



# **FORM 10-Q**

**WHIRLPOOL CORP /DE/ - WHR**

**Filed: August 05, 2005 (period: June 30, 2005)**

Quarterly report which provides a continuing view of a company's financial position

# Table of Contents

## PART I

Item 1. Financial Statements

## PART I

– FINANCIAL INFORMATION

Item 1. Financial Statements

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

## PART II.

OTHER INFORMATION

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Item 4. Submission of Matters to a Vote of Security Holders.

Item 6. Exhibits

SIGNATURES

EX-31.1

EX-31.2

EX-32.1

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2005

OR

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

Commission file number 1-3932

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**WHIRLPOOL CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State of incorporation)

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

**2000 M-63**  
**Benton Harbor, Michigan**  
(Address of principal executive offices)

**49022-2692**  
(Zip Code)

**Registrant's telephone number, including area code 269/923-5000**

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

<u>Class of common stock</u>	<u>Shares outstanding at July 29, 2005</u>
Common stock, par value \$1 per share	66,797,864

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[Table of Contents](#)

QUARTERLY REPORT ON FORM 10-Q

WHIRLPOOL CORPORATION

Quarter Ended June 30, 2005

INDEX OF INFORMATION INCLUDED IN REPORT

	<u>Page</u>
 <u>PART I – FINANCIAL INFORMATION</u>	
Item 1. <a href="#">Financial Statements</a>	
<a href="#">Consolidated Condensed Statements of Operations</a>	3
<a href="#">Consolidated Condensed Balance Sheets</a>	4
<a href="#">Consolidated Condensed Statements of Changes in Stockholders' Equity</a>	5
<a href="#">Consolidated Condensed Statements of Cash Flows</a>	6
<a href="#">Notes to Consolidated Condensed Financial Statements</a>	7
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	18
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	26
Item 4. <a href="#">Controls and Procedures</a>	26
 <u>PART II – OTHER INFORMATION</u>	
Item 2. <a href="#">Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities</a>	27
Item 4. <a href="#">Submission of Matters to a Vote of Security Holders</a>	27
Item 6. <a href="#">Exhibits</a>	28
 <a href="#">Signatures</a>	 29

[Table of Contents](#)

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

WHIRLPOOL CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)  
FOR THE PERIOD ENDED JUNE 30  
(millions of dollars except per share data)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net sales	\$ 3,556	\$ 3,264	\$ 6,764	\$ 6,271
EXPENSES:				
Cost of products sold	2,825	2,539	5,344	4,858
Selling, general and administrative	533	516	1,035	1,000
Restructuring costs	7	—	14	1
	<u>3,365</u>	<u>3,055</u>	<u>6,393</u>	<u>5,859</u>
OPERATING PROFIT	191	209	371	412
OTHER INCOME (EXPENSE):				
Interest and sundry income (expense)	(17)	(10)	(29)	(15)
Interest expense	(34)	(30)	(69)	(64)
EARNINGS BEFORE INCOME TAXES AND OTHER ITEMS	140	169	273	333
Income taxes	41	62	87	123
EARNINGS BEFORE EQUITY EARNINGS AND MINORITY INTERESTS	99	107	186	210
Equity in earnings (loss) of affiliated companies	—	—	1	(3)
Minority interests	(3)	(1)	(5)	—
NET EARNINGS	<u>\$ 96</u>	<u>\$ 106</u>	<u>\$ 182</u>	<u>\$ 207</u>
Per share of common stock:				
Basic net earnings	<u>\$ 1.44</u>	<u>\$ 1.56</u>	<u>\$ 2.73</u>	<u>\$ 3.04</u>
Diluted net earnings	<u>\$ 1.42</u>	<u>\$ 1.53</u>	<u>\$ 2.69</u>	<u>\$ 2.96</u>
Dividends declared	<u>\$ .43</u>	<u>\$ .43</u>	<u>\$ .86</u>	<u>\$ .86</u>
Weighted-average shares outstanding (millions):				
Basic	66.8	68.0	66.8	68.3
Diluted	67.9	69.5	67.9	70.0

See notes to consolidated condensed financial statements

[Table of Contents](#)

WHIRLPOOL CORPORATION  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(millions of dollars)

	(Unaudited) June 30 2005	December 31 2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 188	\$ 243
Trade receivables, less allowances (2005: \$94; 2004: \$107)	2,123	2,032
Inventories	1,772	1,701
Prepaid expenses	84	74
Deferred income taxes	160	189
Other current assets	299	275
<b>Total Current Assets</b>	<b>4,626</b>	<b>4,514</b>
<b>OTHER ASSETS</b>		
Investment in affiliated companies	19	16
Goodwill, net	167	168
Other intangibles, net	105	108
Deferred income taxes	319	323
Prepaid pension costs	329	329
Other assets	160	140
	<b>1,099</b>	<b>1,084</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	88	91
Buildings	1,073	1,073
Machinery and equipment	5,919	5,933
Accumulated depreciation	(4,607)	(4,514)
	<b>2,473</b>	<b>2,583</b>
<b>Total Assets</b>	<b>\$ 8,198</b>	<b>\$ 8,181</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable	\$ 515	\$ 244
Accounts payable	2,047	2,297
Employee compensation	274	300
Deferred income taxes	49	57
Accrued expenses	809	811
Restructuring costs	11	13
Income taxes	96	110
Other current liabilities	135	146
Current maturities of long-term debt	8	7
<b>Total Current Liabilities</b>	<b>3,944</b>	<b>3,985</b>
<b>OTHER LIABILITIES</b>		
Deferred income taxes	215	240
Pension benefits	377	367
Postemployment benefits	512	499
Other liabilities	227	256
Long-term debt	1,113	1,160
	<b>2,444</b>	<b>2,522</b>
<b>MINORITY INTERESTS</b>	<b>91</b>	<b>68</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1 par value:	90	90
Shares authorized – 250 million		
Shares issued – 90 million (2005); 90 million (2004)		
Shares outstanding – 67 million (2005); 67 million (2004)		
Paid-in capital	777	737
Retained earnings	2,721	2,596
Accumulated other comprehensive loss	(619)	(601)
Treasury stock – 24 million (2005); 23 million (2004)	(1,250)	(1,216)

Total Stockholders' Equity	1,719	1,606
Total Liabilities and Stockholders' Equity	\$ 8,198	\$ 8,181

See notes to consolidated condensed financial statements

[Table of Contents](#)

