WHIRLPOOL CORP /DE/

FORM 10-Q
(Quarterly Report)

Filed 8/8/2006 For Period Ending 6/30/2006

Address	WHIRLPOOL CNTR 2000 M 63 C/O CORPORATE SECRETARY
	BENTON HARBOR, Michigan 49022-2692
Telephone	616-923-5000
CIK	0000106640
Industry	Appliance & Tool
Sector	Consumer Cyclical
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

OR

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

Commission file number **1-3932**

WHIRLPOOL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)	**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**

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 the filing requirements for at least the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, or an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act. (check one)

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐

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

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

Class of common stock	Shares outstanding at July 31, 2006
Common stock, par value $1 per share	78,222,609

QUARTERLY REPORT ON FORM 10-Q

WHIRLPOOL CORPORATION

Quarter Ended June 30, 2006

INDEX OF INFORMATION INCLUDED IN REPORT

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)

	Three Months Ended		Six Months Ended	
	2006	2005	2006	2005
Net sales	$ 4,734	$ 3,556	$ 8,270	$ 6,764
EXPENSES:				
Cost of products sold	4,034	3,036	7,013	5,759
Selling, general and administrative	465	322	809	619
Intangible amortization	9	—	9	1
Restructuring costs	21	7	33	14
	4,529	3,365	7,864	6,393
OPERATING PROFIT	205	191	406	371
OTHER INCOME (EXPENSE):				
Interest and sundry income (expense)	(12)	(17)	(19)	(29)
Interest expense	(56)	(34)	(85)	(69)
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND OTHER ITEMS	137	140	302	273
Income taxes	35	41	82	87
EARNINGS FROM CONTINUING OPERATIONS BEFORE EQUITY EARNINGS AND MINORITY INTERESTS	102	99	220	186
Equity in earnings of affiliated companies	1	—	2	1
Minority interests	(3)	(3)	(4)	(5)
EARNINGS FROM CONTINUING OPERATIONS	100	96	218	182
Loss from discontinued operations, net of tax	(9)	—	(9)	—
NET EARNINGS	$ 91	$ 96	$ 209	$ 182
Per share of common stock:				
Basic earnings from continuing operations	$ 1.28	$ 1.44	$ 3.01	$ 2.73
Discontinued operations, net of tax	(0.12)	—	(0.13)	—
Basic net earnings	$ 1.16	$ 1.44	$ 2.88	$ 2.73
Diluted earnings from continuing operations	$ 1.26	$ 1.42	$ 2.96	$ 2.69
Discontinued operations, net of tax	(0.12)	—	(0.13)	—
Diluted net earnings	$ 1.14	$ 1.42	$ 2.83	$ 2.69
Dividends declared	$ .43	$ .43	$ .86	$ .86
Weighted-average shares outstanding (millions):				
Basic	78.0	66.8	72.4	66.8
Diluted	79.4	67.9	73.7	67.9

See notes to consolidated condensed financial statements

WHIRLPOOL CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(millions of dollars)

	(Unaudited) June 30 2006	December 31 2005
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 301	$ 524
Trade receivables, less allowances (2006: $122; 2005: $76)	2,571	2,081
Inventories	2,544	1,591
Prepaid expenses	183	148
Deferred income taxes	233	134
Other current assets	362	285
Assets of discontinued operations	747	—
Total Current Assets	6,941	4,763
OTHER ASSETS		
Investment in affiliated companies	27	28
Goodwill	1,801	169
Other intangibles, net	1,610	115
Deferred income taxes	446	472
Other assets	226	243
	4,110	1,027
PROPERTY, PLANT AND EQUIPMENT		
Land	89	80
Buildings	1,319	1,033
Machinery and equipment	7,685	6,108
Accumulated depreciation	(5,966)	(4,710)
	3,127	2,511
Total Assets	$ 14,178	$ 8,301
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 332	$ 131
Accounts payable	2,887	2,330
Employee compensation	343	352
Deferred income taxes	49	61
Accrued expenses	1,061	933
Restructuring costs	215	19
Income taxes	92	18
Other current liabilities	220	145
Current maturities of long-term debt	864	365
Liabilities of discontinued operations	564	-
Total Current Liabilities	6,627	4,354
OTHER LIABILITIES		
Deferred income taxes	373	167
Pension benefits	896	467
Postemployment benefits	1,034	511
Other liabilities	407	220
Long-term debt	1,802	745
	4,512	2,110
MINORITY INTERESTS	44	92
STOCKHOLDERS' EQUITY		
Common stock, $1 par value:		
Shares authorized - 250 million	102	92
Shares issued -102 million (2006); 92 million (2005)		
Shares outstanding - 78 million (2006); 68 million (2005)		

Paid-in capital	1,821	863
Retained earnings	3,049	2,902
Accumulated other comprehensive income (loss)	(727)	(862)
Treasury stock - 24 million (2006); 24 million (2005)	(1,250)	(1,250)
Total Stockholders’ Equity	2,995	1,745
Total Liabilities and Stockholders’ Equity	$ 14,178	$ 8,301

See notes to consolidated condensed financial statements

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
Beginning balance, April 1, 2005	$ 1,628	$ 2,653	$ (658)	$ 90	$ (457)
Comprehensive income					
Net income	96	96			
Unrealized gain on derivative instruments, net of tax	19		19		
Other, principally foreign currency items, net of tax	20		20		
Comprehensive income	135				
Common stock and options issued	18				18
Common stock repurchased	(34)				(34)
Dividends declared on common stock	(28)	(28)			
Ending balance, June 30, 2005	$ 1,719	$ 2,721	$ (619)	$ 90	$ (473)
Beginning balance, April 1, 2006	$ 2,859	$ 2,991	$ (764)	$ 102	$ 530
Comprehensive income					
Net income	91	91			
Unrealized gain on derivative instruments, net of tax	11		11		
Other, principally foreign currency items, net of tax	26		26		
Comprehensive income	128				
Common stock and options issued	41				41
Dividends declared on common stock	(33)	(33)			
Ending balance, June 30, 2006	$ 2,995	$ 3,049	$ (727)	$ 102	$ 571

	Six Months Ended				
	Total	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Treasury Stock / Paid-in-Capital
Beginning balance, January 1, 2005	$ 1,606	$ 2,596	$ (601)	$ 90	$ (479)
Comprehensive income					
Net income	182	182			
Unrealized gain on derivative instruments, net of tax	6		6		
Other, principally foreign currency items, net of tax	(24)		(24)		
Comprehensive income	164				
Common stock and options issued	40				40
Common stock repurchased	(34)				(34)
Dividends declared on common stock	(57)	(57)			
Ending balance, June 30, 2005	$ 1,719	$ 2,721	$ (619)	$ 90	$ (473)
Beginning balance, January 1, 2006	$ 1,745	$ 2,902	$ (862)	$ 92	$ (387)
Comprehensive income					
Net income	209	209			
Unrealized gain on derivative instruments, net of tax	52		52		
Other, principally foreign currency items, net of tax	83		83		

Comprehensive income	344				
Common stock and options issued	968			10	958
Dividends declared on common stock	(62)	(62)			
Ending balance, June 30, 2006	$ 2,995	$ 3,049	$ (727)	$ 102	$ 571

See notes to consolidated condensed financial statements

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

	2006	2005
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net earnings	$ 209	$ 182
Loss from discontinued operations	9	—
Earnings from continuing operations	218	182
Adjustments to reconcile net earnings to net cash flows provided by (used in) continuing operations:		
(Gain) loss on disposition of assets	8	(4)
Depreciation and amortization	237	224
Changes in operating assets and liabilities:		
Trade receivables	82	(174)
Inventories	(351)	(120)
Accounts payable	(9)	(206)
Restructuring charges, net of cash paid	(9)	—
Taxes deferred and payable, net	(11)	(19)
Accrued pension	47	31
Accrued payroll and other compensation	(66)	(18)
Other - net	(65)	(5)
Cash Provided By (Used In) Continuing Operations	$ 81	$ (109)
INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Capital expenditures	$ (233)	$ (175)
Proceeds from sale of assets	6	4
Purchase of minority interest shares	(53)	—
Acquisitions of businesses, net of cash acquired	(795)	—
Cash Used In Investing Activities of Continuing Operations	$ (1,075)	$ (171)
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Proceeds of short-term borrowings, net	$ 198	$ 268
Proceeds from borrowings of long-term debt	748	—
Repayments of long-term debt	(190)	(5)
Dividends paid	(62)	(57)
Purchase of treasury stock	—	(34)
Common stock issued under stock plans	40	33
Other	11	26
Cash Provided By Financing Activities of Continuing Operations	$ 745	$ 231
Cash Provided By (Used In) Discontinued Operations		
Operating Activities	$ 12	$ —
Investing Activities	(2)	—
Cash Provided By Discontinued Operations	$ 10	$ —
Effect of Exchange Rate Changes on Cash and Equivalents	16	(6)
Decrease in Cash and Equivalents	$ (223)	$ (55)
Cash and Equivalents at Beginning of Period	524	243
Cash and Equivalents at End of Period	$ 301	$ 188

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, 2006 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 2005 Annual Report on Form 10-K, both of which are available through the Internet at www.whirlpoolcorp.com .

