

# Ecolab

Cleaner. Safer. Healthier.

Third Quarter  
2009  
Earnings  
Teleconference  
Supplemental  
Data



# Cautionary Statement

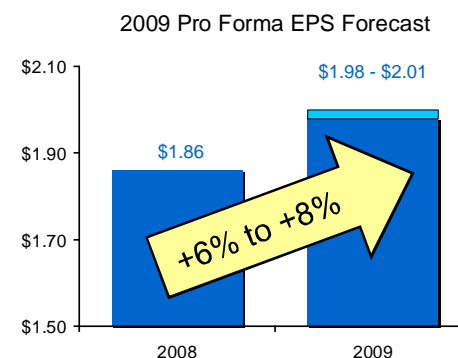
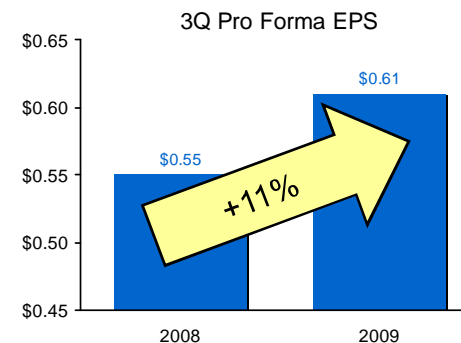
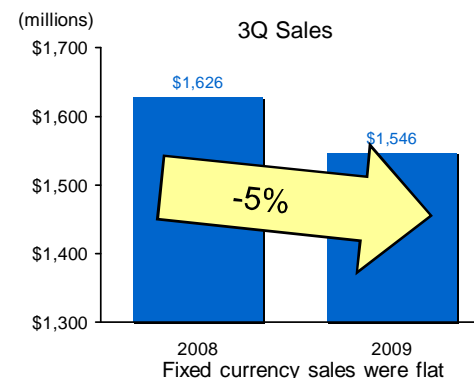
This presentation contains various “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements concerning our 2009 fourth quarter and full year financial and business prospects, including estimated sales, gross margins, selling, general and administrative expense, interest expense, effective tax rates, currency translation, distributor promotions, special gains and charges, and pro forma and reported 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-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 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; public health epidemics; the occurrence of litigation or claims, acts of war, terrorism, severe weather or natural or man-made disasters; 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 October 27, 2009 for additional information.

# 3Q 2009 Overview

- ▲ Fixed currency sales flat, pro forma EPS +11%
- ▲ New accounts, pricing, new products, cost savings offset recession and unfavorable FX and drive margin improvement
- ▲ 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
  - Gross margins recovering from high raw material costs
  - Continued investments in key initiatives
  - Full year 2009 pro forma EPS +6% to +8%



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# 3Q 2009 Highlights

- ▲ Strong Performance in Tough Conditions.
  - Fixed currency sales were flat versus last year as new account gains and pricing offset recession impact. Pro forma earnings also reflected margin recovery as favorable raw material costs and cost savings offset unfavorable FX. Key Healthcare, Europe, R&D and field technology investments maintained.
- ▲ U.S.: Double-digit Healthcare sales led growth. Operating margins expanded, driven by pricing, cost savings and favorable raw material costs.
- ▲ International: Solid fixed currency Canada and Latin America sales growth. Operating margins also improved primarily due to pricing and cost savings.
- ▲ 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.



# 3Q 2009 Income Statement

| (millions, except per share)                       | Third Quarter Ended |                 |                 |
|--|---------------------|-----------------|-----------------|
|  | September 30        |                 |                 |
|  | <u>2009</u>         | <u>2008</u>     | <u>% change</u> |
| Net sales  | \$ 1,546.4          | \$ 1,626.3      | -5%             |
| Cost of sales <sup>1</sup>                         | 763.9               | 834.3           | -8%             |
| SG&A   | 554.1               | 578.8           | -4%             |
| Special (gains) & charges <sup>1</sup>             | 5.4                 | 11.8            | NM              |
| Operating income                                   | <u>223.0</u>        | <u>201.4</u>    | <u>11%</u>      |
| Interest expense, net                              | <u>15.1</u>         | <u>16.0</u>     | <u>-6%</u>      |
| Pretax income                                      | <u>207.9</u>        | <u>185.4</u>    | <u>12%</u>      |
| Provision for income taxes                         | <u>62.7</u>         | <u>59.5</u>     | <u>5%</u>       |
| Net income   | <u>145.2</u>        | <u>125.9</u>    | <u>15%</u>      |
| Less: NI attributable to non-controlling interests | <u>0.2</u>          | <u>(0.3)</u>    | <u>NM</u>       |
| NI attrib. to Ecolab                               | <u>\$ 145.0</u>     | <u>\$ 126.2</u> | <u>15%</u>      |
| Net income per share                               |                     |                 |                 |
| Basic  | \$ 0.61             | \$ 0.51         | 20%             |
| Diluted  | \$ 0.60             | \$ 0.50         | 20%             |
| Shares outstanding                                 |                     |                 |                 |
| Basic  | 237.0               | 247.5           | -4%             |
| Diluted  | 240.6               | 251.8           | -4%             |

