

ECOLAB INC
Form 10-Q/A
August 08, 2003

FORM 10-Q/A

Amendment No. 1

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-9328

ECOLAB INC.

Edgar Filing: ECOLAB INC - Form 10-Q/A

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

41-0231510

(I.R.S. Employer Identification No.)

370 Wabasha Street N., St. Paul, Minnesota 55102
(Address of principal executive offices) (Zip Code)

651-293-2233

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report)

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 such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 2003.

131,395,820 shares of common stock, par value \$1.00 per share.

Table of Contents

EXPLANATORY NOTE

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Consolidated Statement of Income

Consolidated Balance Sheet

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

1. Consolidated Financial Statements

2. Revisions to March 31, 2003 Consolidated Financial Statements

3. Stock-Based Compensation

4. Selected Balance Sheet Information

5. Financial Instruments

6. Comprehensive Income

7. Special Charges

8. Gain from Discontinued Operations

9. Business Acquisitions and Investments

10. Income Per Common Share

11. Operating Segments

12. Goodwill and Other Intangible Assets

Report of Independent Auditors

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Financial Position and Liquidity

Forward-Looking Statements and Risk Factors

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

Exhibit (15)

Exhibit (99)

EXPLANATORY NOTE

The company is filing this Amendment No. 1 on Form 10-Q/A to its original Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 solely for the following purposes:

1. The company amends Item 1. Financial Statements Consolidated Balance Sheet as of March 31, 2003 of Part I Financial Information to reflect a reclassification between other current liabilities and other assets, net (noncurrent). This reclassification relates to approximately \$14.5 million of accumulated amortization related to a long lived asset that was previously classified as an other current liability.
2. The company amends Item 1. Financial Statements Consolidated Statement of Cash Flows for the First Quarter Ended March 31, 2003 of Part I Financial Information to reflect certain reclassifications primarily associated with the company's European operations. These changes affected only the classifications within the cash flow statement and had no effect on the reported amounts of cash. The net effect of these changes was to decrease cash flows from operating activities by approximately \$0.8 million, increase cash flows from investing activities by approximately \$6.6 million and decrease the effect of exchange rate changes on cash by approximately \$5.8 million. Within operating activities, these reclassifications affected depreciation, amortization, other assets and other liabilities. Within investing activities, these reclassifications affected capital expenditures and property disposals. These reclassifications had no impact on previously reported net income or shareholders' equity. Additionally, a new Note 2 to the Notes to the Consolidated Financial Statements has been added to address the reclassifications.
3. The company amends the first and third paragraphs of the Financial Position and Liquidity discussion under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations of Part I Financial Information to reflect minor changes in total assets at March 31, 2003 and the comparison of cash provided by operating activities for the first quarter of 2003 with the first quarter of 2002.
4. The Review Report of Independent Auditors, plus Exhibit (15) (letter regarding unaudited interim financial information) and Exhibit (99) (the Certification of Chief Executive Officer and Chief Financial Officer) as set forth in Item 6. Exhibits and Reports on Form 8-K of Part II Other Information are being refiled.

This Amendment No. 1 on Form 10-Q/A does not reflect events occurring after the filing of the company's original Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003, or modify, amend or update the disclosures therein in any way other than as set forth above.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

ECOLAB INC.

CONSOLIDATED STATEMENT OF INCOME

(amounts in thousands, except per share)	First Quarter Ended March 31	
	2003	2002
	(unaudited)	
Net sales	\$ 875,852	\$ 786,109
Cost of sales (including special charges (income) of (\$45) and \$5,184 in 2003 and 2002, respectively)	430,482	395,945
Selling, general and administrative expenses	344,033	304,945
Special charges (income)	(197)	12,296
Operating income	101,534	72,923
Interest expense, net	10,703	10,512
Income from continuing operations before income taxes	90,831	62,411
Provision for income taxes	35,513	25,370
Income from continuing operations before cumulative effect of change in accounting	55,318	37,041
Change in accounting for goodwill and other intangible assets		(4,002)
Gain from discontinued operations		1,882
Net income	\$ 55,318	\$ 34,921
Basic income per common share		
Income from continuing operations before change in accounting	\$ 0.42	\$ 0.29
Change in accounting for goodwill		(0.03)
Gain from discontinued operations		0.01
Net income	\$ 0.42	\$ 0.27
Diluted income per common share		
Income from continuing operations before change in accounting	\$ 0.42	\$ 0.28
Change in accounting for goodwill		(0.03)
Gain from discontinued operations		0.01
Net income	\$ 0.42	\$ 0.27

Edgar Filing: ECOLAB INC - Form 10-Q/A

Dividends declared per common share	\$	0.145	\$	0.135
Weighted-average common shares outstanding				
Basic		130,224		128,406
Diluted		131,818		130,180

Per share amounts do not necessarily sum due to rounding.

The accompanying notes are an integral part of the consolidated financial information.

ECOLAB INC.
CONSOLIDATED BALANCE SHEET

(amounts in thousands)	March 31 2003 (unaudited) (restated)	December 31 2002 (unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 56,554	\$ 49,205
Accounts receivable, net	594,433	553,154
Inventories	311,077	291,506
Deferred income taxes	75,276	71,147
Other current assets	62,296	50,925
Total current assets	1,099,636	1,015,937
Property, plant and equipment, net	694,729	680,265
Goodwill, net	734,671	695,700
Other intangible assets, net	204,438	188,670
Other assets, net	277,235	285,335
Total assets	\$ 3,010,709	\$ 2,865,907

The accompanying notes are an integral part of the consolidated financial information.