**WHIRLPOOL CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE PERIODS ENDED JUNE 30**  
(millions of dollars)

	Three Months Ended				
	Total	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock / Paid-in-Capital
<b>Beginning balance</b>	\$1,356	\$ 2,377	\$ (789)	\$ 90	\$ (322)
Comprehensive income					
Net income	106	106			
Unrealized gain on derivative instruments	15		15		
Other, principally foreign currency items	(23)		(23)		
Comprehensive income	98				
Common stock issued	4				4
Common stock repurchased, net of reissuances	(175)				(175)
Dividends declared on common stock	(29)	(29)			—
<b>Ending balance, June 30, 2004</b>	<b>\$1,254</b>	<b>\$ 2,454</b>	<b>\$ (797)</b>	<b>\$ 90</b>	<b>\$ (493)</b>
<b>Beginning balance</b>	\$1,628	\$ 2,653	\$ (658)	\$ 90	\$ (457)
Comprehensive income					
Net income	96	96			
Unrealized gain on derivative instruments	19		19		
Other, principally foreign currency items	20		20		
Comprehensive income	135				
Common stock issued	18			—	18
Common stock repurchased	(34)			—	(34)
Dividends declared on common stock	(28)	(28)			—
<b>Ending balance, June 30, 2005</b>	<b>\$1,719</b>	<b>\$ 2,721</b>	<b>\$ (619)</b>	<b>\$ 90</b>	<b>\$ (473)</b>

  

	Six Months Ended				
	Total	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock / Paid-in-Capital
<b>Beginning balance</b>	\$1,301	\$ 2,276	\$ (757)	\$ 88	\$ (306)
Comprehensive income					
Net income	207	207			
Unrealized gain on derivative instruments	6		6		
Minimum pension liability adjustment	(12)		(12)		
Other, principally foreign currency items	(34)		(34)		
Comprehensive income	167				
Common stock issued	65			2	63
Common stock repurchased, net of reissuances	(250)				(250)
Dividends declared on common stock	(29)	(29)			—
<b>Ending balance, June 30, 2004</b>	<b>\$1,254</b>	<b>\$ 2,454</b>	<b>\$ (797)</b>	<b>\$ 90</b>	<b>\$ (493)</b>
<b>Beginning balance</b>	\$1,606	\$ 2,596	\$ (601)	\$ 90	\$ (479)
Comprehensive income					
Net income	182	182			
Unrealized gain on derivative instruments	6		6		
Other, principally foreign currency items	(24)		(24)		

Comprehensive income	164				
Common stock issued	40			40	
Common stock repurchased	(34)			(34)	
Dividends declared on common stock	(57)	(57)			
<b>Ending balance, June 30, 2005</b>	<b>\$1,719</b>	<b>\$ 2,721</b>	<b>\$ (619)</b>	<b>\$ 90</b>	<b>\$ (473)</b>

See notes to consolidated condensed financial statements

[Table of Contents](#)

**WHIRLPOOL CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30**  
**(millions of dollars)**

	<u>2005</u>	<u>2004</u>
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 182	\$ 207
Adjustments to reconcile net earnings to net cash flows (used in) provided by operating activities:		
(Gain) loss on disposition of assets	(4)	1
Depreciation and amortization	224	226
Changes in assets and liabilities:		
Trade receivables	(174)	(160)
Inventories	(120)	(236)
Accounts payable	(206)	47
Restructuring charges, net of cash paid	—	(20)
Taxes deferred and payable, net	(19)	73
Accrued pension	31	27
Other – net	(23)	(83)
	<u>          </u>	<u>          </u>
Cash (Used In) Provided By Operating Activities	\$(109)	\$ 82
	<u>          </u>	<u>          </u>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	\$(175)	\$(131)
Proceeds from sale of assets	4	23
Acquisitions of businesses, net of cash acquired	—	(2)
	<u>          </u>	<u>          </u>
Cash Used In Investing Activities	\$(171)	\$(110)
	<u>          </u>	<u>          </u>
<b>FINANCING ACTIVITIES</b>		
Proceeds of short-term borrowings, net	\$ 268	\$ 260
Repayments of long-term debt	(5)	(11)
Dividends paid	(57)	(59)
Purchase of treasury stock	(34)	(250)
Common stock issued under stock plans	33	53
Other	26	(16)
	<u>          </u>	<u>          </u>
Cash Provided By (Used For) Financing Activities	\$ 231	\$ (23)
	<u>          </u>	<u>          </u>
Effect of Exchange Rate Changes on Cash and Equivalents	\$ (6)	\$ (5)
	<u>          </u>	<u>          </u>
Decrease in Cash and Equivalents	\$ (55)	\$ (56)
Cash and Equivalents at Beginning of Period	243	249
	<u>          </u>	<u>          </u>
Cash and Equivalents at End of Period	\$ 188	\$ 193
	<u>          </u>	<u>          </u>

See notes to consolidated condensed financial statements

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accompanying unaudited consolidated condensed financial statements present information in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X. Accordingly, they do not include all information or footnotes required by generally accepted accounting principles for complete financial statements. Management believes the financial statements include all normal recurring accrual adjustments necessary for a fair presentation. Operating results for the three and six months ended June 30, 2005 do not necessarily indicate the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in the Financial Supplement to the Company's Proxy Statement and in the Financial Supplement to the 2004 Annual Report on Form 10-K, both of which are available through the Internet at [www.whirlpoolcorp.com](http://www.whirlpoolcorp.com).

Stock option and incentive plans are accounted for under the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Had the Company elected to adopt the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," pro forma net earnings and net earnings per share would be as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
(millions of dollars, except per share data)				
Compensation cost included in earnings as reported (net of tax benefits)	\$ 3	\$ 3	\$ 5	\$ 5
Pro forma total fair value compensation cost (net of tax benefits)	\$ 4	\$ 5	\$ 7	\$ 9
<b>Net earnings</b>				
As reported	\$ 96	\$ 106	\$ 182	\$ 207
Pro forma	\$ 95	\$ 104	\$ 180	\$ 203
<b>Basic net earnings per share</b>				
As reported	\$ 1.44	\$ 1.56	\$ 2.73	\$ 3.04
Pro forma	\$ 1.42	\$ 1.53	\$ 2.70	\$ 2.98
<b>Diluted net earnings per share</b>				
As reported	\$ 1.42	\$ 1.53	\$ 2.69	\$ 2.96
Pro forma	\$ 1.40	\$ 1.50	\$ 2.66	\$ 2.90

Diluted net earnings per share of common stock include the dilutive effect of stock options and other stock-based compensation. For the three months ended June 30, 2005 and 2004, approximately 1,748,000 and 1,835,000 stock options, respectively, were excluded from the calculation of diluted earnings per share because their exercise prices rendered them anti-dilutive. For the six months ended June 30, 2005 and 2004, approximately 1,791,000 and 681,000 stock options, respectively, were excluded from the calculation of diluted earnings per share because their exercise prices rendered them anti-dilutive.

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

Basic and diluted net earnings per share were calculated as follows:

	Three months ended		Six months ended	
	June 30 2005	June 30 2004	June 30 2005	June 30 2004
(in millions)				
Numerator for basic and diluted earnings per share – net earnings	\$ 96	\$ 106	\$ 182	\$ 207
Denominator for basic earnings per share – weighted-average shares	66.8	68.0	66.8	68.3
Effect of dilutive securities:				
Stock-based compensation	1.1	1.5	1.1	1.7
Denominator for diluted earnings per share – adjusted weighted-average shares	67.9	69.5	67.9	70.0

Certain reclassifications have been made to the prior year data to conform to the current year presentation which had no effect on net income reported for any period.

