

Examples Illustrating Merger Tax Consequences to Former Nalco Shareholders in Nalco-Ecolab Merger

Background

The merger of Nalco and Ecolab (the “Merger”) became effective on December 1, 2011. In the Merger, the former Nalco shareholders received either (i) 0.7005 shares of Ecolab common stock, or (ii) \$38.80 cash in exchange for one share of Nalco common stock, subject to the adjustment and reallocation provisions of the Merger agreement to ensure that the aggregate amount of cash consideration elected to be received by all Nalco shareholders did not exceed 30% of the total consideration received in the Merger. There were no fractional shares issued in the exchange, and instead Nalco stockholders received cash in lieu of fractional shares of Ecolab common stock.

The Merger qualifies as a tax-free reorganization within the meaning of Internal Revenue Code Section 368(a). The U.S. federal income tax consequences of the Merger to a U.S. holder of Nalco common stock will depend on whether such U.S. holder receives (i) shares of Ecolab common stock, (ii) cash, or (iii) a combination of cash and stock in exchange for such U.S. holder’s Nalco common stock. Generally, U.S. investors will recognize taxable gain to the extent of any cash received in the Merger.

Overview

This document includes examples illustrating how to calculate, for U.S. federal income tax purposes, taxable gains to be recognized in the Merger, as well as the tax basis of the Ecolab shares received. The examples apply to individuals who are citizens or residents of the United States, purchased all of their Nalco shares for cash and held those shares as a capital asset (generally, for investment purposes). The examples do not address any special tax rules that may apply nor do they address the consequences of any state, local or foreign tax laws.

Important Notice

These examples are not meant to provide you with tax advice and you should not rely on them. Your tax consequences depend on your individual circumstances and could differ significantly from those in the examples. You should consult your own tax advisor regarding the specific tax consequences of the merger to you in light of your own tax circumstances. These examples are provided for illustrative purposes only and do not replace the discussion of tax consequences contained on page 151 in the joint proxy statement/prospectus dated October 28, 2011, available on Ecolab’s website at <http://investor.ecolab.com/secfiling.cfm?filingID=1047469-11-8791>.

THE INFORMATION IN THIS DOCUMENT DOES NOT CONSTITUTE TAX ADVICE AND IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSES OF (i) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE OR (ii) PROMOTING, MARKETING OR RECOMMENDING ANY TRANSACTION OR MATTER ADDRESSED HEREIN.

Calculations

It is assumed, for purposes of calculating the total consideration received in the Merger, that the fair market value of any Ecolab shares received in the Merger was \$55.62 per share, which was the closing price of Ecolab common stock on December 1, 2011 (the day on which the Merger was effective). In each example it is assumed that a Nalco shareholder owned 100 shares of Nalco common stock at the time of the merger.

(i) Exchange of Nalco common stock solely for Ecolab common stock

As a result of the adjustment and the reallocation provisions of the Merger agreement that ensure that the aggregate cash consideration received by Nalco shareholders in the Merger is equal to 30% of total consideration, a Nalco shareholder that elects, or is deemed to elect, to receive only Ecolab stock in the Merger instead would receive approximately 94% (the actual stock proration factor was 0.94033561) of consideration in shares of Ecolab common stock and the balance in cash. Thus, the provisions of section (iii) below that deal with the exchange of Nalco common stock for a combination of Ecolab common stock and cash will apply.

(ii) Exchange of Nalco common stock solely for cash

A Nalco shareholder who exchanges all of his or her shares of Nalco common stock solely for cash pursuant to the Merger will recognize gain or loss equal to the difference between the amount of cash received by such U.S. holder and the U.S. holder's adjusted tax basis in the Nalco common stock exchanged therefore. The treatment of the gain depends on whether the Nalco shareholder actually or constructively owns Ecolab stock immediately after the Merger and you should consult your tax advisor for the proper treatment of such gain.

