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

Form 10-Q

(Mark One)
x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016

OR
o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

COMMISSION FILE NUMBER 001-35558

TROVAGENE, INC.
(Exact Name of registrant as specified in its charter)

Delaware	27-2004382
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11055 Flintkote Avenue, Suite B, San Diego, California 92121
(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: (858) 952-7570

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of October 31, 2016, the issuer had 30,615,406 shares of Common Stock issued and outstanding.

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TROVAGENE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$22,569,107	$67,493,047
Short-term investments	24,376,904	—
Accounts receivable	85,152	98,736
Prepaid expenses and other assets	946,388	789,285
Total current assets	47,977,551	68,381,068
Property and equipment, net	4,654,876	2,690,579
Other assets	371,243	374,004
Total Assets	$53,003,670	$71,445,651
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$925,173	$1,040,868
Accrued expenses	4,558,809	1,903,797
Deferred rent	279,710	30,614
Current portion of long-term debt	801,024	5,225,818
Total current liabilities	6,564,716	8,201,097
Long-term debt, less current portion	15,595,400	11,246,188
Derivative financial instruments - warrants	2,622,243	3,297,077
Deferred rent, net of current portion	1,446,912	—
Total Liabilities	26,229,271	22,744,362
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, $0.001 par value, 20,000,000 shares authorized; 60,600 shares outstanding at September 30, 2016 and December 31, 2015; designated as Series A Convertible Preferred Stock with liquidation preference of $606,000 at September 30, 2016 and December 31, 2015	60	60
Common stock, $0.0001 par value, 150,000,000 shares authorized; 30,599,140 and 29,737,601 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	3,060	2,974
Additional paid-in capital	166,337,512	157,585,498
Accumulated other comprehensive loss	(4,742)	—
Accumulated deficit	(139,561,491)	(108,887,243)
Total stockholders' equity	26,774,399	48,701,289
Total liabilities and stockholders' equity	$53,003,670	$71,445,651

See accompanying notes to the unaudited condensed consolidated financial statements.

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TROVAGENE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Royalties	$47,236	$51,301	$207,869	$222,931
Diagnostic services	37,978	6,026	69,558	10,712
Clinical research services	3,900	—	35,573	—
Total revenues	89,114	57,327	313,000	233,643
Costs and expenses:				
Cost of revenues	424,559	173,537	1,143,293	429,992
Research and development	3,937,398	2,546,533	11,221,876	7,428,349
Selling and marketing	2,940,862	1,798,263	9,127,450	4,508,766
General and administrative	2,710,782	1,948,546	9,183,761	5,756,047
Total operating expenses	10,013,601	6,466,879	30,676,380	18,123,154
Loss from operations	(9,924,487)	(6,409,552)	(30,363,380)	(17,889,511)
Net interest expense	(354,993)	(335,359)	(967,522)	(1,100,080)
Gain (loss) from change in fair value of derivative financial instruments — warrants	88,208	4,017,212	674,834	(1,105,270)
Other income (loss), net	—	(8,130)	—	4,617
Net loss	(10,191,272)	(2,735,829)	(30,656,068)	(20,090,244)
Preferred stock dividend	(6,060)	(6,060)	(18,180)	(18,180)
Net loss attributable to common stockholders	$(10,197,332)	$(2,741,889)	$(30,674,248)	$(20,108,424)
Net loss per common share — basic	$(0.34)	$(0.10)	$(1.02)	$(0.80)
Net loss per common share — diluted	$(0.34)	$(0.23)	$(1.04)	$(0.96)
Weighted average shares outstanding — basic	30,339,774	28,560,211	30,018,841	25,014,966
Weighted average shares outstanding — diluted	30,339,774	29,128,235	30,136,572	25,204,307

See accompanying notes to the unaudited condensed consolidated financial statements.

