# PRESS RELEASES

Oct 21, 1997

## Ecolab Reports 15% Earnings Per Share Gain, Record Results For Third Quarter 1997

**1997 THIRD QUARTER HIGHLIGHTS:**

- Record earnings per share +15% to $0.63
- Record earnings +14% to $40 million
- Record sales +10% to $433 million
- Eleventh consecutive double-digit quarterly EPS increase
- Strong core U.S. operations continue to lead growth
- Record earnings results expected for full year 1997

| | 1997 | | | |
|---|---|---|---|---|
| (Millions, except per share) | Third Quarter | % Increase | Nine Months | % Increase |
| Net Sales | $ 433 | 10% | $1,218 | 11% |
| Operating Income | 67 | 19% | 163 | 20% |
| Pretax Income | 63 | 20% | 154 | 24% |
| Taxes | 27 | 20 | 64 | 25 |
| Earnings from Joint Venture | 4 | (28) | 10 | (2) |
| Net Income | $ 40 | 14% | $ 100 | 20% |
| Net Income Per Share | | | | |
| Per Common Share | $0.63 | 15% | $ 1.54 | 20% |
| Fully Diluted | $0.61 | 13% | $ 1.49 | 19% |
| Average Shares Outstanding | 64.7 | 1% | 64.8 | 1% |

ST. PAUL, Minn., October 21, 1997: Continuing strong sales and income growth from its domestic Institutional and Food & Beverage businesses led results as Ecolab reported a 15% increase in earnings per share to a record $0.63 for its third quarter ended September 30, 1997.

Ecolab's third quarter consolidated sales rose 10% to a record $433 million. Net income increased 14% to a record $40 million, reflecting the higher sales, improved sales mix and the benefits of cost reduction programs.

Sales for the nine-month period ended September 30, 1997 rose 11% to $1.2 billion. Net income for the first nine months of 1997 was $100 million, or $1.54 per share, representing 20% growth over the first nine months of last year.

Allan L. Schuman, Ecolab's President and Chief Executive Officer, commented on the results, stating "The third quarter was another strong earnings period for Ecolab as we posted our eleventh consecutive quarter of double-digit earnings per share growth. Our domestic Institutional and Food & Beverage businesses, which serve as the core of our Circle the Customer-Circle the Globe strategy, maintained their strong first half momentum and showed a continued excellent performance in the third quarter. This reflected the more aggressive growth we have developed in these businesses through ongoing investments in our people, products and training as well as the continued healthy trends in the hospitality and industrial markets. Our Asia Pacific and Latin American operations showed good gains, while the joint venture's earnings compared unfavorably to an unusually strong period a year ago.

"With our strong momentum and outlook for good gains in the fourth quarter, we believe 1997 will be another record year for Ecolab. In fact, we expect to achieve our sixth consecutive year of record sales and income results and to meet or exceed our financial objectives for earnings growth, return on equity and balance sheet quality for the third time in the last four years.

"Looking to 1998, we expect continued strong growth as we once again leverage our core businesses, broaden our service offerings and build on our proven growth strategies. In addition, rising concerns over food safety issues offer Ecolab opportunities and expanded ways to better serve our customers' cleaning and sanitation needs, from farms to processing plants to restaurants. We are aggressively pursuing these and a host of other opportunities that we believe will enable Ecolab to set new standards of industry performance and once again achieve strong earnings gains in 1998 and beyond."

Third quarter sales for Ecolab's domestic operations rose 11% over last year to $339 million as the Institutional and Food & Beverage divisions each recorded double-digit growth resulting from aggressive sales, new products, improved training and favorable trends in their markets. Pest Elimination again recorded near double-digit growth, while Kay and Professional Products continued to record moderate sales gains. Domestic operating income increased 22% to $61 million reflecting the higher sales, favorable business mix and continued close attention to costs.

