

## PRESS RELEASES

Feb 12, 2009

### **ECOLAB DELIVERS FOURTH QUARTER IN FORECASTED RANGE**

**Fourth quarter reported EPS \$0.33; pro forma EPS \$0.45, +13%, excluding discrete tax items and special gains and charges**

#### **2008 FOURTH QUARTER HIGHLIGHTS:**

- **Reported diluted net income per share \$0.33**
- Pro forma EPS \$0.45, +13%, excluding discrete tax items and special gains and charges
- Sales +3% to \$1.5 billion; excluding acquisitions and divestitures, fixed currency sales +5%
- Double-digit U.S. Cleaning and Sanitizing and Latin America sales growth led results, with strong Food & Beverage, Kay and Healthcare sales gains

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ST. PAUL, Minn., February 12, 2009: Ecolab's consolidated sales increased 3% to \$1.5 billion in the fourth quarter of 2008; measured in fixed currencies, sales rose 7%. Excluding acquisitions and divestitures, fixed currency sales increased 5%. Continued double-digit growth from the U.S. Cleaning & Sanitizing and Latin America businesses produced solid pro forma earnings gains against a weakening economy. Net income decreased 29% to \$80 million. Reported diluted earnings per share declined 27% to \$0.33.

Fourth quarter 2008 and 2007 results included discrete tax items and Special Gains and Charges. Excluding those items, pro forma fourth quarter 2008 diluted earnings per share were \$0.45, a 13% increase over pro forma fourth quarter 2007 diluted earnings per share of \$0.40.

#### **Segment review**

Fourth quarter 2008 sales for Ecolab's United States Cleaning & Sanitizing operations rose 10% to \$648 million. Excluding acquisitions, sales rose 6%, with double-digit gains from Kay, Food & Beverage and Healthcare. Ecolab's United States Cleaning & Sanitizing operating income rose 17% to \$97 million. Excluding acquisitions, operating income rose 22%, as pricing, cost savings and reduced variable compensation more than offset higher delivered product costs.

United States Other Services sales declined 1% to \$113 million in the fourth quarter as Pest Elimination sales growth slowed and GCS sales declined. However, operating income increased 88% to \$14 million as both Pest Elimination and GCS profitability improved over last year.

Sales of Ecolab's International operations, when measured at fixed currency rates, rose 6% to \$783 million in the fourth quarter. Latin America enjoyed double-digit sales growth, Canada was strong and Asia Pacific and Europe/Middle East/Africa recorded moderate sales gains. Fixed currency operating income declined 11% to \$74 million as raw material increases outpaced pricing in the quarter. When measured at public currency rates, International sales declined 2% and operating income decreased 21%. Currency translation had a negative impact on net income growth of approximately \$5 million for the fourth quarter of 2008.

The Corporate segment includes Special Gains and Charges, which are reported as a separate line item in the income statement. Special Gains and Charges for the fourth quarter 2008 included a charge of \$19 million for the write down of investments in an energy management business and the closure of two small non-strategic healthcare businesses. It also included other non-recurring costs to optimize our business structure. Special Gains and Charges for the fourth quarter 2007 included gains from the sale of two businesses. The Corporate segment also includes investments in the development of business systems and other corporate investments we are making as part of our ongoing effort to improve our efficiency and returns.

The reported income tax rate for the fourth quarter 2008 was 35.6% compared to the reported tax rate of 29.7% for the fourth quarter 2007. Excluding the tax rate impact of Special Gains and Charges and discrete tax items, the adjusted effective income tax rate for the fourth quarter 2008 was 30.6% compared with 34.3% for the same period last year. The decrease in the adjusted fourth quarter effective tax rate was due primarily to tax planning efforts as well as international rate reductions. The effective tax rate for the full year 2008, excluding the impact of Special Gains and Charges and discrete tax items, was 31.6%.

Ecolab reacquired 11.7 million shares of its common stock during the fourth quarter; this included 11.3 million shares purchased from Henkel AG & Co. KGaA as part of its secondary offering of all of its Ecolab shares in November 2008.

#### **CEO comment**

Commenting on the quarter, Douglas M. Baker, Jr., Ecolab's Chairman, President and Chief Executive Officer said, "It is well-known the economic climate is difficult, but despite the challenges, our team continued to deliver in the fourth quarter by driving new business and carefully managing expenses. This enabled us to deliver good organic sales growth and double-digit pro forma EPS gains for both the quarter and the full year.