The Company completed the acquisition of Maytag Corporation ("Maytag") on March 31, 2006, the last day of the first quarter. The results of Maytag's operations have been included in the Consolidated Condensed Financial Statements since April 1, 2006. The Company did not include the Maytag operating results in the first quarter 2006 Consolidated Condensed Statements of Operations as they were deemed immaterial to the Company's overall results. Further discussion of this transaction can be found under "Maytag Acquisition" in Management's Discussion and Analysis and in Note C to the Consolidated Condensed Financial Statements.

On May 23, 2006, the Company announced its intention to sell the Hoover floor-care, Dixie-Narco vending systems , Amana commercial microwave and Jade commercial products appliance businesses. As a result of the Company's decision, these entities are being reported as discontinued operations effective April 1, 2006. Associated results of operations, financial position and cash flows are separately reported as of and for the periods ended June 30, 2006. First quarter 2006 and prior year amounts did not include the results of Maytag, and therefore the results of these periods have not been restated.

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

	Three months ended June 30,		Six months ended June 30,	
(millions of dollars and shares)	**2006**	**2005**	**2006**	**2005**
Numerator for basic and diluted earnings per share - Earnings from continuing operations	$ 100	$ 96	$ 218	$ 182
Denominator for basic earnings per share - weighted-average shares	78.0	66.8	72.4	66.8
Effect of dilutive securities - stock-based compensation	1.4	1.1	1.3	1.1
Denominator for diluted earnings per share - adjusted weighted-average shares	79.4	67.9	73.7	67.9

Diluted net earnings per share of common stock includes the dilutive effect of stock options and stock-based compensation. For the three months ended June 30, 2006 and 2005, approximately 2,100,000 and 1,748,000 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, 2006 and 2005, approximately 2,100,000 and 1,791,000 stock options, respectively, were excluded from the calculation of diluted earnings per share because their exercise prices rendered them anti-dilutive.

Effective January 1, 2006, the Company reclassified freight and warehousing costs from the selling, general and administrative expense line to the cost of products sold line in the Consolidated Condensed Statements of Operations. For the three and six months ended June 30, 2005, amounts reclassified were $211 million and $415 million, respectively. This change was adopted to better reflect these costs being directly tied to product sales. There was no change to net earnings as a result of this reclassification. Calculated percentages of gross margin and selling, general and administrative costs as a percent of sales reflect this reclassification.

Certain reclassifications have been made to 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 June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. (“FIN”) 48, “Accounting for Uncertainty of Income Taxes,” which addresses the uncertainty of income taxes recognized in accordance with FASB Statement No. 109, “Accounting for Income Taxes”. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years that begin after December 15, 2006. The Company is in the process of analyzing the potential effects FIN 48 will have on its results of operations and financial position.

In March 2006, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 156, “Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140,” which addresses the valuation of servicing assets and servicing liabilities. SFAS No. 156 eliminates the requirement to value servicing assets and servicing liabilities at the lower of cost or market and instead permits these assets and liabilities to be measured at fair value. SFAS No. 156 is effective for fiscal years that begin after September 15, 2006. The Company does not expect the adoption of SFAS No. 156 to have a material impact on its results of operations or financial position.

In February 2006, FASB issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140.” SFAS No. 155 provides a fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation. SFAS No. 155 also provides clarification of specific derivative accounting exceptions and sets forth requirements to analyze certain financial assets to determine whether they require bifurcation. SFAS No. 155 is effective for all financial instruments acquired or issued subsequent to fiscal years that begin after September 15, 2006. The Company does not expect the adoption of SFAS No. 155 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. 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 June 30, 2006, while many EU-member states have enacted legislation, a number of major EU-member states were still in the drafting process. The Company has complied with the directive in states that have adopted legislation. The net impact of compliance with this directive did not have a material effect on the Company’s results of operations for the three and six months ended June 30, 2006.

NOTE C — MAYTAG ACQUISITION

On March 31, 2006, the Company completed its acquisition of Maytag. Maytag had consolidated net sales for the year ended December 31, 2005, of approximately $4.9 billion. With the acquisition, the Company adds an array of home appliance brands including *Maytag* , *Jenn-Air* and *Amana* . The Company expects to realize cost savings from all areas across the value chain including product manufacturing and marketing, global procurement, logistics, infrastructure and support areas, product research and development and asset utilization.

The aggregate purchase price for Maytag was approximately $1.9 billion, including approximately $848 million of cash and approximately 9.7 million shares of Company common stock, the adjustment of outstanding Maytag options to become exercisable, in aggregate, for an additional 1.8 million shares of Company common stock and the settlement of Maytag restricted stock and performance units for cash. The combined value of the above share-based consideration was approximately $920 million. The value of the approximately 9.7 million shares of Company common stock was determined using the average market price of the Company’s common shares for the two days prior to, through the two days after, March 29, 2006, the date the reference period for the exchange ratio was established. In addition, the Company assumed Maytag’s existing debt of approximately $978 million. The Company incurred approximately $102 million in acquisition-related expenses, which are included in the purchase price above. Initially, the

Company borrowed amounts required to fund the cash portion of the purchase price through issuances in the U.S. commercial paper market and in June 2006 refinanced a portion of this commercial paper through the issuance of long-term bonds.

The Company is in the process of obtaining independent appraisals for the purpose of allocating the purchase price to the individual assets acquired and liabilities assumed. This is expected to result in adjustments to the carrying values of Maytag's recorded assets and liabilities, refinement of amounts recorded for certain intangible assets, revisions of the useful lives of intangible assets, some of which will have indefinite lives not subject to amortization, and the determination of any residual amount that will be allocated to goodwill. The preliminary allocation of the purchase price included in the current period balance sheet is based on the best estimates of management and is subject to revision based on final determination of asset fair values and useful lives. The related depreciation and amortization expense from the acquired assets is also subject to such revisions on a prospective basis.

The following table presents the preliminary allocation of purchase price related to the Maytag business as of the date of acquisition:

(millions of dollars)	
Current assets	$ 1,320
Assets of discontinued operations	748
Property, plant and equipment	593
Goodwill	1,632
Intangible assets	1,503
Other non-current assets	24
Total assets acquired	5,820
Current liabilities	1,499
Liabilities of discontinued operations	573
Non-current liabilities	1,878
Total liabilities assumed	3,950
Net assets acquired	$ 1,870

Goodwill, which is not deductible for tax purposes, has been preliminarily allocated to the North America operating segment on the basis that the cost efficiencies identified will primarily benefit this segment of the business. Any subsequent allocation of goodwill amounts to other segments of the business is not expected to be material.

The Company has preliminarily estimated the fair value of Maytag's identifiable intangible assets as $1,503 million. The preliminary allocation of identifiable intangible assets is as follows:

(millions of dollars)		Estimated Fair Value	Average Remaining Useful Life
Asset class:			
Brand intangibles - indefinite lived	$	1,110	
Customer relationships		295	18 years
Technology and contractual agreements		98	1 to 8 years
	$	1,503	

The majority of the intangible valuation relates to brand intangibles. The Company's preliminary assessment as to brand intangibles having an indefinite life was based on a number of factors, including competitive environment, market share, brand history and product life cycles. The customer relationship intangibles have an average remaining useful life of 18 years based on the very low historical and projected customer attrition rates among major retailers.

