MCCORMICK & CO INC
Form 10-Q
October 07, 2011
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UNITED STATES

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 Quarterly Period Ended August 31, 2011

Commission File Number 001-14920

McCORMICK & COMPANY, INCORPORATED

(Exact name of registrant as specified in its charter)

MARYLAND	**52-0408290**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**
18 Loveton Circle, P. O. Box 6000, Sparks, MD	**21152-6000**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (410) 771-7301

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 filing requirements for the past 90 days. Yes x 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 (Section 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 ¨

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

Large Accelerated Filer x	Accelerated Filer ¨
Non-Accelerated Filer ¨	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 x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

	Shares Outstanding August 31, 2011
Common Stock	12,445,019
Common Stock Non-Voting	120,224,878

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(in millions except per share amounts)

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Net sales	$ 920.4	$ 794.6	$ 2,586.9	$ 2,357.4
Cost of goods sold	555.9	459.8	1,543.5	1,385.7
Gross profit	364.5	334.8	1,043.4	971.7
Selling, general and administrative expense	236.1	208.8	695.1	647.3
Operating income	128.4	126.0	348.3	324.4
Interest expense	13.1	12.4	37.6	37.0
Other income, net	1.1	0.5	2.5	1.0
Income from consolidated operations before income taxes	116.4	114.1	313.2	288.4
Income taxes	31.2	18.3	91.7	71.4
Net income from consolidated operations	85.2	95.8	221.5	217.0
Income from unconsolidated operations	6.8	6.6	20.9	19.5
Net income	$ 92.0	$ 102.4	$ 242.4	$ 236.5
Earnings per common share basic	$ 0.69	$ 0.77	$ 1.83	$ 1.78
Average shares outstanding basic	132.6	133.3	132.7	132.9
Earnings per common share diluted	$ 0.69	$ 0.76	$ 1.81	$ 1.76
Average shares outstanding diluted	134.1	134.9	134.3	134.4
Cash dividends paid per common share	$ 0.28	$ 0.26	$ 0.84	$ 0.78

See notes to condensed consolidated financial statements (unaudited).

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McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEET

(in millions)

	August 31, 2011 (unaudited)	August 31, 2010 (unaudited)	November 30, 2010
ASSETS			
Current Assets			
Cash and cash equivalents	$ 52.2	$ 23.6	$ 50.8
Trade accounts receivables, net	391.7	319.7	386.7
Inventories			
Finished products	284.4	259.1	234.1
Raw materials and work-in-process	315.9	235.3	243.5
	600.3	494.4	477.6
Prepaid expenses and other current assets	119.1	117.9	100.8
Total current assets	1,163.3	955.6	1,015.9
Property, plant and equipment	1,244.3	1,119.2	1,163.3
Less: accumulated depreciation	(746.7)	(654.4)	(675.3)
Total property, plant and equipment, net	497.6	464.8	488.0
Goodwill, net	1,511.2	1,392.1	1,417.4
Intangible assets, net	236.0	231.9	232.5
Investments and other assets	306.5	220.3	265.9
Total assets	$ 3,714.6	$ 3,264.7	$ 3,419.7
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities			
Short-term borrowings	$ 0.0	$ 97.4	$ 0.2
Current portion of long-term debt	0.3	100.3	100.2
Trade accounts payable	303.2	267.2	302.7
Other accrued liabilities	336.0	333.6	431.7
Total current liabilities	639.5	798.5	834.8
Long-term debt	1,031.7	779.5	779.9
Other long-term liabilities	323.0	304.9	342.3
Total liabilities	1,994.2	1,882.9	1,957.0
Shareholders Equity			
Common stock	298.1	256.9	282.7
Common stock non-voting	508.7	443.5	473.8
Retained earnings	785.7	709.6	700.9
Accumulated other comprehensive income (loss)	118.8	(37.0)	(3.7)
Non-controlling interest	9.1	8.8	9.0

Total shareholders equity	1,720.4	1,381.8	1,462.7
Total liabilities and shareholders equity	$ 3,714.6	$ 3,264.7	$ 3,419.7

See notes to condensed consolidated financial statements (unaudited).

