PRESS RELEASES

Jul 19, 2001

Ecolab Reports Improved EPS For Second Quarter 2001; Expects Full Year 2001 Earnings Per Share to Rise 7%-9% to $1.61-$1.63

ST. PAUL, Minn., Jul 19, 2001 (BUSINESS WIRE) -- Ecolab, Inc.(NYSE:ECL):

2001 SECOND QUARTER HIGHLIGHTS:

- -- Record sales +4% to $596 million
- -- Record diluted earnings per share +3% to $0.37
- -- Pest Elimination, GCS and wholly-owned international operations lead gains, offset slower economies and weak foreign currencies

	2001			
(Millions, except per share)	Second Quarter	% Increase	Six Months	% Increase
Net Sales	$ 596	4%	$1,177	7%
Operating Income	$ 80	2%	$ 158	4%
Pretax Income	$ 73	--%	$ 144	2%
Taxes	30	(1)	58	1
Earnings from Henkel-Ecolab	5	(12)	7	(14)
Net Income	$ 48	--%	$ 93	2%
Diluted Net Income Per Share	$ 0.37	3%	$ 0.71	4%
Diluted Average Shares Outstanding	130.1	(2)%	130.2	(2)%

Good results from its Pest Elimination, GCS and its wholly-owned international businesses offset the effects of slow economies and weak foreign currencies to lead Ecolab's second quarter ended June 30, 2001, as diluted earnings per share increased 3% to $0.37.

Ecolab's consolidated sales increased 4% to a record $596 million in 2001's second quarter. Net income was virtually unchanged at $48 million. Earnings per share increased 3%, benefiting from a lower number of shares outstanding. The impact of currency translation was a negative $0.01 per share.

Commenting on the quarter, Allan L. Schuman, Ecolab's Chairman and Chief Executive Officer said, "The second quarter represented a good performance in view of the very challenging world economies and currency trends, and these results were in line with our previous guidance. We made progress in all of our businesses, but it was the outstanding double-digit gains by our Pest Elimination, GCS and our wholly-owned international operations that led the quarter's results.

"We remain aggressive in the marketplace, introducing new products, services and value-creating programs for our customers, and we continue to set the standard for our industry's performance. We also retain our uncompromising financial goals, but realize their achievement will not be an easy task this year as general economic conditions have deteriorated over the last few months and offer few prospects for improvement soon. However, Ecolab's people are aggressive, committed and focused on providing the best results for our customers and our shareholders, no matter what it takes. While 2001 will represent a challenging year, we expect earnings per share for the year to rise 7%-9% to the $1.61 to $1.63 range, which compares with the $1.50 we earned from ongoing operations in 2000. We have always been determined in our efforts to build on and improve the levels of performance that made us the global leader, and you can be assured this commitment will continue in 2001 -- and beyond."

Second quarter sales for Ecolab's United States Cleaning & Sanitizing operations rose 4% over the second quarter of 2000 to $402 million, led by gains in the Institutional operations, and reflecting new products, aggressive sales efforts and increased promotions. Ecolab's United States Cleaning & Sanitizing operating income rose 2% to $62 million.

United States Other Services sales increased 12% to $69 million in the second quarter. Operating income in the second quarter of 2001 grew 15% to $8 million. Excluding business acquisitions and the Jackson business sold in the fourth quarter of 2000, sales grew 9% and operating income was up 23%. Sales and profits reflected a good performance by both Pest Elimination and GCS, our kitchen equipment repair business.

Sales of Ecolab's International Cleaning & Sanitizing operations rose 14% in the second quarter when measured at fixed currency rates. Excluding acquisitions, sales rose 8%. Fixed currency operating income rose 9% to $12 million. Asia Pacific, Latin America and Africa/Export operations all showed good sales and profit growth. The income improvement was due to pricing, cost controls and higher sales volumes. Acquisitions did not have a material effect on International operating income.

