

ECOLAB INC
Form 10-Q
October 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from to

Commission File No. 1-9328

ECOLAB INC.

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(Exact name of registrant as specified in its charter)

Delaware	41-0231510
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

370 Wabasha Street N., St. Paul, Minnesota 55102

(Address of principal executive offices)(Zip Code)

1-800-232-6522

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name, former address and former fiscal year,
if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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 No

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 30, 2013.

301,299,251 shares of common stock, par value \$1.00 per share.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ECOLAB INC.

CONSOLIDATED STATEMENT OF INCOME

(millions, except per share amounts)	2013	Third Quarter Ended September 30 (unaudited)	2012
Net sales	\$	3,484.0	\$ 3,023.3
Cost of sales (including special charges of \$6.3 in 2013 and \$3.2 in 2012)		1,882.8	1,616.4
Selling, general and administrative expenses		1,097.4	977.7
Special (gains) and charges		27.8	28.0
Operating income		476.0	401.2
Interest expense, net		67.0	64.2
Income before income taxes		409.0	337.0
Provision for income taxes		101.8	97.7
Net income including noncontrolling interest		307.2	239.3
Less: Net income (loss) attributable to noncontrolling interest		(0.8)	1.3
Net income attributable to Ecolab	\$	308.0	\$ 238.0
Earnings attributable to Ecolab per common share			
Basic	\$	1.02	\$ 0.81
Diluted	\$	1.00	\$ 0.80
Dividends declared per common share	\$	0.2300	\$ 0.2000
Weighted-average common shares outstanding			
Basic		301.2	292.7
Diluted		307.2	298.6

The accompanying notes are an integral part of the consolidated financial information.

ECOLAB INC.

CONSOLIDATED STATEMENT OF INCOME

(millions, except per share amounts)	2013	Nine Months Ended September 30 (unaudited)	2012
Net sales	\$	9,693.9	\$ 8,792.9
Cost of sales (including special charges of \$23.5 in 2013 and \$82.3 in 2012)		5,276.3	4,839.3
Selling, general and administrative expenses		3,176.5	2,949.1
Special (gains) and charges		151.1	111.0
Operating income		1,090.0	893.5
Interest expense, net (including special charges of \$2.5 in 2013 and \$18.2 in 2012)		194.7	214.2
Income before income taxes		895.3	679.3
Provision for income taxes		211.3	212.5
Net income including noncontrolling interest		684.0	466.8
Less: Net income (loss) attributable to noncontrolling interest (including special charges of \$0.5 in 2013 and \$4.5 in 2012)		3.3	(5.4)
Net income attributable to Ecolab	\$	680.7	\$ 472.2
Earnings attributable to Ecolab per common share			
Basic	\$	2.27	\$ 1.62
Diluted	\$	2.23	\$ 1.58
Dividends declared per common share	\$	0.6900	\$ 0.6000
Weighted-average common shares outstanding			
Basic		299.4	292.0
Diluted		305.3	298.3

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ECOLAB INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(millions)	Third Quarter Ended September 30		Nine Months Ended September 30	
	2013 (unaudited)	2012	2013 (unaudited)	2012
Net income including noncontrolling interest	\$ 307.2	\$ 239.3	\$ 684.0	\$ 466.8
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments				
Foreign currency translation	(126.2)	121.5	(276.9)	(47.4)
Gain (loss) on net investment hedge	(4.2)	(5.9)	(4.2)	19.8
	(130.4)	115.6	(281.1)	(27.6)
Derivatives and hedging instruments	1.6	(2.5)	9.1	(1.1)
Pension and postretirement benefits				
Pension and postretirement benefit adjustment				(1.6)
Amortization of net actuarial loss and prior service cost included in net periodic pension and postretirement costs	10.4	7.0	31.3	21.6
	10.4	7.0	31.3	20.0
Subtotal	(118.4)	120.1	(240.7)	(8.7)
Total comprehensive income, including noncontrolling interest	188.8	359.4	443.3	458.1
Less: Comprehensive income (loss) attributable to noncontrolling interest		1.6	(11.0)	(6.3)
Comprehensive income attributable to Ecolab	\$ 188.8	\$ 357.8	\$ 454.3	\$ 464.4

The accompanying notes are an integral part of the consolidated financial information.

ECOLAB INC.

CONSOLIDATED BALANCE SHEET

(millions)	September 30 2013	December 31 2012
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 394.4	\$ 1,157.8
Accounts receivable, net	2,488.9	2,225.1
Inventories	1,378.1	1,088.1
Deferred income taxes	196.6	205.2
Other current assets	338.0	215.8
Total current assets	4,796.0	4,892.0
Property, plant and equipment, net	2,786.1	2,409.1
Goodwill	6,812.8	5,920.5
Other intangible assets, net	4,851.1	4,044.1
Other assets	367.6	306.6
Total assets	\$ 19,613.6	\$ 17,572.3

The accompanying notes are an integral part of the consolidated financial information.

(Continued)

ECOLAB INC.

CONSOLIDATED BALANCE SHEET (continued)

(millions, except shares and per share amounts)	September 30 2013	December 31 2012
	(unaudited)	
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt	\$ 713.2	\$