

Ecolab

Cleaner. Safer. Healthier.

Second Quarter
2009
Earnings
Teleconference
Supplemental
Data



Cautionary Statement

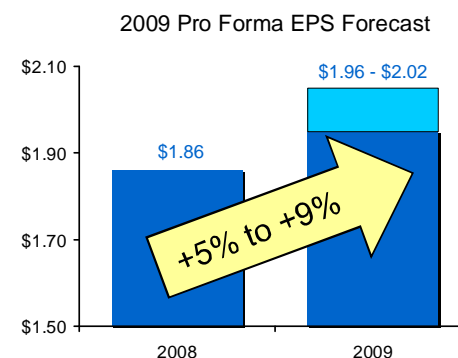
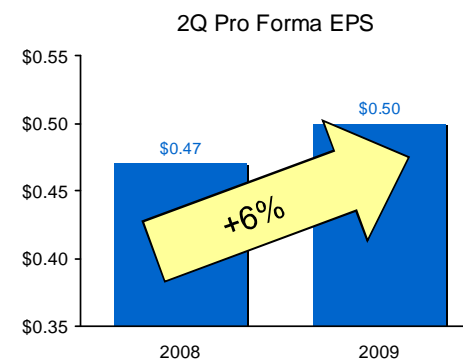
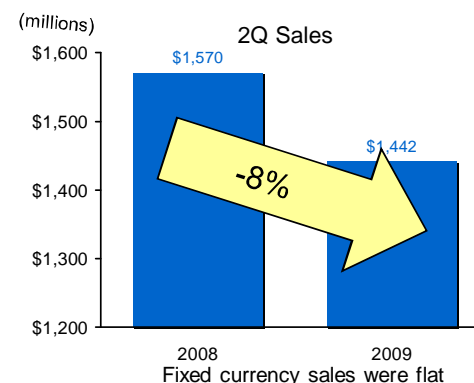
This presentation contains various “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements concerning our 2009 second quarter, second half and full year financial and business prospects, including estimated sales, gross margins, 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 and 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 laws, 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 July 28, 2009 for additional information.

2Q 2009 Overview

- ▲ Fixed currency sales flat, pro forma EPS +6%
- ▲ New accounts, pricing, new products, cost savings offset recession, higher delivered product costs and FX
- ▲ 2009 outlook is for EPS growth in continued tough markets
 - Continue to drive share and penetration in core growth markets
 - Leverage products that drive customer cost savings
 - Realigned cost structure has positioned Ecolab for long term growth
 - Continued investments in key initiatives
 - Full year 2009 pro forma EPS +5% to +9%



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2Q 2009 Highlights

- ▲ Solid Performance in Tough Conditions.
 - Fixed currency sales were flat versus last year as market share gains and pricing offset recession impact. Pro forma earnings reflected pricing and cost savings that offset higher delivered product costs and FX. Key Healthcare, Europe, R&D and field technology investments maintained.
- ▲ U.S.: Double-digit Kay and Healthcare sales growth. Operating margins expanded, driven by pricing and cost savings.
- ▲ International: Strong fixed currency Canada and Latin America sales growth and moderate Asia Pacific sales gain offset by Europe sales decline. Operating margins down due to higher delivered product costs.
- ▲ Ecolab focus remains on new account 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.



2Q 2009 Income Statement

Second Quarter Ended
June 30

Sales Growth Components

Consolidated

Volume & Mix	-4%
Pricing	4%
M&A	0%
Fixed currency growth	0%
Currency	-8%
Total	-8%

(millions, except per share)

	2009	2008	% change
Net sales	\$ 1,441.5	\$ 1,570.0	-8%
Cost of sales ¹	725.1	798.8	-9%
SG&A	526.4	580.0	-9%
Special (gains) & charges ¹	25.0	(19.3)	NM
Operating income	165.0	210.5	-22%
Interest expense, net	15.2	15.3	-1%
Pretax income	149.8	195.2	-23%
Provision for income taxes	50.3	56.2	-10%
Net income	99.5	139.0	-28%
Less: NI attributable to non-controlling interests	0.4	-	-
NI attrib. to Ecolab	\$ 99.1	\$ 139.0	-29%
Net income per share			
Basic	\$ 0.42	\$ 0.56	-25%
Diluted	\$ 0.41	\$ 0.55	-25%
Shares outstanding			
Basic	236.5	247.1	-4%
Diluted	239.5	251.4	-5%

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

(\$ millions)	2009	2008
Cost of Sales		
Restructuring	\$ 0.1	\$ -
Special (gains) and charges		
Restructuring	23.9	-
Business structure and optimization	0.6	3.9
Gain on the sale of plant	-	(24.0)
Other non-recurring items	0.5	0.8
	25.1	(19.3)
Total	\$ 25.1	\$ (19.3)



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2Q 2009 Sales Growth

Divisions/Regions

U.S. Cleaning & Sanitizing

	<u>% Change</u>
Institutional	-3%
Kay	13%
Textile Care	1%
Healthcare	13%
Food & Beverage	3%
Vehicle Care	<u>-9%</u>
Total U.S.C&S	1%

U.S. Other Services

	<u>% Change</u>
Pest Elimination	0%
GCS	<u>-15%</u>
Total U.S.OS	-5%

Total U.S.