The Company is also in the process of completing its analysis of integration plans, pursuant to which the Company will incur costs primarily related to the elimination of duplicative manufacturing facilities and selling, general and administrative overlap. The Company has established reserves for certain exit costs relating to the closure of Maytag facilities including manufacturing plants, the former headquarters location and other administrative offices. Costs associated with these actions will not impact current earnings and have been recognized as a component of purchase accounting, resulting in an adjustment to goodwill. A $216 million reserve for certain actions, including the previously announced closure of Maytag's facilities in Galesburg, Illinois and Florence, South Carolina, along with the closure of the Maytag facilities mentioned above, has been recognized as a liability at the date of acquisition. This reserve includes costs for severance benefits that are estimable and have been communicated to the affected employees.

The following table provides pro forma results of operations for the three and six months ended June 30, 2006 and 2005 as if Maytag had been acquired as of the beginning of each period presented. The pro forma results include certain purchase accounting adjustments such as the estimated changes in depreciation and amortization expense on acquired tangible and intangible assets as well as interest expense on borrowings used to finance the integration. However, pro forma results do not include any anticipated cost savings or other effects of the planned integration of Maytag. Accordingly, such amounts are not necessarily indicative of the results that would have occurred if the acquisition had occurred on the dates indicated or that may result in the future.

(millions of dollars, except diluted earnings per share)	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Net sales	$ 4,562	$ 9,282	$ 8,722
Earnings from continuing operations	$ 84	$ 207	$ 167
Net earnings	$ 70	$ 195	$ 154
Diluted net earnings per share:			
Earnings from continuing operations	$ 1.08	$ 2.61	$ 2.15
Loss from discontinued operations	$ (0.18)	$ (0.16)	$ (0.16)
Net earnings	$ 0.90	$ 2.45	$ 1.99

Certain non-recurring acquisition charges of $52 million recorded by Maytag prior to March 31, 2006, directly related to the acquisition, including $27 million of accelerated stock compensation expense triggered by certain change in control provisions and approximately $25 million of direct transaction costs have been eliminated from the pro forma information presented above.

NOTE D — DISCONTINUED OPERATIONS

The Company classified the Hoover, Dixie-Narco, Amana commercial and Jade businesses as discontinued operations during the second quarter of 2006. The decision to divest the floor-care and commercial businesses will allow the Company to focus on its core appliance business. The associated results of operations, financial position and cash flows are separately reported as of and for the periods ended June 30, 2006. First quarter 2006 and prior year amounts did not include the results of Maytag, and therefore the results of these periods have not been restated.

The following table includes certain summary income statement information related to the results of the Hoover, Dixie-Narco, Amana commercial and Jade businesses:

(millions of dollars)	Three Months Ended June 30, 2006
Net sales	$ 181
Loss before income taxes	(17)
Income tax benefit	8
Loss from discontinued operations	$ (9)

Additionally, the Consolidated Condensed Balance Sheets include the assets and liabilities of the Hoover, Dixie-Narco, Amana commercial and Jade businesses presented as discontinued operations. As of June 30, 2006, the assets and liabilities of discontinued operations were as follows:

(millions of dollars)	June 30, 2006
Assets	
Net receivables	$ 125
Inventories	162
Net intangibles	117
Deferred income taxes	140
Net property plant and equipment	189
Other assets	14
Total assets of discontinued operations	$ 747
Liabilities	
Accounts payable	$ 51
Pension benefits	156
Postemployment benefits	303
Other liabilities	54
Total liabilities of discontinued operations	$ 564

NOTE E — ADOPTION OF SFAS NO. 123(R)

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), “Share-Based Payment”, using the modified-prospective-transition method. Under that transition method, compensation cost includes: (1) compensation cost for all share-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (2) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods have not been restated.

The Company sponsors several share-based employee incentive plans. Pre-tax amortization of compensation costs for stock option grants awarded under these plans recognized during the three and six months ended June 30, 2006 was approximately $1.8 and $3.0 million, respectively. Compensation expense related to restricted stock units (“RSU”) for the three and six months ended June 30, 2006 was $6.8 and $14.5 million, respectively.

At June 30, 2006, unrecognized compensation cost related to non-vested stock option and RSU awards totaled $56 million. The cost of these non-vested awards is expected to be recognized over the requisite vesting period.

As a result of adopting SFAS No. 123(R) on January 1, 2006, the Company's earnings from continuing operations before income taxes and other items and net earnings for the three months ended June 30, 2006 are $1.8 million and $1 million lower, respectively, than if it had continued to account for share-based compensation under Accounting Principles Board ("APB") Opinion No. 25. For the six months ended June 30, 2006, the Company's earnings from continuing operations before income taxes and other items and net earnings are $3 million and $1.8 million lower, respectively, than if it had continued to account for share-based compensation under APB Opinion No. 25.

Basic and diluted net earnings per share for the three months ended June 30, 2006 are $.01 lower than if the Company had continued to account for share-based compensation under APB Opinion No. 25. Basic and diluted net earnings per share for the six months ended June 30, 2006 are $.02 lower than if the Company had continued to account for share-based compensation under APB Opinion 25.

The following table illustrates the effect on net income and earnings per share for the three and six months ended June 30, 2005, if the Company had applied the fair value recognition provisions of SFAS No. 123 to options granted under the Company's stock option plans. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes option pricing model with share-based awards amortized over the vesting periods.

Share-Based Compensation - Pro Forma Net Income and Earnings per Share

(millions of dollars, except per share data)	**Three Months Ended June 30, 2005**	**Six Months Ended June 30, 2005**
Net earnings as reported	$ 96	$ 182
Add: Share-based employee compensation expense included in reported net earnings, net of related tax effects	3	5
Deduct: Total share-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(4)	(7)
Pro forma net earnings	$ 95	$ 180
Earnings per share:		
Basic — as reported	$ 1.44	$ 2.73
Basic — pro forma	$ 1.42	$ 2.70
Diluted — as reported	$ 1.42	$ 2.69
Diluted — pro forma	$ 1.40	$ 2.66

Share-Based Employee Incentive Plans

The Company sponsors several share-based employee incentive plans with similar features providing for the issuance of stock options, performance stock units and performance shares, and restricted stock and restricted stock equivalents for periods of up to ten years to eligible employees. On December 31, 2005, the Whirlpool Corporation 1996 Omnibus Stock and Incentive Plan ("OSIP") expired following the completion of its 10-year term; as a result there can be no new grants under this plan as of this date.

The following table summarizes the plans:

(millions of shares)	June 30, 2006			
	1996 OSIP	1998 OSIP	2000 OSIP	2002 OSIP
Share-based awards granted	3.4	3.6	2.6	2.0
Unvested awards	0.9	1.2	1.2	1.3
Converted to freely transferable stock	2.5	2.4	1.4	0.7

Stock Options

Eligible employees receive stock options as a portion of their total compensation. Such options generally become exercisable over a three-year period and expire 10 years from the date of grant, generally subject to forfeiture upon termination of employment.

The Company uses the Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. Stock options granted have exercise prices equal to the market price of Whirlpool common stock on the grant date. The principal variable assumptions utilized in valuing options and the methodology for estimating such model inputs include: (1) risk-free interest rate — an estimate based on the yield of U.S. zero coupon securities with a maturity equal to the expected life of the option; (2) expected volatility — an estimate based on the historical volatility of Whirlpool common stock for a period equal to the expected life of the option, and (3) expected option life — an estimate based on historical experience including the effect of employee terminations. Based on the results of the model, the weighted-average fair value of stock options granted during the six months ended June 30, 2006 was $22.04 using the following assumptions:

Weighted Average Black-Scholes Assumptions	
Risk-free interest rate	4.55%
Expected volatility	25.60%
Expected dividend yield	2.09%
Expected option life	5.00 Years

The following table summarizes stock option activity during the six months ended June 30, 2006. During this period, the Company granted 2,244,000 stock options, of which 1,778,000 related to stock options granted to former Maytag employees.