## Sales Growth Components

### Consolidated

|                       |     |
|-----------------------|-----|
| Volume & Mix          | -3% |
| Pricing               | 3%  |
| M&A                   | 0%  |
| Fixed currency growth | 0%  |
| Currency              | -5% |
| Total                 | -5% |

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

| (\$ millions)                       | <u>2009</u>   | <u>2008</u>    |
|-------------------------------------|---------------|----------------|
| Cost of Sales                       |               |                |
| Restructuring                       | \$ 1.3        | \$ -           |
| Special (gains) and charges         |               |                |
| Restructuring                       | 4.0           | 8.6            |
| Business structure and optimization | 0.7           | -              |
| Other non-recurring items           | 0.7           | 3.2            |
|                                     | <u>5.4</u>    | <u>11.8</u>    |
| Total                               | <u>\$ 6.7</u> | <u>\$ 11.8</u> |



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# 3Q 2009 Sales Growth

## Divisions/Regions

| <u>U.S. Cleaning &amp; Sanitizing</u> | <u>% Change</u> | <u>International Regions</u> | <u>% Change</u> |
|---------------------------------------|-----------------|------------------------------|-----------------|
| Institutional                         | -4%             | <u>Fixed exchange rates</u>  |                 |
| Kay                                   | 4%              | EMEA                         | -1%             |
| Textile Care                          | 5%              | Asia Pacific                 | 2%              |
| Healthcare                            | 11%             | Canada                       | 6%              |
| Food & Beverage                       | 2%              | Latin America                | <u>8%</u>       |
| Vehicle Care                          | <u>-5%</u>      | Total International          | 1%              |
| Total U.S.C&S                         | 0%              |                              |                 |

| <u>U.S. Other Services</u> | <u>% Change</u> | <u>International Regions</u> | <u>% Change</u> |
|----------------------------|-----------------|------------------------------|-----------------|
| Pest Elimination           | -4%             | <u>Public exchange rates</u> |                 |
| GCS                        | <u>-11%</u>     | EMEA                         | -12%            |
| Total U.S.OS               | -6%             | Asia Pacific                 | -1%             |
|                            |                 | Canada                       | -2%             |
|                            |                 | Latin America                | <u>-6%</u>      |
|                            |                 | Total International          | -9%             |
| <u>Total U.S.</u>          | <u>% Change</u> |                              |                 |
| Total U.S.                 | -1%             |                              |                 |

| <u>Consolidated</u>   | <u>% Change</u> |
|-----------------------|-----------------|
| Fixed exchange rates  | 0%              |
| Public exchange rates | -5%             |



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# 3Q 2009 Income Statement Margins