Example:

Nalco shareholder ("Shareholder") owns a block of 100 shares of Nalco common stock that he or she purchased for \$15 per share. In the Merger, Shareholder elects to receive solely cash in exchange for all Nalco common stock held immediately prior to the Merger. As a result, Shareholder is entitled to receive \$3,880.00 (100 shares * \$38.80).

Taxable Gain or Loss Recognized in the Merger	
Total Consideration Received	\$3,880.00
Less: Original Cost Basis of Nalco Shares	(\$1,500.00)
Total Gain Recognized	\$2,380.00

(iii) Exchange of Nalco common stock for a combination of Ecolab common stock and cash

A Nalco shareholder who exchanges shares of Nalco common stock for a combination of Ecolab common stock and cash pursuant to the merger will recognize gain (but not loss) equal to the lesser of (i) the excess, if any, of the amount of cash plus the fair market value of any Ecolab common stock received in the merger, over such shareholder's adjusted tax basis in the shares of Nalco common stock surrendered by the shareholder in the merger and (ii) the amount of cash received by such shareholder in the merger (other than cash received in lieu of fractional shares of Ecolab common stock). As noted above in section (i), a Nalco shareholder who elects, or is deemed to elect, to receive only Ecolab stock in the Merger, would receive both Ecolab stock and cash in the exchange according to the adjustment and reallocation provisions of the Merger agreement. In such circumstance, examples set forth in this section would apply.

If a Nalco shareholder exchanges shares of Nalco common stock for a combination of Ecolab common stock and cash pursuant to the merger, the taxable gain or loss on the merger and the tax basis of Ecolab shares received in the merger are calculated as follows:

- Step 1: *Calculate the Original Cost Basis of Nalco Shares.* Your cost basis generally equals the amount you paid for your Nalco shares.
- Step 2: *Calculate the Total Consideration Received in the Merger.* Your total merger consideration equals (1) the fair market value of the Ecolab shares (including any fractional shares), plus (2) the amount of cash (excluding any cash in lieu of fractional shares) that you received in the merger.
- Step 3: *Calculate the Taxable Gain or Loss Realized in the Merger.* Your *realized* gain or loss equals (1) your total merger consideration (as determined in Step 2), minus (2) your cost basis in the Nalco shares (as determined in Step 1).
- Step 4: *Calculate the Taxable Gain Recognized in the Merger.* Your *recognized* gain equals the lesser of (1) the cash you received in the merger (excluding any cash in lieu of fractional shares) and (2) the total gain realized on your Nalco shares (as determined in Step 3). No loss may be recognized.
- Step 5: *Calculate the Total Basis in Ecolab Shares.* Your total basis in the Ecolab shares received in the merger (including any fractional shares) equals (1) the original cost basis in your Nalco shares (as determined in Step 1), minus (2) the cash you received in the merger (excluding any cash paid in lieu of fractional shares), plus (3) the taxable gain you recognized in the merger (as determined in Step 4).
- Step 6: *Calculate the Taxable Gain or Loss Recognized on any Fractional Shares.* Your gain or loss on the exchange of fractional Ecolab share for cash equals (1) the cash you received in exchange for the fractional share, minus (2) your basis in the fractional share (determined based on the calculation in Step 5).

- *Step 7: Calculate the Total Basis in Remaining Ecolab Shares.* Your total basis in the remaining Ecolab shares equals (1) your basis in the Ecolab shares received in the merger (including the fractional share) (as determined in Step 5), minus (2) your basis in the fractional share (as determined for purposes of Step 6).

If a Nalco shareholder owned multiple blocks of Nalco stock purchased at different share prices, he or she will calculate the gain on a block-by-block basis in the manner described above. A loss realized on the exchange of one block of shares cannot be used to offset a gain realized on the exchange of another block of shares but the Nalco shareholder will be able to reduce his or her capital gains by capital losses in determining his or hers income tax liability. Nalco shareholders should consult their tax advisors regarding their basis in Ecolab shares received in exchange for multiple blocks of Nalco stock.