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TROVAGENE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	$(10,191,272)	$(2,735,829)	$(30,656,068)	$(20,090,244)
Other comprehensive loss:				
Foreign currency translation loss	(81)	—	(1,877)	—
Unrealized loss on securities available-for-sale	(7,997)	—	(2,865)	—
Total other comprehensive loss	(8,078)	—	(4,742)	—
Total comprehensive loss	(10,199,350)	(2,735,829)	(30,660,810)	(20,090,244)
Preferred stock dividend	(6,060)	(6,060)	(18,180)	(18,180)
Comprehensive loss attributable to common stockholders	$(10,205,410)	$(2,741,889)	$(30,678,990)	$(20,108,424)

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TROVAGENE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2016	2015
Operating activities		
Net loss	$(30,656,068)	$(20,090,244)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net gain on disposal of fixed assets	—	4,562
Depreciation and amortization	693,485	250,600
Stock based compensation expense	5,942,392	2,758,847
Accretion of final fee premium	266,423	253,028
Amortization of discount on debt	105,710	59,665
Amortization of premiums on short-term investments	61,719	—
Deferred rent	(133,378)	—
Interest income accrued on short-term investments	10,122	—
Change in fair value of derivative financial instruments - warrants	(674,834)	1,105,270
Changes in operating assets and liabilities:		
Decrease (increase) in other assets	2,761	(10,273)
Decrease (increase) in accounts receivable	13,584	(231,672)
Increase in prepaid expenses	(157,051)	(26,238)
Increase in accounts payable and accrued expenses	2,490,137	616,366
Net cash used in operating activities	(22,034,998)	(15,310,089)
Investing activities:		
Capital expenditures, net	(797,781)	(1,256,988)
Net purchases of short-term investments	(24,451,611)	—
Net cash used in investing activities	(25,249,392)	(1,256,988)
Financing activities:		
Proceeds from sales of common stock, net of expenses	2,293,857	61,215,398
Proceeds from exercise of options	366,966	818,251
Proceeds from exercise of warrants	—	1,389,427
Borrowings under equipment line of credit	792,251	—
Borrowings under long-term debt, net of costs	7,805,086	—
Repayments of long-term debt	(8,896,166)	—
Net cash provided by financing activities	2,361,994	63,423,076
Effect of exchange rate changes on cash and cash equivalents	(1,544)	—
Net change in cash and equivalents	(44,923,940)	46,855,999
Cash and cash equivalents—Beginning of period	67,493,047	27,293,798
Cash and cash equivalents—End of period	$22,569,107	$74,149,797
Supplementary disclosure of cash flow activity:		
Cash paid for taxes	$4,560	$800
Cash paid for interest	$806,228	$795,375

Supplemental disclosure of non-cash investing and financing activities:

		Gain (Loss) Recognized on Undesignated Hedges(4)
Foreign exchange forwards/options	$	(15)
Commodity swaps		(6)
	$	(21)

(4) Mark to market gains and losses are recorded in interest and sundry income (expense).

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The net amount of unrealized gain or loss on derivative instruments included in accumulated OCI related to contracts maturing, and expected to be realized during the next twelve months is a gain of $72 million at March 31, 2010.

(7) STOCKHOLDERS EQUITY

Comprehensive Income and Stockholders Equity

Comprehensive income primarily includes (1) our reported net earnings, (2) foreign currency translation, (3) changes in the effective portion of our open derivative contracts designated as cash flow hedges, (4) changes in our unrecognized pension and other postretirement benefits and (5) changes in fair value of our available for sale securities.

The following table summarizes our comprehensive income for the periods presented:

Millions of dollars	Three months ended March 31, 2010	Three months ended March 31, 2009
Net earnings as reported	$ 174	$ 73
Currency translation adjustments net	(79)	(84)
Cash flow hedges net	5	39
Pension and other postretirement benefits plans net	(49)	(13)
Available for sale securities	9	(4)
Comprehensive income (loss)	60	11
Less: Comprehensive income (loss) available to noncontrolling interests	8	7
Comprehensive income (loss) available to Whirlpool common stockholders	$ 52	$ 4

The following table summarizes the changes in stockholders equity:

Millions of dollars	Total	Whirlpool Common Stockholders	Noncontrolling Interests
Stockholders equity, December 31, 2009	$ 3,760	$ 3,664	$ 96
Net earnings	174	164	10
Other comprehensive income (loss)	(114)	(112)	(2)
Comprehensive income (loss)	60	52	8
Purchase of noncontrolling interest	(8)		(8)
Treasury stock	5	5	
Additional paid-in capital	7	7	
Dividends declared on common stock	(33)	(33)	
Stockholders equity, March 31, 2010	$ 3,791	$ 3,695	$ 96

Noncontrolling Interests

During the December 2009 quarter, our Latin America region entered into a definitive agreement to purchase 1.8% of the outstanding noncontrolling interest in Brasmotor S.A. for $12 million. This transaction closed on January 15, 2010 and raised our ownership interest in Brasmotor S.A. to 95.6%.

