

# Ecolab

Cleaner. Safer. Healthier.

First Quarter  
2009  
Earnings  
Teleconference  
Supplemental  
Data



# Cautionary Statement

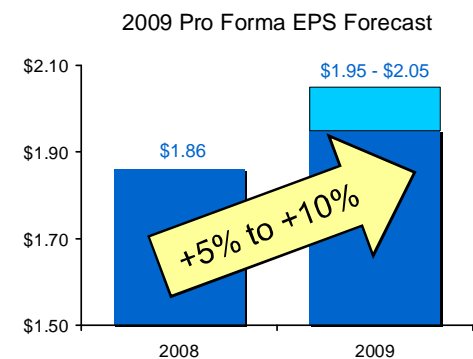
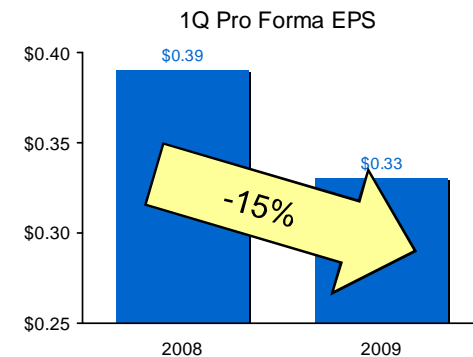
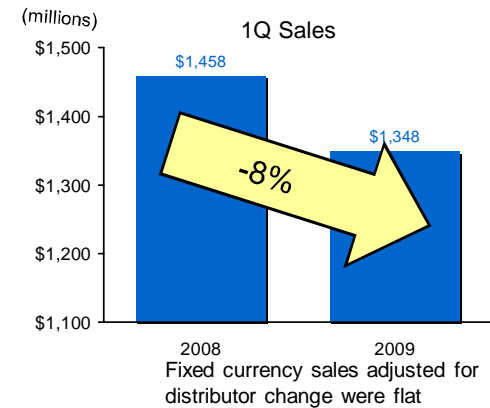
This presentation contains various “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements concerning our 2009 second quarter, second half and full year financial and business prospects, including estimated sales, gross margins, selling, general and administrative expense, interest expense, effective tax rates, currency translation, distributor promotions, special gains and charges, 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-K 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, delivered product 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.



Please see Ecolab’s news release dated April 28, 2009 for additional information.

# 1Q 2009 Overview

- ▲ Fixed currency sales flat excluding distributor change
- ▲ Pro forma EPS in forecast range; includes -\$0.03 impact from distributor change and -\$0.03 from FX
- ▲ New accounts, pricing, new products, cost savings offset by recession, higher delivered product costs and FX
- ▲ 2009 outlook is for 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
  - Continued investments in key initiatives
  - Full year 2009 pro forma EPS +5% to +10%



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# 1Q 2009 Pro forma Earnings Per Share Bridge

	<u>Q1A</u>
<b>2008 Pro Forma</b>	<b>\$0.39</b>
Raw s / Freight / Fuel	(0.10)
Exchange	(0.03)
Distributor Incentive Program	(0.03)
All Other	<u>0.10</u>
<b>2009 Pro Forma</b>	<b><u>\$0.33</u></b>



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# 1Q 2009 Highlights

## ▲ Solid Performance in Tough Conditions

- Fixed currency sales adjusted for distributor change were flat versus last year as market share gains and pricing offset recession. Pro forma earnings reflected pricing and cost savings that were offset by higher delivered product costs, FX and distributor change. Key Europe and R&D investments maintained.

## ▲ U.S.: Strong Kay and Healthcare sales. Operating margins expanded, driven by strong pricing and cost savings

- 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: Strong Latin America and Canada sales; Asia Pacific and Europe reported modest fixed currency sales growth. Operating margins down due to higher delivered product costs.

- All regions slowed; end market trends similar to U.S.

