel) Wu	Executive Vice President and President, Whirlpool Asia	2019	52

The executive officers named above were elected by our Board of Directors to serve in the office indicated until the first meeting of the Board of Directors following the annual meeting of stockholders in 2019 and until a successor is chosen and qualified or until the executive officer's earlier resignation or removal. Each of our executive officers has held the position set forth in the table above or has served Whirlpool in various executive or administrative capacities for at least the past five years, except for Mr. Wu. Prior to joining Whirlpool in February 2017, Mr. Wu for the previous five years served as President and Chief Executive Officer, Asia Pacific, of Osram GmbH, and before joining Osram in 2012, worked for Honeywell Process Solutions and General Electric in various leadership roles.

#### Available Information

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

#### ITEM 1A. RISK FACTORS

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





statements. Those statements are not guarantees and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from these forward-looking statements.

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

#### STRATEGIC RISKS

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

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

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

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

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



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

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

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

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

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

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

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

#### OPERATIONAL RISKS

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

From time to time, we make strategic acquisitions or divestitures, investments and participate in joint ventures. For example, we acquired Indesit and a majority interest in Hefei Sanyo in the fourth quarter of 2014, and we signed an agreement to sell our Embraco compressor business in 2018. These transactions, and other transactions that we have entered into or which we may enter into in the future, can involve significant challenges and risks, including

that the transaction does not advance our business strategy or fails to produce a satisfactory return on our investment. We may encounter difficulties in integrating acquisitions with our operations, applying our internal control processes to these acquisitions, managing strategic investments, and in overseeing the operations, systems and controls of acquired companies. For example, in 2017, we recorded an adjustment primarily for trade promotion accruals by our China business, which has been and remains subject to investigation by the relevant Chinese governmental authorities. We took certain remedial actions to strengthen internal controls as a result of our review of the conduct and processes involved. Integrating acquisitions and carving out divestitures is often costly and may require significant attention from management. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. While our evaluation of any potential transaction includes business, legal and financial due diligence with the goal of identifying and evaluating the material risks involved, our due diligence reviews may not identify all of the issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities or costs associated with any quality issues with an acquisition target's legacy products. In addition, liabilities may be retained by Whirlpool when closing a facility, divesting an entity or selling physical assets, and such liabilities may be material.

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

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

For the year ended December 31, 2018, international operations represent approximately 49% of our net sales. We expect that international sales will continue to account for a significant percentage of our net sales. Accordingly, we face numerous risks associated with conducting international operations, any of which could negatively affect our financial performance. These risks include the following:

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



#### Limitations on the repatriation or movement of earnings and cash

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

Terrorist attacks, cyber events, armed conflicts, civil unrest, natural disasters, governmental actions and epidemics could affect our domestic and international sales, disrupt our supply chain, and impair our ability to produce and deliver our products. Such events could directly impact our physical facilities or those of our suppliers or customers.

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

We depend on information technology to improve the effectiveness of our operations and to interface with our customers, consumers and employees, as well as to maintain financial accuracy and efficiency. Our business processes and data sharing across functions, suppliers, and vendors is dependent on information technology integration. The failure of any systems, whether internal or third-party, during normal operation, system upgrades, implementations, or connections, could disrupt our operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacture or shipment of products, other financial and business disruptions, or the loss of or damage to intellectual property and the personally identifiable data of consumers and employees.

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

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

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

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





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

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

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

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

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

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

As of December 31, 2018, we had approximately 92,000 employees. We are subject to separate collective bargaining agreements with certain labor unions, as well as various other commitments regarding our workforce. We periodically negotiate with certain unions representing our employees and may be subject to work stoppages or may be unable to renew collective bargaining agreements on the same or similar terms, or at all, all of which may also have a material adverse effect on our business, financial condition, or results of operations.

## FINANCIAL RISKS

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

The sources and prices of the primary materials (such as steel, resins, and base metals) used to manufacture our products and components containing those materials are susceptible to significant global and regional price fluctuations due to supply/demand trends, transportation costs, labor costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate, and other unforeseen circumstances. For example, we experienced significant inflation in raw materials and certain manufactured components during 2018, which negatively impacted our operating results. Significant increases in these and other costs now and in the future could have a material adverse effect on our operating results.

Foreign currency fluctuations may affect our financial performance.

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

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

We have a substantial amount of goodwill and indefinite-life intangible assets, primarily trademarks, on our balance sheet. We test the goodwill and intangible assets for impairment on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit or intangible asset may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding revenue growth rates, EBIT margins, capital expenditures, working capital requirements, tax rates, terminal growth rates, discount rates, royalty rates, benefits associated with a taxable transaction and synergistic benefits available to market participants. Declines in market conditions, a trend of weaker than anticipated financial performance for our reporting units or declines in projected revenue for our trademarks, a decline in our share price for a sustained period of time, an increase in the market-based weighted average cost of capital or a decrease in royalty rates, among other factors, are indicators that the carrying value of our goodwill or indefinite-life intangible assets may not be recoverable. We may be required to record a goodwill or intangible asset impairment charge that, if incurred, could have a material adverse effect on our financial condition and results of operations.

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

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

We face inventory valuation risk.

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

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

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

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

A decline in economic activity and conditions in certain areas in which we operate have had an adverse effect on our financial condition and results of operations in recent years, and future declines and adverse conditions could have a similar adverse effect. Regional, political and economic instability in countries in which we do business may adversely affect business conditions, disrupt our operations, and have an adverse effect on our financial condition and results of operations. Uncertainty about future economic and industry conditions also makes it more challenging for us to forecast our operating results, make business decisions, and identify and prioritize the risks that may affect our businesses, sources and uses of cash, financial condition and results of operations. We may be required to implement additional cost reduction efforts, including restructuring activities, which may adversely affect our ability to capitalize on opportunities in a market recovery. In addition, our operations are subject to general credit, liquidity, foreign exchange, market and interest rate risks. Our ability to invest in our businesses, fund strategic acquisitions and refinance maturing debt obligations depends in part on access to the capital markets.

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

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

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

As of December 31, 2018, our projected benefit obligations under our pension plans and postretirement health and welfare benefit programs exceeded the fair value of plan assets by an aggregate of approximately \$1.0 billion, including \$0.6 billion of which was attributable to pension plans and \$0.4 billion of which was attributable to postretirement health care benefits. Estimates for the amount and timing of the future funding obligations of these pension plans and postretirement health and welfare benefit plans are based on various assumptions. These assumptions include discount rates, expected long-term rate of return on plan assets, life expectancies and health care cost trend rates. These assumptions are subject to change based on changes in interest rates on high quality bonds, stock and bond market returns, health care cost trend rates and regulatory changes, all of which are largely outside our control. Significant differences in results or significant changes in assumptions may materially affect our postretirement obligations and related future contributions and expenses.

#### LEGAL & COMPLIANCE RISKS

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

We are subject to a variety of litigation and legal compliance risks relating to, among other things: products; intellectual property rights; income and non-income taxes; environmental matters; corporate matters; commercial matters; credit matters; competition laws; distribution, marketing and trade practice matters; anti-bribery and anti-corruption regulations; energy regulations; financial regulations; and employment and benefit matters. For example, we are currently disputing certain income and non-income tax related assessments issued by Brazilian authorities (see Note 7 and Note 14 to the Consolidated Financial Statements for additional information on these matters). Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial

statements in any particular reporting period. Results of legal and regulatory proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost effectively available. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation and brand image, regardless of the existence or amount of liability. We estimate loss contingencies and establish accruals as required by generally accepted accounting principles, based on our assessment of contingencies where liability is deemed probable and reasonably estimable, in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings, volatility in foreign currency exchange rates and other factors may affect our assessment and estimates of the loss contingency recorded and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which amounts would be paid. Actual results may significantly vary from our reserves.

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

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

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

The conduct of our businesses, and the production, distribution, sale, advertising, labeling, safety, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in countries in which we operate. These laws and regulations may change, sometimes dramatically, as a result of political, economic or social events. Changes in laws, regulations or governmental policy and the related interpretations may alter the environment in which we do business and may impact our results or increase our costs or liabilities. In addition, we incur and will continue to incur capital and other expenditures to comply with various laws and regulations, especially relating to the protection of the environment, human health and safety and energy efficiency. These types of costs could adversely affect our financial performance. Additionally, we could be subjected to future liabilities, fines or penalties or the suspension of product production for failing to comply with various laws and regulations, including environmental regulations. Cleanup obligations that might arise at any of our manufacturing sites or the imposition of more stringent environmental laws in the future could also adversely affect us.

Additionally, as a global company based in the United States, we are exposed to the impact of U.S. tax changes, especially those that affect the effective corporate income tax rate, including the recently enacted Tax Cuts and Jobs Act. In addition, the current domestic and international political environment, including government shutdowns and changes to U.S. policies related to global trade and tariffs, has resulted in uncertainty surrounding the future state of the global economy. The U.S. federal government may propose additional changes to international trade agreements, tariffs, taxes, and other government rules and regulations. These regulatory changes could significantly impact our business and financial performance. For additional information about our consolidated tax provision, see Note 14 to the Consolidated Financial Statements, and for additional information about global trade and tariffs, please see "Other Matters" in the Management's Discussion and Analysis section of this Annual Report on Form 10-K.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.





**ITEM 2. PROPERTIES**

Our principal executive offices are located in Benton Harbor, Michigan. On December 31, 2018, our principal manufacturing operations were carried on at 41 locations in 14 countries worldwide. We occupied a total of approximately 90.5 million square feet devoted to manufacturing, service, sales and administrative offices, warehouse and distribution space. Over 46.6 million square feet of such space was occupied under lease. Whirlpool properties include facilities which are suitable and adequate for the manufacture and distribution of Whirlpool's products.