**NOTE B – NEW ACCOUNTING STANDARDS**

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123 (R), “Share-Based Payments.” SFAS No. 123 (R) would require the Company to measure all employee stock-based compensation awards using a fair-value method and record such expense in its consolidated financial statements. SFAS No. 123 (R) was originally effective for periods beginning after June 15, 2005; however, in April 2005, the Securities and Exchange Commission (“SEC”) changed the effective date of SFAS No. 123 (R) to fiscal years beginning after June 15, 2005 for non-small business issuers. SFAS No. 123 (R) provides alternative methods of adoption, which include prospective application and a modified retroactive application. The Company plans to adopt the provisions of SFAS No. 123(R) effective January 1, 2006. The Company does not expect the adoption to have a material impact on its results of operations or financial position.

In November 2004, FASB issued SFAS No. 151 “Inventory Costs, an Amendment of ARB No. 43 Chapter 4.” SFAS No. 151 requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling be recognized as current-period charges rather than being included in inventory, regardless of whether the costs meet the criterion of abnormal as defined in ARB 43. SFAS No. 151 is applicable for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company will adopt this standard beginning the first quarter of fiscal year 2006 and does not believe the adoption will have a material impact on its results of operations or financial position as such costs have historically been expensed as incurred.

In December 2004, the FASB issued SFAS No. 153, “Exchanges of Non-Monetary Assets — an Amendment of APB Opinion No. 29,” which addresses the measurement of exchanges of non-monetary assets. SFAS No. 153 eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance. SFAS No. 153 specifies that a non-monetary exchange has

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

commercial substance if the future cash flows of an entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods after June 15, 2005. The Company does not expect the adoption of SFAS No. 153 to have a material impact on its results of operations or financial position.

In March 2005, the FASB issued Interpretation No. (“FIN”) 47, “Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143”. FIN 47 clarifies that SFAS No. 143, “Accounting for Asset Retirement Obligations,” requires that an entity recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability’s fair value can be reasonably estimated. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not expect the adoption of FIN 47 to have a material impact on its results of operations or financial position.

In June 2005, the FASB issued FASB Staff Position (“FSP”) No. 143–1, “Accounting for Electronic Equipment Waste Obligations.” The FSP addresses accounting by commercial users and producers of electrical and electronic equipment, in connection with Directive 2002/96/EC on Waste Electrical and Electronic Equipment (“WEEE”) issued by the European Union (“EU”) on February 13, 2003 (“Directive”). This Directive requires EU–member countries to adopt legislation to regulate the collection, treatment, recovery, and environmentally sound disposal of electrical and electronic waste equipment, and sets forth certain obligations relating to covering the cost of disposal of such equipment by commercial users. Producers will also be required to cover the cost of disposal of such equipment under the WEEE legislation if they are participating in the market as of August 13, 2005. As of July 2005, several major EU–member states were still in the legislative drafting stages and had not passed any national legislation. The Company continues to evaluate the impact of the WEEE Legislation as member states implement guidance.

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

**NOTE C – GOODWILL AND OTHER INTANGIBLES**

At June 30, 2005 and December 31, 2004, the operating segments' goodwill carrying amounts were as follows: North America \$163 million and \$164 million, respectively, and Latin America \$4 million and \$4 million, respectively. The decrease in North America was attributable to currency fluctuations.

The Company's other intangible assets were comprised of the following:

(millions of dollars)	June 30 2005	December 31 2004
<b>Trademarks (indefinite-lived)</b>	\$ 51	\$ 53
<b>Patents and non-compete agreements</b>	2	3
<b>Pension related</b>	52	52
<b>Total other intangible assets, net</b>	<b>\$ 105</b>	<b>\$ 108</b>

Accumulated amortization totaled \$4 million at June 30, 2005 and \$3 million at December 31, 2004.

**NOTE D – INVENTORIES**

Inventories consist of the following:

(millions of dollars)	June 30 2005	December 31 2004
<b>Finished products</b>	<b>\$1,529</b>	<b>\$ 1,410</b>
<b>Raw materials and work in process</b>	<b>362</b>	<b>410</b>
	<b>1,891</b>	<b>1,820</b>
<b>Less excess of FIFO cost over LIFO cost</b>	<b>(119)</b>	<b>(119)</b>
	<b>\$1,772</b>	<b>\$ 1,701</b>

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

**NOTE E – RESTRUCTURING AND RELATED CHARGES**

The following represents a reconciliation of the changes in restructuring reserves through June 30, 2005:

(Millions of dollars)	Balance January 1 2005	Charged to Earnings	Reversal of Prior Period Charges	Cash Utilization	Non-Cash Utilization	Translation	Balance June 30 2005
<b>Restructuring</b>							
Termination costs	\$ 13	\$ 14	\$ —	\$ (14)	\$ —	\$ (2)	\$ 11
Non-employee exit costs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Total</b>	<b>\$ 13</b>	<b>\$ 14</b>	<b>\$ —</b>	<b>\$ (14)</b>	<b>\$ —</b>	<b>\$ (2)</b>	<b>\$ 11</b>

**Restructuring Charges**

Under Whirlpool's ongoing global operating platform initiatives, the Company implemented certain restructuring initiatives to strengthen Whirlpool's brand leadership position in the global appliance industry. The Company plans to continue its comprehensive worldwide effort to optimize its regional manufacturing facilities, supply base, product platforms and technology resources to better support its global brands and customers.

In addition to the global operating platform initiatives, the Company began to implement organizational initiatives designed to maximize support efficiencies throughout the Company.

The Company incurred pre-tax restructuring charges of \$7 million and \$14 million during the three and six months ended June 30, 2005, respectively. These charges are included in the restructuring costs line in the Company's Consolidated Condensed Statements of Operations and primarily consist of severance costs. These charges relate primarily to consolidating sales organizations throughout Europe and shifting dishwasher and compressor capacity to lower cost regions. The Company expects to spend approximately \$35 million during the last six months of 2005. The Company expects that it may eliminate up to 1,500 employees as a result of these initiatives. Approximately 475 individuals have left the Company since inception of the projects through June 30, 2005.

On a segment level, for the three and six months ended June 30, 2005, respectively, the European region incurred pre-tax restructuring charges of approximately \$5 million and \$10 million, the North American region incurred approximately \$0 million and \$1 million, and the Latin America region incurred approximately \$2 million and \$3 million. During the three months ended June 30, 2004, the Company incurred pre-tax restructuring charges of \$3 million, which were reduced by \$3 million primarily due to changes in the final estimates related to the closure of a Canadian facility previously announced in December 2000. For the six months ended June 30, 2004, the Company incurred net pre-tax restructuring charges of \$1 million.

**Other Related Charges**

There were no significant one-time charges related to restructuring for the three and six months ended June 30, 2005. The Company incurred \$3 million and \$6 million of restructuring related charges (all of which were recorded in the North American region) during the three and six months ended June 30, 2004.

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

These charges are included in the cost of products sold line item on the Company's Consolidated Condensed Statements of Operations, and relate to the restructuring initiatives announced in December 2000.

