PRESS RELEASES

Feb 14, 2002

Ecolab Fourth Quarter in Line With Expectations

ST. PAUL, Minn., Feb 14, 2002 (BUSINESS WIRE) -- Ecolab, Inc.(NYSE:ECL):

HIGHLIGHTS:

-- Results met expectations as outlined in January 10 pre-announcement
-- Unprecedented declines in hospitality industry from September 11 affected fourth quarter results
-- Global restructuring begun
-- Largest acquisition completed
-- Multiple growth initiatives underway
-- Double-Digit EPS growth expected in 2002

	December 31, 2001			
(Millions, except per share)	Fourth Quarter	% Change	Full Year	% Change
Net Sales	$ 562	(1)%	$ 2,355	4%
Operating Income	$ 66	(29)%	$ 318	(7)%
Pretax Income	$ 58	(32)%	$ 290	(9)%
Taxes	(24)	(33)	(118)	(9)
Earnings from Henkel-Ecolab	4	(42)	16	(19)
Net Income	$ 38	(30)%	$ 188	(9)%
Diluted Net Income Per Share	$ 0.30	(29)%	$ 1.45	(7)%
Diluted Average Shares Outstanding	129.7	-	129.9	(2)%

Ecolab Inc. reported that fourth quarter results met its previously announced expectations, as earnings reflected the very challenging lodging and travel market conditions following the September 11 terrorist attacks.

Ecolab's fourth quarter sales declined 1% to $562 million. Earnings per diluted share were $0.30. This compared with $0.42 earned last year; however, fourth quarter 2000 earnings included several unusual items that had the net effect of increasing earnings $0.06 per diluted share. Excluding these unusual items, fourth quarter 2001 earnings per share decreased 17% compared with $0.36 per share last year. The lower fourth quarter 2001 earnings reflected the effects of lower sales volume and business mix changes.

Sales for the full year 2001 rose 4% to nearly $2.4 billion. Earnings declined 9% to $188 million, with diluted earnings per share off 7% to $1.45. Excluding last year's unusual items, earnings per share decreased 3% from $1.50 in 2000.

Allan L. Schuman, Ecolab's Chairman and Chief Executive Officer, stated, "Final results were right on the mark as we outlined them last month. As we said then, even though the impact of the terrible events of September 11 created turmoil in several of our key markets, our aggressive actions offset a great deal of the impact. We reacted quickly to this challenge, and our people did an exceptional job.

"The year 2001 was one of tremendous challenge, but also one of tremendous accomplishment. We completed the purchase of the remaining 50% of our European joint venture - the largest acquisition in our history - as well as other strategic acquisitions; launched 60 new products; broadened our business base; increased our industry-leading sales and service force; improved market share in each of our major businesses; and positioned ourselves for strong future growth. Though the near-term economic environment remains challenging, we believe our actions, along with our recently announced global restructuring, will accelerate earnings growth through 2002 to finish with a good gain for the full year, and even better growth in 2003."

Fourth quarter sales for Ecolab's United States Cleaning & Sanitizing operations declined 3% to $366 million, as the weak lodging market led to a decline in Institutional sales. Most other U.S. Cleaning & Sanitizing businesses reported sales growth for the quarter. Ecolab's United States Cleaning & Sanitizing operating income declined 11% to $52 million primarily reflecting the Institutional division's sales decline.

United States Other Services sales increased 12% to $72 million in the fourth quarter. Excluding acquisitions and divestitures, sales rose 4%. Operating income increased 44% to $7 million led by Pest Elimination.

Fourth quarter sales of Ecolab's International Cleaning & Sanitizing operations rose 5% to $133 million when measured at fixed currency exchange rates. Excluding acquisitions, sales increased 4%. In Asia Pacific, aggressive new account development and new product sales more than offset poor general economic conditions. Northern Latin American sales drove results in that region. International operating income measured in fixed currencies declined 27% to $10 million. Income reflected negative mix changes and the effect of higher raw material and import costs.

Earnings of the Henkel-Ecolab joint venture were included in the fourth quarter financial statements using the equity method of accounting. The purchase of Henkel-Ecolab was completed on November 30, 2001 and Henkel-Ecolab has been included in Ecolab's consolidated balance sheet for the 2001 year-end. Future operating results will be consolidated in Ecolab's income statement beginning in 2002. Henkel-Ecolab sales also reflected the impact of the downturn in the hospitality business in the fourth quarter. When measured in euros, Henkel-Ecolab sales were flat. When translated into U.S. dollars, Henkel-Ecolab sales increased 5% to $225 million compared with $214 million in the fourth quarter of last year. Ecolab's equity in the earnings of Henkel-Ecolab fell 42% to $3.6 million compared with $6.1 million in the fourth quarter of last year primarily due to the effects of September 11th, the soft sales volume, mix changes and higher raw material costs.