(Continued)

ECOLAB INC.

CONSOLIDATED BALANCE SHEET (Continued)

(amounts in thousands, except per share)	March 31 2003 (unaudited) (restated)	December 31 2002 (unaudited)
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term debt	\$ 164,234	\$ 160,099
Accounts payable	207,303	205,665
Compensation and benefits	149,340	184,239
Income taxes	40,266	12,632
Other current liabilities	309,061	291,193
Total current liabilities	870,204	853,828
Long-term debt	569,296	539,743
Postretirement health care and pension benefits	213,133	207,596
Other liabilities	160,144	164,989
Shareholders' equity (common stock, par value \$1.00 per share; shares outstanding: March 31, 2003 130,659; December 31, 2002 129,940)	1,197,932	1,099,751
Total liabilities and shareholders' equity	\$ 3,010,709	\$ 2,865,907

The accompanying notes are an integral part of the consolidated financial information.

ECOLAB INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands)	First Quarter Ended March 31	
	2003 (unaudited) (restated)	2002 (unaudited)
OPERATING ACTIVITIES		
Net income	\$ 55,318	\$ 34,921
Cumulative effect of change in accounting		4,002
Gain from discontinued operations		(1,882)
Income from continuing operations	55,318	37,041
Adjustments to reconcile income from continuing operations to cash provided by operating activities:		
Depreciation	48,504	47,826
Amortization	6,845	6,545
Deferred income taxes	(1,718)	(654)
Special charges asset disposals	(7)	2,999
Other, net	728	530
Changes in operating assets and liabilities:		
Accounts receivable	(12,821)	(28,280)
Inventories	(12,593)	(1,946)
Other assets	(3,707)	(22,809)
Accounts payable	(5,576)	(1,933)
Other liabilities	(10,412)	47,509
Cash provided by operating activities	\$ 64,561	\$ 86,828

The accompanying notes are an integral part of the consolidated financial information.

(Continued)

ECOLAB INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(amounts in thousands)	First Quarter Ended March 31	
	2003 (unaudited) (restated)	2002 (unaudited)
INVESTING ACTIVITIES		
Capital expenditures	\$ (46,205)	\$ (46,081)
Property disposals	2,461	1,395
Capitalized software expenditures	(622)	(775)
Businesses acquired and investments in affiliates	(25,599)	(19,921)
Sale of businesses and assets	7,334	
Cash used for investing activities	(62,631)	(65,382)
FINANCING ACTIVITIES		
Net issuances (repayments) of notes payable	574	(291,427)
Long-term debt borrowings	8	257,494
Long-term debt repayments	(207)	(203)
Reacquired shares	(9,008)	(764)
Cash dividends on common stock	(18,838)	(17,265)
Exercise of employee stock options	32,085	18,345
Other, net	(118)	(1,362)
Cash provided by (used for) financing activities	4,496	(35,182)
Effect of exchange rate changes on cash	923	2,175
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,349	(11,561)
Cash and cash equivalents, beginning of period	49,205	41,793
Cash and cash equivalents, end of period	\$ 56,554	\$ 30,232

The accompanying notes are an integral part of the consolidated financial information.

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Financial Statements

The unaudited consolidated financial statements for the first quarter ended March 31, 2003 and 2002, reflect, in the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows of the company for the interim periods presented. The financial results for any interim period are not necessarily indicative of results for the full year. The consolidated balance sheet data as of December 31, 2002 was derived from audited consolidated financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto incorporated in the company's Annual Report on Form 10-K for the year ended December 31, 2002.

With respect to the unaudited financial information of Ecolab Inc. for the quarter ended March 31, 2003 and 2002, included in this Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards, which do not require an audit, for a review of such information. Therefore, their separate report dated April 22, 2003, appearing herein, states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the Act) for their report on the unaudited financial information because that report is not a report or a part of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

2. Revisions to March 31, 2003 Consolidated Financial Statements

The Consolidated Balance Sheet as of March 31, 2003 has been restated to reflect a reclassification between other current liabilities and other assets, net (noncurrent). This reclassification relates to \$14,463,000 of accumulated amortization related to a long lived asset that was previously classified as an other current liability. To be consistent with the current period presentation, the company has also reclassified \$12,522,000 of such accumulated amortization in the accompanying consolidated balance sheet as of December 31, 2002.