Ecolab's International operations reported sales of $94 million, an 8% gain over the third quarter of last year. When measured in local currencies, International sales grew 12%

with double-digit growth in all of its established regions. Operating income as reported in U.S. dollars declined 2% to $7 million, reflecting unfavorable currency trends; in local currencies, operating income rose 6% with double-digit gains in Latin America and Canada and good gains in Asia Pacific, partially offset by investments in South Africa.

Earnings of the Henkel-Ecolab joint venture are included in the financial statements using the equity method of accounting. The joint venture reported good local currency sales growth throughout much of Europe, however conditions remain difficult in Europe's central countries and the janitorial and textile hygiene markets. When measured in local currencies, third quarter 1997 Henkel-Ecolab sales increased 4%. However, when translated into U.S. dollars, joint venture sales comparisons suffered from the stronger U.S. dollar and decreased 10% to $204 million compared with $228 million in the third quarter of last year. Ecolab's equity in the earnings of the Henkel-Ecolab joint venture was $3.7 million compared with unusually strong earnings of $5.1 million in the third quarter of last year.

In May 1995, Ecolab announced a 6 million share repurchase program. As part of that program, Ecolab purchased 3.5 million shares in June 1995 under a "Dutch auction" self-tender offer. At September 30, 1997 there were approximately 2.4 million shares remaining under the existing repurchase authorization. Additionally, consistent with its longstanding practice, Ecolab has acquired shares under its systematic repurchase program to fund employee benefit plans. During the third quarter, approximately 410,000 shares were purchased under these programs; year-to-date purchases total approximately 763,000 shares. The company intends to continue making purchases from time to time in open market and privately negotiated transactions.

Ecolab is the leading global developer and marketer of premium cleaning, sanitizing, maintenance and pest elimination products and services for the hospitality, institutional and industrial markets. For the year ended December 31, 1996, Ecolab reported sales of $1.5 billion; including European joint venture sales of $0.9 billion, Ecolab's global sales coverage was $2.4 billion. Ecolab shares are traded on the New York Stock Exchange and the Pacific Exchange under the symbol ECL.

Ecolab news releases and other investor information are available on the Internet at http://www.ecolab.com; and by telephone at 1-800-FACT-ECL.

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ECOLAB INC

CONSOLIDATED STATEMENT OF INCOME

THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 1997

(Unaudited)

| | Third Quarter | | Nine Months | |
|---|---|---|---|---|
| (thousands, except per share) | 1997 | 1996 | 1997 | 1996 |
| Net Sales | | | | |
| United States | $338,764 | $305,147 | $ 949,100 | $ 848,120 |
| International | 94,109 | 86,918 | 269,343 | 250,861 |
| Total | 432,873 | 392,065 | 1,218,443 | 1,098,981 |
| Cost of Sales | 188,178 | 175,232 | 537,226 | 498,677 |
| Selling, General and Administrative Expenses | 177,899 | 160,534 | 518,188 | 464,858 |
| Operating Income | | | | |
| United States | 60,738 | 49,889 | 146,363 | 119,962 |
| International | 7,102 | 7,242 | 19,641 | 17,891 |
| Corporate | (1,044) | (832) | (2,975) | (2,407) |
| Total | 66,796 | 56,299 | 163,029 | 135,446 |
| Interest Expense, Net | 3,351 | 3,592 | 9,403 | 11,616 |
| Income Before Income Taxes and Equity in Earnings of Joint Venture | 63,445 | 52,707 | 153,626 | 123,830 |
| Provision for Income Taxes | 26,613 | 22,263 | 63,587 | 50,780 |
| Equity in Earnings of Henkel-Ecolab Joint Venture | 3,657 | 5,084 | 9,548 | 9,721 |
| Net Income | $ 40,489 | $ 35,528 | $ 99,587 | $ 82,771 |
| Net Income Per Share | | | | |
| Per Common Share | $ 0.63 | $ 0.55 | $ 1.54 | $ 1.28 |
| Fully Diluted | $ 0.61 | $ 0.54 | $ 1.49 | $ 1.25 |
| Average Common Shares Outstanding | 64,731 | 64,366 | 64,798 | 64,421 |

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**Back to Press Releases**