Net Earnings per Share

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

Millions of dollars and shares	**Three months ended March 31, 2010**	**2009**
Numerator for basic and diluted earnings per share net earnings available to Whirlpool common stockholders	$ 164	$ 68
Denominator for basic earnings per share weighted-average shares	75.4	74.2
Effect of dilutive securities stock-based compensation	1.4	0.5
Denominator for diluted earnings per share adjusted weighted-average shares	76.8	74.7

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Diluted net earnings per share of common stock include the dilutive effect of stock options and stock-based compensation. For the March 2010 and 2009 quarters, approximately 2,027,000 stock options and 4,089,000 stock options, respectively, were excluded from the calculation of diluted earnings per share because their exercise prices rendered them anti-dilutive.

(8) RESTRUCTURING CHARGES

Under our ongoing global operating platform initiatives, we implemented certain restructuring initiatives to strengthen our leadership position in the global appliance industry. We plan to continue a comprehensive worldwide effort to optimize our regional manufacturing facilities, supply base, product platforms and technology resources to support our global brands and customers. We incurred total restructuring charges of $20 million and $24 million during the March 2010 and 2009 quarters, respectively. These charges are included in restructuring costs in our Consolidated Condensed Statements of Income and primarily consist of charges to shift refrigeration capacity within North America and dishwasher capacity within Europe.

On October 27, 2008, management committed to a workforce reduction plan whereby we will reduce our employee base by approximately 5,000 employees and contractors worldwide from the fourth quarter of 2008 through the beginning of 2010. We expect to incur approximately $99 million in employee termination costs, $14 million in asset impairment costs and $3 million in other associated costs for a total of $116 million that will be incurred as a result of this workforce reduction. We incurred no charges during the March 2010 quarter associated with this workforce reduction. As of March 31, 2010, approximately $15 million of these workforce reduction costs remain, all of which will result in future cash expenditures. We expect to incur additional costs of $15 million in our Europe region throughout 2010 related to these initiatives. For additional information about restructuring charges by operating segment, see Note 11.

On August 28, 2009, we announced changes to our North America manufacturing operations which will result in the closure of our manufacturing facility in Evansville, Indiana in mid-2010. We expect that approximately 1,100 full-time positions will be eliminated as a result of the closure. We estimate that we will incur approximately $50 million in total costs in connection with the exit of this facility comprised of $19 million in employee termination costs, $14 million in equipment relocation costs, $5 million in asset impairment costs, and $12 million in other associated costs. We incurred $12 million associated with this closure during the March 2010 quarter. We expect to recognize approximately $15 million of these costs during the remainder of 2010 and $3 million of these costs in 2011 and estimate that approximately $32 million of the estimated $50 million in total cost will result in cash expenditures. As of March 31, 2010, approximately $18 million of these closure costs remain, all of which will result in future cash expenditures.

A summary of the changes to our restructuring liability balance for the March 2010 quarter is as follows:

Millions of dollars	January 1, Balance	Charge to Earnings	Cash Paid	Non-Cash	Translation	March 31, Balance
Termination costs	$ 68	$ 16	$ (20)	$	$ (3)	$ 61
Non-employee exit costs	15	4	(3)	(2)		14
Total	$ 83	$ 20	$ (23)	$ (2)	$ (3)	$ 75

(9) INCOME TAXES

The effective income tax rate for the March 2010 quarter was a benefit of 1.6% compared to a benefit of 27.1% for the March 2009 quarter. The decrease in the benefit from 2009 is primarily due to higher earnings and related tax expense. At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full year and the impact of discrete items, if any, and adjust the quarterly rate, as necessary.

Over the next twelve months it is reasonably possible that we will settle unrecognized tax benefits totaling approximately $30 million associated with certain tax examinations and other events.