It should be noted that Treasury regulations associated with Internal Revenue Code Section 358 provide that, to the extent the terms of the exchange specify that shares of acquirer stock or cash are received in exchange for a particular share of target stock surrendered, the terms of the exchange shall control for the purpose of determining gain to the extent the terms of the exchange are economically reasonable. Therefore, a Nalco shareholder might be permitted to apply the above formula separately to each share of Nalco common stock surrendered, and therefore to separately calculate the taxable gain on each such share. For purposes of examples contained in this document, it is assumed that the terms of the exchange did not specify if each share of Nalco common stock will be exchanged for cash or Ecolab common stock.

The holding period for the shares of Ecolab common stock received in the Merger, including any fractional shares deemed received by the Nalco shareholder, will include the holding period for the shares of Nalco common stock exchanged therefore, provided the Nalco stock was a capital asset at the time of the Merger.

Assumptions for Examples

The following four examples illustrate the foregoing calculations.

In Example 1, a Nalco shareholder (the “Shareholder”) that holds 100 Nalco shares elects to exchange all 100 shares solely for shares of Ecolab common stock but, because of the application of the readjustment and reallocation provision, the shareholder receives approximately 94% (the actual stock proration factor was 0.94033561) of consideration in shares of Ecolab common stock and approximately 6% of consideration in cash. Under these circumstances, the Shareholder would have been entitled to approximately 65.85 shares of Ecolab common stock (100 Nalco shares * 94% * .7005 exchange ratio) and approximately \$232.80 in cash (100 Nalco shares * 6% * \$38.8 cash election amount). Additionally, because the Shareholder must receive cash in lieu of any fractional shares received in the Merger, he or she would have received an additional cash payment of approximately \$47.28 (0.85 fractional shares * \$55.62 Ecolab price on the effective date of the Merger), leaving the Shareholder with 65 shares of Ecolab common stock.

Examples 2-4 illustrate a situation where a Nalco shareholder (the “Shareholder”) that holds 100 Nalco shares elects to exchange 50 Nalco shares for Ecolab common stock and the remaining 50 Nalco shares for cash. Because of the readjustment and reallocation provision, the Shareholder would have been entitled to approximately 32.92 shares of Ecolab common stock (50 Nalco shares * 94% * .7005 exchange ratio) and approximately \$116.40 in cash (50 Nalco shares * 6% * \$38.8 cash election amount) for the 50 shares of Nalco common stock for which the stock election was made and approximately \$1,940 in cash (50 Nalco shares * \$38.80 cash election amount) for the 50 shares of Nalco common stock for which the cash election was made. Additionally, because the Shareholder must receive cash in lieu of any fractional shares received in the Merger, he or she would have received an additional cash payment of approximately \$51.17 (0.92 fractional shares * \$55.62 Ecolab price on the effective date of the Merger), leaving the Shareholder with 32 shares of Ecolab common stock.

As mentioned above, it is assumed that the fair market value of any Ecolab shares received in the Merger was \$55.62 per share. In Example 1 and 2, a Nalco shareholder is assumed to have had an original cost basis of \$30 per Nalco share. In Example 3 and 4, the basis is assumed to be \$15 and \$39 per share, respectively.

Example 1:

