

Ecolab

Cleaner. Safer. Healthier.

Fourth Quarter
2008
Earnings
Teleconference
Supplemental
Data



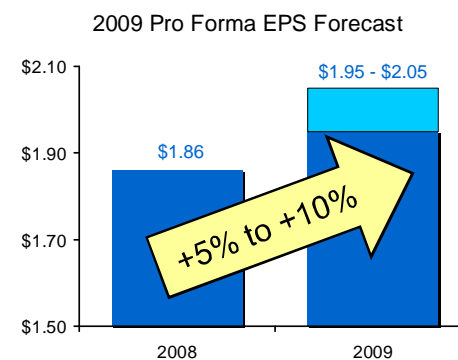
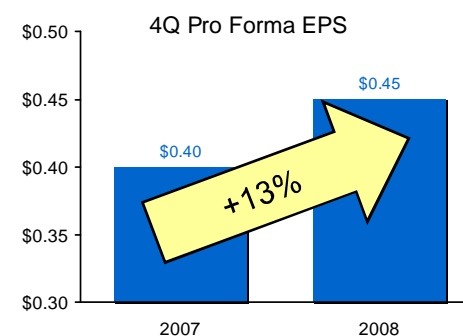
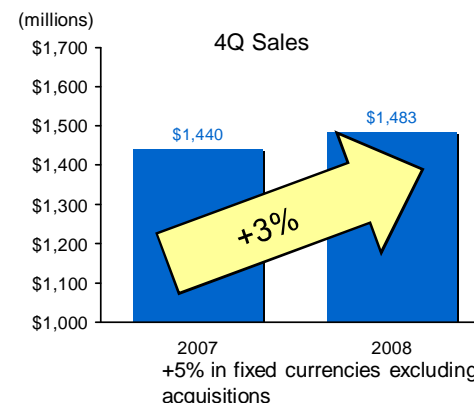
Cautionary Statement

This presentation contains various “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995. 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. 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.



4Q Overview

- ▲ Good sales and EPS growth despite very challenging market conditions and major increases in delivered product costs
- ▲ New accounts, pricing, new products, cost savings propel growth
- ▲ 2009 outlook for continued growth in tough markets
 - Continue to drive share and penetration in core growth markets
 - Leverage products that drive customer cost savings
 - Realigned cost structure to position Ecolab for long term growth
 - Position company for post-crisis economy
 - Full year 2009 pro forma EPS +5% to +10%



Please see Ecolab's news release dated Feb. 12, 2009 for additional information.

4Q Highlights

▲ Solid Organic Earnings Growth

- Organic growth more than offset higher delivered product costs, while tax and shares more than offset unfavorable exchange. Strength helped fund Europe investments and offset acquisition investments.

▲ U.S.: Double-digit Kay, Food & Beverage and Healthcare sales. Operating margins expanded.

- U.S. end markets: Full service restaurant and lodging markets weak; QSR, Food Retail, F&B processing, healthcare, gov't/education markets remain attractive.

▲ International: Latin America sales rose double-digits; Canada was strong, and Asia Pacific and Europe reported moderate sales growth. Operating margins were off due to higher delivered product costs and investments.

- Europe markets slowing, Latin America and Asia Pacific markets starting to show signs of slowing

▲ Ecolab focus remains on sales growth, emphasizing products that provide customers with labor, energy, and water savings. In addition, we have undertaken aggressive cost savings, productivity and efficiency improvements, and appropriate pricing.



4Q 2008 Income Statement

(millions, except per share)	Fourth Quarter Ended December 31			<u>Sales Growth Components</u>	
	<u>2008</u>	<u>2007</u>	<u>% change</u>	<u>Consolidated</u>	
Net sales	\$ 1,483.3	\$ 1,439.8	3%	Volume & Mix	2%
Cost of sales	770.2	716.4	8%	Pricing	3%
SG&A	541.8	557.2	-3%	M&A	<u>2%</u>
Special (gains) and charges	31.5	(8.1)	<u>NM</u>	Fixed currency growth	7%
Operating income	139.8	174.3	-20%	Currency	<u>-4%</u>
Interest expense, net	15.5	13.1	18%	Total	3%
Pretax income	124.3	161.2	-23%		
Provision for income taxes	44.3	47.8	-7%		
Net income	\$ 80.0	<u>\$ 113.4</u>	-29%		
Net income per share					
Basic	\$ 0.33	\$ 0.46	-28%		
Diluted	\$ 0.33	\$ 0.45	-27%		
Shares outstanding					
Basic	239.9	246.3	-3%		
Diluted	242.9	251.3	-3%		



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4Q 2008 Sales Growth

Divisions/Regions

<u>U.S. Cleaning & Sanitizing</u>	<u>% Change</u>	<u>International Regions</u>	<u>% Change</u>
Institutional	4%	<u>Fixed exchange rates</u>	
Kay	19%	EMEA	4%
Textile Care	1%	Asia Pacific	6%
HealthCare (includes Microtek)	64%	Canada	7%
HealthCare (adjusted for Microtek acq.)	11%	Latin America	12%
Food & Beverage (includes Ecovation)	15%	Total International	6%
Food & Beverage (adjusted for Ecovation acq.)	11%		
Vehicle Care	-17%	<u>International Regions</u>	<u>% Change</u>
Total U.S.C&S	10%	<u>Public exchange rates</u>	
Total U.S.C&S ex-acq.	6%	EMEA	-4%
		Asia Pacific	0%
<u>U.S. Other Services</u>	<u>% Change</u>	Canada	-8%
Pest Elimination	3%	Latin America	3%
GCS	-11%	Total International	-2%
Total U.S.OS	-1%		
<u>Total U.S.</u>	<u>% Change</u>		
Total U.S.	8%		
Total U.S. ex-acq.	5%		



