

DONALDSON CO INC  
Form 10-Q  
March 04, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2010**  
**OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.**

Commission File Number 1-7891

**DONALDSON COMPANY, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**41-0222640**  
(I.R.S. Employer  
Identification No.)

**1400 West 94th Street**  
**Minneapolis, Minnesota 55431**  
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(952) 887-3131**

(a) 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 Regulation S-T 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. (Check one):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, \$5 Par Value 77,241,936 shares as of January 31, 2010.

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****DONALDSON COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****(Thousands of dollars, except share and per share amounts)****(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>January 31,</b>		<b>January 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net sales	\$ 436,122	\$ 460,601	\$ 864,202	\$ 1,033,861
Cost of sales	290,175	326,589	569,855	713,146
Gross margin	145,947	134,012	294,347	320,715
Operating expenses	106,896	106,165	202,852	223,181
Operating income	39,051	27,847	91,495	97,534
Other income, net	(1,281)	(2,574)	(1,801)	(5,678)
Interest expense	2,795	4,728	5,745	9,018
Earnings before income taxes	37,537	25,693	87,551	94,194
Income taxes	6,571	(8,100)	22,016	12,439
Net earnings	\$ 30,966	\$ 33,793	\$ 65,535	\$ 81,755
Weighted average shares outstanding	78,087,356	77,861,977	78,066,774	77,930,190
Diluted shares outstanding	79,406,326	78,900,265	79,375,443	79,368,020
Basic earnings per share	\$ 0.40	\$ 0.43	\$ 0.84	\$ 1.05
Diluted earnings per share	\$ 0.39	\$ 0.43	\$ 0.83	\$ 1.03
Dividends paid per share	\$ 0.115	\$ 0.115	\$ 0.230	\$ 0.225

See Notes to Condensed Consolidated Financial Statements.

**DONALDSON COMPANY, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Thousands of dollars, except share amounts)****(Unaudited)**

	<b>January 31, 2010</b>	<b>July 31, 2009</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 180,606	\$ 143,687
Accounts receivable, less allowance of \$6,809 and \$7,387	287,978	280,187
Inventories	190,285	180,238
Prepays and other current assets	68,347	72,655
Total current assets	727,216	676,767
Property, plant and equipment, at cost	885,594	882,547
Less accumulated depreciation	(514,519)	(501,479)
Property, plant and equipment, net	371,075	381,068
Goodwill	168,108	169,027
Intangible assets, net	62,080	65,386
Other assets	45,975	41,748
Total Assets	\$ 1,374,454	\$ 1,333,996

**LIABILITIES AND SHAREHOLDERS EQUITY**