Step 1: Original Cost Basis of Nalco Shares	
100 shares x \$30/share	\$3,000.00
Step 2: Total Consideration Received in Merger	
Stock Merger Consideration (65.85 Ecolab Shares x \$55.62)	\$3,662.58
Plus: Cash Merger Consideration (6% of 100 Nalco shares x \$38.8)	\$232.80
Total Consideration Received	\$3,895.38
Step 3: Taxable Gain or Loss Realized in the Merger	
Total Consideration Received	\$3,895.38
Less: Original Cost Basis of Nalco Shares	(\$3,000.00)
Total Gain Realized	\$895.38
Step 4: Taxable Gain Recognized in the Merger	
Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration)	\$232.80
Step 5: Total Basis in Ecolab Shares	
Original Cost Basis of Nalco Shares	\$3,000.00
Less: Cash Merger Consideration	(\$232.80)
Plus: Taxable Gain Recognized	\$232.80
Basis of Ecolab Shares (65.85 shares)	\$3,000.00
Step 6: Taxable Gain or Loss Recognized on Fractional Share	
Cash Paid in Lieu of Fractional Share (0.85 x \$55.62)	\$47.28
Less: Basis Attributable to Fractional Share [(0.85 / 65.85) x \$3,000.00]	(\$38.72)
Taxable Gain on Fractional Share	\$8.56
Step 7: Total Basis in the Remaining Ecolab Shares	
Basis of Ecolab Shares (65.85 shares)	\$3,000.00
Less: Basis Attributable to Fractional Share [(0.85 / 65.85) x \$3,000.00]	(\$38.72)
Basis in Remaining Ecolab Shares (65 shares)	\$2,961.28
Per Share Basis (\$2,961.28 / 65)	\$45.56

In this example, the Shareholder would report a total taxable gain from the merger of \$241.36 (\$232.80 + \$8.56). The Shareholder would have an aggregate tax basis in the 65 shares of Ecolab stock that he or she continues to hold of \$2,961.28.

This calculation is provided for illustrative purposes only. Specific questions about your unique situation should be discussed with your tax advisor.

Example 2:

Step 1: Original Cost Basis of Nalco Shares	
100 shares x \$30/share	\$3,000.00
Step 2: Total Consideration Received in Merger	
Stock Merger Consideration (32.92 Ecolab Shares x \$55.62)	\$1,831.01
Plus: Cash Merger Consideration ((50 Nalco shares x .06 x \$38.8) + (50 Nalco shares x \$38.8))	\$2,056.40
Total Consideration Received	\$3,887.41
Step 3: Taxable Gain or Loss Realized in the Merger	
Total Consideration Received	\$3,887.41
Less: Original Cost Basis of Nalco Shares	(\$3,000.00)
Total Gain Realized	\$887.41
Step 4: Taxable Gain Recognized in the Merger	
Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration)	\$887.41
Step 5: Total Basis in Ecolab Shares	
Original Cost Basis of Nalco Shares	\$3,000.00
Less: Cash Merger Consideration	(\$2,056.40)
Plus: Taxable Gain Recognized	\$887.41
Basis of Ecolab Shares (32.92 shares)	\$1,831.01
Step 6: Taxable Gain or Loss Recognized on Fractional Share	
Cash Paid in Lieu of Fractional Share (0.92 x \$55.62)	\$51.17
Less: Basis Attributable to Fractional Share [(0.92 / 32.92) x \$1,500.00]	(\$41.92)
Taxable Gain on Fractional Share	\$9.25
Step 7: Total Basis in the Remaining Ecolab Shares	
Basis of Ecolab Shares (32.92 shares)	\$1,831.01
Less: Basis Attributable to Fractional Share [(0.92 / 32.92) x \$1,500.00]	(\$41.92)
Basis in Remaining Ecolab Shares (32 shares)	\$1,789.09
Per Share Basis (\$1,789.09 / 32)	\$55.90

In this example, the Shareholder would report a total taxable gain from the merger of \$896.66 (\$887.41 + \$9.25). The Shareholder would have an aggregate tax basis in the 32 shares of Ecolab stock that he or she continues to hold of \$1,789.09.

This calculation is provided for illustrative purposes only. Specific questions about your unique situation should be discussed with your tax advisor.