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

Operating Segment	North America	Europe, Middle East and Africa	Latin America <sup>(1)</sup>	Asia
Manufacturing Locations	10	13	13	5

<sup>(1)</sup> Latin America operating segment includes two Embraco plants located in China and one located in Slovakia.

**ITEM 3. LEGAL PROCEEDINGS**

Information regarding legal proceedings can be found in Note 7 to the Consolidated Financial Statements and is incorporated herein by reference.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

PART  
IIITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
ISSUER PURCHASES OF EQUITY SECURITIES

Whirlpool's common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange under the ticker symbol WHR. As of February 8, 2019, the number of holders of record of Whirlpool common stock was approximately 9,200.

On July 25, 2017, our Board of Directors authorized an additional share repurchase program of up to \$2 billion. For the year ended December 31, 2018, we repurchased 7,456,038 shares at an aggregate purchase price of approximately \$1.2 billion under this program. At December 31, 2018, there were approximately \$800 million in remaining funds authorized under this program.

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

The following table summarizes repurchases of Whirlpool's common stock in the three months ended December 31, 2018:

Period (Millions of dollars, except number and price per share)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans
October 1, 2018 through October 31, 2018	—	\$—	—	\$ 850
November 1, 2018 through November 30, 2018	211,493	116.86	211,493	825
December 1, 2018 through December 31, 2018	210,183	120.26	210,183	\$ 800
Total	421,676	\$ 118.55	421,676	

## ITEM 6. SELECTED FINANCIAL DATA

## FIVE-YEAR SELECTED FINANCIAL DATA

(Millions of dollars, except share and employee data)

## CONSOLIDATED OPERATIONS

	2018	2017	2016	2015	2014
Net sales	\$21,037	\$21,253	\$20,718	\$20,891	\$19,872
Restructuring costs	247	275	173	201	136
Impairment of goodwill and other intangibles	747	—	—	—	—
Depreciation and amortization	645	654	655	668	560
Operating profit	279	1,136	1,368	1,242	1,216
Earnings (loss) before income taxes and other items	(21 )	887	1,114	1,031	881
Net earnings (loss)	(159 )	337	928	822	692
Net earnings (loss) available to Whirlpool	(183 )	350	888	783	650
Capital expenditures	590	684	660	689	720
Dividends paid	306	312	294	269	224
Repurchase of common stock	1,153	750	525	250	25

## CONSOLIDATED FINANCIAL POSITION

Current assets	\$7,898	\$7,930	\$7,339	\$7,325	\$8,098
Current liabilities	9,678	8,505	7,662	7,744	8,403
Accounts receivable, inventories and accounts payable, net	256	856	918	746	778
Property, net	3,414	4,033	3,810	3,774	3,981
Total assets	18,347	20,038	19,153	19,010	20,002
Long-term debt	4,046	4,392	3,876	3,470	3,544
Total debt <sup>(1)</sup>	6,027	5,218	4,470	3,998	4,347
Whirlpool stockholders' equity	2,291	4,198	4,773	4,743	4,885

## PER SHARE DATA

Basic net earnings (loss) available to Whirlpool	\$(2.72 )	\$4.78	\$11.67	\$9.95	\$8.30
Diluted net earnings (loss) available to Whirlpool	(2.72 )	4.70	11.50	9.83	8.17
Dividends	4.55	4.30	3.90	3.45	2.88
Book value <sup>(2)</sup>	34.08	56.42	61.82	59.54	61.39
Closing Stock Price—NYSE	106.87	168.64	181.77	146.87	193.74

## KEY RATIOS

Operating profit margin	1.3	% 5.3	% 6.6	% 5.9	% 6.1	%
Pre-tax margin <sup>(3)</sup>	(0.1 )	% 4.2	% 5.4	% 4.9	% 4.4	%
Net margin <sup>(4)</sup>	(0.9 )	% 1.6	% 4.3	% 3.7	% 3.3	%
Return on average Whirlpool stockholders' equity <sup>(5)</sup>	(5.6 )	% 7.8	% 18.7	% 16.3	% 13.3	%
Return on average total assets <sup>(6)</sup>	(1.0 )	% 1.8	% 4.7	% 4.0	% 3.7	%
Current assets to current liabilities	0.8	0.9	1.0	0.9	1.0	
Total debt as a percent of invested capital <sup>(7)</sup>	65.3	% 50.4	% 43.8	% 41.2	% 42.9	%
Price earnings ratio <sup>(8)</sup>	(39.3 )	35.9	15.8	14.9	23.7	

## OTHER DATA

Common shares outstanding (in thousands):

Average number-on a diluted basis	67,225	74,400	77,211	79,667	79,578	
Year-end common shares outstanding	63,528	70,646	74,465	77,221	77,956	
Year-end number of stockholders	9,248	9,960	10,528	10,663	11,225	
Year-end number of employees	92,000	92,000	93,000	97,000	100,000	
Five-year annualized total return to stockholders <sup>(9)</sup>	(5.1 )	% 13.0	% 33.6	% 13.0	% 22.0	%

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

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

(3) Earnings (loss) before income taxes, as a percent of net sales. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the French Competition Authority (FCA) settlement agreement. See Note 5 and Note 7 to the Consolidated Financial Statements.

(4) Net earnings (loss) available to Whirlpool, as a percent of net sales. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the FCA settlement agreement. See Note 5 and Note 7 to the Consolidated Financial Statements.

- (5) Net earnings (loss) available to Whirlpool, divided by average Whirlpool stockholders' equity. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the FCA settlement agreement. See Note 5 and Note 7 to the Consolidated Financial Statements.
- (6) Net earnings (loss) available to Whirlpool, divided by average total assets. 2018 includes the effect of a \$747 million impairment charge of goodwill and other intangibles and a \$103 million charge related to the FCA settlement agreement. See Note 5 and Note 7 to the Consolidated Financial Statements.
- (7) Total debt divided by total debt and total stockholders' equity.
- (8) Closing stock price divided by diluted net earnings (loss) available to Whirlpool.
- (9) Stock appreciation plus reinvested dividends, divided by share price at the beginning of the period.

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

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

OVERVIEW

Whirlpool had a full-year GAAP net loss available to Whirlpool of \$183 million compared to GAAP net earnings available to Whirlpool of \$350 million in the same prior-year period. Non-recurring items negatively impacted full-year net loss available to Whirlpool by approximately \$850 million, including asset impairment charges related to the EMEA region and a settlement with the French Competition Authority ("FCA").

Whirlpool delivered ongoing (non-GAAP) EBIT margin of 6.3% for the full-year, overcoming significant external challenges. These results were driven by positive global price/mix and strong cost discipline, which were offset by significant cost inflation and lower EMEA results. In addition, we delivered very strong cash provided by operating activities and free cash flow driven by sustainable working capital improvement and the timing of certain payments.

We are pleased with the successful execution of our cost-based price increases, delivering positive price/mix in all regions. In addition, we took strong actions to address the weaker than anticipated results in EMEA and offset significant cost and currency challenges.

We are confident that our strategy and actions will drive positive results in 2019 and remain committed to generating strong free cash flow and margin expansion.

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

## RESULTS OF OPERATIONS

The following table summarizes the consolidated results of operations:

Consolidated - In Millions (except per share data)	December 31,		2017	2016	
	2018	Better/(Worse)		Better/(Worse)	2016
Units (in thousands)	68,440	(4.6)%	71,704	—%	71,692
Net sales	\$21,037	(1.0)	\$21,253	2.6	\$20,718
Gross margin	3,537	(1.8)	3,602	(2.2)	3,692
Selling, general and administrative	2,189	(3.6)	2,112	(1.5)	2,080
Restructuring costs	247	10.0	275	(58.9)	173
Impairment of goodwill and other intangibles	747	nm	—	—	—
Interest and sundry (income) expense	108	(24.3)	87	6.5	93
Interest expense	192	(18.2)	162	(0.7)	161
Income tax expense	138	74.7	550	nm	186
Net earnings (loss) available to Whirlpool	(183)	) nm	350	(60.6)	888
Diluted net earnings (loss) available to Whirlpool per share	\$(2.72)	) nm	\$4.70	(59.1)%	\$11.50

nm: not meaningful

Consolidated net sales for 2018 decreased 1.0% compared to 2017, primarily driven by unit volume declines and unfavorable foreign currency, partially offset by favorable impacts from product price/mix. Excluding the impact of foreign currency, consolidated net sales for 2018 decreased 0.1% compared to 2017. Consolidated net sales for 2017 increased 2.6% compared to 2016 primarily driven by favorable impacts from product price/mix and foreign currency. Excluding the impact of foreign currency, consolidated net sales for 2017 increased 1.5% compared to 2016. Effective January 1, 2018, we realigned the composition of certain segments to align with our new leadership reporting structure. We now report our Mexico business as a part of our Latin America segment and have shifted certain adjacent business from the North America segment to the Asia segment. The determination of the Company's reportable segments was not affected by these changes. Prior year amounts have been reclassified to conform with current year presentation.

For additional information regarding non-GAAP financial measures including net sales excluding the impact of foreign currency, see the Non-GAAP Financial Measures section of this Management's Discussion and Analysis. The chart below summarizes the balance of net sales by operating segments for 2018, 2017 and 2016, respectively.

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

The consolidated gross margin percentage for 2018 decreased to 16.8% compared to 16.9% in 2017, primarily driven by the unfavorable impact from raw material inflation across all regions, tariffs and higher freight costs in the North America region, lower unit volumes in the EMEA region, partially offset by the favorable impact of product price/mix and restructuring benefits. The consolidated gross margin percentage for 2017 decreased to 16.9% compared to 17.8% in 2016, primarily driven by unfavorable impacts from raw material inflation across all regions and product price/mix in the EMEA region, partially offset by cost productivity and restructuring benefits.