The Consolidated Statement of Cash Flows for the First Quarter Ended March 31, 2003 has been restated to reflect certain reclassifications primarily associated with the company's European operations. These changes affected only the classifications within the cash flow statement and had no effect on the reported amounts of cash. The net effect of these changes was to decrease cash flows from operating activities by \$774,000, increase cash flows from investing activities by \$6,564,000 and decrease the effect of exchange rate changes on cash by \$5,790,000. Within operating activities, these reclassifications affected depreciation, amortization, other assets and other liabilities. Within investing activities, these reclassifications affected capital expenditures and property disposals. The following table shows the effect of these reclassifications on the March 31, 2003 Consolidated Statement of Cash Flows:

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Revisions to March 31, 2003 Consolidated Financial Statements (continued)

(Amounts in thousands)	Originally Reported	Adjustments	As Restated
Operating Activities			
Net income	\$ 55,318		\$ 55,318
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	55,059	\$ (6,555)	48,504
Amortization	7,445	(600)	6,845
Deferred income taxes	(1,718)		(1,718)
Special charges - asset disposals	(7)		(7)
Other, net	728		728
Changes in operating assets and liabilities:			
Accounts receivable	(12,821)		(12,821)
Inventories	(12,593)		(12,593)
Other assets	(17,302)	13,595	(3,707)
Accounts payable	(5,576)		(5,576)
Other liabilities	(3,198)	(7,214)	(10,412)
Cash provided by (used for) operating activities	65,335	(774)	64,561
Investing Activities			
Capital expenditures	(56,401)	10,196	(46,205)
Property disposals	6,093	(3,632)	2,461
Capitalized software expenditures	(622)		(622)
Businesses acquired and investments in affiliates	(25,599)		(25,599)
Sale of businesses and assets	7,334		7,334
Cash provided by (used for) investing activities	(69,195)	6,564	(62,631)
Financing Activities			
Net issuances of notes payable	574		574
Long-term debt borrowings	8		8
Long-term debt repayments	(207)		(207)
Reacquired shares	(9,008)		(9,008)
Cash dividends on common stock	(18,838)		(18,838)
Exercise of employee stock options	32,085		32,085
Other, net	(118)		(118)
Cash provided by financing activities	4,496	0	4,496

Edgar Filing: ECOLAB INC - Form 10-Q/A

Effect of exchange rate changes on cash		6,713		(5,790)		923
Increase in cash and cash equivalents	\$	7,349	\$	0	\$	7,349

9

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Revisions to March 31, 2003 Consolidated Financial Statements (continued)

These reclassifications had no impact on previously reported net income or shareholders' equity.

3. Stock-Based Compensation

The company measures compensation cost for its stock incentive and option plans using the intrinsic value-based method of accounting.

Had the company used the fair value-based method of accounting to measure compensation expense for its stock incentive and option plans and charged compensation cost against income over the vesting periods, based on the fair value of options at the date of grant, net income and the related basic and diluted per common share amounts for the first quarters ended March 31, 2003 and 2002 would have been reduced to the following pro forma amounts:

	2003	First Quarter Ended March 31 (unaudited)	2002
Net income, as reported	\$	55,318	\$ 34,921
Add: Stock-based employee compensation expense included in reported net income, net of tax		285	488
Deduct: Total stock-based employee compensation expense under fair value-based method, net of tax		(4,533)	(3,852)
Pro forma net income	\$	51,070	\$ 31,557
Basic net income per common share			
As reported	\$	0.42	\$ 0.27
Pro forma		0.39	0.25
Diluted net income per common share			
As reported		0.42	0.27

Pro forma	\$	0.39	\$	0.24
-----------	----	------	----	------

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Selected Balance Sheet Information

(amounts in thousands)	March 31 2003	December 31 2002
	(unaudited)	
Inventories		
Finished goods	\$ 156,197	\$ 136,721
Raw materials and parts	157,722	156,628
Excess of fifo cost over lifo cost	(2,842)	(1,843)
Total	\$ 311,077	\$ 291,506
Other intangible assets, net		
Customer relationships	\$ 141,976	\$ 120,324
Intellectual property	68,548	71,104
Trademarks	50,421	50,308
Other intangibles	16,269	13,502
Total	277,214	255,238
Accumulated amortization	(72,776)	(66,568)
Other intangible assets, net	\$ 204,438	\$ 188,670
Shareholders' equity		
Common stock	\$ 152,852	\$ 151,950
Additional paid-in capital	422,397	386,208
Retained earnings	1,196,078	1,159,663
Deferred compensation, net	(1,246)	(1,710)
Accumulated other comprehensive loss	(42,843)	(76,108)
Treasury stock	(529,306)	(520,252)
Total	\$ 1,197,932	\$ 1,099,751

Accumulated other comprehensive loss as of March 31, 2003 consists of \$2,593,000 of net unrealized losses on primarily financial instruments and \$40,250,000 of cumulative translation losses. Accumulated other comprehensive loss as of December 31, 2002 consists of \$1,571,000 of net unrealized losses on financial instruments and \$74,537,000 of cumulative translation losses.

5. Financial Instruments

In February 2002, the company issued euro 300 million of 5.375 percent Euronotes, due February 2007. The company designated a portion (approximately euro 250 million as of the end of the first quarter 2003) of this Euronote debt as a hedge of existing foreign currency exposures

Edgar Filing: ECOLAB INC - Form 10-Q/A

related to net investments the company has in certain European subsidiaries. Accordingly, the transaction gains and losses on the portion of the Eurobonds that are designated and are effective as hedges of the company's net investments have been included as a component of the cumulative translation account. Total transaction losses related to the Eurobonds charged to shareholders' equity were approximately \$17.1 million for the first quarter of 2003.