**NOTE F – STOCKHOLDERS' EQUITY**

On June 15, 2004, the Company's Board of Directors authorized a share repurchase program of up to \$500 million. The share repurchases will be made from time to time on the open market as conditions warrant. During the quarter ended June 30, 2005, the Company repurchased 530,100 shares of Whirlpool common stock in the open market at an aggregate purchase price of \$34 million.

**NOTE G – GUARANTEES, COMMITMENTS AND CONTINGENCIES**

**Guarantees**

The Company has guarantee arrangements in place in a Brazilian subsidiary. As a standard business practice in Brazil, the subsidiary guarantees customer lines of credit at commercial banks following its normal credit policies. In the event that a customer were to default on its line of credit with the bank, the subsidiary would be required to satisfy the obligation with the bank, and the receivable would revert back to the subsidiary. As of June 30, 2005 and December 31, 2004, these amounts totaled \$181 million and \$184 million, respectively. The only recourse the Company has related to these agreements would be legal or administrative collection efforts directed against the customers.

The Company provides guarantees of indebtedness and lines of credit for various consolidated subsidiaries. The maximum amount of credit facilities under guarantee for consolidated subsidiaries totaled \$1.4 billion at both June 30, 2005 and December 31, 2004. The total outstanding bank indebtedness, including credit facility amounts under guarantee, totaled \$123 million and \$148 million at June 30, 2005 and December 31, 2004, respectively.

Product warranty reserves are established in the same period that revenue from the sale of the related products is recognized. The amounts of those reserves are based on established terms and the Company's best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date.

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

The following represents a reconciliation of the changes in product warranty reserves for the period presented:

<b>Balance at January 1, 2005</b>	<b>\$ 165</b>
<b>Warranties issued</b>	<b>153</b>
<b>Settlements made</b>	<b>(167)</b>
<b>Other changes</b>	<b>(10)</b>
	<b>—</b>
<b>Balance at June 30, 2005</b>	<b>\$ 141</b>
	<b>—</b>
<b>Current portion (included in other current liabilities)</b>	<b>83</b>
<b>Non-current portion (included in other liabilities)</b>	<b>58</b>
	<b>—</b>
<b>Total</b>	<b>\$ 141</b>

Other changes consist of revisions to estimated costs associated with previously announced recall liabilities and currency fluctuations.

#### **Commitments and Contingencies**

The Company is currently a defendant in 10 purported class action lawsuits in eight states related to its Calypso clothes washing machine. Three of the original purported class actions have been dismissed. The complaints in these lawsuits generally allege violations of state consumer fraud acts, unjust enrichment, and breach of warranty based on the allegations that the washing machines have various defects. There are no allegations of any personal injury, catastrophic property damage, or safety risk. The complaints generally seek unspecified compensatory, consequential and punitive damages. The Company believes these suits are without merit and intends to vigorously defend these actions. At this point, the Company cannot reasonably estimate a possible range of loss, if any.

The Company is involved in various other legal actions arising in the normal course of business. Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

**NOTE H – PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS**

The components of net periodic pension cost and the cost of other postretirement benefits for the three and six months ended June 30, 2005 and 2004 were:

**Components of Net Periodic Benefit Cost – Three months ended June 30**

(millions of dollars)	U.S. Pension Benefits		Foreign Plans		Other Benefits	
	2005	2004	2005	2004	2005	2004
Service cost	\$ 20.9	\$ 22.0	\$ 3.1	\$ 1.0	\$ 3.8	\$ 3.1
Interest cost	28.2	27.5	4.3	3.2	9.0	9.2
Expected return on plan assets	(38.4)	(39.9)	(1.8)	(1.6)	—	—
Amortization of transition obligation	—	—	0.2	0.2	—	—
Amortization of prior service cost	2.3	4.7	0.1	0.1	(1.8)	(1.8)
Amortization of net loss	3.5	0.5	0.2	0.1	3.6	2.7
<b>Net periodic cost</b>	<b>\$ 16.5</b>	<b>\$ 14.8</b>	<b>\$ 6.1</b>	<b>\$ 3.0</b>	<b>\$14.6</b>	<b>\$13.2</b>

**Components of Net Periodic Benefit Cost – Six months ended June 30**

(millions of dollars)	U.S. Pension Benefits		Foreign Plans		Other Benefits	
	2005	2004	2005	2004	2005	2004
Service cost	\$ 41.8	\$ 43.9	\$ 6.3	\$ 2.1	\$ 7.6	\$ 6.2
Interest cost	56.3	54.9	8.7	6.4	18.0	18.6
Expected return on plan assets	(76.8)	(79.8)	(3.6)	(3.3)	—	—
Amortization of transition obligation	—	—	0.4	0.3	—	—
Amortization of prior service cost	4.6	9.2	0.2	0.2	(3.6)	(3.1)
Amortization of net loss	7.0	1.0	0.4	0.3	7.2	5.4
<b>Net periodic cost</b>	<b>\$ 32.9</b>	<b>\$ 29.2</b>	<b>\$12.4</b>	<b>\$ 6.0</b>	<b>\$29.2</b>	<b>\$27.1</b>

The expected rate of return on pension plan assets is 8.75% in 2005 and 2004.

The Company measured the effects of the Medicare Modernization Act of 2003 (the “Act”) following the guidance in FSP 106–2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003”. The Company has reflected the estimated federal subsidy under the Act as an actuarial gain, which reduced the existing unrecognized net loss. Net gains or losses are amortized over the participants’ future service periods. These changes caused the accumulated other postretirement benefit obligation to decrease by \$103.7 million, and reduced the cost recognized by approximately \$4 million and \$8 million for the three and six months ended June 30, 2004, respectively.

**Changes Since Year End 2004 Disclosure**

In January 2005, the Company amended the Whirlpool Employees Pension Plan (the “WEPP”). The Company remeasured the net periodic cost and funded status of the WEPP at January 1, 2005 to reflect the amendment. The amendment reduced the projected benefit obligation (“PBO”) by \$80 million. The accumulated benefit obligation (“ABO”) was not affected by the amendment. The interest rate used for this remeasurement was 5.85%, the same as at year-end 2004.

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

**Employer Contributions**

The Company's funding policy is to contribute to its U.S. pension plans amounts sufficient to meet the minimum funding requirement as defined by employee benefit and tax laws, plus additional amounts which the Company may determine to be appropriate. In certain countries other than the U.S., the funding of pension plans is not common practice. The Company has several unfunded non-U.S. pension plans.

<u>Employer Contributions – Millions of dollars</u>	<u>U.S. Pension</u>	<u>Foreign Pension</u>
2005 (expected)	\$ 16	\$ 13

The Company expects to contribute \$16 million to the U.S. pension plans during 2005 which represents the sum of \$2 million of expected benefit payments from corporate cash for the unfunded pension plans and \$14 million of expected voluntary contributions to its funded pension plans. The Company expects no minimum required contributions to its funded pension plans in 2005.