Earnings of the Henkel-Ecolab joint venture are included in the financial statements using the equity method of accounting. Second quarter Henkel-Ecolab sales reflected

continued growth in new European products and systems, sales and service headcount investments, and improved sales programs. When measured in euros, Henkel-Ecolab sales increased 5%, while net income fell 6%. When translated into U.S. dollars, Henkel-Ecolab sales decreased 1% to $221 million and net income fell 11%. Ecolab's equity in the earnings of Henkel-Ecolab declined 12% to $4.5 million, as the weaker euro currency hurt translated results.

Ecolab reacquired 101,500 shares of its common stock during the second quarter of 2001 under its authorized share repurchase program. Approximately 4.6 million shares remain available for repurchase under that program.

Business Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These statements do not include the potential impact of business acquisitions or other material corporate transactions, which may be completed after the date of this release. This Business Outlook section should be read in conjunction with the information on "Forward-Looking Statements" at the end of this release.

Ecolab expects sales to modestly increase in fixed currencies for both domestic and international operations in the third quarter 2001 over the third quarter 2000. Gross margins are expected to decline from last year's third quarter to slightly under 55%, and selling, general and administrative expenses are expected to improve from last year's 39.0% of sales. Interest expense is likely to be in the $6.5 million to $7 million area. The effective tax rate should be around 40.5%. Henkel-Ecolab equity income will likely be hurt by weak European economies and by the soft euro currency. Overall, currency translation is expected to reduce third quarter earnings by approximately $0.01 per share. Diluted earnings per share are expected to be around $0.46-$0.48 in the third quarter. Full year diluted earnings per share from ongoing operations is expected to rise 7%-9% from $1.50 in 2000 to the $1.61-$1.63 range. The previous expected range was $1.62-$1.65.

Ecolab is the leading global developer and marketer of premium cleaning, sanitizing, pest elimination, maintenance and repair products and services for the hospitality, institutional and industrial markets. For the year ended December 31, 2000, Ecolab reported sales of $2.3 billion; including European joint venture sales, Ecolab's global sales coverage was $3.1 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.

Ecolab will host a live webcast to review the second quarter earnings announcement today at 1:00 p.m. Eastern Daylight Time. The webcast will be available to the public on Ecolab's website at http://www.ecolab.com/financial_investor/. A replay of the webcast will be available at that site through July 30, 2001.

Listening to the webcast requires Internet access, a soundcard and the RealPlayer or other compatible streaming media player. If you do not have the RealPlayer client installed on your PC, you may download a free version, RealPlayer 8 Basic, at http://www.real.com.

This news release contains various "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements concerning our 2001 third quarter and full year financial and business prospects. These statements, which represent Ecolab's expectations or beliefs concerning various future events, are based on current expectations that involve a number of risks and uncertainties that could cause actual results to differ materially from those of such Forward-Looking Statements. These risks and uncertainties include: restraints on pricing flexibility due to competitive factors and customer consolidations; cost increases due to higher oil prices or unavailability of adequate and reasonably priced raw materials; the occurrence of capacity constraints, or the loss of a key supplier, which in either case limit the production of certain products; the effect of future acquisitions or divestitures or other corporate transactions, as well as our ability to achieve plans for past acquisitions, including difficulties in rationalizing acquired businesses and in realizing related cost savings and other benefits; market or regulatory factors which could affect the Company's ability to reacquire shares; the costs and effects of complying with: (i) the significant environmental laws and regulations which apply to the Company's operations and facilities, (ii) government regulations relating to the manufacture, storage, distribution and labeling of the Company's products and (iii) changes in tax, fiscal, governmental and other regulatory policies; economic factors such as the worldwide economy, interest rates, currency movements, euro conversion and the development of markets; the occurrence of (i) litigation or claims, (ii) the loss or insolvency of a major customer or distributor, (iii) natural or manmade disasters and (iv) severe weather conditions affecting the food service and the hospitality industry; loss of, or changes in, executive management; the Company's ability to continue product introductions and technological innovations; and other uncertainties or risks reported from time to time in the Company's reports to the Securities and Exchange Commission. Ecolab undertakes no duty to update its Forward-Looking Statements.