Stock Option Activity

(thousands of shares)	Options	Weighted-Average Exercise Price	Expiration Dates
Outstanding, December 31, 2005	3,733	$ 60.37	June 2006 - November 2015
Granted	2,244	91.00	
Exercised	(631)	65.50	
Canceled or expired	(44)	$ 80.47	
Outstanding, June 30, 2006	5,302	$ 72.56	April 2007- May 2016

The total intrinsic value of stock options exercised during the six months ended June 30, 2006 was $15 million for which tax benefits totaled approximately $6 million. Cash received from the exercise of stock options during the six months ended June 30, 2006 totaled $40 million.

The table below provides additional information related to stock options outstanding at June 30, 2006:

Stock Options

(options in thousands / dollars in millions, except share data)	Outstanding Net of Expected Forfeitures	Options Exercisable
Number of options	5,009	4,154
Weighted-average exercise price	$ 71.82	$ 69.37
Aggregate intrinsic value	$ 83	$ 79
Weighted-average remaining contractual term, in years	6.5	6.0

Restricted Stock Units

Eligible employees receive RSUs as a portion of their total compensation. RSU awards vest over various time periods depending upon the program, but generally vest from two years to seven years and convert to unrestricted common stock at the conclusion of the vesting period. All or a portion of an award may be canceled if employment is terminated before the end of the relevant vesting period. The Company accrues dividend equivalents on outstanding RSUs (in the form of additional RSUs), based on dividends declared on Whirlpool common stock.

The Company measures compensation cost based on the market price of Whirlpool common stock at the grant date.

The following table summarizes RSU activity during the six months ended June 30, 2006:

(RSUs in thousands)	Number of RSUs	Weighted-Average Grant Date Fair Value
Outstanding, December 31, 2005	1,499	$ 67.55
Granted	154	91.30
Canceled	(12)	85.94
Vested and transferred to unrestricted	(51)	63.33
Outstanding, June 30, 2006	1,590	$ 71.95

NOTE F — GOODWILL AND OTHER INTANGIBLES

The changes in the carrying amounts for goodwill and amortizable intangible assets since December 31, 2005 are due primarily to the acquisition of Maytag. Preliminary estimates of Maytag-related goodwill have been recorded in the North America operating segment. As of June 30, 2006, the operating segments' total goodwill carrying amounts were as follows: North America - $1,797 million and Latin America - $4 million.

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

(millions of dollars)	June 30, 2006	December 31, 2005
Intangible assets with indefinite lives	$ 1,162	$ 51
Amortizable intangible assets with determinable lives	384	—
Pension related	64	64
Total other intangible assets, net	$ 1,610	$ 115

Included in the balances in the table above are accumulated amortization amounts totaling $12 million and $4 million at June 30, 2006 and December 31, 2005, respectively.

NOTE G — INVENTORIES

Inventories consist of the following:

(millions of dollars)	June 30, 2006	December 31, 2005
Finished products	$ 2,134	$ 1,361
Raw materials and work in process	535	363
	2,669	1,724
Less excess of FIFO cost		
over LIFO cost	125	133
	$ 2,544	$ 1,591

NOTE H — RESTRUCTURING CHARGES

Whirlpool Restructuring

The following represents a reconciliation of the changes in restructuring reserves related to Whirlpool projects through June 30, 2006:

(millions of dollars)	Balance January 1, 2006	Charge to Earnings	Cash Utilization	Non-Cash Utilization	Revision of Estimate	Translation	Balance June 30, 2006
Termination costs	$ 15	$ 14	$ (20)	$ —	$ —	$ 1	$ 10
Non-employee exit costs	4	18	(1)	(17)	—	—	4
Total	$ 19	$ 32	$ (21)	$ (17)	$ —	$ 1	$ 14

Under its ongoing global operating platform initiatives, the Company implemented certain restructuring initiatives to strengthen its 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 $20 million and $32 million related to these actions during the three and six months ended June 30, 2006, 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 and impairment of fixed assets. These charges relate to shifting air control, refrigeration and compressor capacity to lower cost regions, as well as salary workforce reorganization throughout Europe. The Company expects to spend up to $67 million during the last six months of 2006 related to these initiatives. As of June 30, 2006, approximately 2,650 employees have been terminated as a result of this initiative. The Company expects that this restructuring initiative may reduce up to 3,500 positions in total.

Maytag Integration

Maytag integration reserves are included in the restructuring costs line in the Consolidated Condensed Balance Sheets. The following represents a reconciliation of the changes in reserves related to Maytag projects through June 30, 2006:

(millions of dollars)	Balance April 1, 2006	Charge to Earnings	Cash Utilization	Non-Cash Utilization	Revision of Purchase Price Allocation	Translation	Balance June 30, 2006
Termination costs	$ 134	$ 1	$ (14)	$ —	$ 40	$ —	$ 161
Non-employee exit costs	35	—	(2)	—	7	—	40
Total	$ 169	$ 1	$ (16)	$ —	$ 47	$ —	$ 201

The Company has announced its intention to close the Newton, Iowa; Herrin, Illinois and Searcy, Arkansas laundry manufacturing plants as well as the former headquarters and other administrative offices. The Company has established reserves for certain exit costs relating to these facilities. Costs associated with these actions will not impact current earnings and have been recognized as a component of purchase accounting, resulting in an adjustment to goodwill. A $196 million reserve for certain actions, including closure of the Maytag facilities mentioned above, has been recognized as a purchase accounting liability and is included in the June 30, 2006 restructuring balance. This reserve includes $158 million in severance costs primarily related to personnel located in the former headquarters location and other administrative offices. Excluded from the reserve are severance costs for certain manufacturing employees for which the related severance benefits have not been communicated.

The remaining $5 million of reserves, of which $1 million was charged to earnings in the current quarter, relate to Maytag's previously announced closing of the refrigeration manufacturing facility in Galesburg, Illinois, the closing of Maytag's laundry facility in Florence, South Carolina and the exiting of other ancillary lines of business. Of this reserve, $3 million relates to termination costs and the remaining $2 million relates to non-employee exit costs.

On a segment level, for the three and six months ended June 30, 2006, respectively, the North America region incurred approximately $14 million and $16 million, the Europe region incurred approximately $4 million and $8 million, the Latin America region incurred approximately $1 million and $4 million, and the Asia region incurred approximately $2 million and $5 million of restructuring charges, respectively.

NOTE I — 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, supporting purchases from the Company, following its normal credit policies. In the event 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, 2006 and December 31, 2005, these amounts totaled $221 million and $236 million, respectively. The only recourse the Company has related to these agreements would be legal or administrative collection efforts directed against the customer.

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 $1.3 billion and $1.4 billion at June 30, 2006 and December 31, 2005, respectively. The Company's total outstanding bank indebtedness, including credit facility amounts under guarantee, totaled $103 million and $79 million at June 30, 2006 and December 31, 2005, respectively.

At June 30, 2006, approximately $64 million of undrawn stand-by letters of credit were outstanding, of which $43 million will expire in the third quarter of 2006. These letters of credit were issued by Maytag and assigned to Whirlpool as part of the merger.

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.

The following represents a reconciliation of the changes in product warranty reserves during the six months ended June 30, 2006:

(millions of dollars)	
Balance, December 31, 2005	$ 149
Acquisition	112
Warranties issued during the period	194
Settlements made during the period	(208)
Other	10
Balance, June 30, 2006	$ 257
Current portion	$ 169
Non-current portion	88
Total	$ 257

Other changes consist primarily of revisions of warranty reserves during the six months ended June 30, 2006.

Commitments and Contingencies

In April 2006, the Company reorganized its Latin America business by merging Empresa Brasileira de Compressores S.A. into Multibras S.A. Eletrodomésticos and created two independent Business Units ("Embraco's Compressor and Cooling Solutions Business Unit" and "Home Appliances Business Unit"). The Company changed the corporate name of Multibras to Whirlpool S.A. The planned reorganization has received shareholder and regulatory approvals. The total cost to purchase shares from minority shareholders was approximately $53 million and is shown separately as a use of cash in the Investing Activities of Continuing Operations section of the Consolidated Condensed Statements of Cash Flows. The remaining minority shareholder ownership now equals 1.91%.