"2009 will obviously be challenging. Nonetheless, we are well-positioned with significant competitive advantages, a great team and a strong balance sheet. Our focus is squarely on driving share, simplifying our supply chain to lower ongoing costs, and driving new programs and businesses which further improve our ability to meet our customers' needs. While these are areas we always focus on, it is hardly business as usual. We have already taken very difficult steps to lower our cost structure and continue to tightly manage ongoing expenses.

"However, good economy or bad economy, our focus on growth, business improvement, and advancing shareholder value does not change. Our goals this year are clear: build

our market position, continue to invest in our growth initiatives, reposition the company to fully leverage the post-crisis economy, and continue to drive growth."

## **Business Outlook**

### **2009 - Full Year**

Ecolab continues to expect pro forma earnings per share, which exclude Special Gains and Charges and discrete tax items, for the full year ending December 31, 2009 to be in the \$1.95 to \$2.05 range.

### **2009 - First Quarter**

Ecolab expects modest sales growth in fixed currencies in the first quarter 2009 over the first quarter 2008; currency translation is expected to have an unfavorable effect on reported sales. In 2009 Ecolab will reduce distributor incentive promotions in the U.S. Institutional division. This will have a negative impact on Institutional sales and reduce first quarter earnings by approximately \$0.03 per share; however, these effects should be fully reversed in the fourth quarter and be neutral to slightly positive for the full year. The impact of higher raw material costs has moderated from fourth quarter 2008 levels; while their impact is anticipated to sequentially decline through the rest of the year, they will continue to be unfavorable in the first half and for the full year 2009 compared to the prior year periods. Additionally, we currently anticipate currency translation to have an unfavorable impact of \$0.03-\$0.04 per share on first quarter earnings.

Our outlook for the first quarter of 2009 is as follows:

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As previously announced, the first quarter 2009 will include a restructuring Special Charge to optimize our workforce, facilities, product lines and business portfolios of approximately \$0.08 per share. Reported first quarter 2008 earnings per share of \$0.41 included net discrete tax benefits and special gains and charges. Excluding those items, pro forma diluted earnings per share were \$0.39.

### **2009 - Remaining Nine Months**

Ecolab expects modest fixed currency sales growth over the remaining quarters of 2009. However, easing delivered product costs and the impact of cost savings actions should provide significant benefit to operating margins, resulting in improving pro forma earnings per share comparisons as the year progresses. We expect the remaining nine months of 2009, in total, to show double-digit pro forma earnings per share growth as these impacts benefit earnings.

Ecolab Inc. (NYSE: ECL) is the global leader in cleaning, sanitizing, food safety and infection prevention products and services. Ecolab delivers comprehensive programs and services to the foodservice, food and beverage processing, healthcare, and hospitality markets in more than 160 countries. More news and information is available at [www.ecolab.com](http://www.ecolab.com).

Ecolab will host a live webcast to review the fourth quarter earnings announcement today at 1:00 p.m. Eastern Time. The webcast, along with related presentation slides, will be available to the public on Ecolab's website at [www.ecolab.com/investor](http://www.ecolab.com/investor). A replay of the webcast and related materials will be available at that site.

Listening to the webcast requires Internet access, the Windows Media Player, Real Player or other compatible streaming media player.

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 2009 first quarter and full year financial and business prospects, including estimated sales, gross margins, selling, general and administrative expense, interest expense, and effective tax rates; currency translation; distributor promotions; and pro forma diluted earnings per share. 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. We caution that undue reliance should not be placed on Forward-Looking Statements, which speak only as of the date made.

Risks and uncertainties that may affect operating results and business performance are set forth under Item 1A of our most recent Form 10-Q and include the vitality of the markets we serve; the impact of worldwide economic factors such as the worldwide economy, credit markets, interest rates and foreign currency risk; fluctuations in raw material costs; our ability to develop competitive advantages through innovation; restraints on pricing flexibility due to contractual obligations; pressure on operations from consolidation of customers, vendors or competitors; the ability to acquire complementary businesses and to effectively integrate such businesses; the impact of investments to develop business systems or to optimize our business structure; the costs and effects of complying with laws and regulations relating to the environment and to the manufacture, storage, distribution, sale and use of our products; changes in regulations or accounting standards; the occurrence of litigation or claims, acts of war, terrorism, severe weather or public health epidemics; the loss or insolvency of a major customer, supplier or distributor; our ability to attract and retain high caliber management talent; and other uncertainties or risks reported from time to time in our reports to the Securities and Exchange Commission.

Except as may be required under applicable law, we undertake no duty to update our Forward-Looking Statements.

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