

## Description of Business

Ecolab is the leading global developer and marketer of premium cleaning, sanitizing, pest elimination, maintenance and repair products and services for the world's hospitality, foodservice, institutional and industrial markets. Founded in 1923 and headquartered in St. Paul, Minn., Ecolab reaches customers in more than 160 countries across North America, Europe, Asia Pacific, Latin America, the Middle East and Africa, and employs more than 21,000 associates worldwide. Customers include hotels and restaurants; healthcare and educational facilities; quickservice (fast-food and convenience stores) units; grocery stores; commercial and institutional laundries; light industry; dairy plants and farms; food and beverage processors; pharmaceutical and cosmetic facilities; and the vehicle wash industry. Products and services are marketed by the industry's largest and best-trained direct sales-and-service force, numbering more than 12,000 associates who advise and assist customers in meeting a full range of cleaning, sanitation and service needs.

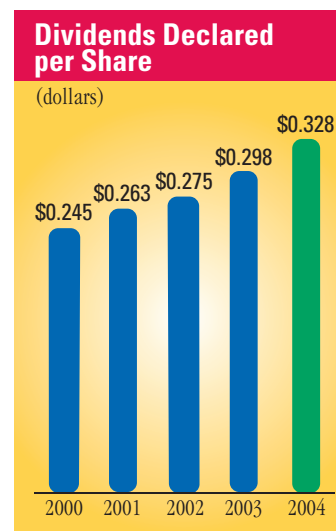
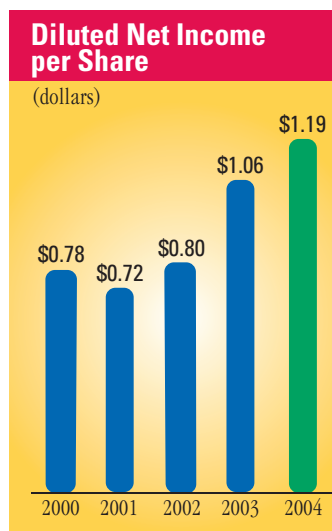
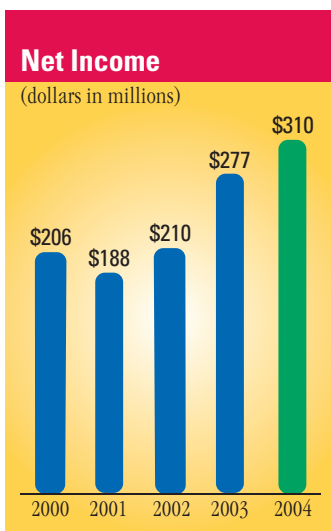
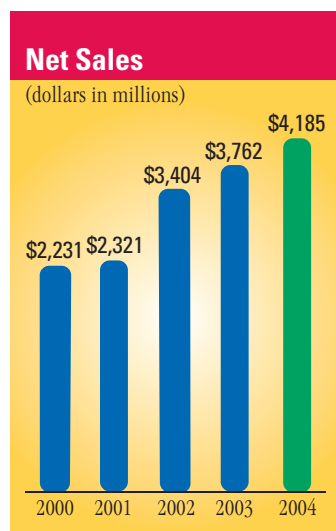
Ecolab common stock is traded on the New York Stock Exchange and Pacific Exchange under the symbol ECL. Ecolab news releases and other selected investor information are available on the Internet at [www.ecolab.com](http://www.ecolab.com).

## Forward-Looking Statements and Risk Factors

We refer readers to the company's disclosure, entitled "Forward-Looking Statements and Risk Factors," which is located on page 30 of this Annual Report.