In 1989, a Brazilian affiliate (now a subsidiary) of the Company brought an action against a financial institution in Brazil seeking a "Declaration of Non-Enforceability of Obligations" relating to loan documentation entered into without authority by a senior officer of the affiliate. In September 2000, a decision in the declaratory action adverse to the Company became final. In 2001, the financial institution began a collection action, and the Company responded with a counterclaim. The lower court dismissed the counterclaim in 2002 and the Superior Court confirmed the lower court decision in December 2005. The Company provided for the potential exposure resulting from this litigation during 2005 and no significant change in the status of this action has occurred.

Two purported national class action lawsuits have been filed against the Company, one in a Missouri state court and one in an Illinois state court, each alleging breach of warranty, fraud, and violation of state consumer protection acts in selling tall tub dishwashers. There are no allegations of any personal injury or property damage and the complaint seeks unspecified compensatory damages. The Company believes these suits are without merit, intends to vigorously defend these actions, and at this point cannot reasonably estimate a possible range of loss, if any.

The Company regularly engages in investigations of potential quality and safety issues as part of its ongoing effort to deliver quality products to its customers. Whirlpool is currently investigating a limited number of potential quality and potential safety issues that, in aggregate, potentially involve significantly less than 1% of the appliances it manufactures or markets, including appliances manufactured or marketed by Maytag. As necessary, the Company undertakes to effect repair or replacement of appliances in the event that an investigation leads to the conclusion that such action is warranted. The Company currently believes that no such repair or replacement actions of a material nature are required but will continue to evaluate this activity as new information develops .

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.

NOTE J — 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, 2006 and 2005 are indicated below:

	Three months ended June 30					
	U.S. Pension Benefits		Foreign Plans		Other Benefits	
(millions of dollars)	2006	2005	2006	2005	2006	2005
Service cost	$ 22.1	$ 20.9	$ 3.2	$ 3.1	$ 6.0	$ 3.8
Interest cost	56.0	28.2	4.2	4.3	21.3	9.0
Expected return on plan assets	(62.7)	(38.4)	(1.8)	(1.8)	—	—
Amortization of transition obligation	—	—	0.2	0.2	—	—
Amortization of prior service cost	2.2	2.3	0.1	0.1	(2.0)	(1.8)
Amortization of net loss	6.7	3.5	0.5	0.2	3.0	3.6
Net periodic cost	$ 24.3	$ 16.5	$ 6.4	$ 6.1	$ 28.3	$ 14.6

	Six months ended June 30					
	U.S. Pension Benefits		Foreign Plans		Other Benefits	
(millions of dollars)	2006	2005	2006	2005	2006	2005
Service cost	$ 38.1	$ 41.8	$ 6.3	$ 6.3	$ 9.7	$ 7.6
Interest cost	85.1	56.3	8.3	8.7	31.0	18.0
Expected return on plan assets	(98.7)	(76.8)	(3.6)	(3.6)	—	—
Amortization of transition obligation	—	—	0.4	0.4	—	—
Amortization of prior service cost	4.4	4.6	0.2	0.2	(4.1)	(3.6)
Amortization of net loss	13.4	7.0	1.0	0.4	7.3	7.2
Net periodic cost	$ 42.3	$ 32.9	$ 12.6	$ 12.4	$ 43.9	$ 29.2

As previously disclosed, Whirlpool acquired Maytag on March 31, 2006, and the pension and postretirement net periodic cost has been reflected from that date forward.

The Company remeasured the net periodic cost and funded status of the Whirlpool Employees Pension Plan (the “WEPP”) at January 1, 2005 to reflect a plan amendment which 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%.

Employer Contributions

Employer Contributions — millions of dollars	U.S. Pension	Foreign Pension
2006 (expected)	$ 85	$ 23

The Company expects to contribute $85 million to the U.S. pension plans during 2006 which represents the sum of $4 million of expected benefit payments from corporate cash for the unfunded pension plans, expected voluntary contributions of $78 million to funded pension plans, and $3 million to the unfunded pension plans. The Company expects no minimum required contributions to its funded pension plans in 2006.

There have been no changes to the previously disclosed expected contributions to the Company's foreign pension plans.

NOTE K — INCOME TAXES

The effective income tax rate was approximately 25.3% for the quarter and 27.0% for the year to date period versus 29.5% in the year ago quarter and 31.7% in the prior year to date period. The reduction results from a combination of the dispersion of global income, global audit settlements, increased tax credits and global planning activities. At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year, and adjusts the quarterly rate, as necessary.

NOTE L — 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 2006 and 2005, these one-time charges primarily consisted of restructuring and other related charges. Total assets by segment are those assets directly associated with the respective operating activities. The Company has included in its geographic information the recently acquired Maytag assets and results of operations as of and for the quarter ended June 30, 2006. The Maytag geographic information has been included in the North America, Europe, and Asia segments. The "Other/Eliminations" column primarily includes corporate expenses, assets and eliminations, as well as all other one-time charges and discontinued operations. 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, 2006, the North America operating segment incurred approximately $14 million and $16 million, the Europe operating segment incurred approximately $4 million and $8 million, the Latin America operating segment incurred approximately $1 million and $4 million, and the Asia operating segment incurred approximately $2 million and $5 million of restructuring charges. For the three and six months ended June 30, 2005, the North America operating segment incurred approximately $0 million and $1 million, the Europe operating segment incurred approximately $5 million and $10 million, and the Latin America operating segment incurred approximately $2 million and $3 million of restructuring charges, respectively.

(millions of dollars) Three Months Ended June 30	North America	Europe	Latin America	Asia	Other/ Eliminations	Consolidated
Net sales						
2006	$ 3,274	$ 806	$ 581	$ 133	$ (60)	$ 4,734
2005	$ 2,205	$ 770	$ 494	$ 123	$ (36)	$ 3,556
Intersegment sales						
2006	$ 12	$ 122	$ 36	$ 49	$ (219)	$ —
2005	$ 9	$ 124	$ 34	$ 46	$ (213)	$ —
Depreciation and amortization						
2006	$ 91	$ 25	$ 19	$ 5	$ 1	$ 141
2005	$ 48	$ 26	$ 28	$ 4	$ 5	$ 111
Operating profit (loss)						
2006	$ 192	$ 45	$ 54	$ 1	$ (87)	$ 205
2005	$ 187	$ 37	$ 31	$ (4)	$ (60)	$ 191
Total assets						
June 30, 2006	$ 8,754	$ 2,743	$ 1,886	$ 554	$ 241	$ 14,178
December 31, 2005	$ 3,798	$ 2,650	$ 1,748	$ 530	$ (425)	$ 8,301
Capital expenditures						
2006	$ 86	$ 18	$ 24	$ 5	$ 2	$ 135
2005	$ 65	$ 18	$ 18	$ 3	$ 2	$ 106

(millions of dollars) Six Months Ended June 30	North America	Europe	Latin America	Asia	Other/ Eliminations	Consolidated
Net sales						
2006	$ 5,485	$ 1,516	$ 1,111	$ 230	$ (72)	$ 8,270
2005	$ 4,185	$ 1,499	$ 936	$ 217	$ (73)	$ 6,764
Intersegment sales						
2006	$ 24	$ 252	$ 68	$ 97	$ (441)	$ —
2005	$ 22	$ 249	$ 72	$ 82	$ (425)	$ —
Depreciation and amortization						
2006	$ 137	$ 48	$ 36	$ 9	$ 7	$ 237
2005	$ 98	$ 54	$ 57	$ 8	$ 7	$ 224
Operating profit (loss)						
2006	$ 408	$ 80	$ 83	$ (1)	$ (164)	$ 406
2005	$ 369	$ 70	$ 56	$ (9)	$ (115)	$ 371
Total assets						
June 30, 2006	$ 8,754	$ 2,743	$ 1,886	$ 554	$ 241	$ 14,178
December 31, 2005	$ 3,798	$ 2,650	$ 1,748	$ 530	$ (425)	$ 8,301
Capital expenditures						
2006	$ 150	$ 30	$ 38	$ 12	$ 3	$ 233
2005	$ 107	$ 31	$ 28	$ 6	$ 3	$ 175

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

EXECUTIVE LEVEL OVERVIEW

Whirlpool Corporation is a global manufacturer of major home appliances with 2005 revenues of $14 billion and net earnings of $422 million. The Company's four reportable segments are based on geography and consist of North America (61% of 2005 revenue), Europe (22% of 2005 revenue), Latin America (14% of 2005 revenue), and Asia (3% of 2005 revenue). The Company is the leading producer of major home appliances in North America and Latin America and has a significant presence in markets throughout Europe, India and China. Whirlpool has 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.