**NOTE I – GEOGRAPHIC SEGMENTS**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment.

The Company identifies operating segments based upon geographical regions of operations because each operating segment manufactures home appliances and related components, but serves strategically different markets. The chief operating decision maker evaluates performance based upon each segment's operating income, which is defined as income before interest income and sundry, interest expense, taxes and minority interests, and before one-time charges. In 2005 and 2004, these one-time charges consisted of primarily restructuring and other related charges. Total assets by segment are those assets directly associated with the respective operating activities. The "Other/Eliminations" column primarily includes corporate expenses, assets and eliminations, as well as all other one-time charges. Intersegment sales are eliminated within each region with the exception of compressor sales out of Latin America, which are included in Other/Eliminations.

As described above, the Company's chief operating decision maker reviews each operating segment's performance based on operating income excluding one-time charges. These charges are included in operating profit on a consolidated basis and included in the Other/Eliminations column in the table below. For the three and six months ended June 30, 2005, the Europe operating segment incurred approximately \$5 million and \$10 million, the North America operating segment incurred \$0 million and \$1 million, and the Latin America operating region incurred approximately \$2 million and \$3 million of restructuring charges. For the three months ended June 30, 2004, the Company incurred pre-tax restructuring charges of \$3 million, which were reduced by \$3 million primarily due to final estimates related to the closure of a Canadian facility previously announced in December 2000. For the six months ended June 30, 2004, the Company incurred net pre-tax restructuring charges of \$1 million. There were no significant one-time charges related to restructuring for the three and six months ended June 30, 2005. For the three and six months ended June 30, 2004, the North America operating segment incurred approximately \$3 million and \$6 million of one-time charges related to restructuring.

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

incurred approximately \$2 million and \$3 million. For the three and six months ended June 30, 2004, the North American operating segment recorded total restructuring related charges of \$3 million and \$6 million, respectively.

(millions of dollars)

<u>Three Months Ended June 30</u>	<u>North America</u>	<u>Europe</u>	<u>Latin America</u>	<u>Asia</u>	<u>Other and (Eliminations)</u>	<u>Consolidated</u>
<b>Net sales</b>						
2005	\$ 2,205	\$ 770	\$ 494	\$ 123	\$ (36)	\$ 3,556
2004	\$ 2,096	\$ 704	\$ 392	\$ 110	\$ (38)	\$ 3,264
<b>Intersegment sales</b>						
2005	\$ 9	\$ 124	\$ 34	\$ 46	\$ (213)	\$ —
2004	\$ 11	\$ 122	\$ 37	\$ 31	\$ (201)	\$ —
<b>Depreciation and amortization</b>						
2005	\$ 48	\$ 26	\$ 28	\$ 4	\$ 5	\$ 111
2004	\$ 57	\$ 24	\$ 23	\$ 5	\$ 6	\$ 115
<b>Operating profit (loss)</b>						
2005	\$ 187	\$ 37	\$ 31	\$ (4)	\$ (60)	\$ 191
2004	\$ 213	\$ 36	\$ 16	\$ (3)	\$ (53)	\$ 209
<b>Total assets</b>						
June 30, 2005	\$ 3,667	\$ 2,596	\$ 1,855	\$ 519	\$ (439)	\$ 8,198
December 31, 2004	\$ 3,465	\$ 2,976	\$ 1,737	\$ 534	\$ (531)	\$ 8,181
<b>Capital expenditures</b>						
2005	\$ 65	\$ 18	\$ 18	\$ 3	\$ 2	\$ 106
2004	\$ 32	\$ 18	\$ 18	\$ 5	\$ 4	\$ 77

[Table of Contents](#)

**WHIRLPOOL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**  
**(UNAUDITED)**

(millions of dollars)

<u>Six Months Ended June 30</u>	<u>North America</u>	<u>Europe</u>	<u>Latin America</u>	<u>Asia</u>	<u>Other and (Eliminations)</u>	<u>Consolidated</u>
<b>Net sales</b>						
2005	\$ 4,185	\$ 1,499	\$ 936	\$ 217	\$ (73)	\$ 6,764
2004	\$ 3,991	\$ 1,384	\$ 773	\$ 198	\$ (75)	\$ 6,271
<b>Intersegment sales</b>						
2005	\$ 22	\$ 249	\$ 72	\$ 82	\$ (425)	\$ —
2004	\$ 22	\$ 245	\$ 74	\$ 60	\$ (401)	\$ —
<b>Depreciation and amortization</b>						
2005	\$ 98	\$ 54	\$ 57	\$ 8	\$ 7	\$ 224
2004	\$ 114	\$ 50	\$ 47	\$ 7	\$ 8	\$ 226
<b>Operating profit (loss)</b>						
2005	\$ 369	\$ 70	\$ 56	\$ (9)	\$ (115)	\$ 371
2004	\$ 424	\$ 67	\$ 38	\$ (13)	\$ (104)	\$ 412
<b>Total assets</b>						
June 30, 2005	\$ 3,667	\$ 2,596	\$ 1,855	\$ 519	\$ (439)	\$ 8,198
December 31, 2004	\$ 3,465	\$ 2,976	\$ 1,737	\$ 534	\$ (531)	\$ 8,181
<b>Capital expenditures</b>						
2005	\$ 107	\$ 31	\$ 28	\$ 6	\$ 3	\$ 175
2004	\$ 49	\$ 38	\$ 33	\$ 7	\$ 4	\$ 131

**NOTE J – SUBSEQUENT EVENTS**

On July 17, 2005, the Company announced that it had made a proposal to acquire Maytag Corporation for consideration valued at \$17 per Maytag share, of which at least 50% would be paid in cash and the balance in shares of Company common stock. Maytag is currently party to a definitive merger agreement with Triton Acquisition Co. On July 22, 2005, the Company announced an increase in its proposal to \$18 per share, a 29% premium to Maytag stockholders as compared to the Triton offer. On July 27, 2005, the Company announced that it has entered into a mutual confidentiality agreement with Maytag Corporation. The agreement allows the Company to immediately commence the due diligence phase of its proposed acquisition of Maytag.

On July 4, 2005, the Company's leased warehouse facility in Kent, England was destroyed by fire. The fire destroyed the warehouse, as well as finished goods inventory and a small amount of fixed assets contained therein. The Company is in the process of determining the amount of the losses incurred. The Company is party to an insurance contract that is expected to cover the damaged inventory and equipment, subject to a \$5 million deductible, as well as the business interruption resulting from the fire. The Company does not expect to be liable for losses associated with the leased warehouse.

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[Table of Contents](#)

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**EXECUTIVE LEVEL OVERVIEW**

Whirlpool Corporation is the largest global manufacturer of major appliances worldwide with 2004 revenues of \$13.2 billion and net earnings of \$406 million. The Company's four reportable segments are based on geography and consist of North America (61% of revenue), Europe (23% of revenue), Latin America (13% of revenue), and Asia (3% of revenue). The Company is the market share leader in North America and Latin America and has significant market presence in Europe, India and China. Whirlpool's brands and operations worldwide received recognition for accomplishments in a variety of business and social efforts, including energy efficiency leadership, community involvement, support of women's issues, and excellence in design.

The Company's growth strategy over the past several years has been to introduce innovative new products, strengthen customer loyalty for its brands, continue to expand its global footprint, add or enhance distribution channels and, where appropriate, make strategic acquisitions which enhance the Company's innovative global product offering.