| (\$ millions)              | 2009           | % sales      | 2008     | % sales | % change | Comments   |
|----------------------------|----------------|--------------|----------|---------|----------|--|
| Gross Profit               | <b>\$782.5</b> | <b>50.6%</b> | \$ 792.0 | 48.7%   | -1%      | Gross Margin +190 bp. Pricing, cost savings actions and favorable delivered product costs drove the improvement. |
| SG&A                       | <b>554.1</b>   | <b>35.8%</b> | 578.8    | 35.6%   | -4%      | SG&A ratio +20 bp. Pricing leverage and cost controls more than offset by investments and higher costs.          |
| <b>Operating Income</b>    |                |              |          |         |          |  |
| U.S. Cleaning & Sanitizing | <b>141.1</b>   | <b>20.4%</b> | 120.4    | 17.3%   | 17%      | Margin +310 bp. Pricing, improved cost efficiencies and favorable delivered product costs benefited margins.     |
| U.S. Other Services        | <b>18.4</b>    | <b>15.6%</b> | 17.9     | 14.3%   | 3%       | Margin +130 bp. Pricing, improved cost efficiencies and better GCS profitability drove growth.                   |
| Total U.S.                 | <b>159.5</b>   | <b>19.7%</b> | 138.3    | 16.9%   | 15%      | Margin +280 bp.  |
| International              | <b>71.0</b>    | <b>10.3%</b> | 66.7     | 9.8%    | 6%       | Margin +50 bp. Pricing and cost savings more than offset higher delivered product and other costs.               |
| Subtotal at fixed FX       | <b>230.5</b>   | <b>15.3%</b> | 205.0    | 13.6%   | 12%      |  |
| Corporate                  |                |              |          |         |          |  |
| Special Gains/Ch.          | <b>(6.7)</b>   |              | (11.8)   |         |          | Restructuring charge (\$5.3M); other (\$1.4M)  |
| Corp. Expense              | <b>(6.5)</b>   |              | (7.6)    |         |          | Europe systems and business structure costs  |
|                            | <b>(13.2)</b>  |              | (19.4)   |         |          |  |
| FX                         | <b>5.7</b>     |              | 15.8     |         |          |  |
| Consolidated Op. Inc.      | <b>\$223.0</b> | <b>14.4%</b> | \$ 201.4 | 12.4%   | 11%      |  |



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# 3Q 2009 Balance Sheet / Cash Flow

| (\$ millions)            | September 30      |                   |                               | September 30      |                   |
|--------------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|
|                          | <u>2009</u>       | <u>2008</u>       |                               | <u>2009</u>       | <u>2008</u>       |
| Cash and cash eq.        | \$ 107.5          | \$ 102.1          | Short-term debt               | \$ 121.0          | \$ 179.0          |
| Accounts receivable, net | 1,013.0           | 1,100.8           | Accounts payable              | 367.3             | 394.9             |
| Inventories              | 474.8             | 500.2             | Other current liabilities     | 804.6             | 764.1             |
| Other current assets     | 220.7             | 191.1             | Long-term debt                | 850.0             | 859.4             |
| PP&E, net                | 1,149.1           | 1,161.3           | Pension/Postretirement        | 601.7             | 405.5             |
| Goodwill and intangibles | 1,682.0           | 1,747.8           | Other liabilities             | 274.2             | 270.0             |
| Other assets             | 341.7             | 310.6             | Total equity                  | 1,970.0           | 2,241.0           |
| <b>Total assets</b>      | <b>\$ 4,988.8</b> | <b>\$ 5,113.9</b> | <b>Total liab. and equity</b> | <b>\$ 4,988.8</b> | <b>\$ 5,113.9</b> |
|                          |                   |                   | Total Debt/Total Capital      | 33.0%             | 31.7%             |
|                          |                   |                   | Net Debt/Total Capital        | 29.4%             | 28.6%             |

## Selected Cash Flow items

| (\$ millions)            | Three Months Ended |             |
|--------------------------|--------------------|-------------|
|                          | <u>2009</u>        | <u>2008</u> |
|                          | September 30       |             |
| Cash from op. activities | \$ 232.1           | \$ 185.5    |
| Depr. and amortization   | 83.6               | 85.2        |
| Capital expenditures     | 61.3               | 84.0        |



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# Earnings Forecast

- ▲ 4Q 2009 pro forma EPS +20% to +27%
- ▲ FY2009 pro forma EPS +6% to +8%

|               |                |               |
|---------------|----------------|---------------|
|               | <u>4Q 2009</u> | <u>FY2009</u> |
| Pro forma EPS | \$0.54-\$0.57  | \$1.98-\$2.01 |
|               | <u>4Q 2008</u> | <u>FY2008</u> |
| Pro forma EPS | \$0.45         | \$1.86        |

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



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# Summary

- ▲ **Strong 3Q 2009 performance in continued tough conditions**
  - Market share focus, moderated pricing and cost savings work to offset slower markets and unfavorable FX
- ▲ **4Q 2009 pro forma EPS forecast +20% to +27% versus year ago**
- ▲ **2009 full year outlook for +6% to +8% pro forma EPS growth in continued challenging markets**
- ▲ **Ecolab is utilizing its diverse markets, strong positions and innovative products, along with cost reductions and pricing to drive EPS while funding key investments for future growth**