The Company's growth strategy over the past several years has been to introduce innovative new products, enhance customer recognition of its brands, continue to expand its global footprint, expand distribution channels and, where appropriate, make strategic acquisitions which enhance the Company's cost competitiveness, innovative global product offering and efficiency.

On March 31, 2006, the Company completed the acquisition of Maytag Corporation ("Maytag"). The acquisition represents a major strategic event in the Company's history and is expected to result in significant efficiencies as well as future growth opportunities. The results of Maytag's operations have been included in the Consolidated Condensed Financial Statements beginning April 1, 2006. Further discussion of this transaction can be found under "Maytag Acquisition" and in Note C to the Consolidated Condensed Financial Statements.

The Company monitors country-specific economic factors such as gross domestic product, consumer interest rates, consumer confidence, housing starts, sales of existing homes and mortgage refinancing as key indicators of industry demand. Management also focuses on country, brand, product and channel sales, average sales values, and profitability when assessing and forecasting financial results. The Company intends to utilize its global manufacturing, procurement and technology footprint to enhance Whirlpool's position in the global appliance industry. The Company believes that the material and oil-related cost environment will remain volatile during 2006 and continue to accelerate during the second-half of 2006. As a result, the Company is implementing cost-based price adjustments and will continue to aggressively manage its overall cost structure as it continues to introduce a record number of new product innovations during the year.

RESULTS OF OPERATIONS

The Consolidated Condensed Statements of Operations present the Company's operating results for the three and six months ended June 30, 2006 and 2005. All comparisons are to 2005, 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 and should be read along with the Consolidated Condensed Financial Statements.

On May 23, 2006, the Company announced its intention to sell the Hoover floor-care, Dixie-Narco vending systems , Amana commercial microwave and Jade commercial products appliance businesses. As a result, these entities are being reported as discontinued operations. The Company expects to complete sales of these operations by year end. Unless otherwise indicated, the following discussion relates to the Company's continuing operations.

Net Sales

Total units sold increased 21.0% for the quarter and 14.7% year to date while net sales increased 33.1% for the quarter and 22.3% year to date. Currency did not have a material impact on sales during the quarter or year to date periods.

(millions of dollars)	Three Months Ended June 30			Six Months Ended June 30		
	2006	2005	Change	2006	2005	Change
Net Sales:						
North America	$ 3,274	$ 2,205	48.5%	$ 5,485	$ 4,185	31.1%
Europe	806	770	4.7%	1,516	1,499	1.1%
Latin America	581	494	17.6%	1,111	936	18.7%
Asia	133	123	8.1%	230	217	5.7%
Other/eliminations	(60)	(36)	—	(72)	(73)	—
Consolidated	$ 4,734	$ 3,556	33.1%	$ 8,270	$ 6,764	22.3%

Significant regional trends were as follows:

- North America unit volumes increased approximately 31% and 21% for the quarter and year to date periods, respectively. Sales increased 48.5% and 31.1% for the quarter and year to date periods, respectively. The unit volume and sales improvements were primarily due to the addition of Maytag along with higher *KitchenAid* and *Whirlpool* brand volume and improved product mix during the first six months of 2006. Currency fluctuations did not have a material effect on net sales for the quarter or year to date periods. Results for the three and six months ended June 30, 2006 includes Maytag beginning April 1, 2006.

- Europe unit volumes increased approximately 5% for the quarter and year to date periods, respectively. The increase in volume was driven by strong *Whirlpool* brand performance. Net sales increased 4.7% in the quarter and 1.1% in the year to date period. Currency did not materially impact net sales in the quarter. Excluding currency fluctuations, net sales increased approximately 5% in the year to date period.

- Latin America unit volumes increased approximately 14% and 13% for the quarter and year to date periods, respectively. Net sales in Latin America increased 17.6% and 18.7% for the quarter and year to date periods, respectively, due to strong appliance volume and currency appreciation. Excluding currency fluctuations, net sales increased approximately 13% and 15% for the quarter and year to date periods.

- Asia unit volumes increased approximately 2% for the quarter and 1% for the year to date period. Net sales increased by 8.1% and 5.7% for the quarter and for the year to date periods, respectively, primarily due to new product launches and favorable product mix. Excluding currency fluctuations, net sales increased approximately 11% and 8% for the quarter and year to date periods.

For the full year 2006, appliance industry shipments are expected to increase approximately 1% to 2% in both North America and Europe, 8% to 10% in Latin America and 5% to 7% in Asia.

Gross Margin

Gross margin as a percentage of sales increased to 14.8% for the quarter, from 14.6%, and increased to 15.2% for the year to date period, from 14.8%. Strong productivity and cost controls, acquisition integration efficiencies and regional tax incentives, which are credited to sales, are all combined to offset higher material and oil-related prices, acquisition integration costs and purchase accounting charges. The Company expects higher material and oil-related prices during the second half of 2006, which are anticipated to be mitigated by cost-based price increases, productivity improvements and cost controls.

Selling, General and Administrative

Selling, general and administrative expenses as a percent of net sales increased from 9.0% to 9.8% during the quarter and increased from 9.1% to 9.8% during the year to date period. The increase was primarily driven by Maytag integration costs, increased brand investment, and unfavorable currency primarily in Latin America.

(millions of dollars)	Three Months Ended June 30 2006	As a % of Sales	2005	As a % of Sales	Six Months Ended June 30 2006	As a % of Sales	2005	As a % of Sales
Selling, General and Administrative Expenses								
North America	$ 240	7.3%	$ 141	6.4%	$ 375	6.8%	$ 259	6.2%
Europe	85	10.5	75	9.7	152	10.0	151	10.0
Latin America	59	10.2	40	8.1	121	10.9	80	8.5
Asia	19	14.1	19	15.2	36	15.7	36	16.4
Corporate/Other	62	—	47	-	125	—	93	-
Consolidated	$ 465	9.8%	$ 322	9.0%	$ 809	9.8%	$ 619	9.1%

Restructuring Costs

Restructuring charges of $21 million and $33 million were recorded in the current quarter and year to date period, respectively, and primarily relate to severance costs and write-off of fixed assets. These charges, which were $14 million and $19 million higher than the year ago periods, respectively, relate primarily to asset write-offs and the Company's ongoing global operating platform initiatives. See Note H to the Consolidated Condensed Financial Statements for further information.

Other Income (Expense)

Interest income and sundry income (expense) was $5 million favorable for the quarter and was $10 million favorable for the year to date period. Contributing to the year over year favorable results were higher interest income and interest on non-income based foreign tax refunds.

Income Taxes

The effective income tax rate was approximately 25.3% for the quarter and 27.0% for the year to date period versus 29.5% in the year ago quarter and 31.7% in the prior year to date period. The reduction results from a combination of the dispersion of global income, global audit settlements, increased tax credits and global planning activities. At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year, and adjusts the quarterly rate, as necessary.

Discontinued Operations

As previously disclosed, the Company announced its intention to sell the Hoover floor-care, Dixie-Narco vending systems , Amana commercial microwave and Jade commercial products appliance businesses. As a result of the Company's decision to dispose of these businesses, these entities are being reported as discontinued operations. For the three months ended June 30, 2006, the loss from discontinued operations was $9 million on sales of approximately $181 million.

Net Earnings

Net earnings for the current quarter were $91 million, or $1.14 per diluted share, versus $96 million, or $1.42 per diluted share in the year ago quarter. Net earnings for the year to date period were $209 million, or $2.83 per diluted share, versus $182 million, or $2.69 per diluted share in the prior year to date period. Second quarter net earnings include the results of discontinued operations and the impact of the Company's recent acquisition of Maytag, including integration costs and efficiencies and the effect of purchase accounting adjustments. Overall performance was driven by strong sales growth, productivity improvements, integration efficiencies, a lower effective tax rate, and the impact of currency offset by higher material and oil-related prices, purchase accounting charges, integration related expenses, and increased restructuring costs.