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(10) PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The components of net periodic pension cost and the cost of other postretirement benefits for the March 2010 and 2009 quarters are as follows:

	Three months ended March 31,					
	U.S. Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
Millions of dollars	2010	2009	2010	2009	2010	2009
Service cost	$ 0.7	$ 2.8	$ 1.6	$ 1.4	$ 2.6	$ 3.4
Interest cost	49.9	51.6	4.9	4.6	10.1	12.9
Expected return on plan assets	(47.3)	(49.2)	(2.5)	(2.3)		
Amortization of prior service cost (credit)	(0.7)		0.1	0.1	(9.5)	(7.7)
Amortization of net loss	7.4	8.3	0.6	0.9		
Settlement and curtailment loss (gain)		0.2	0.4	(1.7)	(29.0)	(91.7)
Net periodic cost	$ 10.0	$ 13.7	$ 5.1	$ 3.0	$ (25.8)	$ (83.1)

On August 28, 2009, we announced the closure of our manufacturing facility in Evansville, Indiana, which triggered a curtailment gain in our United States retiree healthcare plan to be recognized as the employees terminate. During the March 2010 quarter, approximately half of the full-time positions in Evansville were eliminated, resulting in the recognition of a curtailment gain of $29 million. The curtailment gain was recognized in our Consolidated Condensed Statement of Income as a component of cost of goods sold with an offset in our Consolidated Condensed Balance Sheet to other comprehensive income, net of tax.

On February 9, 2009, we announced the suspension of the annual credit to retiree health savings accounts RHSA for the majority of active participants. The result of the indefinite suspension was a one-time curtailment gain of $89 million included in net periodic cost with an offset to other comprehensive income, net of tax. During the March 2009 quarter, we recorded $80 million of this gain in our Consolidated Condensed Statement of Income as a component of cost of products sold and $9 million was recorded as a component of selling, general and administrative expenses. Additionally, during the March 2009 quarter, we modified benefits for certain employees which resulted in a reduction in the postretirement benefit obligation of $44 million with an offset to other comprehensive income, net of tax.

During the remainder of 2010, we expect to recognize an additional curtailment gain totaling $33 million.

(11) OPERATING SEGMENT INFORMATION

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.

We identify such 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 and sundry income (expense), interest expense, income taxes, minority interests and restructuring costs. Total assets by segment are those assets directly associated with the respective operating activities. The Other/Eliminations column primarily includes corporate expenses, assets and eliminations, as well as all restructuring expenses. Intersegment sales are eliminated within each region except compressor sales out of Latin America, which are included in Other/Eliminations.

As described above, our chief operating decision maker reviews each operating segment s performance based upon operating income which excludes restructuring expenses. These restructuring expenses are included in operating profit on a consolidated basis and included in the Other/Eliminations column in the tables below. For the March 2010 quarter, the operating segments recorded total restructuring expenses (See Note 8) as follows: North America - $12 million, Europe - $7 million and Corporate - $1 million, for a total of $20 million. For the March 2009 quarter, the operating segments recorded total restructuring expenses as follows: North America - $14 million, Europe - $7 million and Latin America - $3 million, for a total of $24 million.

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Three Months Ended March 31 - Millions of dollars	North America	Europe	Latin America	Asia	Other/ Eliminations	Total Whirlpool
	OPERATING SEGMENTS					
Net sales						
2010	$ 2,251	$ 739	$ 1,141	$ 192	$ (51)	$ 4,272
2009	2,104	696	689	120	(40)	3,569
Intersegment sales						
2010	$ 48	$ 79	$ 60	$ 40	$ (227)	$
2009	35	79	51	37	(202)	
Depreciation and amortization						
2010	$ 70	$ 26	$ 23	$ 4	$ 11	$ 134
2009	62	22	17	5	9	115
Operating profit (loss)						
2010	$ 94	$ 27	$ 167	$ 11	$ (58)	$ 241
2009	164		57	5	(60)	166
Total assets						
March 31, 2010	$ 8,056	$ 3,009	$ 3,048	$ 758	$ 207	$ 15,078
December 31, 2009	8,123	3,216	2,887	690	178	15,094
Capital expenditures						
2010	$ 102	$ 17	$ 16	$ 3	$ 8	$ 146
2009	46	21	11	1	33	112

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS EXECUTIVE OVERVIEW

Whirlpool Corporation (Whirlpool) is the world s leading manufacturer of major home appliances with revenues of $17 billion and net earnings available to Whirlpool common stockholders of $328 million for the year ended December 31, 2009. We are a leading producer of major home appliances in North America and Latin America and have a significant presence in markets throughout Europe and India. We have received worldwide recognition for accomplishments in a variety of business and social efforts, including leadership, diversity, innovative product design, business ethics, social responsibility and community involvement. We conduct our business through four reportable segments, which we define based on geography. For additional information about our operating segments, see Note 11 of the Notes to the Consolidated Condensed Financial Statements.