The Company monitors country economic factors such as gross domestic product, consumer interest rates, consumer confidence, housing starts, existing home sales and mortgage refinancing as key indicators of industry demand. Management also focuses on country, brand, product and channel market share, average sales values, and profitability when assessing and forecasting financial results. The Company intends to leverage its global manufacturing, procurement and technology footprint to strengthen Whirlpool's brand leadership position in the global appliance industry.

**RESULTS OF OPERATIONS**

The statements of operations summarize operating results for the three and six months ended June 30, 2005 and 2004. All comparisons are to 2004, unless otherwise noted. This section of Management's Discussion and Analysis highlights the main factors affecting the changes in the Company's financial condition and results of operations.

Net Sales

Total units sold remained flat for the quarter and year to date periods. Net sales increased 8.9% for the quarter, or approximately 5% excluding currency fluctuations, and 7.9% year to date, or approximately 5% excluding currency fluctuations.

[Table of Contents](#)

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

(millions of dollars)	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2005	2004	Change	2005	2004	Change
Net Sales:						
North America	\$ 2,205	\$ 2,096	5%	\$ 4,185	\$ 3,991	5%
Europe	770	704	9%	1,499	1,384	8%
Latin America	494	392	26%	936	773	21%
Asia	123	110	12%	217	198	10%
Other/eliminations	(36)	(38)	—	(73)	(75)	—
Consolidated	\$ 3,556	\$ 3,264	9%	\$ 6,764	\$ 6,271	8%

Significant regional trends were as follows:

- North America unit volumes decreased 3.1% and 2.4% for the quarter and year to date periods, respectively. The decline is primarily due to trade inventory reductions and softness in OEM shipments in the quarter and year to date periods. Net sales increased 5.2% and 4.9% for the quarter and year to date periods, respectively, primarily due to price increases implemented during 2005. Excluding currency fluctuations, net sales increased approximately 4% in both the quarter and year to date periods.
- European unit volumes increased 2.7% and 1.8% for the quarter and year to date periods, respectively, outpacing industry growth. The increase in volume was driven by demand and market share increases for the *Whirlpool* brand and increases in the Company's built-in appliance segment. Net sales increased 9.3% and 8.3% in the quarter and year to date periods, respectively. Excluding currency fluctuations, net sales increased approximately 4% and 3% for the quarter and year to date periods, respectively.
- Latin American unit volumes increased 9.8% and 5.4% for the quarter and year to date periods, respectively, due to strong appliance industry volume growth in Brazil. Net sales increased 26.2% and 21.1% in the quarter and year to date periods, respectively. Excluding currency fluctuations, net sales increased approximately 8% in both the quarter and year to date periods. The increase in net sales is driven by appliance and compressor price increases and a favorable product mix. Economic conditions improved moderately during the quarter and year to date period as interest rates remained stable and unemployment levels declined.
- In Asia, unit shipments increased 3.8% and 5.3% in the quarter and year to date periods, respectively. The improvement is primarily related to increased demand in India. Net sales increased 11.5% and 9.8% in the quarter and year to date periods, respectively. The first half net sales improvement is largely due to improved market performance and the absence of the previously disclosed trade management strategy in India. Excluding currency fluctuations, net sales increased approximately 9% and 7% for the quarter and year to date periods, respectively.

For the full year 2005, appliance industry shipments are expected to increase approximately 1% to 2% in North America and flat to down 1% in Europe. The Company currently forecasts improving economic conditions in Latin America and expects overall demand in the appliance industry to increase 4% to 5% from last year's level. Appliance industry shipments in the Asia region are expected to increase 3% to 5%.

[Table of Contents](#)**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – (CONTINUED)**Gross Margin

The Company's gross margin percentage declined in the quarter and year to date periods driven by increased material costs, particularly in steel and resins, unfavorable currency fluctuations, and planned manufacturing downtime. The increased costs were partially mitigated by price increases and productivity improvements and cost control initiatives. The Company will continue to experience material cost pressures throughout the remainder of 2005; however, the impact of the global price increases and productivity improvements have helped mitigate the higher costs.

Selling, General and Administrative

Selling, general and administrative expenses as a percent of net sales improved in the quarter and year to date periods. The Company's overall results were affected by higher freight and warehousing costs primarily in North America which were more than offset by selling, general and administrative cost reductions improving across regions. In 2004, the results were negatively impacted by the previously disclosed trade management strategy implemented in India and increased regional support costs, while Europe benefited from productivity improvements.

(millions of dollars)	Three Months Ended June 30				Six Months Ended June 30			
	2005	As a % of Sales	2004	As a % of Sales	2005	As a % of Sales	2004	As a % of Sales
Selling, General & Administrative Expenses								
North America	\$270	12.2%	\$258	12.3%	\$ 512	12.2%	\$ 495	12.4%
Europe	133	17.3	131	18.5	268	17.9	264	19.0
Latin America	57	11.5	58	14.7	112	12.0	103	13.4
Asia	25	20.4	22	20.0	48	22.1	44	22.1
Corporate/Other	48	—	47	—	95	—	94	—
Consolidated	\$533	15.0%	\$516	15.8%	\$1,035	15.3%	\$1,000	15.9%

Restructuring costs

Restructuring charges of \$7 million and \$14 million were recorded in the current and year to date period, respectively, and relate primarily to the global operating platform restructuring initiatives including consolidating sales organizations throughout Europe and shifting dishwasher and compressor capacity to lower cost regions.

Other Income (Expense)

Interest income and sundry income (expense) was \$7 million unfavorable for the quarter and was \$14 million unfavorable for the year to date period primarily due to the absence of prior year interest received on foreign tax audit settlements and non-income based tax expense in Europe. Interest expense increased \$4 million and \$5 million in the quarter and year to date periods, respectively, primarily due to higher interest rates and a shift in global borrowing positions. The primary impact was in Brazil which experienced both increased borrowing levels and higher interest rates on a year over year basis.

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[Table of Contents](#)

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

Income Taxes

The effective income tax rate was 29.5% for the quarter and 31.7% in the year to date period versus 37.0% in the year ago quarter and year to date period, respectively. The improvement to the effective tax rate versus last year is due primarily to global tax audit settlements, combined with tax planning initiatives and dispersion of global income.

Net Earnings

Net earnings for the current quarter were \$96 million, or \$1.42 per diluted share, versus \$106 million, or \$1.53 per diluted share in the year ago quarter. Net earnings for the year to date period were \$182 million, or \$2.69 per diluted share, versus \$207 million, or \$2.96 per diluted share in the prior year to date period. Performance was driven by improved price and mix, productivity improvements and cost controls offset by higher materials costs, particularly steel and resins, unfavorable currency fluctuations, and higher restructuring spending.

**CASH FLOWS**

The statements of cash flows reflect the changes in cash and cash equivalents for the six months ended June 30, 2005 and 2004 by classifying transactions into three major categories: operating, investing and financing activities.