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

North America

Following are the results for the North America region:

2018 compared to 2017

Units sold for 2018 decreased 1.6% compared to 2017.

2017 compared to 2016

Units sold for 2017 increased 6.1% compared to 2016.

2018 compared to 2017

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

2017 compared to 2016

Net sales for 2017 increased 5.0% compared to 2016 primarily due to unit volume growth. Excluding the impact of foreign currency, net sales increased 4.8% in 2017.

2018 compared to 2017

Gross margin percentage for 2018 increased compared to 2017 primarily due to the favorable impact of product price/mix which was partially offset by raw material inflation, tariffs and higher freight costs.

2017 compared to 2016

Gross margin percentage for 2017 decreased compared to 2016 primarily due to raw material inflation, partially offset by unit volume growth and favorable cost productivity.

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

EMEA

Following are the results for the EMEA region:

2018 compared to 2017

Units sold for 2018 decreased 12.8% compared to 2017.

2017 compared to 2016

Units sold for 2017 decreased 6.8% compared to 2016.

2018 compared to 2017

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

2017 compared to 2016

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

2018 compared to 2017

Gross margin percentage for 2018 decreased compared to 2017 primarily due to the unfavorable productivity from unit volume declines and raw material inflation, partially offset by the favorable impact of product price/mix and foreign currency.

2017 compared to 2016

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

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

Latin America

Following are the results for the Latin America Region:

2018 compared to 2017

Units sold for 2018 increased 1.7% compared to 2017.

2017 compared to 2016

Units sold for 2017 decreased 0.6% compared to 2016.

2018 compared to 2017

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

2017 compared to 2016

Net sales for 2017 increased 5.8% compared to 2016 primarily due to the favorable impacts of foreign currency, unit volume growth, product price/mix and the sale and monetization of certain tax credits. Excluding the impact of foreign currency, net sales increased 2.5% in 2017.

2018 compared to 2017

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

2017 compared to 2016

Gross margin percentage for 2017 increased compared to 2016 primarily due to favorable cost productivity and the sale and monetization of certain tax credits, partially offset by raw material inflation.

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

Asia

Following are the results of the Asia region:

2018 compared to 2017

Units sold for 2018 decreased 0.7% compared to 2017.

2017 compared to 2016

Units sold for 2017 increased 1.5% compared to 2016.

2018 compared to 2017

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

2017 compared to 2016

Net sales for 2017 increased 3.3% compared to 2016 primarily due to the favorable impacts of product price/mix and unit volume growth. Excluding the impact of foreign currency, net sales increased 3.2% in 2017.

2018 compared to 2017

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

2017 compared to 2016

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

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

## Selling, General and Administrative

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

Millions of dollars	December 31,		2017		2016	
	2018	As a % of Net Sales	2017	As a % of Net Sales	2016	As a % of Net Sales
North America	\$787	6.9 %	\$751	6.8 %	\$742	7.0 %
EMEA	564	12.4	557	11.4	577	11.2
Latin America	369	10.2	356	9.0	330	8.8
Asia	244	15.4	258	16.8	231	15.5
Corporate/other	225	—	190	—	200	—
Consolidated	\$2,189	10.4 %	\$2,112	9.9 %	\$2,080	10.0 %

Consolidated selling, general and administrative expenses as a percent of consolidated net sales in 2018 increased compared to 2017 due to expenses related to the bad debt expense from a Brazilian retailer, expenses related to the pending sale of the Embraco compressor business and the negative impact of unit volume declines. Consolidated selling, general and administrative expenses as a percent of consolidated net sales in 2017 remained flat compared to 2016.

## Restructuring

We incurred restructuring charges of \$247 million, \$275 million and \$173 million for the years ended December 31, 2018, 2017 and 2016, respectively. For the full year 2019, we expect to incur up to \$100 million of restructuring charges, as we reduce fixed costs primarily in the EMEA region.

For additional information about restructuring activities, see Note 13 to the Consolidated Financial Statements.

## Impairment of Goodwill and Other Intangibles

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

For additional information, see Note 5 and Note 10 to the Consolidated Financial Statements and the Critical Accounting Policies and Estimates section of this Management's Discussion and Analysis.

## Interest and Sundry (Income) Expense

Interest and sundry (income) expenses were \$108 million, \$87 million and \$93 million for the years ended December 31, 2018, 2017 and 2016, respectively. Interest and sundry (income) expense increased \$21 million in 2018 compared to 2017, primarily due to the French Competition Authority (FCA) settlement agreement, partially offset by Latin America tax credits and a favorable impact from foreign currency. During 2017, interest and sundry (income) expense decreased \$6 million compared to 2016, primarily due to a favorable impact from foreign currency.

## Interest Expense

Interest expense was \$192 million, \$162 million and \$161 million for the years ended December 31, 2018, 2017 and 2016, respectively. Interest expense increased by \$30 million in 2018 compared to 2017. This was primarily due to higher average debt and notes payable balances and higher average interest rates. During 2017, interest expense increased by \$1 million compared to 2016. This was primarily due to higher average long-term debt balances.

## Income Taxes

Income tax expense was \$138 million, \$550 million and \$186 million for the years ended December 31, 2018, 2017 and 2016, respectively. The decrease in tax expense in 2018 compared to 2017 is primarily due to lower level of earnings, the reduction in statutory U.S. tax rate from 35% to 21%, impact of non deductible goodwill impairments and government payment accruals, valuation allowances and tax planning actions.



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

The increase in tax expense in 2017 compared to 2016 is primarily due to the one-time charge of approximately \$420 million as result of the enactment of the Tax Cuts and Jobs Act, including the impact from a reduced tax rate on the valuations of deferred tax assets, the one-time deemed repatriation tax and other related items. Excluding the impact from tax reform, the decrease in tax expense compared to 2016 is primarily due to increased tax planning benefits. For additional information about our consolidated tax provision, see Note 14 to the Consolidated Financial Statements.

## FORWARD-LOOKING PERSPECTIVE

Full year 2019 guidance measures of GAAP earnings per diluted share and free cash flow do not reflect the anticipated gain on sale and, in the case of free cash flow, proceeds from the sale of the Embraco compressor business. The final amounts are subject to a number of variables that are subject to change, including the net book value of held for sale assets, closing costs, taxes and customary adjustments for indebtedness, cash and working capital at closing. 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 2019 full-year tax rate between 15% and 20%. We currently estimate earnings per diluted share and industry demand for 2019 to be within the following ranges:

	2019	
	Current	Outlook
Estimated earnings per diluted share, for the year ending December 31, 2019	\$12.75	\$13.75
Including:		
Restructuring Expense	\$(1.55)	
Income Tax Impact	\$0.30	
Industry demand		
North America <sup>(1)</sup>	0%	<del>4%</del>
EMEA	(1)%	<del>4%</del>
Latin America <sup>(2)</sup>	~ 5%	
Asia	1%	<del>2%</del>

<sup>(1)</sup> Reflects industry demand in the United States.

<sup>(2)</sup> Reflects industry demand in Brazil.

For the full-year 2019, we expect to generate cash from operating activities of \$1.4 billion to \$1.5 billion and free cash flow of approximately \$800 million to \$900 million, including restructuring cash outlays of up to \$100 million and, with respect to free cash flow, capital expenditures of approximately \$625 million.

The table below reconciles projected 2019 cash provided by operating activities determined in accordance with GAAP to free cash flow, a non-GAAP measure. Management believes that free cash flow provides stockholders with a relevant measure of liquidity and a useful basis for assessing Whirlpool's ability to fund its activities and obligations. There are limitations to using non-GAAP financial measures, including the difficulty associated with comparing companies that use similarly named non-GAAP measures whose calculations may differ from our calculations. We define free cash flow as cash provided by continuing operations less capital expenditures and including proceeds from the sale of assets/businesses, and changes in restricted cash. The change in restricted cash relates to the private placement funds paid by Whirlpool to acquire majority control of Whirlpool China (formerly Hefei Sanyo) in 2014 and which are used to fund capital expenditures and technical resources to enhance Whirlpool China's research and development and working capital, as required by the terms of the Hefei Sanyo acquisition completed in October 2014. For additional information regarding non-GAAP financial measures, see the Non-GAAP Financial Measures section of Management's Discussion and Analysis.





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

Millions of dollars	2019	
	Current	Outlook
Cash provided by operating activities <sup>(1)</sup>	\$1,425	\$1,525
Capital expenditures, proceeds from sale of assets/businesses and changes in restricted cash	~ (625)	
Free cash flow	\$800	\$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.

## NON-GAAP FINANCIAL MEASURES

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

Earnings before interest and taxes (EBIT)

Ongoing EBIT

Ongoing EBIT margin

Sales excluding currency

Ongoing net sales

Free cash flow

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

We believe that these non-GAAP measures provide meaningful information to assist investors and stockholders in understanding our financial results and assessing our prospects for future performance, and reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP financial measures, provide a more complete understanding of our business. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These non-GAAP financial measures should not be considered in isolation or as a substitute for reported net earnings available to Whirlpool, net sales, and cash provided by (used in) operating activities, the most directly comparable GAAP financial measures. We strongly encourage investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

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

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

Ongoing Earnings Before Interest & Taxes (EBIT) Reconciliation:	Twelve Months Ended		
in millions	December 31,		
	2018	2017	2016
Net earnings (loss) available to Whirlpool	\$(183 )	\$350	\$888
Net earnings (loss) available to noncontrolling interests	24	(13 )	40
Income tax expense	138	550	186
Interest expense	192	162	161
Earnings before interest & taxes	\$171	\$1,049	\$1,275
Restructuring expense	247	275	173
France antitrust settlement	103	—	—
Impairment of goodwill and intangibles	747	—	—
Trade customer insolvency	30	—	—
Divestiture related transition costs	21	—	—
Out-of-period adjustment	—	40	—
Legacy product warranty and liability expense	—	—	(23 )
Acquisition related transition costs	—	—	86
Ongoing EBIT	\$1,319	\$1,364	\$1,511

Free Cash Flow (FCF) Reconciliation:	Twelve Months		
in millions	Ended December 31,		
	2018	2017	2016
Cash provided by operating activities	\$1,229	\$1,264	\$1,203
Capital expenditures	(590)	(684)	(660)
Proceeds from sale of assets and businesses	160	61	63
Change in restricted cash <sup>(1)</sup>	54	66	24
Free cash flow	\$853	\$707	\$630

<sup>(1)</sup> For additional information regarding restricted cash, see Note 3 to the Consolidated Financial Statements.