	<u>% Change</u>
Total U.S.	0%

International Regions

	<u>% Change</u>
<u>Fixed exchange rates</u>	
EMEA	-4%
Asia Pacific	4%
Canada	10%
Latin America	<u>8%</u>
Total International	-1%

International Regions

	<u>% Change</u>
<u>Public exchange rates</u>	
EMEA	-21%
Asia Pacific	-6%
Canada	-9%
Latin America	<u>-10%</u>
Total International	-17%

Consolidated

	<u>% Change</u>
Fixed exchange rates	0%
Public exchange rates	-8%



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2Q 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	\$716.4	49.7%	\$ 771.2	49.1%	-7%	Gross Margin ratio +60 bp. Pricing and cost savings actions offset higher delivered product costs
SG&A	526.4	36.5%	580.0	36.9%	-9%	SG&A ratio -40 bp. Pricing leverage, corporate restructuring savings and cost controls offset higher costs
Operating Income						
U.S. Cleaning & Sanitizing	126.3	18.8%	107.2	16.2%	18%	Margin +260 bp. Pricing and improved cost efficiencies offset higher delivered product costs
U.S. Other Services	18.3	15.9%	13.0	10.8%	40%	Margin +510 bp. Pricing, improved cost efficiencies and better GCS profitability drove growth
Total U.S.	144.6	18.4%	120.2	15.3%	20%	Margin +310 bp
International	51.9	7.9%	62.8	9.5%	-17%	Margin -160 bp. Higher delivered product and other costs more than offset pricing
Subtotal at fixed currency rates	196.5	13.6%	183.0	12.7%	7%	
Corporate						
Special Gains/Ch.	(25.1)		19.3			Restructuring charge (\$24.0M); other (\$1.1M)
Corp. Expense	(6.6)		(9.4)			Europe systems and business structure costs
	(31.7)		9.9			
FX	0.2		17.6			
Consolidated Op. Inc.	\$165.0	11.4%	\$ 210.5	13.4%	-22%	



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2Q 2009 Balance Sheet / Cash Flow

Summary Balance Sheet

(\$ millions)	June 30			June 30	
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
Cash and cash eq.	\$ 82.7	\$ 222.0	Short-term debt	\$ 241.8	\$ 376.1
Accounts receivable, net	970.6	1,082.1	Accounts payable	343.7	399.1
Inventories	476.7	499.1	Other current liabilities	754.4	786.5
Other current assets	219.9	189.3	Long-term debt	842.8	876.0
PP&E, net	1,142.9	1,157.3	Pension/Postretirement	665.2	443.8
Goodwill and intangibles	1,675.7	1,814.4	Other liabilities	268.3	266.7
Other assets	359.8	391.3	Shareholders' equity	1,812.1	2,207.3
Total assets	\$ 4,928.3	\$ 5,355.5	Total liab. and equity	\$ 4,928.3	\$ 5,355.5
			Total Debt/Total Capital	37.4%	36.2%
			Net Debt/Total Capital	34.6%	29.8%

Selected Cash Flow items

(\$ millions)	Three Months Ended	
	<u>2009</u>	<u>2008</u>
Depr. and amortization	\$ 84.5	\$ 85.1
Capital expenditures	56.6	88.9



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Earnings Forecast

▲ 3Q 2009 pro forma EPS \$0.58 to \$0.61

▲ Includes expected unfavorable \$0.03 from currency exchange

▲ FY2009 pro forma EPS growth 5% to 9%

	<u>3Q 2009</u>	<u>FY2009</u>
Pro forma EPS	\$0.58-\$0.61	\$1.96-\$2.02
	<u>3Q 2008</u>	<u>FY2008</u>
Pro forma EPS	\$0.55	\$1.86

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



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Summary

- ▲ **Solid 2Q 2009 performance in continued tough conditions**
 - Strong performances in U.S. and Canada
 - Market share focus, pricing, cost savings work to offset slower markets, higher delivered product costs and FX
- ▲ **3Q 2009 pro forma EPS forecast +5% to +11% versus year ago**
- ▲ **2009 full year outlook for +5% to +9% pro forma EPS growth in continued challenging markets**
- ▲ **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**