Our global branded consumer products strategy is to introduce innovative new products, increase brand customer loyalty, expand our presence in foreign markets, enhance our trade management platform, improve total cost and quality by expanding and leveraging our global operating platform and where appropriate, make strategic acquisitions and investments.

We monitor country-specific economic factors such as gross domestic product, consumer confidence, retail trends, housing starts and completions, sales of existing homes and mortgage interest rates as key indicators of industry demand. In addition to profitability, we also focus on country, brand, product and channel sales when assessing and forecasting financial results.

We continue to experience macroeconomic challenges which have impacted the global economy, the capital markets and global demand for our products. Although we have made significant progress in reducing cost to better align with global demand, and in improving our liquidity position, we expect that we will continue to experience the effects of liquidity strain on our suppliers, continued low consumer confidence and consumer discretionary spending.

RESULTS OF OPERATIONS

For the March 2010 quarter, consolidated net sales were $4.3 billion, increasing from $3.6 billion in 2009. Consolidated net earnings available to Whirlpool common stockholders were $164 million, or $2.13 per diluted share, increasing from $68 million or $0.91 per diluted share in 2009. The following discussion highlights significant drivers of our operating performance.

Consolidated Net Sales

Consolidated net sales increased 19.7% compared to 2009 primarily due to a 17.8% increase in units sold and the favorable impact of foreign currency, partially offset by lower product price/mix. Excluding the impact of foreign currency, consolidated net sales increased 11.4% in 2010.

The following table summarizes consolidated net sales by region:

	Three Months Ended March 31,		
Millions of dollars	**2010**	**2009**	**Change**
North America	$ 2,251	$ 2,104	7.0%
Europe	739	696	6.1
Latin America	1,141	689	65.4
Asia	192	120	60.1
Other/eliminations	(51)	(40)	
Consolidated	$ 4,272	$ 3,569	19.7%

Significant regional trends were as follows:

North America net sales increased by 7.0% compared to 2009, primarily due to a 10.8% increase in units sold and the favorable impact of foreign currency, partially offset by lower product price/mix. The increase in units sold is due to higher industry demand resulting from strengthening economies in the United States, Mexico and Canada. Excluding the impact of foreign currency, North America net sales increased 4.7% in 2010.

Europe net sales increased by 6.1% compared to 2009, primarily due to the favorable impact of foreign currency and a 1.2% increase in units sold, partially offset by lower product price/mix. Excluding the impact of foreign currency, Europe net sales decreased 1.9% in 2010.

Latin America net sales increased by 65.4% compared to 2009, primarily due to a 49.9% increase in units sold and the favorable impact of foreign currency, partially offset by lower product price/mix. During the March 2010 and 2009 quarters, we monetized $41 million and $35 million of BEFIEX credits, respectively. We expect to continue recognizing credits as they are monetized. As of March 31, 2010, $645 million of BEFIEX credits remain. Future actions by the Brazilian government could limit our ability to monetize these export credits. Excluding the impact of foreign currency, Latin America net sales increased 39.5% in 2010.

Asia net sales increased by 60.1% compared to 2009, primarily due to a 49.0% increase in units sold and the favorable impact of foreign currency. Excluding the impact of foreign currency, Asia net sales increased 49.2% in 2010.

Gross Margin

The consolidated gross margin percentage increased in 2010 primarily due to cost reduction initiatives and productivity improvements, partially offset by lower product price/mix. In addition, certain one time items unfavorably impacted gross margin including a 2010 charge to correct a supplier-related quality and potential product safety issue, lower curtailment gains in 2010 associated with a postretirement benefit plan, partially offset by a foreign operating tax settlement in 2009. These one time items resulted in a net reduction in gross margin of $77 million, or 1.8 percentage points.