## FINANCIAL CONDITION AND LIQUIDITY

Our objective is to finance our business through operating cash flow and the appropriate mix of long-term and short-term debt. By diversifying the maturity structure, we avoid concentrations of debt and reduce 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 research and development spending to support innovation and productivity initiatives, funding our pension plan and term debt liabilities, providing return to shareholders and potential acquisitions.

Our short term potential uses of liquidity include funding our ongoing capital spending, restructuring activities, and returns to shareholders. We also have \$947 million of term debt maturing in the next twelve months, and are currently evaluating our options, which may include repayment through refinancing, free cash flow generation, or cash on hand. Notes payable consists of short-term borrowings payable to banks or commercial paper, which are generally used to fund working capital requirements. As of December 31, 2018, we have \$1,034 million of notes payable outstanding which consists of short-term borrowings payable to banks. We have no commercial paper outstanding at December 31, 2018. See Note 6 to the Consolidated Financial Statements for additional information.

Whirlpool of India Limited (Whirlpool India), a majority-owned subsidiary of Whirlpool Corporation, announced in June 2018 that it had reached an agreement to acquire a 49% equity interest in Elica PB India. As part of the agreement, Whirlpool India received an option to acquire the remaining equity interest in the future for fair value, and the non-Whirlpool India shareholders of Elica PB India received an option to sell their remaining equity interest to Whirlpool India in the future for fair value, which could be material to the financial statements depending on the performance of the venture. This transaction closed in the third quarter of 2018.



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

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

As of December 31, 2018, we had cash or cash equivalents greater than 1% of our consolidated assets in China and Brazil, which represented 3.2% and 1.4%, respectively. In addition, we did not have any third-party accounts receivable greater than 1% of our consolidated assets in any single country outside of the United States, with the exception of Italy and Mexico, which represented 1.3% and 1.1%, respectively. We continue to monitor general financial instability and uncertainty globally.

The Company had cash and cash equivalents of approximately \$1.5 billion at December 31, 2018, of which substantially all was held by subsidiaries in foreign countries. For each of its foreign subsidiaries, the Company makes an assertion regarding the amount of earnings intended for permanent reinvestment, with the balance available to be repatriated to the United States. The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operational activities and future foreign investments. Our intent is to permanently reinvest these funds outside of the United States and our current plans do not demonstrate a need to repatriate the cash to fund our U.S. operations. However, if these funds were repatriated, we would be required to accrue and pay applicable United States taxes (if any) and withholding taxes payable to various countries. It is not practical to estimate the amount of the deferred tax liability associated with the repatriation of cash due to the complexity of its hypothetical calculation.

We continue to review customer conditions globally. As of December 31, 2018, we had 286 million reais (approximately \$74 million) 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. As of December 31, 2018, we have 127 million reais (approximately \$32 million) of insurance against this credit risk through policies purchased from high-quality underwriters.

On October 15, 2018, Sears Holdings Corporation ("Sears") announced that it had filed for bankruptcy protection. As of December 31, 2018, we had an immaterial accounts receivable and inventory exposure related to Sears. We believe the Sears bankruptcy will have a very limited short-term impact on our results of operations as consumers adjust to the new retail landscape. Furthermore, we do not believe that the bankruptcy will materially impact our financial results over the long term.

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

For additional information on transfers and servicing of financial assets, accounts payable outsourcing and guarantees, see Note 1 and Note 7 to the Consolidated Financial Statements. For additional information on guarantees, see Note 7 to the Consolidated Financial Statements.

#### Embraco Sale Transaction

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

Pursuant to the purchase agreement, at the closing of the transaction, Nidec will pay a purchase price of approximately \$1.08 billion for the sale of Embraco. The purchase price is subject to customary adjustments including for indebtedness, cash and working capital of Embraco at closing. Whirlpool has agreed to retain certain liabilities relating to tax, environmental, labor and products following closing of the transaction. The purchase agreement contains customary representations, conditions, warranties and covenants of the parties, including the requirement to

obtain necessary antitrust approvals, which have been received in the U.S., Brazil and China, and are still being considered in Europe and certain other jurisdictions.

The purchase agreement contains a closing deadline of April 24, 2019. In the unlikely event that closing does not occur by the closing deadline, the agreement permits closing up to six months later. The specific rights and obligations of the parties can be found in the purchase agreement, which is incorporated by reference into Exhibit 2(i) to this annual report of Form 10-K.

For additional information on the Embraco sale transaction, see Note 16 to the Consolidated Financial Statements.

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

## Share Repurchase Program

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

## Sources and Uses of Cash

We met our cash needs during 2018 through cash flows from operations, cash and cash equivalents, and financing arrangements. Our cash, cash equivalents and restricted cash at December 31, 2018 increased \$245 million compared to the same period in 2017.

The following table summarizes the net increase (decrease) in cash, cash equivalents and restricted cash for the periods presented. Significant drivers of changes in our cash and cash equivalents balance during 2018 are discussed below:

## Cash Flow Summary

Millions of dollars	2018	2017	2016
Cash provided by (used in):			
Operating activities	\$1,229	\$1,264	\$1,203
Investing activities	(399 )	(721 )	(612 )
Financing activities	(518 )	(553 )	(278 )
Effect of exchange rate changes	(67 )	63	(36 )
Net increase in cash, cash equivalents and restricted cash	\$245	\$53	\$277

## Cash Flows from Operating Activities

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

The increase in cash provided by operating activities during 2017 was primarily driven by effective credit management, improvement in working capital and lower cash expenditures related to legacy product corrective action, partially offset by lower net earnings.

Cash provided by operating activities in 2016 reflects strong cash earnings and effective credit management and the impact of cash expenditures related to legacy product corrective action.

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

## Cash Flows from Investing Activities

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

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

Cash used in investing activities in 2016 primarily reflects capital expenditures (approximately \$660 million).

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

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

Cash Flows from Financing Activities

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

Cash used in financing activities during 2017 primarily reflects share repurchase activity and proceeds from borrowings (short-term and long-term) and repayments of long-term debt. The increase in cash used in financing activities in 2017 compared to 2016 was primarily due to higher share repurchase activity (increase of approximately \$225 million).

Cash used in financing activities during 2016 primarily reflects share repurchase activity and proceeds from borrowings (short-term and long-term) and repayments of long-term debt.

Dividends paid in financing activities approximated \$300 million during 2018, 2017 and 2016.

Whirlpool Subsidiary Share Repurchase

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

Financing Arrangements

The Company had total committed credit facilities of approximately \$3.5 billion as of December 31, 2018. The facilities reflect the Company's growing global operations. The Company believes these facilities are sufficient to support its global operations. We had no borrowings outstanding under the committed credit facilities at December 31, 2018 and 2017, respectively.

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

Dividends

In April 2018, our Board of Directors approved a 4.5% increase in our quarterly dividend on our common stock to \$1.15 per share from \$1.10 per share.



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

## CONTRACTUAL OBLIGATIONS AND FORWARD-LOOKING CASH REQUIREMENTS

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

Millions of dollars	Payments due by period				
	Total	2019	2020 & 2021	2022 & 2023	Thereafter
Long-term debt obligations <sup>(1)</sup>	\$6,317	\$1,071	\$1,087	\$712	\$ 3,447
Operating lease obligations	1,050	238	327	217	268
Purchase obligations <sup>(2)</sup>	648	210	253	150	35
United States & Foreign pension plans <sup>(3)</sup>	474	17	15	97	345
Other postretirement benefits <sup>(4)</sup>	299	38	69	63	129
Legal settlements <sup>(5)</sup>	110	110	—	—	—
Total <sup>(6)</sup>	\$8,898	\$1,684	\$1,751	\$1,239	\$ 4,224

(1) Principal and interest payments related to long-term debt are included in the table above. For additional information about our financing arrangements, see Note 6 to the Consolidated Financial Statements.

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

(3) Represents the minimum contributions required for foreign and domestic pension plans based on current interest rates, asset return assumptions, legislative requirements and other actuarial assumptions at December 31, 2018.

(4) Management may elect to contribute amounts in addition to those required by law. See Note 8 to the Consolidated Financial Statements for additional information.

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

(6) Legal settlements includes \$103 million for the FCA settlement agreement. For additional information regarding legal settlements, see Note 7 to the Consolidated Financial Statements.

This table does not include credit facility, short-term borrowings to banks and commercial paper borrowings.

(6) Approximately \$1.0 billion of short-term borrowings to banks is due in 2019. For additional information, see Note 6 to the Consolidated Financial Statements. This table does not include future anticipated income tax settlements.

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

## OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we enter into agreements with financial institutions to issue bank guarantees, letters of credit and surety bonds. These agreements are primarily associated with unresolved tax matters in Brazil, as is customary under local regulations, and other governmental obligations and debt agreements. As of December 31, 2018 and 2017, we had approximately \$355 million and \$407 million outstanding under these agreements, respectively.