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McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(in millions)

	Nine months ended August 31, 2011	Nine months ended August 31, 2010
Cash flows from operating activities		
Net income	$ 242.4	$ 236.5
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	73.2	70.1
Stock-based compensation	10.4	9.7
Income from unconsolidated operations	(20.9)	(19.5)
Changes in operating assets and liabilities	(233.0)	(160.2)
Dividends from unconsolidated affiliates	13.6	8.6
Net cash flow provided by operating activities	85.7	145.2
Cash flows from investing activities		
Acquisitions of businesses	(39.2)	0.0
Capital expenditures	(58.8)	(52.5)
Proceeds from sale of property, plant and equipment	0.7	6.1
Net cash flow used in investing activities	(97.3)	(46.4)
Cash flows from financing activities		
Short-term borrowings, net	(0.3)	(2.4)
Long-term debt borrowings	251.5	0.0
Long-term debt repayments	(100.0)	(14.3)
Proceeds from exercised stock options	45.5	45.9
Common stock acquired by purchase	(89.2)	(38.2)
Dividends paid	(111.4)	(103.7)
Net cash flow used in financing activities	(3.9)	(112.7)
Effect of exchange rate changes on cash and cash equivalents	16.9	(2.0)
Increase (decrease) in cash and cash equivalents	1.4	(15.9)
Cash and cash equivalents at beginning of period	50.8	39.5
Cash and cash equivalents at end of period	$ 52.2	$ 23.6

See notes to condensed consolidated financial statements (unaudited).

McCORMICK & COMPANY, INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by United States generally accepted accounting principles for complete financial statements. In our opinion, the accompanying condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position and the results of operations for the interim periods.

The results of consolidated operations for the three and nine month periods ended August 31, 2011 are not necessarily indicative of the results to be expected for the full year. Historically, our net sales, net income and cash flow from operations are lower in the first half of the fiscal year and increase in the second half. The increase in net sales, net income and cash flow from operations in the second half of the year is mainly due to the consumer business cycle, where customers typically purchase more products in the fourth quarter due to the holiday season.

For further information, refer to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended November 30, 2010.

Accounting and Disclosure Changes

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-05 *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* This guidance is intended to increase the prominence of other comprehensive income in financial statements by presenting it in either a single statement or two-statement approach. This new accounting pronouncement is effective for our first quarter of 2013 and we do not expect any material impact on our financial statements from adoption.

2. ACQUISITIONS

In July 2011, we purchased the privately-owned business assets of Kitchen Basics, Inc. for $38.0 million, subject to a normal working capital adjustment. The purchase was financed with a combination of cash and debt. Kitchen Basics has annual sales of approximately $25 million and sells a leading brand of ready-to-serve, shelf stable stock in North America. Kitchen Basics will be included in our consumer business segment from the date of acquisition. A preliminary valuation of the assets for Kitchen Basics resulted in $6.7 million allocated to tangible net assets and the remainder to intangible assets and goodwill.

In June 2011, we signed an agreement to enter into a joint venture with Kohinoor Foods Ltd. in India. Kohinoor is a leading Indian national brand of basmati rice as well as other convenience food products. The completion of this transaction occurred subsequent to our third quarter end and will be recorded in our fourth quarter. We will invest 5.2 billion Indian rupees (approximately $113 million in U.S. dollars) for an 85% interest in the joint venture, Kohinoor Speciality Foods India Private Limited, financed with a combination of cash and debt. This will be a consumer business consolidated joint venture with projected annual net sales of approximately $85 million and will market and sell branded basmati rice and other food products in India.

In June 2011, we also signed an agreement to purchase the shares of Kamis, a brand leader of spices, seasonings and mustards in Poland. Kamis is a privately held company based in Poland with distribution into Poland, Russia and other parts of Central and Eastern Europe and its annual net sales are approximately $105 million. The acquisition was completed subsequent to our third quarter end and will be recorded in our fourth quarter. The purchase price is 830 million Polish zloty (approximately $286 million in U.S. dollars), which will be financed with a combination of cash and debt. Kamis will be included predominately in our consumer business segment from the date of acquisition.

During the three and nine months ended August 31, 2011, we have recorded $1.6 million and $4.0 million, respectively, in transaction-related expenses associated with these acquisitions in selling, general and administrative expenses in our income statement.

3. FINANCIAL INSTRUMENTS

We use derivative financial instruments to enhance our ability to manage risk, including foreign currency and interest rate exposures, which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

In June 2011, we entered into a new five year $600 million revolving credit facility. The new facility expires in June 2016 and replaced our previous $500 million revolving credit facility, which was due to expire in July 2012. The pricing for this new credit facility, on a fully drawn basis, is LIBOR plus 0.875%. This credit facility supports our commercial paper program.