Operating Activities

The Company's main source of liquidity is cash generated from operating activities consisting of net earnings adjusted for non-cash operating items, such as depreciation, and changes in operating assets and liabilities such as receivables, inventories and payables.

Cash used in operating activities in the first six months of 2005 was \$109 million compared to \$82 million provided by operating activities in 2004. The increase in cash used in operations is primarily due to a decline in payables as a result of planned manufacturing reductions, particularly late in the second quarter, which triggered a corresponding reduction in procurement activity. Also contributing to the increase in cash used in the 2005 period was an increase in cash taxes paid and a decline in operating accounts, driven largely by the timing of promotional accruals.

Investing Activities

The principal recurring investing activities are property additions. Net property additions for the six months ended June 30, 2005 were \$175 million compared to \$131 million during the six months ended June 30, 2004. These expenditures are primarily for equipment and tooling related to product improvements, more efficient production methods, and replacement for normal wear and tear. The increase in capital expenditures in the 2005 period as compared to 2004 is due mainly to expenditures to support the Company's global operating platform initiatives and innovation to support future growth. In 2004, proceeds from the sale of fixed assets resulted primarily from the sale and leaseback of a building within the Europe region.

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[Table of Contents](#)

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

Financing Activities

Cash provided by financing activities was \$231 million in 2005 compared to cash used in financing activities of \$23 million in 2004. Net borrowings increased \$263 million from year-end due, in part, to seasonal working capital needs. Dividends paid to shareholders totaled \$57 million and \$59 million for the six months ended June 30, 2005 and 2004, respectively. Under its stock repurchase plan approved by the Board of Directors, the Company purchased \$34 million (530,100 shares) in common stock during the six months ended June 30, 2005. See Part II, Item 2 for a table summarizing stock repurchases in the current quarter, and the approximate dollar value of shares that may be repurchased under the program. Partially offsetting these cash outflows were \$33 million in proceeds from the exercise of Company stock options.

**FINANCIAL CONDITION AND LIQUIDITY**

The Company's objective is to finance its business through the appropriate mix of long-term and short-term debt. By diversifying its maturity structure, the Company avoids concentrations of debt, reducing liquidity risk. Whirlpool has varying needs for short-term working capital financing as a result of the nature of its business. The volume and timing of refrigeration and air conditioning production impacts the Company's cash flows and consists of increased production in the first half of the year to meet increased demand in the summer months. The Company finances its working capital fluctuations primarily through the commercial paper markets in the U.S., Europe and Canada, which are supported by committed bank lines. In addition, outside the U.S., short-term funding is also provided by bank borrowings on uncommitted lines. The Company has access to long-term funding in the U.S., European and other public bond markets.

The financial position of the Company remained strong at June 30, 2005. Total assets were \$8.2 billion and stockholders' equity was \$1.7 billion at June 30, 2005. Total assets remain relatively unchanged versus December 31, 2004, and the increase in equity is primarily attributed to net earnings retention for the six months of \$125 million, partially offset by foreign currency items, which increased the accumulated other comprehensive loss.

On June 15, 2004, the Company announced that the Board of Directors authorized a new share repurchase program of up to \$500 million. The share repurchases will be made from time to time in the open market as conditions warrant. The Company repurchased 530,100 shares of Whirlpool common stock during the quarter ended June 30, 2005.

The Company maintains a \$1.2 billion five-year committed credit agreement, scheduled to mature in May 2009. This credit agreement supports commercial paper programs and other operating needs. Through June 30, 2005, there have not been any borrowings under this agreement. The Company is in full compliance with its bank covenants and none of its material debt agreements requires accelerated repayment in the event of a decrease in credit ratings.

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[Table of Contents](#)

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

The Company guarantees the indebtedness of certain customers of its Brazilian subsidiary as discussed in Note G to the consolidated condensed financial statements. The Company does not expect these guarantees to have a material effect on its financial condition or liquidity.

The Company believes its capital resources and liquidity position at June 30, 2005 are adequate to meet anticipated business needs and to fund future growth opportunities. Currently, the Company has access to capital markets in the U.S. and internationally.

**SUBSEQUENT EVENTS**

On July 17, 2005, the Company announced that it had made a proposal to acquire Maytag Corporation for consideration valued at \$17 per Maytag share, of which at least 50% would be paid in cash and the balance in shares of Company common stock. Maytag is currently party to a definitive merger agreement with Triton Acquisition Co. On July 22, 2005, the Company announced an increase in its proposal to \$18 per share, a 29% premium to Maytag stockholders as compared to the Triton offer. On July 27, 2005, the Company announced that it has entered into a mutual confidentiality agreement with Maytag Corporation. The agreement allows the Company to immediately commence the due diligence phase of its proposed acquisition of Maytag.

On July 4, 2005, the Company's leased warehouse facility in Kent, England was destroyed by fire. The fire destroyed the warehouse, as well as finished goods inventory and a small amount of fixed assets contained therein. The Company is in the process of determining the amount of the losses incurred. The Company is party to an insurance contract that is expected to cover the damaged inventory and equipment, subject to a \$5 million deductible, as well as the business interruption resulting from the fire. The Company does not expect to be liable for losses associated with the leased warehouse.

**OTHER MATTERS**

On February 13, 2003, the European Union adopted the Waste Electrical and Electronic Equipment ("WEEE") directive. Among other provisions, the directive stipulates that "producers" will be responsible for the cost of collection, disposal and recycling of waste ("recycling schemes") for many electrical and electronic products as of August 13, 2005. The directive required all European Union member states to introduce it into national law by no later than August 2004. However, as of July 2005, several major EU-member states were still in the drafting stage and had not passed national legislation. As a consequence, many of the details concerning responsibilities, costs of the recycling schemes and ability to recover through a visible fee to the end consumer are yet to be determined. The Company is, therefore, presently unable to estimate the potential cost of complying with the directive.

In January 2005, the Company amended the Whirlpool Employees Pension Plan (the "WEPP"). The Company remeasured the net periodic cost and funded status of the WEPP at January 1, 2005 to reflect the amendment. The amendment reduced the projected benefit obligation ("PBO") by \$80 million. The accumulated benefit obligation ("ABO") was not affected by the amendment. The interest rate used for this remeasurement was 5.85%, the same as at year-end 2004.

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[Table of Contents](#)

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

The Company is currently a defendant in 10 purported class action lawsuits in eight states related to its Calypso clothes washing machine. Three of the original purported class actions have been dismissed. The complaints in these lawsuits generally allege violations of state consumer fraud acts, unjust enrichment, and breach of warranty based on the allegations that the washing machines have various defects. There are no allegations of any personal injury, catastrophic property damage, or safety risk. The complaints generally seek unspecified compensatory, consequential and punitive damages. The Company believes these suits are without merit and intends to vigorously defend these actions. At this point, the Company cannot reasonably estimate a possible range of loss, if any.

The Brazilian Constitution provides the basis for tax credits on purchases of raw materials used in production. The credit applies to purchases of raw materials that are tax exempt or have a zero tax rate. Several court decisions supported that tax credit and, during 2003 and 2004, the Company calculated tax credits under this provision. The amount recorded as tax credits as of December 31, 2004 is approximately \$22 million. The recorded tax credits are currently being challenged in Brazilian courts and at this point, the Company cannot reasonably estimate the potential impact, if any, to its consolidated financial position or consolidated results of operations.