For additional information about our off-balance sheet arrangements, see Note 1 and Note 7 to the Consolidated Financial Statements.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

## Pension and Other Postretirement Benefits

Accounting for pensions and other postretirement benefits involves estimating the costs of future benefits and attributing the cost over the employee's expected period of employment. The determination of our obligation and expense for these costs requires the use of certain assumptions. Those key assumptions include the discount rate, expected long-term rate of return on plan assets, life expectancy, and health care cost trend rates. These assumptions are subject to change based on interest rates on high quality bonds, stock and bond markets and medical cost inflation, respectively. Actual results that differ from our assumptions are accumulated and amortized over future periods and

therefore, generally affect our recognized expense and accrued liability in such future periods. While we believe that our assumptions are appropriate given current economic conditions and actual experience, significant differences in results or significant changes in our assumptions may materially affect our pension and other postretirement benefit obligations and related future expense.

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

Our pension and other postretirement benefit obligations at December 31, 2018 and preliminary retirement benefit costs for 2019 were prepared using the assumptions that were determined as of December 31, 2018. The following table summarizes the sensitivity of our December 31, 2018 retirement obligations and 2019 retirement benefit costs of our United States plans to changes in the key assumptions used to determine those results:

Millions of dollars	Percentage Change	Estimated increase (decrease) in	
		2019 Expense	PBO/APBO <sup>(1)</sup> for 2018
United States Pension Plans			
Discount rate	+/-50bps	\$ 1/(1)	\$ (146)/161
Expected long-term rate of return on plan assets	+/-50bps	(14)/14	–
United States Other Postretirement Benefit Plan			
Discount rate	+/-50bps	0/(1)	(12)/13
Health care cost trend rate	+/-100bps	–	–

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

These sensitivities may not be appropriate to use for other years' financial results. Furthermore, the impact of assumption changes outside of the ranges shown above may not be approximated by using the above results. For additional information about our pension and other postretirement benefit obligations, see Note 8 to the Consolidated Financial Statements.

#### Income Taxes

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

As of December 31, 2018 and 2017, we had total deferred tax assets of \$2.9 billion, net of valuation allowances of \$348 million and \$178 million, respectively. Our income tax expense has fluctuated considerably over the last five years. The tax expense has been influenced primarily by U.S. energy tax credits, foreign tax credits, audit settlements and adjustments, tax planning strategies, enacted legislation, and dispersion of global income. Future changes in the effective tax rate will be subject to several factors, including business profitability, tax planning strategies, and enacted tax laws.

In addition, we operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. For additional information about income taxes, see Note 1, Note 7 and Note 14 to the Consolidated Financial Statements.

#### Warranty Obligations

The estimation of warranty obligations is determined in the same period that revenue from the sale of the related products is recognized. The warranty obligation is based on historical experience and represents our best estimate of expected costs at the time products are sold. Warranty accruals are adjusted for known or anticipated warranty claims as new information becomes available. New product launches require a greater use of judgment in developing

estimates

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

until historical experience becomes available. Future events and circumstances could materially change our estimates and require adjustments to the warranty obligations. For additional information about warranty obligations, see Note 7 to the Consolidated Financial Statements.

Goodwill and Indefinite-Life Intangibles

Certain business acquisitions have resulted in the recording of goodwill and trademark assets which are not amortized. At December 31, 2018 and 2017, we had goodwill of approximately \$2.5 billion and \$3.1 billion, respectively. We have trademark assets with a carrying value of approximately \$1.9 billion and \$2.0 billion as of December 31, 2018 and 2017, respectively.

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

In conducting a qualitative assessment, the Company analyzes a variety of events or factors that may influence the fair value of the reporting unit or indefinite-life intangible, including, but not limited to: the results of prior quantitative assessments performed; changes in the carrying amount of the reporting unit or indefinite-life intangible; actual and projected revenue and EBIT margin; relevant market data for both the Company and its peer companies; industry outlooks; macroeconomic conditions; liquidity; changes in key personnel; and the Company's competitive position. Significant judgment is used to evaluate the totality of these events and factors to make the determination of whether it is more likely than not that the fair value of the reporting unit or indefinite-life intangible is less than its carrying value.

For our annual impairment assessment as of October 1, 2018, the Company elected to bypass the qualitative assessment and perform a quantitative assessment to evaluate goodwill and certain brand trademarks. The Company elected to perform a qualitative assessment on the other indefinite-life intangible assets noting no events that indicated that the fair value was less than carrying value that would require a quantitative impairment assessment.

During the second quarter of 2018, we identified impairment indicators for the goodwill in our EMEA reporting unit and the Indesit and Hotpoint\* trademarks based on our qualitative assessment, which required us to complete an interim quantitative impairment assessment.

Goodwill Valuations

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

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

market transactions and other qualitative considerations.

#### Interim impairment assessment

In connection with the preparation of our Consolidated Condensed Financial Statements for the three months ended June 30, 2018, we identified indicators of goodwill impairment for our EMEA reporting unit based on our qualitative assessment, which required us to complete an interim quantitative impairment assessment. The primary indicator of \*Whirlpool ownership of the Hotpoint brand in the EMEA and Asia Pacific regions is not affiliated with the Hotpoint brand sold in the Americas.

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

impairment for our EMEA reporting unit was the segment's continuing negative financial performance in 2018 that did not improve as anticipated, primarily driven by significant volume loss. The actual operating results for the three-months ended June 30, 2018 were significantly lower than forecasted resulting in weak business performance. While the Indesit integration activities were substantially complete, as of the interim impairment date, the operating and macro-environment in the EMEA region continued to be very challenging and had not improved as anticipated. While our commercial transformation and supply chain initiatives were progressing, as of the impairment determination date, progress on market share recovery was slower than previously anticipated and the business has been impacted by raw material inflation and currency headwinds.

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

The average 5-year forecasted EBIT margin in the discounted cash flow model was approximately 5% and the discount rate was 12% based on market participant assumptions.

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

#### Annual impairment assessment

Based on the results of our annual quantitative assessment performed as of October 1, 2018, the fair values of our NAR, Asia and LAR reporting units exceeded their respective carrying values by 111%, 165% and 31%, respectively.

Based on the quantitative assessment performed for the EMEA reporting unit, the fair value of the reporting unit exceeded its carrying value by less than 1%, which was consistent with management's expectation given the short time period between our interim and annual impairment assessments. The EMEA reporting unit has goodwill of approximately \$300 million at December 31, 2018.

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

- Forecasted EBIT margins are expected to recover as we stabilize volumes, sustain price/mix and recover market share and benefit from the recently announced strategic actions to rightsize and refocus the business. The 5-year average forecasted EBIT margin in the discounted cash flow model was approximately 4%.

¶We used a discount rate of 11.25% based on market participant assumptions.

We performed a sensitivity analysis on our estimated fair value noting that a 100 basis point increase in the discount rate or a 5% reduction in the projected EBIT margins in the forecasted periods would result in an impairment charge of \$278 million and \$148 million, respectively.

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

#### Indefinite-Life Intangible Valuations

In performing a quantitative assessment of indefinite life intangible assets other than goodwill, primarily trademarks, we estimate the fair value of these intangible assets using the relief-from-royalty method which requires assumptions related to projected revenues from our annual long-range plan; assumed royalty rates that could be payable if we did not own the trademark; and a market participant discount rate based on a weighted-average cost of capital. If the estimated fair value of the indefinite-lived intangible asset is less than its carrying value, we would recognize an impairment loss.



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

Interim impairment assessment

In connection with the preparation of our Consolidated Condensed Financial Statements for three months ended June 30, 2018, we identified indicators of impairment associated with other intangible assets in our EMEA reporting unit based on our qualitative assessment, which required us to complete an interim quantitative impairment assessment. The primary indicator of impairment was the continuing decline in revenue from weaker volumes through the six months ended June 30, 2018 that did not improve as anticipated. The actual operating results for the three months ended June 30, 2018 were significantly lower than forecasted.

In performing the quantitative analysis on these assets, significant assumptions used in our relief-from-royalty method includes revenue growth rates, assumed royalty rates and the discount rate.

We used a royalty rate and discount rate of 3% and 15%, respectively, for Indesit and a royalty rate and discount rate of 3.5% and 15.5%, respectively, for Hotpoint\*.

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

Annual impairment assessment

Based on the results of our annual quantitative assessment performed as of October 1, 2018, we determined there was an immaterial impairment as a result of the restructuring initiative to exit from domestic sales operations (not including manufacturing operations) in Turkey. There were no other impairments of indefinite-life intangible assets in 2018.

The fair value of the Indesit trademark exceeded its carrying value of \$220 million by less than 1%. The fair value of the Hotpoint\* trademark approximated its carrying value of \$155 million. We expect revenue trends for both these brands to improve as we stabilize volumes, recover market share and benefit from our new product investments in the EMEA region.

The fair value of the Maytag trademark exceeded its carrying value of \$1,021 million by approximately 2%. We expect revenue trends for this brand to improve as we recover temporary volume loss from previously announced cost-based price increases, and continue to execute our brand leadership strategy and benefit from our new product investments.

The fair values of all other trademarks exceeded their carrying values by more than 20%.

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

Revenue growth rates relate to projected revenues from our financial planning and analysis process and vary from brand to brand. Adverse changes in the operating environment or our inability to grow revenues at the forecasted rates may result in a material impairment charge. We performed a sensitivity analysis on our estimated fair values noting a 10% reduction of forecasted revenues in the Indesit, Hotpoint\* and Maytag trademarks would result in an impairment charge of approximately \$23 million, \$23 million and \$81 million, respectively.