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 for both domestic and international operations to increase in the first quarter 2002 over the first quarter 2001. Gross margins are expected to be in the 51% range, reflecting a reclassification of certain selling, general and administrative (SG&A) expenses to cost of sales. Excluding the impact of the reclassification, gross margins should be similar to 2001. Conversely, SG&A expenses are expected to decline to the 39% range reflecting the reclassification. Excluding the impact of the reclassification, the SG&A expense ratio will likely be similar to 2001. Interest expense is likely to approach $13 million for the first quarter, reflecting the additional debt incurred in the purchase of Henkel-Ecolab. Currency is expected to be a negative influence.

Ecolab will adopt FAS 142, Goodwill and Other Intangible Assets, for results reported in 2002; prior year results will not be restated to reflect the adoption of this standard. Diluted earnings per share from operations are expected to be in a $0.34-$0.39 range; included in these projected first quarter 2002 earnings will be an approximate $0.04-$0.05 per share benefit from the effects of eliminating goodwill amortization under FAS 142, including the impact of the Henkel-Ecolab acquisition. These projected results do not reflect the impact, if any, of potential transitional goodwill impairment from adopting FAS 142. Ecolab reported diluted earnings per share of $0.34 in the first quarter of 2001. First quarter 2002 results will also reflect $0.03 per share of one-time savings related to employee benefit changes, as well as restructuring and one-time charges of $0.15-$0.17 per share related primarily to the integration of Henkel-Ecolab. These will combine to result in an approximate net charge to earnings in the first quarter of $0.12-$0.14 per diluted share, yielding expected net earnings per share of $0.20-$0.27 for the first quarter.

For the full year ending December 31, 2002, Ecolab expects diluted earnings per share from operations to increase to $1.78-$1.82. Included in these projected earnings is an approximate $0.19 per share benefit from the effects of eliminating goodwill amortization under FAS 142, including the impact of the Henkel-Ecolab acquisition. Net earnings in 2002 will also include approximately $0.03 per share of one-time savings related to benefit changes, as well as restructuring and one-time charges totaling an approximate $0.23-$0.27 per share. As a result, net diluted earnings per share are expected to be in a $1.54-$1.62 range.

A summary of this outlook is included below:

	First Quarter		Full Year	
	2002E	2001	2002E	2001
Base Earnings	$0.30-$0.34	$0.34	$1.59-$1.63	$1.45
Adoption of FAS 142	0.04-0.05		0.19	
One-time Gain From Benefit Plan Changes	0.03		0.03	
One-time Costs	(0.15)-(0.17)		(0.23)-(0.27)	
Net Earnings	$0.20-$0.27	$0.34	$1.54-$1.62	$1.45

With worldwide sales exceeding $3 billion, 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. 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 www.ecolab.com and by telephone at 1-800-FACT-ECL.

This new release contains various "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements concerning our earnings per share and financial and business prospects, and our estimates for certain one-time charges, expenses and credits and effect of adopting FAS 142. 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: (i) restraints on pricing flexibility due to competitive factors and customer consolidations; (ii) changes in oil or raw material prices or unavailability of adequate and reasonably priced raw materials; (iii) the occurrence of capacity constraints or the loss of a key supplier; (iv) the effect of future acquisitions or divestitures or other corporate transactions; and the Company's ability to achieve plans for past acquisitions; (v) the costs and effects of complying with laws and regulations relating to the environment and to the manufacture, storage, distribution and labeling of the Company's products, (vi) changes in tax, fiscal, governmental and other regulatory policies; (vii) economic factors such as the worldwide economy, interest rates, and currency movements, including, in particular, the company's greater exposure to foreign currency risks due to the recent acquisition of 100 percent of Henkel-Ecolab; (viii) the occurrence of (a) litigation or claims, (b) the loss or insolvency of a major customer or distributor, and © natural or man-made disasters (including material acts of terrorism or hostilities which impacts the Company's markets); and (ix) the Company's ability to continue product introductions and technological innovations. Results will also be impacted by the final size of the one time charges, expenses and credits, which at this time are only estimates, the possibility of potential transitional goodwill impairment from adopting FAS 142, and the Company's ability to achieve the anticipated savings from such actions. Ecolab undertakes no duty to update its Forward Looking Statements.