ECOLAB INC.
CONSOLIDATED STATEMENT OF INCOME
SECOND QUARTER AND SIX MONTHS ENDED JUNE 30
(unaudited)

	Second Quarter		Six Months	
(thousands, except per share)	2001	2000	2001	2000
Net Sales	$595,808	$570,711	$1,176,715	$1,096,971
Cost of Sales	274,816	259,382	540,046	495,866
Selling, General and Administrative Expenses	240,940	232,689	479,236	449,784
Restructuring Expenses -Other	(192)	--	(192)	--
Operating Income	80,244	78,640	157,625	151,321
Interest Expense, Net	6,816	5,245	13,484	10,602
Income Before Income Taxes and Equity in Earning of Henkel-Ecolab	73,428	73,395	144,141	140,719
Provision for Income Taxes	29,737	30,092	58,376	57,695
Equity in Earnings of Henkel-Ecolab	4,502	5,106	6,842	7,997

Net Income	$48,193	$48,409	$92,607	$91,021
Net Income Per				
Common Share				
Basic	$0.38	$0.38	$0.73	$0.71
Diluted	$0.37	$0.36	$0.71	$0.68
Weighted Average Common				
Shares Outstanding				
Basic	127,333	128,346	127,147	128,645
Diluted	130,068	132,990	130,199	133,275

ECOLAB INC.

OPERATING SEGMENT INFORMATION

SECOND QUARTER AND SIX MONTH ENDED JUNE 30

(unaudited)

	Second Quarter		Six Months	
(thousands)	2001	2000	2001	2000
Net Sales				
United States				
Cleaning & Sanitizing	$402,447	$388,443	$800,982	$748,830
Other Services	69,284	61,774	131,561	116,322
Total	471,731	450,217	932,543	865,152
International Cleaning & Sanitizing	130,452	114,631	251,519	218,044
Effect of Foreign Currency Translation	(6,375)	5,863	(7,347)	13,775
Consolidated	$595,808	$570,711	$1,176,715	$1,096,971
Operating Income				
United States				
Cleaning & Sanitizing	$61,788	$60,702	$122,581	$114,560
Other Services	8,205	7,147	13,807	12,581
Total	69,993	67,849	136,388	127,141
International Cleaning & Sanitizing	12,127	11,095	24,459	20,767
Corporate Income (Expense)	(908)	(1,173)	(2,134)	1,411
Effect of Foreign Currency Translation	(968)	869	(1,088)	2,002
Consolidated	$80,244	$78,640	$157,625	$151,321

ECOLAB INC.

CONSOLIDATED BALANCE SHEET

(thousands)	June 30 2001	Dec. 31 2000	June 30 2000
	(unaudited)		(unaudited)
Assets			
Current assets			
Cash and cash equivalents	$53,145	$43,965	$30,132
Accounts receivable, net	364,246	326,937	325,545
Inventories	172,956	168,220	172,811
Deferred income taxes	49,558	50,709	41,260
Other current assets	14,890	10,737	16,494
Total current assets	654,795	600,568	586,242
Property, plant and equipment, net	518,870	501,640	470,765
Investment in Henkel-Ecolab	187,044	199,642	201,998
Other assets	417,061	412,161	387,468
Total assets	$1,777,770	$1,714,011	$1,646,473
Liabilities and Shareholders' Equity			
Current liabilities			

Short-term debt	$134,971	$136,592	$189,179
Accounts payable	129,359	146,428	127,931
Compensation and benefits	83,621	88,330	86,218
Other current liabilities	178,767	160,684	158,604
Total current liabilities	526,718	532,034	561,932
Long-term debt	245,888	234,377	161,802
Postretirement health care and pension benefits	120,374	117,790	100,183
Other liabilities	68,104	72,803	71,893
Shareholders' equity	816,686	757,007	750,663
Total liabilities and shareholders' equity	$1,777,770	$1,714,011	$1,646,473

CONTACT: Ecolab Inc., St. Paul
M. J. Monahan, 651/293-2809
651/225-3123 (Fax)

Back to Press Releases