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4Q 2008 Income Statement Margins

(millions)	<u>2008</u>	<u>% sales</u>	<u>2007</u>	<u>% sales</u>	<u>% change</u>	<u>Comments</u>
Gross Profit	\$713.1	48.1%	\$ 723.4	50.2%	-1%	Gross Margin ratio -210 bp: Pricing and cost savings actions did not offset acquisitions and delivered product costs
SG&A	541.8	36.5%	557.2	38.7%	-3%	SG&A ratio -220 bp: Sales/pricing leverage and cost controls more than offset investments in the business
<u>Operating Income</u>						
U.S. Cleaning & Sanitizing	97.3	15.0%	83.5	14.2%	17%	Pricing and improved cost efficiencies offset higher delivered product costs and investments; 2008 16.2% of sales w/o acq.
U.S. Other Services	13.9	12.3%	7.5	6.5%	88%	Pest gains and improved GCS profitability drove growth
Total U.S.	111.2	14.6%	91.0	12.9%	22%	Adjusted for acquisitions, margins were 15.6% in 2008 vs. 12.9% in 2007
International	74.0	9.4%	83.3	11.3%	-11%	Sales/pricing gains more than offset by higher delivered product costs and investments
Corporate						
Special Gains/Ch.	(31.5)		8.1			Writedown/closure of non-strategic businesses
Corp. Expense	(7.3)		(7.8)			Europe systems and business structure costs
	(38.8)		0.3			
FX	(6.6)		(0.3)			
Consolidated Op. Inc.	\$139.8	9.4%	\$ 174.3	12.1%	-20%	



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4Q 2008 Balance Sheet / Cash Flow

Summary Balance Sheet

(millions)	December 31			December 31	
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Cash and cash eq.	\$ 66.7	\$ 137.4	Short-term debt	\$ 338.9	\$ 403.5
Accounts receivable, net	971.0	974.0	Accounts payable	359.6	343.7
Inventories	467.2	450.8	Other current liabilities	743.4	771.1
Other current assets	186.2	155.1	Long-term debt	799.3	599.9
PP&E, net	1,135.2	1,083.4	Pension/Postretirement	680.2	418.5
Goodwill and intangibles	1,594.4	1,608.1	Other liabilities	263.9	250.4
Other assets	336.2	314.0	Shareholders' equity	1,571.6	1,935.7
Total assets	\$ 4,756.9	\$ 4,722.8	Total liab. and equity	\$ 4,756.9	\$ 4,722.8
			Total Debt/Total Capital	42.0%	34.1%
			Net Debt/Total Capital	39.5%	29.5%

Selected Cash Flow items

	Three Months Ended	
	December 31	
	<u>2008</u>	<u>2007</u>
Depr. and amortization	\$ 79.5	\$ 76.1
Capital expenditures	78.2	85.0



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Earnings Forecast

▲ 1Q 2009 pro forma EPS \$0.30 to \$0.34

- ▲ Reduction in distributor incentive promotions will reduce 1Q U.S. Institutional division sales and reduce 1Q EPS by approximately \$0.03 per share; expected to be neutral to slightly favorable to both sales and EPS for full year.
- ▲ Includes expected unfavorable \$0.03 to \$0.04 from currency exchange

▲ FY2009 pro forma EPS growth 5% to 10%

Pro forma EPS	<u>1Q 2009</u> \$0.30-\$0.34	<u>FY2009</u> \$1.95-\$2.05
Pro forma EPS	<u>1Q 2008</u> \$0.39	<u>FY2008</u> \$1.86

Pro forma EPS exclude special gains and charges and discrete tax items



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2008 Pro forma Earnings Per Share Bridge

	<u>Q1</u>	<u>Q2 - Q4</u>	<u>Full Year</u>
2008 Actual	\$0.39	\$1.47	\$1.86
Raws / Freight / Fuel	(0.10)	0.03	(0.07)
Exchange	(0.03)	(0.10)	(\$0.13)
Distributor Incentive Program	(0.03)	0.03	0.00
All Other	<u>0.07 - 0.11</u>	<u>0.22 - 0.28</u>	<u>0.29 - 0.39</u>
2009 Forecast	<u>\$0.30 - \$0.34</u>	<u>\$1.65 - \$1.71</u>	<u>\$1.95 - \$2.05</u>



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Summary

▲ **Solid 4Q performance**

- Steady sales gains across regions; U.S Cleaning and Sanitizing and Latin America strong
- Solid organic growth more than offsets higher delivered product costs

▲ **2009 outlook for EPS growth against very tough market conditions**

▲ **Ecolab leveraging its diverse markets, strong positions, innovative products along with cost reductions and pricing while funding key investments for future growth**