The American Jobs Creation Act of 2004 (the "Act") was signed into law on October 22, 2004. The Company has considered the implications of the Act on repatriation of foreign earnings, which reduces the Federal income tax rate on dividends from non-U.S. subsidiaries. The Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") 109-2 in December 2004 which requires the recording of tax expense if and when an entity decides to repatriate foreign earnings subject to the Act. As of June 30, 2005, the Company has decided not to repatriate undistributed foreign earnings and therefore, has not provided for income taxes on undistributed foreign earnings.

The Company is involved in various legal actions arising in the normal course of business. Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

**FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. Management's Discussion and Analysis and other sections of this report may contain forward-looking statements that reflect the Company's current views with respect to future events and financial performance.

Certain statements contained in this quarterly report and other written and oral statements made from time to time by the Company do not relate strictly to historical or current facts. 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 "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "possible," "plan," "project," "will," "forecast," and similar words or expressions. The Company's forward-looking statements generally relate to its growth strategies, financial results, product development, and sales efforts. These forward-looking statements should be considered with the understanding that such

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[Table of Contents](#)

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

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.

Many factors could cause actual results to differ materially from the Company's forward-looking statements. Among these factors are: (1) the cost of raw materials and components, especially steel and the impact of rising oil prices; (2) the financial impact of the Company's announced price increases will be dependent upon such factors as the strength of the Company's brands in the market place, the strength of consumer demand for the Company's products, and other factors outside of the Company's control such as the general economic conditions prevailing at the time the new pricing goes into effect; (3) rising worldwide transportation costs due to historically high and volatile oil prices, capacity constraints, and other factors; (4) the ability to gain or maintain market share in an intensely competitive global market; (5) the success of the Company's global strategy to develop brand differentiation and brand loyalty; (6) the Company's global operating platform initiatives; (7) the success of the Latin American businesses operating in challenging and volatile environments; (8) continuation of the Company's strong relationship with Sears Holdings Corporation in North America, which accounted for approximately 17% of consolidated net sales of \$13 billion in 2004; (9) currency exchange rate fluctuations; (10) social, economic and political volatility in developing markets; (11) continuing uncertainty in the North American, Latin American, Asian and European economies; (12) the effectiveness of the series of restructuring actions the Company has announced and/or completed through 2004; (13) U.S. interest rates; (14) new Asian competitors; (15) changes to the obligations as presented in the contractual obligations table; (16) changes in the funded position of the U.S. pension plans; (17) continued strength of the U.S. builder industry; (18) the threat of terrorist activities or the impact of war; (19) the Company's estimate of its annual effective tax rate of approximately 31.7% and (20) the success of the Company's proposal to acquire Maytag Corporation and, if the acquisition is completed, the impact of the acquisition and the Company's ability to realize expected benefits.

The Company undertakes no obligation to update any forward-looking statement, and investors are advised to review disclosures in the Company's filings with the Securities and Exchange Commission. It is not possible to foresee or identify all factors that could cause actual results to differ from expected or historic results. Therefore, investors should not consider the foregoing factors to be an exhaustive statement of all risks, uncertainties, or factors that could potentially cause actual results to differ.

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[Table of Contents](#)

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to the Company's exposures to market risk since December 31, 2004.

**Item 4. Controls and Procedures**

- (a) Evaluation of disclosure controls and procedures.

The Company's chief executive officer and chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period, have concluded that the Company's disclosure controls and procedures were effective.

- (b) Changes in internal control over financial reporting.

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

**PART II. OTHER INFORMATION****WHIRLPOOL CORPORATION AND SUBSIDIARIES**

Quarter Ended June 30, 2005

**Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

The following table summarizes repurchases of the Company's stock in the quarter ended June 30, 2005:

(millions of dollars, except number and price per share)

<u>Fiscal period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan</u>
April 1, 2005 through April 30, 2005	272,500	\$ 62.77	272,500	\$ 482
May 1, 2005 through May 31, 2005	227,600	\$ 64.94	227,600	\$ 467
June 1, 2005 through June 30, 2005	30,000	\$ 68.85	30,000	\$ 465
	<u>530,100</u>	<u>\$ 64.04</u>	<u>530,100</u>	

The Company's Board of Directors has authorized the repurchase of up to \$500 million in common stock. This repurchase plan was authorized on June 15, 2004.

**Item 4. Submission of Matters to a Vote of Security Holders.**

The Annual Meeting of Stockholders was held on April 20, 2005. At the meeting, the following items were voted on by shareholders:

- a. Messrs. Herman Cain, Jeff M. Fettig, Miles L. Marsh and Paul G. Stern were elected to a term to expire in 2008. Mr. Michael D. White was elected to a term to expire in 2007.

<u>Nominee</u>	<u>For</u>	<u>Against</u>	<u>Withheld</u>
Herman Cain	59,808,556	—	545,651
Jeff M. Fettig	58,856,132	—	1,498,075
Miles L. Marsh	58,905,203	—	1,449,004
Paul G. Stern	58,895,885	—	1,458,320
Michael D. White	59,696,589	—	657,618

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**Table of Contents**

Messrs. Gary T. DiCamillo, Allan D. Gilmour, Michael F. Johnston and Arnold G. Langbo and Ms. Kathleen J. Hempel and Ms. Janice D. Stoney each have terms of office as directors that continued after the 2005 Annual Meeting.

b. The Whirlpool Corporation Nonemployee Director Equity Plan was approved.

<b>For</b>	<b>Against</b>	<b>Abstentions</b>	<b>Broker Non-Votes</b>
46,648,320	8,127,261	249,125	5,329,501

**Item 6. Exhibits**

a. The following are included herein:

- Exhibit 31.1 Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
- Exhibit 31.2 Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
- Exhibit 32.1 Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

SIGNATURES

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

WHIRLPOOL CORPORATION  
(Registrant)

By /s/ ROY W. TEMPLIN

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Roy W. Templin  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

August 5, 2005

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

I, Jeff M. Fettig, certify that:

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

Date: August 5, 2005

/s/ JEFF M. FETTIG

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Name: Jeff M. Fettig  
Title: Chairman of the Board, President and  
Chief Executive Officer

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

I, Roy W. Templin certify that:

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

Date: August 5, 2005

/s/ ROY W. TEMPLIN

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Name: Roy W. Templin  
Title: Executive Vice President and  
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10–Q of Whirlpool Corporation (the “Company”) for the quarterly period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jeff M. Fettig, as Chief Executive Officer of the Company, and Roy W. Templin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, that, to his knowledge:

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

/s/ JEFF M. FETTIG

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Name: Jeff M. Fettig  
Title: Chairman of the Board, President and  
Chief Executive Officer  
Date: August 5, 2005

/s/ ROY W. TEMPLIN

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Name: Roy W. Templin  
Title: Executive Vice President and  
Chief Financial Officer  
Date: August 5, 2005