In determining royalty rates for the valuation of our trademarks, we considered factors that affect the assumed royalty rates that would hypothetically be paid for the use of trademarks. The most significant factors in determining the assumed royalty rates include the overall role and importance of the trademarks in the particular industry, the profitability of the products utilizing the trademarks, and the position of the trademarked products in the given market segment. Based on this analysis, we determined a royalty rate of 3%, 3.5% and 4% for our Indesit, Hotpoint\* and Maytag trademarks, respectively. We performed a sensitivity analysis on our estimated fair values for Indesit, Hotpoint\* and Maytag noting a 50 basis point reduction of the royalty rates from each brand would result in an impairment charge of approximately \$35 million, \$46 million and \$106 million, respectively.

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

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

In developing discount rates for the valuation of our trademarks, we used a market participant discount rate based on a weighted-average cost of capital, adjusted for higher relative level of risks associated with doing business in other countries, as applicable, as well as the higher relative levels of risks associated with intangible assets. Based on this analysis, we determined the discount rates to be 15%, 15.5% and 10% for Indesit, Hotpoint\* and Maytag, respectively. We performed a sensitivity analysis on our estimated fair values for Indesit, Hotpoint\* and Maytag noting a 100 basis point increase in the discount rate would result in an impairment charge of approximately \$17 million, \$17 million and \$101 million, respectively.

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

For additional information about goodwill and indefinite-life intangible valuations, see Note 5 and Note 10 to the Consolidated Financial Statements.

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

**ISSUED BUT NOT YET EFFECTIVE ACCOUNTING PRONOUNCEMENTS**

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

**OTHER MATTERS**

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

**Grenfell Tower**

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

**Antidumping and Safeguard Petition**

As previously reported, Whirlpool filed petitions in 2011 and 2015 alleging that Samsung, LG and Electrolux violated U.S. and international trade laws by dumping washers into the U.S. Those petitions resulted in orders imposing antidumping duties on certain washers imported from South Korea, Mexico, and China, and countervailing duties on certain washers from South Korea. These orders could be subject to administrative reviews and possible appeals. The South Korea and Mexico orders are currently being reviewed to determine whether the orders should continue to remain in effect for another five years.

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 second year of the remedy, beginning February 7, 2019, the remedy imposes an 18% tariff on the first 1.2 million large residential

washing machines imported into the United States and a 45% tariff on such imports in excess of 1.2 million, and also imposes a 45% tariff on washer tub, drum, and cabinet imports in excess of 70,000 units. The tariff rates on washers and covered parts will decline slightly during the third year of the remedy. The safeguard remedy will be subject to an interim review by the International Trade Commission during 2019.

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

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

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 on steel and aluminum was a component of increased raw material costs during the year ended December 31, 2018. We expect these and other tariffs to impact material 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.

Post-Retirement Benefit Litigation

For information regarding post-retirement benefit litigation, see Note 8 to the Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Certain statements contained in this annual report, including those within the forward-looking perspective section within this Management's Discussion and Analysis, and other written and oral statements made from time to time by us or on our behalf do not relate strictly to historical or current facts and may contain forward-looking statements that reflect our current views with respect to future events and financial performance. As such, they are considered "forward-looking statements" which provide current expectations or forecasts of future events. Such statements can be identified by the use of terminology such as "may," "could," "will," "should," "possible," "plan," "predict," "forecast," "potential," "anticipate," "estimate," "expect," "project," "intend," "believe," "may impact," "on track," and similar words or expressions. Our forward-looking statements generally relate to our growth strategies, financial results, product development, and sales efforts. These forward-looking statements should be considered with the understanding that such statements involve a variety of risks and uncertainties, known and unknown, and may be affected by inaccurate assumptions. Consequently, no forward-looking statement can be guaranteed and actual results may vary materially.

This document contains forward-looking statements about Whirlpool Corporation and its consolidated subsidiaries ("Whirlpool") that speak only as of this date. Whirlpool disclaims any obligation to update these statements.

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

especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same; (21) the effects and costs of governmental investigations or related actions by third parties; and (22) changes in the legal and regulatory environment including environmental, health and safety regulations, and taxes and tariffs.

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

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

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

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

We use foreign currency forward contracts, currency options, and currency swaps to hedge the price risk associated with firmly committed and forecasted cross-border payments and receipts related to ongoing business and operational financing activities. We also use forward or option contracts to hedge our investment in the net assets of certain international subsidiaries to offset foreign currency translation adjustments related to our net investment in those subsidiaries. Foreign currency contracts are sensitive to changes in foreign currency exchange rates. At December 31, 2018, a 10% favorable or unfavorable exchange rate movement in each currency in our portfolio of foreign currency contracts would have resulted in an incremental unrealized gain of approximately \$234 million or loss of approximately \$241 million, respectively. Consistent with the use of these contracts to neutralize the effect of exchange rate fluctuations, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the re-measurement of the underlying exposures.

We enter into commodity swap contracts to hedge the price risk associated with firmly committed and forecasted commodities purchases, the prices of which are not fixed directly through supply contracts. As of December 31, 2018, a 10% favorable or unfavorable shift in commodity prices would have resulted in an incremental gain or loss of approximately \$21 million, respectively, related to these contracts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

	2018	2017	2016
Net sales	\$21,037	\$21,253	\$20,718
Expenses			
Cost of products sold	17,500	17,651	17,026
Gross margin	3,537	3,602	3,692
Selling, general and administrative	2,189	2,112	2,080
Intangible amortization	75	79	71
Restructuring costs	247	275	173
Impairment of goodwill and other intangibles	747	—	—
Operating profit	279	1,136	1,368
Other (income) expense			
Interest and sundry (income) expense	108	87	93
Interest expense	192	162	161
Earnings (loss) before income taxes	(21 )	887	1,114
Income tax expense	138	550	186
Net earnings (loss)	(159 )	337	928
Less: Net earnings (loss) available to noncontrolling interests	24	(13 )	40
Net earnings (loss) available to Whirlpool	\$(183 )	\$350	\$888
Per share of common stock			
Basic net earnings (loss) available to Whirlpool	\$(2.72 )	\$4.78	\$11.67
Diluted net earnings (loss) available to Whirlpool	\$(2.72 )	\$4.70	\$11.50
Weighted-average shares outstanding (in millions)			
Basic	67.2	73.3	76.1
Diluted	67.2	74.4	77.2

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

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

2018	2017	2016
Net		
earnings	\$337	\$928
(loss)		

Other  
 comprehensive  
 income  
 (loss),  
 before  
 tax:

Foreign currency translation adjustments	(272 )	32	(30 )
---	--------	----	-------

Derivative  
 instruments:

Net gain (loss) arising during period	(77 )	(84 )	106
--	-------	-------	-----

Less:  
 reclassification  
 adjustment

for gain (loss) included in net earnings (loss)	(107 )	(80 )	35
--	--------	-------	----

included  
 in  
 net  
 earnings  
 (loss)

Derivative instruments, net	(30 )	(4 )	71
-----------------------------------	-------	------	----

Marketable  
 securities:

—Net gain (loss) arising during	6	(2 )	
---	---	------	--

period  
 Marketable  
 securities (2 )  
 net  
 Defined  
 benefit  
 pension  
 and  
 postretirement  
 plans:  
 Prior  
 service  
 (cost)  
 credit (16 ) 30  
 arising  
 during  
 period  
 Net  
 gain  
 (loss)  
 arising (102 ) (51 ) (139 )  
 during  
 period  
 Less:  
 amortization  
 of  
 prior  
 service  
 credit (59 ) (52 ) (39 )  
 (cost)  
 and  
 actuarial  
 (loss)  
 Defined  
 benefit  
 pension  
 and (48 ) (15 ) (70 )  
 postretirement  
 plans,  
 net  
 Other  
 comprehensive  
 income (350 ) 19 (31 )  
 (loss),  
 before  
 tax  
 5 Income (50 ) (37 )  
 tax  
 benefit  
 (expense)  
 related

to  
 items  
 of  
 other  
 comprehensive  
 income  
 (loss)  
 Other  
 comprehensive  
 income  
 (loss) \$69 \$(68 )  
 net  
 of  
 tax

Comprehensive  
 income (loss) \$406 \$860

Less:  
 comprehensive  
 income  
 (loss),  
 available (13 ) 40

to  
 noncontrolling  
 interests  
 Comprehensive  
 income  
 (loss)  
 available \$419 \$820  
 to  
 Whirlpool

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

WHIRLPOOL CORPORATION  
CONSOLIDATED BALANCE SHEETS

At December 31,  
(Millions of dollars)

	2018		2017
Assets			
Current assets			
Cash and cash equivalents	\$ 1,498		\$ 1,196
Accounts receivable, net of allowance of \$136 and \$157, respectively	2,210		2,665
Inventories	2,533		2,988
Prepaid and other current assets	839		1,081
Assets held for sale	818		—
Total current assets	7,898		7,930
Property, net of accumulated depreciation of \$6,190 and \$6,825, respectively	3,414		4,033
Goodwill	2,451		3,118
Other intangibles, net of accumulated amortization of \$527 and \$476, respectively	2,296		2,591
Deferred income taxes	1,989		2,013
Other noncurrent assets	299		353
Total assets	\$ 18,347		\$ 20,038
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	\$ 4,487		\$ 4,797
Accrued expenses	690		674
Accrued advertising and promotions	827		853
Employee compensation	393		414
Notes payable	1,034		450
Current maturities of long-term debt	947		376
Other current liabilities	811		941
Liabilities held for sale	489		—
Total current liabilities	9,678		8,505
Noncurrent liabilities			
Long-term debt	4,046		4,392
Pension benefits	637		1,029
Postretirement benefits	318		352
Other noncurrent liabilities	463		632
	5,464		6,405