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In July 2011, we issued $250 million of 3.90% Notes due 2021, with net cash proceeds received of $247.5 million. Interest is payable semiannually in arrears in January and July of each year. Of these notes, $200 million were subject to interest rate hedges as further disclosed below. The net proceeds from this offering were used to fund in part our acquisition of Kamis in 2011 (see Note #2).

In May and June 2011, we entered into a total of $200 million of forward U.S. Treasury rate lock agreements to manage the U.S. Treasury portion of our interest rate risk associated with the anticipated issuance of fixed rate Notes in July 2011. We cash settled all of these agreements, which were designated as cash flow hedges, for a loss of $0.2 million simultaneous with the issuance of the notes at an all in effective fixed rate of 4.01% on the full $250 million of debt. The loss on these agreements is deferred in other comprehensive income and will be amortized to interest expense over the life of the Notes. Hedge ineffectiveness of these agreements was not material.

As of August 31, 2011, the maximum time frame for our foreign exchange forward contracts is 15 months. For all derivatives, the net amount of accumulated other comprehensive income expected to be reclassified in the next 12 months is $1.8 million as a reduction of earnings.

All derivatives are recognized at fair value in the balance sheet and recorded in either current or noncurrent other assets or other accrued liabilities or other long-term liabilities depending upon nature and maturity.

The following table discloses the fair values of derivative instruments on our balance sheet (in millions):

As of August 31, 2011

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Interest rate contracts	Other current assets	$ 100.0	$ 18.9			
Foreign exchange contracts	Other current assets	116.8	1.9	Other accrued liabilities	$ 239.8	2.9
Total			$ 20.8			$ 2.9

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As of August 31, 2010

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Interest rate contracts	Other current assets	$ 100.0	$ 19.4			
Foreign exchange contracts	Other current assets	39.4	0.7	Other accrued liabilities	$ 287.8	$ 3.2
Total			$ 20.1			$ 3.2

As of November 30, 2010

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Interest rate contracts	Other current assets	$ 100.0	$ 19.2			
Foreign exchange contracts	Other current assets	4.5	0.2	Other accrued liabilities	$ 203.7	$ 2.8
Total			$ 19.4			$ 2.8

The following tables disclose the impact of derivative instruments on our other comprehensive income (OCI), accumulated other comprehensive income (AOCI) and our income statement for the quarters ending August 31, 2011 and 2010 (in millions):

Fair Value Hedges

Derivative	Income statement location	Expense			
		For the 3 months ended 8/31/11	For the 3 months ended 8/31/10	For the 9 months ended 8/31/11	For the 9 months ended 8/31/10
Interest rate contracts	Interest expense	$ 1.2	$ 1.2	$ 3.7	$ 3.7

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Cash Flow Hedges For the 3 months ended August 31,

Derivative	Gain or (Loss) recognized in OCI 2011	2010	Income statement location	Gain or (Loss) reclassified from AOCI 2011	2010
Interest rate contracts	$ 0.7	0.0	Interest expense	$ (0.3)	$ (0.3)
Foreign exchange contracts	0.3	$ (1.3)	Cost of goods sold	(1.1)	(0.1)
Total	$ 1.0	$ (1.3)		$ (1.4)	$ (0.4)

Cash Flow Hedges For the 9 months ended August 31,

Derivative	Gain or (Loss) recognized in OCI 2011	2010	Income statement location	Gain or (Loss) reclassified from AOCI 2011	2010
Interest rate contracts	$ (0.2)	0.0	Interest expense	$ (1.0)	$ (1.0)
Foreign exchange contracts	(1.5)	$ 0.4	Cost of goods sold	(2.7)	(0.1)
Total	$ (1.7)	$ 0.4		$ (3.7)	$ (1.1)

The amount of gain or loss recognized in income on the ineffective portion of derivative instruments was not material. The amounts noted in the tables above for gain or (loss) recognized in OCI do not include any adjustments for the impact of deferred income taxes.