The following table summarizes gross margin percentages by region:

	Three Months Ended March 31,		
	2010	**2009**	**Change**
North America	11.2%	15.1%	(3.9)pts
Europe	14.0	10.7	3.3
Latin America	21.7	15.2	6.5
Asia	18.2	19.4	(1.2)
Consolidated	15.0	14.7	0.3

Significant regional trends were as follows:

North America gross margin percentage decreased primarily due to the net impact of certain one time items including a 2010 charge to correct a supplier-related quality and potential product safety issue, a 2009 refrigerator recall charge and lower 2010 curtailment gains associated with a postretirement benefit plan. These one time items resulted in a net reduction in gross margin of $103 million, or 4.6 percentage points. Additionally, gross margin was negatively impacted by lower product price/mix. The above items were partially offset by continued cost reductions and improved productivity. See Notes 5 and 10 to the Consolidated Condensed Financial Statements for additional information related to product recalls and curtailment gains, respectively.

Europe gross margin percentage increased primarily due to continued cost reductions, improvements in productivity and the favorable impact of foreign currency.

Latin America gross margin percentage increased primarily due to improvements in raw materials costs and productivity, a $26 million 2009 charge associated with a foreign operating tax settlement and the favorable impact of foreign currency. The above items were partially offset by lower product price/mix. See Note 5 to the Consolidated Condensed Financial Statements for additional information related to the foreign operating tax settlement.

Asia gross margin percentage decreased due to lower product price/mix and higher raw materials costs, partially offset by improved productivity and the favorable impact of foreign currency.

Selling, General and Administrative

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

	Three Months Ended March 31,			
Millions of dollars	2010	As a % of Sales	2009	As a % of Sales
North America	$ 152	6.7%	$ 147	7.0%
Europe	77	10.4	74	10.7
Latin America	80	7.0	48	6.9
Asia	24	12.4	19	15.4
Other/eliminations	38		39	
Consolidated	$ 371	8.7%	$ 327	9.2%

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For the March 2010 quarter, consolidated selling, general and administrative expenses, as a percent of consolidated net sales, decreased compared to 2009 primarily as a result of improved leverage due to increases in net sales. Total consolidated selling, general and administrative expenses increased during the March 2010 quarter primarily due to the unfavorable impacts of foreign currency.

Restructuring

Restructuring initiatives resulted in charges of $20 million for the March 2010 quarter, reflecting ongoing efforts to optimize our global operating platform. This amount has been identified as a separate component of operating profit and primarily consists of charges to shift refrigeration capacity within North America and dishwasher capacity within Europe. For additional information about restructuring activities see Note 8 to the Consolidated Condensed Financial Statements.

Interest and Sundry Income (Expense)

Interest and sundry income (expense) decreased $35 million compared to 2009 primarily due to the favorable impact of foreign currency and higher interest income.

Interest Expense

Interest expense decreased $4 million compared to 2009 due to a one time interest charge recorded in 2009 related to a foreign operating tax settlement and lower average debt levels, partially offset by higher interest rates.

Income Taxes

The effective income tax rate for the March 2010 quarter was a benefit of 1.6% compared to a benefit of 27.1% for the March 2009 quarter. The decrease in the benefit from 2009 is primarily due to higher earnings and related tax expense. For additional information about income taxes see Note 9 to the Consolidated Condensed Financial Statements.

Net Earnings Available to Whirlpool Common Stockholders

Net earnings available to Whirlpool common stockholders for the March 2010 quarter were $164 million or $2.13 per diluted share, compared to $68 million, or $0.91 per diluted share in 2009 due to the factors described above.

UPDATE: FORWARD-LOOKING PERSPECTIVE

For the full year 2010, we expect earnings per diluted share to be in the range of $8.00 to $8.50 compared with our previous guidance of $6.50 to $7.00. We currently expect free cash flow for the year to be in the range of $500 to $600 million, compared with our previous guidance of $400 to $500 million. We are also updating our outlook for demand. Within the Latin America region, we expect industry demand to increase from 2009 levels by approximately 10% compared with our previous estimate of a 5-10% increase. We expect North American appliance shipments to increase 3-5% compared with our previous expectation of 2-4%. We anticipate full-year 2010 industry demand in Asia to increase by approximately 5-8% compared with our previous expectation of 3-5% from 2009 levels. Material cost inflation is expected to be at the higher end of the $200 to $300 million range we previously provided.