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



# 1Q 2009 Income Statement

(millions, except per share)	First Quarter Ended March 31		
	2009	2008	% change
Net sales	\$ 1,348.2	\$ 1,457.9	-8%
Cost of sales <sup>1</sup>	707.9	738.3	-4%
SG&A	516.3	557.0	-7%
Special charges <sup>1</sup>	26.5	1.9	NM
Operating income	97.5	160.7	-39%
Interest expense, net	15.8	14.8	7%
Pretax income	81.7	145.9	-44%
Provision for income taxes	24.0	42.8	-44%
Net income	57.7	103.1	-44%
Less: NI attributable to non-controlling interests	0.3	0.2	50%
NI attrib. to shareholders	\$ 57.4	\$ 102.9	-44%
Net income per share			
Basic	\$ 0.24	\$ 0.42	-43%
Diluted	\$ 0.24	\$ 0.41	-41%
Shares outstanding			
Basic	236.1	247.0	-4%
Diluted	238.1	251.5	-5%

## Sales Growth Components

<u>Consolidated</u>	
Volume & Mix	-4%
Pricing	4%
M&A	0%
Distributor change	-1%
Fixed currency growth	-1%
Currency	-7%
Total	-8%

(1) Special charges in the Consolidated Statement of Income include the following:

(millions)	2009	2008
Cost of Sales		
Restructuring	\$ 8.0	\$ -
Special charges:		
Restructuring	24.7	-
Business structure & optimization	1.0	1.8
Gain on the sale of businesses	-	(1.7)
Other non-recurring items	0.8	1.8
	26.5	1.9
Total special charges	\$ 34.5	\$ 1.9



Please see Ecolab's news release dated April 28, 2009 for additional information.

# 1Q 2009 Sales Growth

## Divisions/Regions

### U.S. Cleaning & Sanitizing

	<u>% Change</u>
Institutional	-8%
Institutional (excluding distributor change)	-3%
Kay	7%
Textile Care	1%
Healthcare	8%
Food & Beverage (includes Ecovation)	-8%
Food & Beverage (excluding Ecovation)	7%
Vehicle Care	-6%
Total U.S.C&S	-5%
Total U.S.C&S (excluding distributor change)	-2%

### U.S. Other Services

	<u>% Change</u>
Pest Elimination	1%
GCS	-13%
Total U.S.OS	-3%

### Total U.S.

	<u>% Change</u>
Total U.S.	-4%
Total U.S. (excluding distributor change)	-2%

### International Regions

	<u>% Change</u>
<u>Fixed exchange rates</u>	
EMEA	1%
Asia Pacific	1%
Canada	8%
Latin America	<u>9%</u>
Total International	3%

### International Regions

	<u>% Change</u>
<u>Public exchange rates</u>	
EMEA	-13%
Asia Pacific	-7%
Canada	-12%
Latin America	<u>-9%</u>
Total International	-11%



# 1Q 2009 Income Statement Margins

(millions)	<u>2009</u>	<u>% sales</u>	<u>2008</u>	<u>% sales</u>	<u>% change</u>	<u>Comments</u>
Gross Profit	<b>\$640.3</b>	<b>47.5%</b>	\$ 719.6	49.4%	-11%	Gross Margin ratio -190 bp (-60 bp due to special charges): Pricing and cost savings actions did not offset higher delivered product costs and lower sales volume
SG&A	<b>516.3</b>	<b>38.3%</b>	557.0	38.2%	-7%	SG&A ratio +10 bp: Pricing leverage and corporate restructuring savings nearly offset lower volume
<b><u>Operating Income</u></b>						
U.S. Cleaning & Sanitizing	<b>102.6</b>	<b>16.5%</b>	105.3	16.1%	-3%	Adjusted for distributor change, margins were 17.9% (+180 bp) in 2009. Pricing and improved cost efficiencies offset higher delivered product costs and lower sales volume
U.S. Other Services	<b>13.2</b>	<b>12.3%</b>	7.0	6.3%	89%	Pest gains and improved GCS profitability drove growth
Total U.S.	<b>115.8</b>	<b>15.9%</b>	112.3	14.7%	3%	Adjusted for distributor change, margins were 17.1% (+240 bp) in 2009
International	<b>21.6</b>	<b>3.5%</b>	45.2	7.4%	-52%	Pricing gains more than offset by higher delivered product and other costs
Corporate						
Special Gains/Ch.	<b>(34.5)</b>		(1.9)			Restructuring charge (\$32.7M); other (\$1.8M)
Corp. Expense	<b>(4.6)</b>		(4.9)			Europe systems
	<b>(39.1)</b>		(6.8)			
FX	<b>(0.8)</b>		10.1			
Consolidated Op. Inc.	<b>\$ 97.5</b>	<b>7.2%</b>	\$ 160.8	11.0%	-39%	