Example 3:

Step 1: Original Cost Basis of Nalco Shares	
100 shares x \$15/share	\$1,500.00
Step 2: Total Consideration Received in Merger	
Stock Merger Consideration (32.92 Ecolab Shares x \$55.62)	\$1,831.01
Plus: Cash Merger Consideration ((50 Nalco shares x .06 x \$38.8) + (50 Nalco shares x \$38.8))	\$2,056.40
Total Consideration Received	\$3,887.41
Step 3: Taxable Gain or Loss Realized in the Merger	
Total Consideration Received	\$3,887.41
Less: Original Cost Basis of Nalco Shares	(\$1,500.00)
Total Gain Realized	\$2,387.41
Step 4: Taxable Gain Recognized in the Merger	
Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration)	\$2,056.40
Step 5: Total Basis in Ecolab Shares	
Original Cost Basis of Nalco Shares	\$1,500.00
Less: Cash Merger Consideration	(\$2,056.40)
Plus: Taxable Gain Recognized	\$2,056.40
Basis of Ecolab Shares (32.92 shares)	\$1,500.00
Step 6: Taxable Gain or Loss Recognized on Fractional Share	
Cash Paid in Lieu of Fractional Share (0.92 x \$55.62)	\$51.17
Less: Basis Attributable to Fractional Share [(0.92 / 32.92) x \$750.00]	(\$21.00)
Taxable Gain on Fractional Share	\$30.17
Step 7: Total Basis in the Remaining Ecolab Shares	
Basis of Ecolab Shares (32.92 shares)	\$1,500.00
Less: Basis Attributable to Fractional Share [(0.92 / 32.92) x \$1,500.00]	(\$21.00)
Basis in Remaining Ecolab Shares (32 shares)	\$1,479.00
Per Share Basis (\$1,479.00 / 32)	\$46.22

In this example, the Shareholder would report a total taxable gain from the merger of \$2,086.57 (\$2,056.40 + \$.30.17). The Shareholder would have an aggregate tax basis in the 32 shares of Ecolab stock that he or she continues to hold of \$1,479.00.

This calculation is provided for illustrative purposes only. Specific questions about your unique situation should be discussed with your tax advisor.

Example 4:

Step 1: Original Cost Basis of Nalco Shares 100 shares x \$39/share	\$3,900.00
Step 2: Total Consideration Received in Merger	
Stock Merger Consideration (32.92 Ecolab Shares x \$55.62)	\$1,831.01
Plus: Cash Merger Consideration ((50 Nalco shares x .06 x \$38.8) + (50 Nalco shares x \$38.8))	\$2,056.40
Total Consideration Received	\$3,887.41
Step 3: Taxable Gain or Loss Realized in the Merger	
Total Consideration Received	\$3,887.41
Less: Original Cost Basis of Nalco Shares	(\$3,900.00)
Total Gain Realized	(\$12.59)
Step 4: Taxable Gain Recognized in the Merger	
Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration)*	\$0.00
* The Tax Code does not allow recognition of loss	
Step 5: Total Basis in Ecolab Shares	
Original Cost Basis of Nalco Shares	\$3,900.00
Less: Cash Merger Consideration	(\$2,056.40)
Plus: Taxable Gain Recognized	\$0.00
Basis of Ecolab Shares (32.92 shares)	\$1,843.60
Step 6: Taxable Gain or Loss Recognized on Fractional Share	
Cash Paid in Lieu of Fractional Share (0.92 x \$55.62)	\$51.17
Less: Basis Attributable to Fractional Share [(0.92 / 32.92) x \$1,950.00]	(\$54.50)
Taxable Loss on Fractional Share	(\$3.33)
Step 7: Total Basis in the Remaining Ecolab Shares	
Basis of Ecolab Shares (32.92 shares)	\$1,843.60
Less: Basis Attributable to Fractional Share [(0.92 / 32.92) x \$1,500.00]	(\$54.50)
Basis in Remaining Ecolab Shares (32 shares)	\$1,789.10
Per Share Basis (\$1,789.10 / 32)	\$55.91

In this example, the Shareholder would report a total taxable loss from the merger of (\$3.33) (\$0.00 + (\$3.33)). The Shareholder would have a tax basis in the 32 shares of Ecolab stock that he or she continues to hold of \$1,789.10.

This calculation is provided for illustrative purposes only. Specific questions about your unique situation should be discussed with your tax advisor.