The table below reconciles projected 2010 cash provided by operations determined in accordance with generally accepted accounting principles (GAAP) in the United States to free cash flow, a non-GAAP measure. Management believes that free cash flow provides shareholders with a relevant measure of liquidity and a useful basis for assessing Whirlpool s ability to fund its activities and obligations. There are limitations to using non-GAAP financial measures, including the difficulty associated with comparing companies that use similarly named non-GAAP measures whose calculations may differ from our calculations. We define free cash flow as cash provided by continuing operations after capital expenditures and proceeds from the sale of assets/businesses. The projections shown here are based upon many estimates and are inherently subject to change based on future decisions made by management and the board of directors of Whirlpool, and significant economic, competitive and other uncertainties and contingencies.

Millions of dollars	**2010 Outlook**	
Cash provided by operating activities	$ 1,050	$ 1,150

Capital expenditures	(550)	(600)
Proceeds from sale of assets/businesses		50
Free cash flow	$ 500	$ 600

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FINANCIAL CONDITION AND LIQUIDITY

Our objective is to finance our business through operating cash flow and the appropriate mix of long-term and short-term debt. By diversifying the maturity structure, we avoid concentrations of debt, reducing liquidity risk. We have varying needs for short-term working capital financing as a result of the nature of our business. The volume and timing of refrigeration and air conditioning production impacts our cash flows and consists of increased production in the first half of the year to meet increased demand in the summer months.

We have experienced negative global economic trends in the recent quarters. To succeed in this environment we have aggressively taken steps to further reduce all areas of cost, production capacity and working capital. Outside the United States, short-term funding is provided by bank borrowings on uncommitted lines of credit. We believe that our operating cash flow, together with access to sufficient sources of liquidity, will be adequate to meet our ongoing funding requirements.

As of March 31, 2010, there was no balance outstanding under our credit facility and we are in compliance with the financial covenants for all periods presented.

Pension and Postretirement Benefit Plans

On August 28, 2009, we announced the closure of our manufacturing facility in Evansville, Indiana, which triggered a curtailment gain in our United States retiree healthcare plan to be recognized as the employees terminate. During the March 2010 quarter, approximately half of the full-time positions in Evansville were eliminated, resulting in the recognition of a curtailment gain of $29 million. The curtailment gain was recognized in our Consolidated Condensed Statement of Income as a component of cost of goods sold with an offset in our Consolidated Condensed Balance Sheet to other comprehensive income, net of tax.

On February 9, 2009, we announced the indefinite suspension of the annual credit to retirement health savings accounts for the majority of active participants. The result of the suspension was a curtailment gain of $89 million.

During the remainder of 2010, we expect to recognize an additional curtailment gain totaling $33 million.

For additional information about pension and postretirement benefit plans, see Note 10 to the Consolidated Condensed Financial Statements.

Sources and Uses of Cash

We expect to meet our cash needs for 2010 from cash flows from operations, cash and equivalents and financing arrangements. Our cash and equivalents were $1.2 billion at March 31, 2010 compared to $193 million at March 31, 2009.

Cash Flows from Operating Activities

Cash provided by operating activities during the March 2010 quarter was $71 million, an increase of $343 million compared to 2009. Cash provided by operations reflects lower cash payments for accounts payable and higher cash earnings, partially offset by higher payments for inventory and an increase in accounts receivable driven by higher sales volumes.

Cash Flows from Investing Activities

Cash used in investing activities during the March 2010 quarter was $150 million compared to $99 million in 2009. The increase in cash used in investing activities was primarily due to higher capital spending and lower proceeds from the sale of assets in 2010.

Cash Flows from Financing Activities

Cash used in financing activities during the March 2010 quarter was $90 million compared to cash provided of $420 million in 2009. The March 2010 quarter reflects net repayments of short-term borrowings and long-term debt repayments totaling $52 million compared to net proceeds of $457 million in 2009. During the March 2010 quarter, we paid dividends to common stockholders totaling $33 million, purchased noncontrolling interest shares in our Latin America segment for $12 million, and received proceeds from the issuance of common stock related to option exercises of $7 million. During 2009, we paid dividends to common stockholders totaling $32 million.

OTHER MATTERS

Government authorities in various jurisdictions are conducting antitrust investigations of the global compressor industry, including our compressor business headquartered in Brazil (Embraco). In 2009, Embraco sales represented approximately 7% of our global net sales.