Total noncurrent liabilities				
Stockholders' equity				
Common stock, \$1 par value, 250 million shares authorized, 112 million shares issued, and 64 million and 71 million shares outstanding, respectively	112		112	
Additional paid-in capital	2,768		2,739	
Retained earnings	6,933		7,352	
Accumulated other comprehensive loss	(2,695)	)	(2,331)	
Treasury stock, 48 million and 41 million shares, respectively	(4,827)	)	(3,674)	
Total Whirlpool stockholders' equity	2,291		4,198	
Noncontrolling interests	914		930	
Total stockholders' equity	3,205		5,128	
Total liabilities and stockholders' equity	\$	18,347	\$	20,038

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

WHIRLPOOL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,  
(Millions of dollars)

	2018	2017	2016
Operating activities			
Net earnings (loss)	\$(159 )	\$337	\$928
Adjustments to reconcile net earnings (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	645	654	655
Impairment of goodwill and other intangibles	747	—	—
Changes in assets and liabilities:			
Accounts receivable	79	160	(291 )
Inventories	73	(229 )	(18 )
Accounts payable	210	180	37
Accrued advertising and promotions	12	76	46
Accrued expenses and current liabilities	162	(230 )	46
Taxes deferred and payable, net	(67 )	239	(116 )
Accrued pension and postretirement benefits	(434 )	(58 )	(43 )
Employee compensation	44	36	(38 )
Other	(83 )	99	(3 )
Cash provided by operating activities	1,229	1,264	1,203
Investing activities			
Capital expenditures	(590 )	(684 )	(660 )
Proceeds from sale of assets and business	160	61	63
Purchase of held-to-maturity securities	—	(173 )	—
Proceeds from held-to-maturity securities	60	113	—
Investment in related businesses	(25 )	(35 )	(12 )
Other	(4 )	(3 )	(3 )
Cash used in investing activities	(399 )	(721 )	(612 )
Financing activities			
Proceeds from borrowings of long-term debt	705	691	1,012
Repayments of long-term debt	(386 )	(564 )	(522 )
Net proceeds from short-term borrowings	653	367	55
Dividends paid	(306 )	(312 )	(294 )
Repurchase of common stock	(1,153 )	(750 )	(525 )
Purchase of noncontrolling interest shares	(41 )	(5 )	(25 )
Common stock issued	17	34	26
Other	(7 )	(14 )	(5 )
Cash used in financing activities	(518 )	(553 )	(278 )
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(67 )	63	(36 )
Increase in cash, cash equivalents and restricted cash	245	53	277
Cash, cash equivalents and restricted cash at beginning of year	1,293	1,240	963
Cash, cash equivalents and restricted cash at end of year	\$1,538	\$1,293	\$1,240
Supplemental disclosure of cash flow information			
Cash paid for interest	\$183	\$181	\$198
Cash paid for income taxes	\$206	\$311	\$300

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





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

	Whirlpool Stockholders' Equity						
	Total	Retained Earnings	Accumulated Comprehensive Income (Loss)	Other Comprehensive Income	Treasury Stock/Additional Paid-in-Capital	Common Stock	Non-Controlling Interests
Balances, December 31, 2015	\$5,674	\$6,722	\$ (2,332)	)	\$ 242	\$ 111	\$ 931
Comprehensive income							
Net earnings	928	888	—	—	—	—	40
Other comprehensive income (loss)	(68)	) —	(68)	) —	—	—	—
Comprehensive income	860	888	(68)	) —	—	—	40
Stock issued (repurchased)	(506)	) —	—	(494)	) —	—	(12)
Dividends declared	(300)	) (296)	—	—	—	—	(4)
Balances, December 31, 2016	5,728	7,314	(2,400)	)	(252)	) 111	955
Comprehensive income							
Net earnings (loss)	337	350	—	—	—	—	(13)
Other comprehensive income (loss)	69	—	69	—	—	—	—
Comprehensive income	406	350	69	—	—	—	(13)
Stock issued (repurchased)	(682)	) —	—	(683)	) 1	—	—
Dividends declared	(324)	) (312)	—	—	—	—	(12)
Balances, December 31, 2017	5,128	7,352	(2,331)	)	(935)	) 112	930
Comprehensive income							
Net earnings (loss)	(159)	) (183)	—	—	—	—	24
Other comprehensive income (loss)	(345)	) —	(347)	) —	—	—	2
Comprehensive income	(504)	) (183)	(347)	) —	—	—	26
Adjustment to beginning retained earnings	72	72	—	—	—	—	—
Adjustment to beginning accumulated other comprehensive loss	(17)	) —	(17)	) —	—	—	—
Stock issued (repurchased)	(1,160)	) —	—	(1,124)	) —	—	(36)
Dividends declared	(314)	) (308)	—	—	—	—	(6)
Balances, December 31, 2018	\$3,205	\$6,933	\$ (2,695)	)	\$ (2,059)	) \$ 112	\$ 914

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) SUMMARY OF PRINCIPLE ACCOUNTING POLICIES

#### General Information

Whirlpool Corporation, a Delaware corporation, manufactures products in 14 countries and markets products in nearly every country around the world under brand names such as Whirlpool, KitchenAid, Maytag, Consul, Brastemp, Amana, Bauknecht, JennAir, Indesit and Hotpoint\*. We conduct our business through four operating segments, which we define based on geography. Whirlpool's operating segments consist of North America, Europe, Middle East and Africa ("EMEA"), Latin America and Asia.

#### Principles of Consolidation

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

#### Reclassifications

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

#### Use of Estimates

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

#### Revenue Recognition

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

#### Sales Incentives

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

#### Accounts Receivable and Allowance for Doubtful Accounts

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

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

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

**Transfers and Servicing of Financial Assets**

In an effort to manage economic and geographic trade customer risk, from time to time, the Company will transfer, primarily without recourse, accounts receivable balances of certain customers to financial institutions resulting in a nominal impact recorded in interest and sundry (income) expense. These transactions are accounted for as sales of the receivables resulting in the receivables being de-recognized from the Consolidated Balance Sheets. These transfers primarily do not require continuing involvement from the Company, however certain arrangements include servicing of transferred receivables by Whirlpool. Outstanding accounts receivable transferred under arrangements where the Company continues to service the transferred asset were \$161 million and \$137 million as of December 31, 2018 and December 31, 2017, respectively.

**Freight and Warehousing Costs**

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

**Cash and Cash Equivalents**

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

**Restricted Cash**

Restricted cash can only be used to fund capital expenditures and technical resources to enhance Whirlpool China's research and development and working capital, as required by the terms of the Hefei Sanyo acquisition completed in October 2014. As of December 31, 2018 and 2017, restricted cash was approximately \$40 million and \$97 million, respectively. Approximately \$40 million and \$48 million is recorded in other current assets as of December 31, 2018 and 2017, respectively, with the remaining portion recorded in other non-current assets. For additional information, see Note 3 to the Consolidated Financial Statements.

**Fair Value Measurements**

We measure fair value based on an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tiered fair value hierarchy is established, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets that are observable, either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. Certain investments are valued based on net asset value (NAV), which approximates fair value. Such basis is determined by referencing the respective fund's underlying assets. There are no unfunded commitments or other restrictions associated with these investments. We had no Level 3 assets or liabilities at December 31, 2018 and 2017, with the exception of goodwill and other intangibles disclosed in Note 5 and Note 10 and pension plan assets disclosed in Note 8 to the Consolidated Financial Statements.

We measured fair value for money market funds, available for sale investments and held-to-maturity securities using quoted market prices in active markets for identical or comparable assets. We measured fair value for derivative contracts, all of which have counterparties with high credit ratings, based on model driven valuations using significant inputs derived from observable market data. For assets measured at net asset values, we have no unfunded commitments or significant restraints. We measured fair value (non-recurring) for goodwill and other intangibles using a discounted cash flow model and a relief-from-royalty method, respectively, with inputs based on both observable and unobservable market data.

**Inventories**

United States production inventories are stated at last-in, first-out ("LIFO") cost. Latin America, Asia and certain EMEA inventories are stated at average cost. The remaining inventories are stated at first-in, first-out ("FIFO") cost. Costs include materials, labor and production overhead at normal production capacity. Costs do not exceed net realizable values. Changes in the amount that FIFO cost exceed LIFO cost are recognized in cost of goods sold. See Note 4 to the Consolidated Financial Statements for additional information about inventories.



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

## Property

Property is stated at cost, net of accumulated depreciation. For production machinery and equipment, we record depreciation based on units produced, unless units produced drop below a minimum threshold at which point depreciation is recorded using the straight-line method, excluding property acquired from the Hefei Sanyo acquisition and certain property acquired from the Indesit acquisition in 2014. For non-production assets and assets acquired from Hefei Sanyo and certain production assets acquired from Indesit, we depreciate costs based on the straight-line method. Depreciation expense for property, including accelerated depreciation classified as restructuring expense in our Consolidated Statements of Income (Loss), was \$570 million, \$575 million and \$584 million in 2018, 2017 and 2016, respectively.

The following table summarizes our property as of December 31, 2018 and 2017:

Millions of dollars	2018	2017	Estimated Useful Life
Land	\$ 102	\$ 123	n/a
Buildings	1,593	1,789	10 to 50 years
Machinery and equipment	7,909	8,946	3 to 30 years
Accumulated depreciation	(6,190 )	(6,825 )	
Property plant and equipment, net	\$3,414	\$4,033	

We classify gains and losses associated with asset dispositions in the same line item as the underlying depreciation of the disposed asset in the Consolidated Statements of Income (Loss). During 2018, we primarily retired land and buildings related to a sale lease back transaction and machinery and equipment with a net book value of approximately \$100 million that was no longer in use. During 2017, we primarily retired machinery and equipment with a net book value of \$63 million that was no longer in use. Net gains and losses recognized in cost of products sold were not material for 2018, 2017 and 2016.