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Comprehensive Income

Comprehensive income was as follows:

(amounts in thousands)	First Quarter Ended March 31	
	2003	2002
	(unaudited)	
Net income	\$ 55,318	\$ 34,921
Foreign currency translation	34,287	(22,864)
Financial instruments	(1,022)	2,450
Comprehensive income	\$ 88,583	\$ 14,507

7. Special Charges

In the first quarter of 2002, management approved plans to undertake restructuring and cost saving actions during 2002, including costs related to the integration of the company's European operations. These actions included global workforce reductions, facility closings, and product line discontinuations. A portion of these actions were completed during the first quarter of 2002, and as a result, the company recorded restructuring expense of \$22,991,000 (\$14,289,000 after tax) in the first quarter of 2002. This includes \$18,122,000 for employee termination benefits, \$2,999,000 for asset disposals and \$1,870,000 for other charges. The company also incurred merger integration costs of \$280,000 (\$185,000 after tax) related to European and other operations. Restructuring and merger integration costs have been included as special charges on the consolidated statement of income with a portion of restructuring expenses included as a component of cost of sales. Amounts included as a component of cost of sales include asset disposals of \$2,999,000 and manufacturing related severance of \$2,185,000 for the first quarter of 2002.

Also included in special charges on the consolidated statement of income for the first quarter of 2002 is a one-time curtailment gain of \$5,791,000 (\$3,501,000 after tax), related to changes to postretirement healthcare benefits made in the first quarter of 2002.

Restructuring liabilities are classified in other current liabilities.

Employee termination benefit expenses in the first quarter of 2002 included approximately 275 net personnel reductions through voluntary and involuntary terminations. Individuals were affected through facility closures and consolidation primarily within the corporate administrative, operations and research and development functions.

Asset disposals include inventory and property, plant, and equipment charges. Inventory charges were \$957,000 for the first quarter of 2002 and reflect the discontinuance of product lines, which are not consistent with the company's long-term strategies. Property, plant and equipment

charges

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Special Charges (continued)

during the first quarter of 2002 were \$2,042,000, and reflect the downsizing and closure of production facilities as well as global changes to manufacturing and distribution operations in connection with the integration of European operations.

Other charges include lease termination costs and other miscellaneous exit costs.

The first quarter of 2003 includes the reversal of \$242,000 of previously accrued severance costs.

The company continued to record restructuring and merger integration charges throughout 2002 and completed these activities by December 31, 2002.

For segment reporting purposes, each of these items has been included in the company's corporate segment, which is consistent with the company's internal management reporting.

Reductions to the restructuring liability accounts during the first quarter of 2003 include the following:

(thousands)	Employee Termination Benefits	Asset Disposals	Other	Total
Expense and accrual in 2002	\$ 36,366	\$ 6,180	\$ 5,221	\$ 47,767
Cash payments in 2002	(16,033)		(1,711)	(17,744)
Non-cash charges in 2002		(6,180)		(6,180)
Restructuring liability, December 31, 2002	\$ 20,333	\$ 0	\$ 3,510	\$ 23,843
Cash payments	(8,358)		(713)	(9,071)

Edgar Filing: ECOLAB INC - Form 10-Q/A

Revisions to prior estimates	(235)	(7)	(242)
Non-cash charges		7	7
Effect of exchange rate changes	617	569	1,186
Restructuring liability, March 31, 2003	\$ 12,357	\$ 0	\$ 3,366
			\$ 15,723

13

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Gain From Discontinued Operations

During the first quarter of 2002, the company resolved a legal issue related to the disposal of its Chemlawn business in 1992. This resulted in the recognition of a gain from discontinued operations of \$1,882,000 (net of income tax benefit of \$1,079,000) or \$0.01 per diluted share for the first quarter ended March 31, 2002.

9. Business Acquisitions and Investments

In December 2002 (subsequent to the company's International operation's year-end), the company acquired the Adams Healthcare business of Medical Solutions plc. Adams Healthcare is a leading supplier of hospital hygiene products in the United Kingdom with annual sales of approximately \$19 million. These operations have become part of the company's International Cleaning & Sanitizing segment.

This acquisition has been accounted for as a purchase and, accordingly, the results of its operations have been included in the financial statements of the company from the date of acquisition. Net sales and operating income of this business are not significant to the company's consolidated results of operations, financial position and cash flows.

The total cash paid by the company for acquisitions and investments in affiliates during the first quarter of 2003 was \$25,599,000. This included payments of restructuring costs related to Henkel-Ecolab that were accrued in 2002 and acquisition costs related to businesses acquired in 2002.

Also in December 2002, the company sold its Darenas janitorial products distribution business based in Birmingham, UK to Bunzl plc in London, UK at a nominal loss. The annualized sales of this entity are approximately \$30 million. These operations were part of the company's International Cleaning & Sanitizing segment.

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Business Acquisitions and Investments (continued)

The changes in the carrying amount of goodwill for each of the company's reportable segments for the quarter ended March 31, 2003 were as follows:

(thousands)	United States		Total	International		Consolidated
	Cleaning & Sanitizing	Other Services		Cleaning & Sanitizing		
Balance as of December 31, 2002	\$ 121,979	\$ 49,306	\$ 171,285	\$ 524,415	\$	695,700
Goodwill acquired during quarter	73	(377)	(304)	381		77
Foreign currency translation				38,894		38,894
Balance as of March 31, 2003	\$ 122,052	\$ 48,929	\$ 170,981	\$ 563,690	\$	734,671

Goodwill acquired also includes adjustments to prior year acquisitions. International Cleaning & Sanitizing goodwill acquired in the first quarter of 2003 includes a reduction of \$5.6 million for an adjustment related to the Terminix acquisition. This adjustment was related to a finalization of the pension valuation at the date of acquisition. United States Other Services goodwill acquired in the first quarter of 2003 includes a reduction of \$0.4 million for an adjustment related to the EcoSure acquisition.