ECOLAB INC.

CONSOLIDATED STATEMENT OF INCOME

FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2001

	Fourth Quarter		Year	
(thousands, except per share)	2001	2000	2001	2000
	(unaudited)			
Net Sales	$561,777	$566,676	$2,354,723	$2,264,313
Cost of Sales(a)	268,837	263,089	1,089,631	1,025,906
Selling, General and Administrative Expenses	225,433	230,233	946,089	916,004
Gain on Sale of Jackson Business		(25,925)		(25,925)
Special Charges	1,069	5,189	824	5,189
Operating Income	66,438	94,090	318,179	343,139
Interest Expense, Net	7,940	7,475	28,434	24,605
Income Before Income Taxes and Equity in Earnings of Henkel-Ecolab	58,498	86,615	289,745	318,534
Provision for Income Taxes	23,753	35,568	117,408	129,495
Equity in Earnings of Henkel-Ecolab	3,557	6,149	15,833	19,516
Income Before Cumulative Effect of Change in Accounting	38,302	57,196	188,170	208,555
Cumulative Effect of Change in Accounting for Revenue Recognition		(2,428)		(2,428)
Net Income	$ 38,302	$ 54,768	$ 188,170	$ 206,127
Diluted Net Income Per Common Share	$ 0.30	$ 0.42	$ 1.45	$ 1.56
Diluted Weighted-Average Common Shares Outstanding	129,682	130,331	129,928	131,946

(a) Cost of sales includes income of $566 in 2001 and expense of $1,948 in 2000 related to restructuring.

ECOLAB INC.

OPERATING SEGMENT INFORMATION

FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2001

	Fourth Quarter		Year	
(thousands)	2001	2000	2001	2000
	(unaudited)			
Net Sales				
United States				
Cleaning & Sanitizing	$ 365,771	$ 375,682	$1,582,895	$1,532,033
Other Services	72,163	64,399	273,020	248,317
Total	437,934	440,081	1,855,915	1,780,350
International Cleaning & Sanitizing	132,730	126,312	521,959	465,452
Effect of Foreign Currency Translation	(8,887)	283	(23,151)	18,511
Consolidated	$ 561,777	$ 566,676	$2,354,723	$2,264,313
Operating Income				
United States				
Cleaning & Sanitizing	$ 52,285	$ 58,531	$ 245,995	$ 249,182
Other Services	6,656	4,617	29,338	25,515
Total	58,941	63,148	275,333	274,697

International Cleaning & Sanitizing	9,509	13,029	49,770	47,240
Corporate	(1,178)	17,866	(3,997)	18,491
Effect of Foreign Currency Translation	(834)	47	(2,927)	2,711
Consolidated	$ 66,438	$ 94,090	$ 318,179	$ 343,139

ECOLAB INC.

CONSOLIDATED BALANCE SHEET

December 31, 2001

(thousands)	December 31 2001	December 31 2000
Assets		
Current assets		
Cash and cash equivalents	$ 41,793	$ 43,965
Accounts receivable, net	514,074	326,937
Inventories	279,785	168,220
Deferred income taxes	53,781	50,709
Other current assets	40,150	10,737
Total current assets	929,583	600,568
Property, plant and equipment, net	644,323	501,640
Investment in Henkel-Ecolab	--	199,642
Goodwill, net	596,925	252,022
Other intangibles assets, net	178,951	55,034
Other assets	175,218	105,105
Total assets	$2,525,000	$1,714,011
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 233,393	$ 136,592
Accounts payable	199,772	146,428
Compensation and benefits	132,720	88,330
Income taxes	18,887	--
Other current liabilities	243,180	160,684
Total current liabilities	827,952	532,034
Long-term debt	512,280	234,377
Postretirement health care and pension benefits	183,281	117,790
Other liabilities	121,135	72,803
Shareholders' equity	880,352	757,007
Total liabilities and shareholders' equity	$2,525,000	$1,714,011

The balance sheet as of December 31, 2001 includes the assets and liabilities of Henkel-Ecolab.

CONTACT: Ecolab, St. Paul
Michael J. Monahan, 651/293-2809
Fax: 651/225-3123

Back to Press Releases