CASH FLOWS

The statements of cash flows reflect the changes in cash and equivalents for the six months ended June 30, 2006 and 2005 by classifying transactions into three major categories: operating, investing and financing activities. The Company has separately presented cash flows pertaining to the discontinued operations as previously disclosed.

Operating Activities

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

Cash provided by continuing operating activities in the first six months of 2006 was $81 million compared to cash used in continuing operations of $109 million in 2005. The increase in cash provided by continuing operations is due to higher net earnings from continuing operations and reduced working capital requirements, partially offset by higher incentive compensation payments and promotional expenditures.

Investing Activities

The principal recurring investing activities are property additions. Net property additions for the six months ended June 30, 2006 were $233 million compared to $175 million in the year ago period. These expenditures are primarily for equipment and tooling driven by product innovation initiatives, more efficient production methods, and replacement for normal wear and tear. The increase in capital expenditures in the 2006 period as compared to 2005 is due mainly to expenditures to support expansion of operations in Mexico and to support new product launches.

Also included in continuing investing activities is the cash disbursed to acquire Maytag, net of the cash acquired in the transaction, of $795 million. Further information regarding the acquisition can be found in Note C to the Consolidated Condensed Financial Statements.

Payments for minority interest shares of $53 million relate to a buy-out of minority shares resulting from the previously disclosed reorganization in Latin America. Further information regarding the reorganization can be found in Note I to the Consolidated Condensed Financial Statements.

Financing Activities

Cash provided by continuing financing activities for the six months ended June 30, 2006 was $745 million compared to $231 million in the year ago period. Net proceeds from borrowings of $946 million relate primarily to the Maytag acquisition. Repayments of long-term debt of $190 million included $185 million of Maytag debt that matured and was repaid on March 31, 2006.

Discontinued Operations

Cash provided by discontinued operations of $10 million relates primarily to lower working capital requirements.

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., Europe and other public bond markets.

On June 19, 2006, the Company completed an offering of $750 million aggregate principal amount of senior notes consisting of (a) $200 million aggregate principal amount of floating rate notes due 2009 to bear interest at a floating rate equal to three-month USD LIBOR plus 0.50% per annum; (b) $300 million aggregate principal amount of 6.125% senior notes due 2011; and (c) $250 million aggregate principal amount of 6.500% senior notes due 2016. Initially, the Company borrowed amounts required to fund the cash portion of the purchase price through issuances in the U.S. commercial paper market and in June refinanced a portion of this commercial paper through the issuance of long-term bonds.

Effective August 8, 2006, the Maytag Corporation's 7.875% Public Interest Notes (PINES) due August 1, 2031 will be redeemed. Maytag exercised its option to call 100% of the PINES, which have a principal amount of $250 million, at par, plus accrued interest. Commercial paper will be issued to finance this redemption.

The financial position of the Company remained strong at June 30, 2006. Total assets were $14.2 billion and stockholders' equity was $3 billion at June 30, 2006. Total assets increased significantly versus December 31, 2005, due to the acquisition of Maytag (See Note C to the Consolidated Condensed Financial Statements). The increase in equity is primarily due to the issuance of common stock in connection with the Maytag acquisition.

After completion of the Maytag acquisition, Whirlpool was removed from credit watch by the rating agencies and the Company's credit ratings were lowered to Baa2 by Moody's and BBB by both Standard & Poor's and Fitch. The Company does not believe that the recent actions of the rating agencies will have a material impact on its liquidity.

On December 2, 2005, the Company entered into an Amended and Restated Long Term Five-Year Credit Agreement (the "Amended and Restated Credit Agreement"), which amends and restates the Amended and Restated Long Term Credit Agreement dated May 28, 2004. On December 2, 2005, the parties to the Amended and Restated Credit Agreement also entered into a 364-Day Credit Agreement (the "364-Day Credit Agreement" and together with the Amended and Restated Credit Agreement, the "Credit Facilities").

The Credit Facilities provide for a $2.2 billion 5-year credit facility, which includes a $200 million letter of credit subfacility, and a $500 million 364-day credit facility, which may be converted into a term loan. Borrowing capacity of $1.2 billion under the Amended and Restated Credit Agreement became available on December 2, 2005. Borrowing capacity of $500 million under the 364-Day Credit Agreement and the remaining $1.0 billion under the Amended and Restated Credit Agreement became available on March 29, 2006. Borrowings under the Credit Facilities will be available to the Company and designated subsidiaries for general corporate purposes, including commercial paper support. Subsidiary borrowings under the facilities, if any, will be guaranteed by the Company. Interest under the Credit Facilities accrues at a variable annual rate based on the London Interbank Offered Rate ("LIBOR") plus a margin dependent on the Company's credit rating at that time. The Credit Facilities require the Company to meet certain financial tests and contain specific covenants.

The Company's Eurobonds of EUR 300 million principal matured in July 2006. The Eurobonds U.S. dollar value at June 30, 2006 was $377 million. The Company repaid the Eurobonds with the issuance of commercial paper in the U.S.

On June 15, 2004, the Company announced that the Board of Directors authorized a new share repurchase program of up to $500 million. The Company did not repurchase any shares during the quarter ended June 30, 2006.

The Company guarantees the indebtedness of certain customers of its Brazilian subsidiary as discussed in Note I 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, 2006 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.

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's expected cash outflows resulting from financial contracts and commitments.

	Payments due by period				
(millions of dollars)	**Total**	**2006**	**2007 & 2008**	**2009 & 2010**	**Thereafter**
Debt obligations [1]	$ 2,666	$ 864	$ 142	$ 574	$ 1,086
Operating lease obligations	304	58	152	63	31
Capital expenditures	21	21	—	—	—
Purchase obligations	1,066	128	451	397	90
Long-term liabilities [2]	134	134	—	—	—
Total	$ 4,191	$ 1,205	$ 745	$ 1,034	$ 1,207

(1) The amounts in debt obligations do not include an estimate of future interest payments.

(2) The amounts in long-term liabilities include the Company's expected 2006 voluntary U.S. pension and foreign pension fund contributions, and expected benefit payments under the postretirement health care benefit plans. Required contributions for future years depend on certain factors that cannot be determined at this time.

MAYTAG ACQUISITION

On March 31, 2006, the Company completed its acquisition of Maytag. Maytag reported consolidated net sales for the year ended December 31, 2005 of approximately $4.9 billion. With the acquisition, the Company adds an array of home appliance brands including Maytag, Jenn-Air and Amana. The Company expects to realize cost savings from all areas across the value chain including product manufacturing and marketing, global procurement, logistics, infrastructure and support areas, product research and development and asset utilization. For additional information on the Maytag acquisition, see Note C to the Consolidated Condensed Financial Statements.

Cost efficiencies are expected from all areas of the value chain, including product manufacturing and marketing, global procurement, logistics, infrastructure and support areas, product research and development and asset utilization. Whirlpool expects to gain the majority of efficiencies during 2007, and anticipates annualized savings of at least $400 million to be fully realized in 2008. The Company will incur approximately $450 million in pre-tax, one-time costs to realize the annualized savings estimates. Approximately $150 million of these costs are expected to impact earnings over the next three years with the remainder included as part of purchase accounting.

OTHER MATTERS

In April 2006, the Company reorganized its Latin America business by merging Empresa Brasileira de Compressores S.A. into Multibras S.A. Eletrodomésticos and created two independent Business Units ("Embraco's Compressor and Cooling Solutions Business Unit" and "Home Appliances Business Unit"). The Company changed the corporate name of Multibras to Whirlpool S.A. The planned reorganization has received shareholder and regulatory approvals.

The total cost to purchase shares from minority shareholders was $53 million. The remaining minority shareholders ownership now equals 1.91%.

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 approximately $80 million. The accumulated benefit obligation ("ABO") was not affected by the amendment since the accrued benefits as of December 31, 2005 were not affected by this change.

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.