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Income Per Common Share

The computations of the basic and diluted income from continuing operations before change in accounting per share amounts were as follows:

(amounts in thousands, except per share)	First Quarter Ended March 31	
	2003	2002
	(unaudited)	
Income from continuing operations before cumulative effect of change in accounting	\$ 55,318	\$ 37,041
Weighted-average common shares outstanding		
Basic	130,224	128,406
Effect of dilutive stock options and awards	1,594	1,774
Diluted	131,818	130,180
Income from continuing operations before change in accounting per common share		
Basic	\$ 0.42	\$ 0.29
Diluted	\$ 0.42	\$ 0.28

Restricted stock awards of approximately 100,000 and 192,000 shares were excluded from the company's calculation of basic income per share amounts for the first quarter ended March 31, 2003 and 2002 respectively, because such shares were not yet vested at those dates.

Stock options to purchase approximately 2.2 million shares were not dilutive during the first quarter ended March 31, 2002 and, therefore, were not included in the computations of diluted common shares outstanding.

11. Operating Segments

Financial information for each of the company's reportable segments is as follows:

Edgar Filing: ECOLAB INC - Form 10-Q/A

(amounts in thousands)	First Quarter Ended March 31	
	2003	2002
	(unaudited)	
Net Sales		
United States		
Cleaning & Sanitizing	\$ 417,299	\$ 392,349
Other Services	73,329	70,490
Total	490,628	462,839
International Cleaning & Sanitizing	360,558	340,933
Effect of foreign currency translation	24,666	(17,663)
Consolidated	\$ 875,852	\$ 786,109
Operating Income		
United States		
Cleaning & Sanitizing	\$ 69,906	\$ 64,940
Other Services	3,647	5,262
Total	73,553	70,202
International Cleaning & Sanitizing	25,717	21,402
Corporate expense	242	(17,480)
Effect of foreign currency translation	2,022	(1,201)
Consolidated	\$ 101,534	\$ 72,923

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Operating Segments (continued)

The International Cleaning & Sanitizing amounts included above are based on translation into U.S. dollars at the fixed currency exchange rates used by management for 2003.

Corporate expense includes restructuring and integration charges (income) of approximately (\$0.2) million and \$23.3 million for the first quarter of 2003 and 2002, respectively. Corporate expense in the first quarter of 2002 also includes a curtailment gain of approximately \$5.8 million due to benefit plan changes. These items are described in Note 6.

12. Goodwill and Other Intangible Assets

Effective January 1, 2002, the company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. This statement discontinued the amortization of goodwill and indefinite-lived intangible assets, subject to periodic impairment testing. The company was required to test all existing goodwill for impairment as of January 1, 2002 on a reporting unit basis. The company's reporting units are its operating segments. Under SFAS No. 142, the fair value approach was used to test goodwill for impairment. This method differs from the company's prior policy of using an undiscounted cash flows method for testing goodwill impairment. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values of reporting units were established using a discounted cash flow method. Where available and as appropriate, comparative market multiples were used to corroborate the results of the discounted cash flow method.

The result of testing goodwill for impairment in accordance with SFAS No. 142, was a non-cash charge of \$4.0 million (\$0.03 per share), which is reported on the accompanying statement of income in the caption Change in accounting for goodwill and other intangible assets. All of the impairment charge related to the Africa/Export reporting unit, which is part of the International Cleaning and Sanitizing segment. The primary factor resulting in the impairment charge was the difficult economic environment in the region. No impairment charge was appropriate under the company's previous goodwill impairment policy, which was based on an undiscounted cash flow model.

Goodwill and other intangible assets arise principally from business acquisitions. Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Other intangible assets include primarily customer relationships, trademarks, patents and other technology. Other intangible assets are amortized on a straight-line basis over their estimated economic lives that results in a weighted average useful life of 13 years as of March 31, 2003.

The straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the company in each reporting period. Total amortization expense related to other intangible assets

Edgar Filing: ECOLAB INC - Form 10-Q/A

during the first quarter ended March 31, 2003 and 2002 was approximately \$5.0 million and \$4.2 million, respectively. As of March 31, 2003, future estimated amortization expense related to amortizable other identifiable intangible assets will be (amounts in thousands):

17

ECOLAB INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Goodwill and Other Intangible Assets (continued)

Fiscal Year		
2003 (Remainder: nine-month period)	\$	16,292
2004		19,337
2005		18,185
2006		17,877
2007		17,053
2008		16,149

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Directors

Ecolab Inc.

We have reviewed the accompanying consolidated balance sheet of Ecolab Inc. as of March 31, 2003, and the related consolidated statements of income and of cash flows for the three-month periods ended March 31, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2002, and the related consolidated statements of income, of comprehensive income and shareholders' equity, and of cash flows for the year then ended (not presented herein); and in our report dated February 18, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

As described in Note 2, the March 31, 2003 consolidated financial statements have been restated to reflect certain reclassifications.

/s/ PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Minneapolis, Minnesota

April 22, 2003, except as to Note 2

for which the date is August 4, 2003

ECOLAB INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis provides information that management believes is useful in understanding the company's operating results, cash flows and financial condition. The discussion should be read in conjunction with the consolidated financial statements and related notes included in this Form 10-Q.