We record impairment losses on long-lived assets, excluding goodwill and indefinite-life intangibles, when events and circumstances indicate the assets may be impaired and the estimated undiscounted future cash flows generated by those assets are less than their carrying amounts. There were no significant impairments recorded during 2018, 2017 and 2016.

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

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

## Goodwill and Other Intangibles

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

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

## Goodwill

In performing a quantitative assessment of goodwill, we estimate each reporting unit's fair value using the best information available to us, including market information and discounted cash flow projections also referred to as the

income approach. The income approach uses reporting unit's projections of estimated operating results and cash

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

flows that are discounted using a market participant discount rate based on a weighted-average cost of capital. Additionally, we validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach.

#### Intangible Assets

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

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

In 2018, we recorded an impairment charge on goodwill of \$579 million and other intangibles of \$168 million. There was no impairment of goodwill and other intangibles in 2017 and 2016. See Note 5 and Note 10 to the Consolidated Financial Statements for additional information about goodwill and other intangibles.

#### Accounts Payable Outsourcing

We offer our suppliers access to third party payable processors, independent from Whirlpool. The processors allow suppliers to sell their receivables to financial institutions at the sole discretion of both the supplier and the financial institution. In China, as a common practice, we pay suppliers with banker's acceptance drafts. Banker's acceptance drafts allow suppliers to sell their receivables to financial institutions at the sole discretion of both the supplier and the financial institution. We have no economic interest in the sale of these receivables and no direct financial relationship with the financial institutions concerning these services. All of our obligations, including amounts due, remain to our suppliers as stated in our supplier agreements. As of December 31, 2018 and 2017, approximately \$1.4 billion and \$1.5 billion, respectively, have been issued to participating financial institutions.

#### Derivative Financial Instruments

We use derivative instruments designated as cash flow and fair value hedges to manage our exposure to the volatility in material costs, foreign currency and interest rates on certain debt instruments. Changes in the fair value of derivative assets or liabilities (i.e., gains or losses) are recognized depending upon the type of hedging relationship and whether a hedge has been designated. For those derivative instruments that qualify for hedge accounting, we designate the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, fair value hedge, or a hedge of a net investment in a foreign operation. For a derivative instrument designated as a fair value hedge, the gain or loss on the derivative is recognized in earnings immediately with the offsetting gain or loss on the hedged item. For a derivative instrument designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of Other Comprehensive Income (Loss) and is subsequently recognized in earnings when the hedged exposure affects earnings. For a derivative instrument designated as a hedge of a net investment in a foreign operation, the effective portion of the derivative's gain or loss is reported in Other Comprehensive Income (Loss) as part of the cumulative translation adjustment. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognized immediately in current net earnings. See Note 9 to the Consolidated Financial Statements for additional information about hedges and derivative financial instruments.

#### Foreign Currency Translation and Transactions

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

#### Research and Development Costs

Research and development costs are charged to expense and totaled \$572 million, \$596 million and \$604 million in 2018, 2017 and 2016, respectively.





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

**Advertising Costs**

Advertising costs are charged to expense when the advertisement is first communicated and totaled \$343 million, \$330 million and \$366 million in 2018, 2017 and 2016, respectively.

**Income Taxes**

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

We recognize, primarily in other noncurrent liabilities, in the Consolidated Balance Sheets, the effects of uncertain income tax positions. Interest and penalties related to uncertain tax positions are reflected in income tax expense. We record liabilities net of the amount, based on technical merits, that will be sustained upon examination. We accrue for other non income tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated.

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

The Tax Cuts and Jobs Act created a new requirement that certain income earned by foreign subsidiaries, known as global intangible low-tax income (GILTI), must be included in the gross income of their U.S. shareholder. The Company can apply an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current-period expense when incurred. As of December 31, 2018, we have not made a provision for GILTI, however, if in the future we are subject to GILTI, we have elected to treat the tax effect of GILTI as a current-period expense when incurred.

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

**Stock Based Compensation**

Stock based compensation expense is based on the grant date fair value and is expensed over the period during which an employee is required to provide service in exchange for the award (generally the vesting period). The Company's stock based compensation includes stock options, performance stock units, performance shares, restricted stock and restricted stock units. The fair value of stock options are determined using the Black-Scholes option-pricing model, which incorporates assumptions regarding the risk-free interest rate, expected volatility, expected option life, expected forfeitures and dividend yield. Expected forfeitures are based on historical experience. Stock options are granted with an exercise price equal to the stock price on the date of grant. The fair value of restricted stock units and performance stock units is generally based on the closing market price of Whirlpool common stock on the grant date. Stock based compensation is recorded in selling, general and administrative expense on our Consolidated Statements of Income (Loss). See Note 12 to the Consolidated Financial Statements for additional information about stock based compensation.

**BEFIEX Credits**

In previous years, our Brazilian operations earned tax credits under the Brazilian government's export incentive program (BEFIEX). These credits reduced Brazilian federal excise taxes on domestic sales, resulting in an increase in the operations' recorded net sales in 2017 and 2016. In 2018, these credit are reflected in interest and sundry income. We recognized export credits as they were monetized. See Note 2, Note 7 and Note 14 to the Consolidated Financial Statements for additional information regarding BEFIEX credits.

**Out-of-Period Adjustment**

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



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

## Related Party Transaction

In 2018, Whirlpool of India Limited (Whirlpool India), a majority-owned subsidiary of Whirlpool Corporation, acquired a 49% equity interest in Elica PB India for \$22 million. Whirlpool Corporation owns 12.54% of Elica S.p.A, the parent of Elica PB India. As part of the agreement, Whirlpool India received an option to acquire the remaining equity interest in the future for fair value, and the non-Whirlpool India shareholders of Elica PB India received an option to sell their remaining equity interest to Whirlpool India in the future for fair value, which could be material to the financial statements depending on the performance of the venture. We account for our minority interest under the equity method of accounting.

## Adoption of New Accounting Standards

On January 1, 2018, we adopted Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" using the modified retrospective method. Under the modified retrospective method, we recognized the cumulative effect of initially applying the new revenue standard as an increase to the opening balance of retained earnings. This adjustment did not have a material impact on our financial statements. For additional information on the required disclosures related to the impact of adopting this standard, see Note 2 to the Consolidated Financial Statements.

In October 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory," which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments were effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption. The Company adopted the accounting standard on January 1, 2018 and recognized a \$56 million increase to the opening balance of retained earnings.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". The guidance in ASU 2017-04 eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments in the new standard, goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The Company elected to early adopt the accounting standard in the second quarter of 2018. For additional information related to the impact of goodwill impairment, see Note 5 to the Consolidated Financial Statements.

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

Standard	Effective Date
2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	January 1, 2018
2016-04 Liabilities-Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products	January 1, 2018
2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	January 1, 2018
2016-18 Statement of Cash Flows (Topic 230): Restricted Cash	January 1, 2018
2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business	January 1, 2018
2017-09 Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting	January 1, 2018

All other new issued and effective accounting standards during 2018 were not relevant or material to the Company.

Accounting Pronouncements Issued But Not Yet Effective

In November 2018, the FASB issued ASU 2018-18, "Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606." The new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted in any interim period for entities that have adopted ASC 606. The standard should be applied retrospectively to the period when initially adopted ASC 606. The Company is currently evaluating the impact of adopting this guidance.

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

In October 2018, the FASB issued ASU 2018-17, "Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities". The new standard changes how entities evaluate decision-making fees under the variable interest entity guidance. The new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance. The standard should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the beginning of the period of adoption. The Company is currently evaluating the impact of adopting this guidance.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The new standard gives entities the option to reclassify to retained earnings tax effects related to items in accumulated other comprehensive income as a result of the tax reform. The new standard is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance. The Company is currently evaluating the impact of adopting this guidance.

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

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, Leases (FAS 13). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company has elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. In March 2018, the FASB approved a new, optional transition method that will give companies the option to use the effective date as the date of initial application on transition. The Company is electing the transition method, and as a result, the Company will not adjust its comparative period financial information or make the new required lease disclosures for periods before the effective date. The Company has elected to make the accounting policy election for short-term leases. The lease payments will be recorded as an expense on a straight-line basis over the lease term. The Company has elected to not separate lease and non-lease components. The Company will not elect the hindsight practical expedient. The Company will not elect the land easement practical expedient.

In connection with the adoption of the new lease accounting standard, we established a cross-functional implementation team. As part of that process, we have completed scoping reviews and updated business process, systems, accounting policies and internal controls.

The implementation strategy to obtain and summarize our leases includes utilizing surveys to centrally gather more information about the Company's existing leases, lease processes, and contracts that may contain leases, including service agreements. The Company selected a new system to maintain all lease data. To ensure completeness of the population of lease contracts, the results of the survey were being cross-referenced against other available lease information such as prior year-end disclosures and recorded lease expense. As of December 31, 2018, the Company has obtained the relevant lease contract data points.

The Company anticipates the adoption of this new standard will recognize approximately \$800 million to \$900 million of ROU assets and liabilities on our consolidated balance sheet. The impact on the Company's consolidated statements of income is being evaluated. As the impact of this standard is non-cash in nature, we do not anticipate its adoption having an impact on the consolidated statements of cash flows. There will also be no impact on existing debt covenants.

Upon adoption there will be a decrease of approximately \$78 million to other liabilities as this amount represents deferred gains on sale leaseback transactions which will be recognized as a cumulative adjustment to retained earnings on the date of adoption.

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

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

Standard	Effective Date
2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	January 1, 2020
2018-13 Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	January 1, 2020
2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	January 1, 2021
2018-15 Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred In a Cloud Computing Arrangement That Is a Service Contract	January 1, 2020

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

## (2) REVENUE RECOGNITION

## Revenue from Contracts with Customers

On January 1, 2018, we adopted Topic 606 using the modified retrospective method, as a result, we recognized the cumulative effect of initially applying the new reve