Please see Ecolab's news release dated April 28, 2009 for additional information.

# 1Q 2009 Balance Sheet / Cash Flow

## Summary Balance Sheet

(millions)	March 31			March 31	
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
Cash and cash eq.	\$ 79.5	\$ 219.5	Short-term debt	\$ 420.6	\$ 444.0
Accounts receivable, net	913.3	1,026.2	Accounts payable	308.9	387.4
Inventories	467.6	475.7	Other current liabilities	691.9	772.8
Other current assets	222.7	169.6	Long-term debt	797.8	864.9
PP&E, net	1,114.0	1,131.8	Pension/Postretirement	636.3	430.2
Goodwill and intangibles	1,578.4	1,807.6	Other liabilities	256.2	267.3
Other assets	328.3	403.9	Shareholders' equity	1,592.1	2,067.7
<b>Total assets</b>	<b>\$ 4,703.8</b>	<b>\$ 5,234.3</b>	<b>Total liab. and equity</b>	<b>\$ 4,703.8</b>	<b>\$ 5,234.3</b>
			Total Debt/Total Capital	43.4%	38.8%
			Net Debt/Total Capital	40.5%	32.3%

## Selected Cash Flow items

	Three Months Ended	
	March 31	
	<u>2009</u>	<u>2008</u>
Depr. and amortization	\$ 80.4	\$ 84.9
Capital expenditures	51.2	75.5



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# Earnings Forecast

## ▲ 2Q 2009 pro forma EPS \$0.46 to \$0.50

▲ Includes expected unfavorable \$0.04 from currency exchange

## ▲ FY2009 pro forma EPS growth 5% to 10%

	<u>2Q 2009</u>	<u>FY2009</u>
Pro forma EPS	\$0.46-\$0.50	\$1.95-\$2.05
	<u>2Q 2008</u>	<u>FY2008</u>
Pro forma EPS	\$0.47	\$1.86

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



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# 2009 Pro forma Earnings Per Share Bridge

	Actual	Forecast		
	Q1	Q2	2H	Full Year
<b>2008 Pro Forma</b>	<b>\$0.39</b>	<b>\$0.47</b>	<b>\$1.00</b>	<b>\$1.86</b>
Raw s / Freight / Fuel	(0.10)	(0.05)	0.07	(0.08)
Exchange	(0.03)	(0.04)	(0.07)	(0.14)
Distributor Incentive Program	(0.03)	0.00	0.03	0.00
All Other	<u>0.10</u>	<u>0.08 - 0.12</u>	<u>0.13 - 0.19</u>	<u>0.31 - 0.41</u>
<b>2009 Pro Forma / Forecast</b>	<b><u>\$0.33</u></b>	<b><u>\$0.46 - \$0.50</u></b>	<b><u>\$1.16 - \$1.22</u></b>	<b><u>\$1.95 - \$2.05</u></b>



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# Summary

- ▲ **Solid 1Q 2009 performance against very difficult conditions**
  - Good sales performances in U.S., Latin America and Canada
  - Market share focus, pricing, costs savings work to offset slower markets, higher delivered product costs and FX
- ▲ **2Q 2009 pro forma EPS forecast flat to up versus year ago**
- ▲ **2009 outlook maintained for 5% - 10% pro forma EPS growth against very tough market conditions**
- ▲ **Ecolab leveraging its diverse markets, strong positions, and innovative products, along with cost reductions and pricing to drive EPS while funding key investments for future growth**