The following discussion contains various "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We refer readers to the company's statement entitled "Forward-Looking Statements and Risk Factors" of this report. Additional risk factors may be described from time to time in the company's filings with the Securities and Exchange Commission.

Results of Operations - First Quarter Ended March 31, 2003

The comparability of the company's results of operations between the first quarter of 2003 and 2002 has been impacted by a change in accounting for goodwill and other intangible assets from the adoption of SFAS No. 142 and a gain from discontinued operations as shown in the table below.

	First Quarter Ended March 31		
	2003		2002
	(unaudited)		
(Diluted earnings per share)			
Income from continuing operations before change in accounting	\$	0.42	\$ 0.28
Change in accounting for goodwill and other intangible assets			(0.03)
Gain from discontinued operations			0.01
Net income	\$	0.42	\$ 0.27

Per share amounts do not necessarily sum due to rounding.

Edgar Filing: ECOLAB INC - Form 10-Q/A

In addition, the comparison of the financial results in the first quarter of 2003 to 2002 were also affected by a one-time gain from benefit plan changes of \$3.5 million after tax and special charges related to restructuring activities and the integration of the European operations of \$14.5 million after tax which both occurred in the first quarter of 2002.

Consolidated net sales for the first quarter ended March 31, 2003 were \$876 million, an increase of 11 percent over net sales of \$786 million in the first quarter of last year. Consolidated net sales increased by approximately 1 percentage point in the first quarter of 2003 due to

ECOLAB INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations - First Quarter Ended March 31, 2003 (continued)

business acquisitions. Changes in currency translation positively impacted sales growth by approximately 5 percentage points for the first quarter ended March 31, 2003. Sales benefited from aggressive new account sales efforts, successful new products and improved service initiatives.

For the first quarter of 2003, the gross profit margin was 50.8 percent, up from last year's first quarter gross profit margin of 49.6 percent. Cost of sales included certain restructuring charges of \$5.2 million for the first quarter of 2002. Excluding these restructuring charges, the gross profit margin would have been 50.3 percent for the first quarter of 2002. The company's gross profit margin in 2003 benefited from product mix and cost reduction actions.

Selling, general and administrative expenses were 39.3 percent of consolidated net sales for the first quarter, an increase from 38.8 percent of net sales in the comparable quarter of last year. This increase in the first quarter is due to acquisitions, increased sales and service investments and increased healthcare costs. It is also due to a comparison against the first quarter of last year when costs were reduced following the events of September 11, 2001.

In the first quarter of 2002, management approved plans to undertake restructuring and cost-saving actions during 2002, including costs related to the integration of the company's European operations. These actions included global workforce reductions, facility closings, and product line discontinuations. As a result, the company recorded restructuring expenses and other special charges of \$23.3 million in the first quarter of 2002 (\$14.5 million after tax). Also included in special charges for the quarter ended March 31, 2002, is a one-time curtailment gain of \$5.8 million (\$3.5 million after tax), related to changes to post-retirement healthcare benefits made in the first quarter of 2002. The expected cost savings related to restructuring activities began in 2002 and are expected to have a full impact in 2003. Restructuring savings were approximately \$7.5 million for the first quarter ended March 31, 2003. Some of these savings were reinvested in the business. The company expects annual pretax savings of \$25 million to \$30 million (\$15 million to \$18 million after tax) and the company expects to reinvest some of these savings in the business.

Net income for the first quarter ended March 31, 2003 totaled \$55 million, an increase of 58 percent from net income of \$35 million in the first quarter of 2002. On a per share basis, diluted net income per common share was \$0.42 for the first quarter of 2003, an increase of 56 percent over diluted net income per share of \$0.27 in the first quarter of last year. The increase in first quarter earnings reflects several one-time items. In the first quarter of 2002, net income included restructuring charges of \$14.5 million after tax, a curtailment gain of \$3.5 million after tax, a gain from discontinued operations of \$1.9 million after tax and a SFAS No. 142 transitional impairment charge of \$4.0 million after tax. Currency translation benefited diluted net income by approximately \$2 million for the first quarter of 2003.

ECOLAB INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations - First Quarter Ended March 31, 2003 (continued)

Sales of the company's United States Cleaning & Sanitizing segment were \$417 million, an increase of 6 percent compared with sales of \$392 million in the first quarter of last year. Sales benefited from good growth in sales of U.S. Institutional, Kay and Professional Product operations. Sales of U.S. Institutional increased 6 percent for the first quarter of 2003. U.S. Institutional's results benefited from the continued recovery in the foodservice and hospitality markets. Institutional also benefited from aggressive sales efforts to obtain new accounts as well as the successful introduction of new products. Kay's U.S. operations reported sales growth of 13 percent for the first quarter. Kay's sales increase reflects strong growth in its food retail services business as well as solid growth in sales to its core quickservice customers. Textile Care sales decreased 6 percent for the first quarter of 2003, following a strong fourth quarter 2002, and reflected weaker economic conditions and strong competition within the industry. Sales of Professional Products operations increased 17 percent for the first quarter with gains in both the janitorial and healthcare markets offsetting the continuing phase-out of the specialty business. Professional Products sales were also positively impacted in the first quarter of 2003 by a long-term supply agreement that became effective in December 2002. Water Care Services sales increased 1 percent for the first quarter with modest growth in cruise, hospitality, health care and laundry. Water Care's results reflect new account gains and equipment sales to cross-divisional customers. The company's Food & Beverage operations reported a sales increase of 2 percent for the first quarter, primarily due to improved sales to the soft drink and meat and poultry markets. Vehicle Care sales increased 3 percent for the first quarter. The increase in the first quarter continues to be driven by new business with major oil companies as well as the success of new product introductions.