4. FAIR VALUE MEASUREMENTS

Fair value can be measured using valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

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Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

Our population of financial assets and liabilities subject to fair value measurements on a recurring basis are as follows (in millions):

		Fair value measurements using fair value hierarchy As of August 31, 2011		
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 52.2	$ 52.2	$ 0.0	$ 0.0
Insurance contracts	59.3	0.0	59.3	0.0
Bonds & other long-term investments	12.9	12.9	0.0	0.0
Interest rate derivatives	18.9	0.0	18.9	0.0
Foreign currency derivatives	1.9	0.0	1.9	0.0
Total	$ 145.2	$ 65.1	$ 80.1	$ 0.0
Liabilities				
Foreign currency derivatives	$ 2.9	$ 0.0	$ 2.9	$ 0.0

		Fair value measurements using fair value hierarchy As of August 31, 2010		
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 23.6	$ 23.6	$ 0.0	$ 0.0
Insurance contracts	49.9	0.0	49.9	0.0
Bonds & other long-term investments	12.2	12.2	0.0	0.0
Interest rate derivatives	19.4	0.0	19.4	0.0
Foreign currency derivatives	0.7	0.0	0.7	0.0
Total	$ 105.8	$ 35.8	$ 70.0	$ 0.0
Liabilities				
Foreign currency derivatives	$ 3.2	$ 0.0	$ 3.2	$ 0.0

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	Fair Value	Level 1	Level 2	Level 3
	Fair value measurements using fair value hierarchy As of November 30, 2010			
Assets				
Cash and cash equivalents	$ 50.8	$ 50.8	$ 0.0	$ 0.0
Insurance contracts	52.8	0.0	52.8	0.0
Bonds & other long-term investments	13.0	13.0	0.0	0.0
Interest rate derivatives	19.2	0.0	19.2	0.0
Foreign currency derivatives	0.2	0.0	0.2	0.0
Total	$ 136.0	$ 63.8	$ 72.2	$ 0.0
Liabilities				
Foreign currency derivatives	$ 2.8	$ 0.0	$ 2.8	$ 0.0

The fair values of insurance contracts are based upon the underlying values of the securities in which they are invested and are from quoted market prices from various stock and bond exchanges. The fair values of bonds and other long-term investments are based on quoted market prices from various stock and bond exchanges. The fair values for interest rate and foreign currency derivatives are based on quotations from various banks for similar instruments using models with market based inputs.

5. PENSION AND POSTRETIREMENT BENEFITS

The following table presents the components of our pension expense of the defined benefit plans for the three months ended August 31 (in millions):

	United States		International	
	2011	2010	2011	2010
Defined benefit plans				
Service cost	$ 3.8	$ 3.2	$ 1.6	$ 1.3
Interest costs	7.6	7.3	3.1	2.8
Expected return on plan assets	(8.5)	(8.0)	(4.0)	(3.3)
Amortization of prior service costs	0.0	0.0	0.1	.1
Recognized net actuarial loss	3.3	3.0	.4	.3
Total pension expense	$ 6.2	$ 5.5	$ 1.2	$ 1.2

The following table presents the components of our pension expense of the defined benefit plans for the nine months ended August 31 (in millions):

	United States		International	
	2011	2010	2011	2010
Defined benefit plans				
Service cost	$ 11.3	$ 9.6	$ 4.7	$ 4.0
Interest costs	22.7	21.9	9.4	8.5
Expected return on plan assets	(25.5)	(24.0)	(11.9)	(10.2)
Amortization of prior service costs	0.0	0.0	0.3	0.2
Recognized net actuarial loss	10.0	8.9	1.7	1.1

Total pension expense	$ 18.5	$ 16.4	$ 4.2	$ 3.6

During the nine months ended August 31, 2011 and 2010, we made $42.4 million and $48.4 million, respectively, in total contributions to our pension plans. Total contributions to our

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pension plans in 2011 are expected to be approximately $44 million. Total contributions to our pension plans in fiscal year 2010 were $49.5 million.

The following table presents the components of our other postretirement benefits expense (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Other postretirement benefits				
Service cost	$ 1.0	$ 1.2	$ 2.9	$ 3.7
Interest costs	1.1	1.3	3.3	3.7
Amortization of prior service costs	(1.5)	(1.4)	(4.5)	(4.1)
Amortization of losses	0.2	0.3	0.6	1.0
Total other postretirement expense	$ 0.8	$ 1.4	$ 2.3	$ 4.3

6. STOCK-BASED COMPENSATION

The following table sets forth the stock-based compensation recorded in selling, general and administrative (SG&A) expense (in millions):

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Stock-based compensation expense	$ 2.8	$ 2.2	$ 10.4	$ 9.7

Our 2011 annual grant of stock options and restricted stock units (RSU) occurred in the second quarter, similar to the 2010 annual grant. The weighted-average grant-date fair value of an option granted in 2011 was $7.99 and in 2010 was $6.88 under a lattice pricing model. The fair values of option grants in the stated periods were computed using the following range of assumptions for our various stock compensation plans:

	2011	2010
Risk-free interest rates	0.1-3.5%	0.2-3.8%
Dividend yield	2.4%	2.7%
Expected volatility	15.2-22.2%	20.4-24.2%
Expected lives	6.4	6.2

The following is a summary of all option activity for the nine months ended August 31, 2011 and 2010:

	2011		2010	
(shares in millions)	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	7.4	$ 32.01	11.3	$ 29.45
Granted	0.9	47.40	1.0	38.39
Exercised	(1.4)	29.28	(2.6)	22.63
Cancelled	0.0	0.0	(0.1)	33.97

Outstanding at end of August 31,	6.9		34.77	9.6		32.11
Exercisable at end of August 31,	4.5	$	32.10	7.5	$	31.32

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As of August 31, 2011 the intrinsic value (the difference between the exercise price and the market price) for all options outstanding was $89.4 million and for exercisable options was $71.0 million. The total intrinsic value of all options exercised during the nine months ended August 31, 2011 and 2010 was $26.9 million and $39.5 million, respectively.

The following is a summary of all of our RSU activity for the nine months ended August 31, 2011 and 2010:

	2011		2010	
(shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	289	$ 35.42	353	$ 32.40
Granted	134	$ 47.40	176	$ 38.36
Vested	(184)	$ 34.04	(233)	$ 33.18
Forfeited	(3)	$ 38.69	(3)	$ 32.17
Outstanding at end of period	236	$ 43.24	293	$ 35.37

7. INCOME TAXES

There were no significant changes to unrecognized tax benefits during the nine months ended August 31, 2011 (which was $20.7 million at November 30, 2010).

Income taxes for the three months and nine months ended August 31, 2011 include $3.7 million and $4.5 million, respectively, in discrete tax benefits. These favorable effects include the adjustment of an estimate used in a prior year tax provision after the actual tax return was filed and the reversal of certain tax accruals based on new facts related to a prior year tax provision.

Income taxes for the three months and nine months ended August 31, 2010 include $16.1 million and $20.8 million, respectively, in discrete tax benefits. The discrete tax benefits in the third quarter of 2010 are mainly due to a $13.9 million reversal of a tax accrual for a closed tax year. This tax accrual was recorded in a prior period based on uncertainties about the tax aspects of transactions where we reorganized our European operations and divested certain of our joint ventures. In addition to the $13.9 million reversal, there were also other reversals of accruals for closed tax years and a tax benefit for the adjustment to a prior year tax provision after the actual tax return was filed. The discrete tax benefits for the nine months ended August 31, 2010 include the benefits noted in the third quarter and additional tax benefits recorded in the first six months of 2010 based on the settlement of tax audits.

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8. EARNINGS PER SHARE AND STOCK ISSUANCES

The following table sets forth the reconciliation of average shares outstanding (in millions):

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
Average shares outstanding basic	132.6	133.3	132.7	132.9
Effect of dilutive securities:				
Stock options, Restricted Stock Units (RSUs) and employee stock purchase plan	1.5	1.6	1.6	1.5
Average shares outstanding diluted	134.1	134.9	134.3	134.4

The following table sets forth the stock options and RSUs for the three and nine months ended August 31, 2011 and 2010 which were not considered in our earnings per share calculation since they were anti-dilutive (in millions):

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
Anti-dilutive securities	0.7	0.8	0.4	3.2

The following table sets forth the common stock activity for the three and nine months ended August 31, 2011 and 2010 under the Company s stock option and employee stock purchase plans and the repurchases of common stock under its stock repurchase program (in millions):

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
Shares issued under stock option, employee stock purchase plans and RSUs	0.4	0.5	1.5	2.1
Shares repurchased in connection with the stock repurchase program	0.0	0.8	1.9	1.0

As of August 31, 2011, $270 million remained of the $400 million share repurchase authorization that was authorized by the Board of Directors in June 2010.

9. COMPREHENSIVE INCOME

The following table sets forth the components of comprehensive income (in millions):

	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
Net income	$ 92.0	$ 102.4	$ 242.4	$ 236.5
Other comprehensive income (loss), (net of tax):				
Pension and other postretirement costs, net of tax	5.9	0.0	6.9	7.1
Foreign currency translation adjustments	(1.1)	40.3	114.4	(153.7)
Derivative financial instruments, net of tax	1.6	(0.5)	1.3	0.5
Comprehensive income	$ 98.4	$ 142.2	$ 365.0	$ 90.4