In December 1996, Multibras and Empresa Brasileira de Compressores S.A. ("Embraco"), Brazilian subsidiaries, were granted additional export incentives in connection with Befiex. These incentives allow the use of credits as an offset against current Brazilian federal excise tax on domestic sales. The Company was able to recognize net export credits of $10 million during the second quarter of 2006 and expects to continue recognizing credits as they are monetized. No credits were recognized during the first six months of 2005. On June 30, 2006, the Company's remaining credits were approximately $700 million after adjusting for currency fluctuations and monetary adjustment.

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 original amount recorded as tax credits was approximately $22 million. The recorded tax credits are currently being challenged in Brazilian courts. At this point, the Company cannot reasonably estimate the potential impact, if any, to its consolidated financial position or consolidated results of operations. No tax credits were recorded in 2005 or in the first six months of 2006.

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 June 30, 2006, a number of 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 for these states. The Company is, therefore, presently unable to estimate the potential cost of complying with the directive in these states. In states that have adopted legislation, the Company has complied with all requirements. The net impact of compliance with this directive did not have a material effect on the Company's results of operations for the six month period ended June 30, 2006.

In 1989, a Brazilian affiliate (now a subsidiary) of the Company brought an action against a financial institution in Brazil seeking a "Declaration of Non-Enforceability of Obligations" relating to loan documentation entered into without authority by a senior officer of the affiliate. In September 2000, a decision in the declaratory action adverse to the Company became final. In 2001, the financial institution began a collection action, and the Company responded with a counterclaim. The lower court dismissed the counterclaim in 2002 and the Superior Court confirmed the lower court decision in December 2005. The Company provided for the potential exposure resulting from this litigation during 2005 and no significant change in the status of this action has occurred.

The Company regularly engages in investigations of potential quality and safety issues as part of its ongoing effort to deliver quality products to its customers. Whirlpool is currently investigating a limited number of potential quality and potential safety issues that, in aggregate, potentially involve significantly less than 1% of the appliances it manufactures or markets, including appliances manufactured or marketed by Maytag. As necessary, the Company undertakes to effect repair or replacement of appliances in the event that an investigation leads to the conclusion that such action is warranted. The Company currently believes that no such repair or replacement actions of a material nature are required but will continue to evaluate this activity as new information develops.

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, 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 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 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.

Forward-looking statements in this document include, but are not limited to, statements regarding expected earnings per share, cash flow, productivity and material and oil-related prices, as well as expectations as to the integration with Maytag Corporation. Many risks, contingencies and uncertainties could cause actual results to differ materially from Whirlpool Corporation'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, including Asian and European, manufacturers and the strength of trade customers; (2) Whirlpool Corporation's ability to continue its strong relationship with Sears Holding Corporation in North America (accounting for approximately 16% of Whirlpool's 2005 consolidated net sales of $14 billion) and other significant trade customers, and the ability of these trade customers to maintain or increase market share; (3) Whirlpool Corporation's ability to integrate the recently acquired Maytag Corporation on a timely basis and realize the full anticipated benefits of the merger within the current estimate of costs; (4) demand for Whirlpool Corporation's products, including the strength of the U.S. building industry and the level of interest rates; (5) the ability of Whirlpool Corporation to achieve its business plans, including productivity improvements, cost control, leveraging of its global operating platform and acceleration of the rate of innovation; (6) fluctuations in the cost of key materials (including steel, oil, plastic resins, copper and zinc) and components and the ability of Whirlpool to offset cost increases; (7) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (8) changes in market conditions, health care cost trends and pending regulation that could increase future funding obligations for pension and post-retirement benefit plans; (9) the cost of compliance with environmental and health and safety regulations, including new regulations in Europe regarding appliance disposal; (10) potential exposure to product liability claims, including claims that may arise through Whirlpool's regular investigations of potential quality and safety issues as part of its ongoing effort to provide quality products to consumers; (11) the impact of labor relations; (12) Whirlpool Corporation's ability to obtain and protect intellectual property rights; (13) the ability of Whirlpool to manage foreign currency and its effective tax rate; (14) global, political, and/or economic uncertainty and disruptions, especially in Whirlpool Corporation's significant geographic markets, including uncertainty and disruptions arising from natural disasters, or terrorist activities; and (15) risks associated with operations outside the U.S.

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 from forward-looking statements. Additional information concerning these and other factors can be found in “Risk Factors” in Item 1A to Part II of this report and Item 1A to Part I of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

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, 2005.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) that are designed to provide reasonable assurance that information required to be disclosed in the Company's filings under the Securities Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Prior to filing this report, the Company completed an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2006. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2006.

(b) Changes in internal control over financial reporting.

On March 31, 2006, the Company completed its acquisition of Maytag Corporation ("Maytag"), at which time Maytag became a subsidiary of the Company. The Company is in the process of integrating Maytag operations and considers Maytag material to the Consolidated Condensed Financial Statements and believes that the internal controls and procedures have a material effect on the Company's internal control over financial reporting. The Company has extended its Section 404 compliance program under the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations under such Act to include Maytag.

There were no other 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, 2006

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 other than (1) changes to the risk factors set forth in Part II, Item 1A to our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006; and (2) changes to the risk factor entitled " *Whirlpool may be unable to successfully integrate the businesses of Maytag in a timely manner which may affect our ability to realize the full anticipated benefits of the merger* ." The risk factors disclosed in our Annual Report on Form 10-K, as amended in the Quarterly Report on Form 10-Q for the first quarter, in addition to the other information set forth in this report, could materially affect our business, financial condition or results. Additional risks and uncertainties not currently known to us or that we deem to be immaterial also may materially adversely affect our business, financial condition or results.

Whirlpool may be unable to successfully integrate the business of Maytag in a timely manner which may affect our ability to realize the full anticipated benefits of the merger . The recent acquisition of Maytag involves the integration of two companies that have previously operated independently. As with every merger, there are potential difficulties of combining the companies' businesses. These may include the integration of Maytag's sales and marketing, distribution, manufacturing, engineering, finance, and administrative operations, both domestic and international, with and into our operations. Our process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations of these businesses could have an adverse effect on our business, results of operations, financial condition or prospects after the merger.

We expect to generate pre-tax annualized cost savings of at least $400 million, the majority of which is expected to be realized in 2007 with the remainder expected to be realized in 2008. Cost efficiencies are expected from all areas of the value chain, including product manufacturing and marketing, infrastructure and support areas, global procurement and logistics. We expect to incur approximately $450 million in pre-tax, one-time costs to realize the annualized savings estimates. Approximately $150 million of these costs are expected to impact earnings over the next three years with the remainder included as part of purchase accounting. Achieving these benefits will depend in part upon how and when our business is integrated with Maytag and whether there are any additional costs incurred in connection with the integration. If the anticipated benefits are not realized fully or in a timely manner, or if there are significant additional costs, our financial results could be adversely affected.

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

The Annual Meeting of Stockholders was held on April 18, 2006. At the meeting, the following items were voted on by shareholders:

a. Messrs. Gary T. DiCamillo, Arnold G. Langbo, David L. Swift, Michael A. Todman and Ms. Kathleen J. Hempel were elected to a term to expire in 2009.

Nominee	For	Against	Withheld
Gary T. DiCamillo	59,021,536	—	1,382,934
Kathleen J. Hempel	59,456,989	—	947,481
Arnold G. Langbo	59,072,398	—	1,332,072
David L. Swift	59,479,225	—	925,245
Michael A. Todman	59,471,785	—	932,685

Messrs. Herman Cain, Jeff M. Fettig, Allan D. Gilmour, Michael F. Johnston, Miles L. Marsh, Paul G. Stern, Michael D. White and Ms. Janice D. Stoney each have terms of office as director that continued after the 2006 Annual Meeting.

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

August 8, 2006

Exhibit 31.1

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 8, 2006

/s/ JEFF M. FETTIG

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

Exhibit 31.2

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 8, 2006

/s/ ROY W. TEMPLIN

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

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

In connection with the Quarterly Report on Form 10-Q of Whirlpool Corporation (the “Company”) for the quarterly period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jeff M. Fettig, as Chief Executive 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

Name: Jeff M. Fettig
Title: Chairman of the Board and Chief Executive Officer
Date: August 8, 2006

/s/ ROY W. TEMPLIN

Name: Roy W. Templin
Title: Executive Vice President and Chief Financial Officer
Date: August 8, 2006