For the first quarter ended March 31, 2003, sales of the company's United States Other Services segment increased 4 percent to \$73 million compared with the sales of \$70 million in the first quarter of last year. Acquisitions had no impact on sales in the first quarter of 2003. Pest Elimination sales increased 12 percent for the first quarter of 2003 with double-digit sales growth in both contract and non-contract services. GCS Service sales decreased 6 percent for the first quarter of 2003. The results reflected the division's focus on building its standard operational structure.

Management rate sales for the company's International Cleaning & Sanitizing segment were \$361 million for the first quarter of 2003, an increase of 6 percent over sales of \$341 million in the comparable quarter of last year. Excluding the effects of acquisitions and divestitures, sales increased 3 percent for the first quarter. European sales increased 6 percent for the first quarter ended March 31, 2003. Sales in Europe, excluding acquisitions and divestitures, increased 2 percent over the comparable quarter in 2002. The increase in Europe's sales was primarily driven by new account activity and new product launches which were partially offset by a weak European economy. Sales in the Asia Pacific region increased 3 percent for the first quarter of 2003. Excluding acquisitions and the divestiture of the Hygiene Services business in Australia, sales increased

ECOLAB INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations - First Quarter Ended March 31, 2003 (continued)

5 percent. Japan, New Zealand, Northeast Asia and Southeast Asia showed good sales growth for the quarter while Australia's sales declined due to the sale of its Hygiene Services business. Latin America sales rose 5 percent for the first quarter with sales increases in all countries except Venezuela, which saw reduced sales due to a general strike in that country. Mexico, the Caribbean, Central America and Argentina had especially strong sales growth the first quarter. Acquisitions had no impact on sales for Latin America in the first quarter. Sales in Canada increased 4 percent for the first quarter of 2003 due to the increased focus on obtaining new accounts and selling additional solutions to existing customers.

Operating income of the company's United States Cleaning & Sanitizing segment was \$70 million for the first quarter of 2003, an increase of 8 percent over operating income of \$65 million in the first quarter of last year. The operating income margin for the United States Cleaning & Sanitizing segment increased to 16.8 percent of sales from 16.6 percent of net sales in the first quarter of last year. The improvement in reported operating income margins reflected the higher sales volume, tight cost controls, savings from last year's cost reduction initiatives, and the sale of new higher-margin products.

First quarter 2003 operating income of United States Other Services segment was \$4 million, a decrease of 31 percent from the first quarter of last year. The operating income margin for United States Other Services decreased to 5.0 percent of net sales from 7.5 percent in the first quarter of last year. Pest Elimination had strong operating income growth while operating income for GCS declined for the first quarter of 2003 due to slower sales and continued investments in the division's infrastructure.

Operating income of International Cleaning & Sanitizing segment was \$26 million for the first quarter of 2003 and increased 20 percent over operating income of \$21 million in the first quarter of last year. Excluding acquisitions and divestitures, operating income increased 33 percent over the comparable quarter of last year. The operating income margin increased to 7.1 percent of net sales in the first quarter of 2003 from 6.3 percent in the comparable period of last year. Excluding acquisitions and divestitures, the operating income margin for International increased to 8.2 percent of net sales. Significant operating income growth during the first quarter in Europe, Asia Pacific, and Canada contributed to the increase. With the exception of Venezuela, operating income was also strong in the Latin America region. International operating income improvement for the segment was due to the introduction of new products, cost controls and the sale of the Hygiene Services business.

Corporate operating expense (income) was (\$0.2) million for the first quarter of 2003 as compared to \$17.5 million for the comparable quarter last year. Corporate operating expense in the first quarter of 2002 included restructuring and merger integration costs of \$23.3 million, which were partially offset by a curtailment gain of \$5.8 million in the first quarter of 2002 related to benefit plan changes.

ECOLAB INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations - First Quarter Ended March 31, 2003 (continued)

Net interest expense totaled \$10.7 million in the first quarter of 2003, a 2 percent increase over net interest expense of \$10.5 million in the first quarter of 2002.

The provision for income taxes for the first quarter of 2003 reflected an effective income tax rate of 39.1 percent as compared to an effective income tax rate of 40.6 for the first quarter of 2002. Excluding the effects of restructuring and the curtailment gain, the effective income tax rate for the first quarter of 2002 was 39.9 percent. The decline in the 2003 effective tax rate was primarily due to a lower international rate and favorable mix as well as state tax reductions.

Financial Position and Liquidity

Total assets were \$3.011 billion at March 31, 2003, an increase of 5 percent over total assets at year-end 2002. The change in the balance sheet was largely due to the effects of changes in exchange rates as well as businesses acquired during the first quarter of 2003.

Total debt was \$734 million at March 31, 2003, up from total debt of \$700 million at year-end 2002. This increase in total debt was principally due to the effect of exchange rates in the first quarter of 2003. The ratio of total debt to capitalization was 38 percent at March 31, 2003, compared to 39 percent at December 31, 2002.