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In February 2009, competition authorities in Brazil, the United States and Europe began to seek documents from us in connection with their investigations. A grand jury subpoena from the United States Department of Justice requested documents for the time period from 2003 to 2009. Competition authorities in other jurisdictions have sought similar information.

In September 2009, the Brazilian competition commission (CADE) agreed to terminate the administrative investigation of our compressor business. Under the terms of the settlement agreement, Whirlpool affiliates and certain executives located in Brazil acknowledged a violation of Brazilian antitrust law in the Brazilian compressor market by some Embraco employees. The settlement agreement provides for the affiliates to make contributions totaling 100 million Brazilian reais to a Brazilian government fund. The contributions translated to approximately $56 million, all of which was recorded as an expense in 2009. We are cooperating with the ongoing government investigations in other jurisdictions and have taken actions, and will continue to take actions, to minimize our potential exposure.

Since the government investigations became public in February 2009, we have been named as a defendant in numerous related antitrust lawsuits in various jurisdictions seeking damages in connection with the pricing of compressors from 1996 to 2009. Several other compressor manufacturers who are the subject of the government investigations have also been named as defendants in the litigation. United States federal lawsuits instituted on behalf of purported purchasers and containing class action allegations have been combined in one proceeding in the United States District Court for the Eastern District of Michigan. We intend to defend the lawsuits vigorously.

The final outcome and impact of these matters, and related claims and investigations that may be brought in the future are subject to many variables, and cannot be predicted with certainty. An accrual has been established only where we have determined that a loss is probable and the amount of loss can be reasonably estimated. As of March 31, 2010, we have accrued charges of approximately $94 million related to these matters. While it is currently not possible to reasonably estimate the aggregate amount of costs which we may incur in connection with these matters, such costs could have a material adverse effect on our financial position, liquidity, or results of operations.

The Brazilian Constitution provides a general basis for recognizing tax credits on the purchase of raw materials used in production (IPI tax credit). Certain raw materials that are exempt or have a zero tax basis in the production process qualify for these IPI tax credits. Based on legal precedent, in 2003 and 2004, we recognized tax credits in an aggregate amount of $26 million adjusted for currency. The Brazilian tax authority subsequently challenged the recording of IPI tax credits. No credits were recognized in 2005 through 2009. In 2009, we entered into an agreement under a special Brazilian government program providing for extended payment terms and reductions in penalties and interest to encourage taxpayers to resolve disputed IPI tax credit amounts. Charges recorded related to this program for the year ended December 31, 2009 include $27 million in tax that was recorded in cost of products sold, $16 million in interest expense and $4 million in penalties recorded in interest and sundry income (expense) in our Consolidated Statements of Income. During the December 2009 quarter, based on newly issued regulations, we settled with the Brazilian tax authority to resolve these and other disputed tax amounts. As a result of this settlement agreement, we recorded an increase in value added taxes owed of approximately $4 million in cost of goods sold, a reduction in interest expense totaling $18 million related to interest abatement, a reduction in interest and sundry income (expense) of $4 million related to penalty abatement and related income tax expense of $5 million under this special program. The settlement is in the process of being ratified by the Brazilian tax authority.

In 1989, a Brazilian affiliate (now a subsidiary) 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, an adverse decision in the declaratory action became final. In 2001, the financial institution began a collection action and we 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 Superior Court dismissed our counterclaim in 2007. In late 2008, the lower court issued a decision in the collection action in favor of the financial institution in the amount of 283 million Brazilian reais (approximately $159 million), plus judicial adjustments, which could be significant. We have appealed this decision. Based on our outside counsel s assessment of the case, the amount previously accrued for our estimated exposure for this litigation remains unchanged. However, the amount of the final award, if any, may be materially different than the amount we have accrued.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our exposures to market risk since December 31, 2009.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

We maintain 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 our 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 our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Prior to filing this report, we completed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2010. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2010.

(b) Changes in internal control over financial reporting.

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

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to legal proceedings can be found under the heading Commitments and Contingencies in Note 5 to the Consolidated Condensed Financial Statements contained in Part I, Item 1 of this report.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2009. The risk factors disclosed in our Annual Report on Form 10-K, 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 currently deem immaterial also may materially adversely affect our business, financial condition or results.

Item 2. Unregistered Sale of Securities, Use of Proceeds and Issuer Purchases of Equity Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Other Information

None

Item 5. 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

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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)

April 26, 2010