Cash provided by operating activities totaled \$65 million, a decrease of 26 percent from \$87 million for the first quarter of last year. Operating cash flows for 2003 reflect the improvement in net income as well additional cash flows from businesses acquired. This was offset by a decrease in other liabilities which included payments in the first quarter of bonuses and severance which were accrued at year end offset by an increase in income taxes payable.

The company reacquired 180,000 shares of its common stock during the first quarter of 2003 under its authorized share repurchase program including pursuant to a 10b-1 plan, plus 1,390 shares reacquired from employees related to the exercise of stock options and vesting of stock awards. Shares were repurchased at a cost of approximately \$8.7 million and are available for general corporate purposes including to offset the dilutive effect of shares issued for employee benefit plans. Approximately 4.0 million shares remain available for repurchase under the company's authorized program.

Edgar Filing: ECOLAB INC - Form 10-Q/A

The company currently expects to fund all of the requirements which are reasonably foreseeable for the remainder of 2003, including new program investments, scheduled debt repayments, dividend payments, possible acquisitions, share repurchases, and pension contributions from operating activities, cash reserves and short-term borrowings.

ECOLAB INC.

Forward-Looking Statements and Risk Factors

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In this Amendment No. 1 on Form 10-Q/A, management discusses expectations regarding future performance of the company which include anticipated restructuring savings, future amortization expenses, reinvestment in the business, liquidity and similar business and financial matters. Without limiting the foregoing, words or phrases such as will likely result, are expected to, will continue, is anticipated, we believe, estimate, project (including the ne variations thereof) or similar terminology, generally identify forward-looking statements. Additionally, the company may refer to this section of the Amendment No. 1 on Form 10-Q/A to identify risk factors related to other forward-looking statements made in oral presentations including telephone conferences and/or webcasts open to the public.

Forward-looking statements represent challenging goals for the company. As such, they are based on certain assumptions and estimates and are subject to certain risks and uncertainties. The company cautions that undo reliance should not be placed on such forward-looking statements, which speak only as of the date made. In order to comply with the terms of the safe harbor, the company hereby identifies important factors, which could affect the company's financial performance and could cause the company's actual results for future periods to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. These factors should be considered, together with any similar risk factors or other cautionary language, which may be made in the section of this report containing the forward-looking statement.

Risks and uncertainties that may affect operating results and business performance include: the vitality of the foodservice, hospitality and travel industries; restraints on pricing flexibility due to competitive factors and customer and vendor consolidations; changes in oil or raw material prices or unavailability of adequate and reasonably priced raw materials; the occurrence of capacity constraints or the loss of a key supplier; the effect of future acquisitions or divestitures or other corporate transactions; the company's ability to achieve plans for past acquisitions; the costs and effects of complying with (i) laws and regulations relating to the environment and to the manufacture, storage, distribution, efficacy and labeling of the company's products and (ii) changes in tax, fiscal, governmental and other regulatory policies; economic factors such as the worldwide economy, interest rates and currency movements, including, in particular, the company's exposure to foreign currency risk; the occurrence of (a) litigation or claims, (b) the loss or insolvency of a major customer or distributor, (c) war, (d) natural or manmade disasters (including material acts of terrorism or other hostilities which impact the company's markets) and, (e) severe weather conditions or public health epidemics affecting the foodservice, hospitality and travel industries; 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. In addition, the company notes that its stock price can be affected by fluctuations in quarterly earnings. There can be no assurances that company's earnings levels will meet investors' expectations.

25

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) The following documents are filed as exhibits to this report:

(15) Letter regarding unaudited interim financial information.

(99) Certification of Chief Executive Officer and Chief Financial Officer.

(b) Reports on Form 8-K:

The company furnished to the SEC two Current Reports on Form 8-K during the quarter ended March 31, 2003: (i) dated January 23, 2003 to announce preliminary 2002 fourth quarter and year end results; and (ii) dated February 18, 2003 to report earnings for the company's fourth quarter and year ended December 31, 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ECOLAB INC.

Date: August 8, 2003

By: /s/ Daniel J. Schmechel
Daniel J. Schmechel
Vice President and Controller
(duly authorized officer and Chief Accounting Officer)

CERTIFICATIONS

I, Allan L. Schuman, certify that:

1. I have reviewed this Amendment No. 1 on Form 10-Q/A of Ecolab Inc.;
2. Based on my knowledge, this Amendment No. 1 on Form 10-Q/A does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this Amendment No. 1 on Form 10-Q/A, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
 - c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 8, 2003

/s/ Allan L. Schuman
Allan L. Schuman
Chairman of the Board and
Chief Executive Officer

I, Steven L. Fritze, certify that:

1. I have reviewed this Amendment No. 1 on Form 10-Q/A of Ecolab Inc.;
2. Based on my knowledge, this Amendment No. 1 on Form 10-Q/A does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this Amendment No. 1 on Form 10-Q/A, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the Evaluation Date); and

c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the

equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 8, 2003

/s/ Steven L. Fritze
Steven L. Fritze
Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Document	Method of Filing
(15)	Letter regarding unaudited interim financial information.	Filed herewith electronically
(99)	Certification of Chief Executive Officer and Chief Financial Officer.	Filed herewith electronically