## Financial Highlights

| (thousands, except per share)                      | 2004        | 2003        | 2002        | Percent Change |      |
|--|-------------|-------------|-------------|----------------|------|
|  |             |             |             | 2004           | 2003 |
| Net Sales  | \$4,184,933 | \$3,761,819 | \$3,403,585 | 11%            | 11%  |
| Net Income   | 310,488     | 277,348     | 209,770     | 12             | 32   |
| Percent of Sales                                   | 7.4%        | 7.4%        | 6.2%        |                |      |
| Diluted Net Income Per Common Share                | 1.19        | 1.06        | 0.80        | 12             | 33   |
| Diluted Weighted-Average Common Shares Outstanding | 261,776     | 262,737     | 261,574     | -              | -    |
| Cash Dividends Declared Per Common Share           | 0.3275      | 0.2975      | 0.2750      | 10             | 8    |
| Cash Provided by Operating Activities              | 582,464     | 529,199     | 423,326     | 10             | 25   |
| Capital Expenditures                               | 275,871     | 212,035     | 212,757     | 30             | -    |
| Shareholders' Equity                               | 1,562,519   | 1,295,426   | 1,099,751   | 21             | 18   |
| Return on Beginning Equity                         | 24.0%       | 25.2%       | 23.8%       |                |      |
| Total Debt   | 701,577     | 674,644     | 699,842     | 4              | (4)  |
| Total Debt to Capitalization                       | 31.0%       | 34.2%       | 38.9%       |                |      |
| Total Assets                                       | \$3,716,174 | \$3,228,918 | \$2,865,907 | 15%            | 13%  |

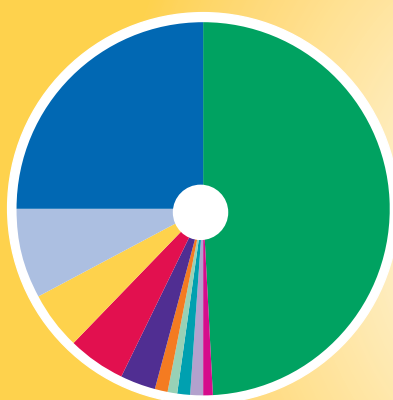


## Net Sales

(dollars in millions)



## Ecolab Business Mix 2004



### United States 51%

- Institutional 25%
- Food & Beverage 8%
- Pest Elimination 5%
- Kay 5%
- GCS Service 3%
- Professional Products 1%
- Healthcare 1%
- Vehicle Care 1%
- Textile Care 1%
- Water Care Services 1%

### International 49%

- Europe/Africa/ME 35%
- Asia Pacific 7%
- Canada 3%
- Latin America 3%
- Other 1%

## Customers/Markets Served

### Customers

Full-service restaurants  
Quick-service restaurants  
Hotels  
Food retail  
Schools  
Colleges and universities  
Laundries  
Hospitals  
Nursing homes

Healthcare facilities  
Dairy farms and plants  
Food, beverage and brewery plants  
Pharmaceutical and cosmetic facilities  
Office buildings  
Shopping malls  
Recreational facilities  
Building service contractors  
Cruise lines  
Foodservice operators

Light manufacturing industries  
Fleet and vehicle wash

### Markets

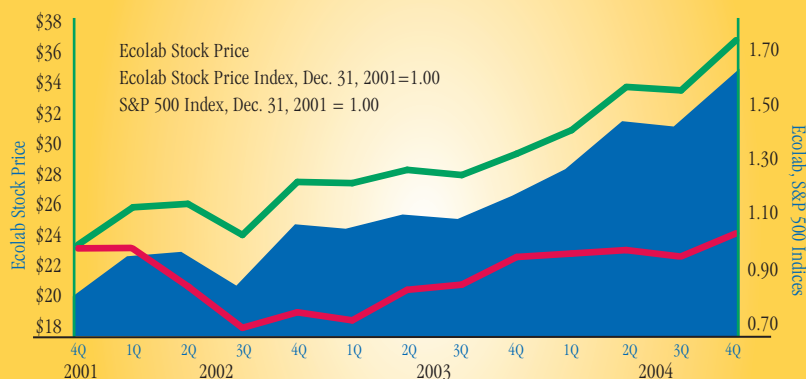
United States  
Europe/Africa/ME  
Asia Pacific  
Canada  
Latin America

## Ecolab

### Stock Performance

|         | 2002    |         | 2003    |         | 2004    |         |
|---------|---------|---------|---------|---------|---------|---------|
| Quarter | Low     | High    | Low     | High    | Low     | High    |
| First   | \$19.43 | \$23.94 | \$23.08 | \$26.00 | \$26.12 | \$28.61 |
| Second  | 21.25   | 24.00   | 24.21   | 27.92   | 27.95   | 31.77   |
| Third   | 18.27   | 24.51   | 23.78   | 26.80   | 29.04   | 31.80   |
| Fourth  | 20.71   | 25.20   | 25.15   | 27.89   | 31.32   | 35.59   |

### Ecolab Stock Performance Comparison



## Sales-and-Service

### Associates

| (December 31)           | 2002          | 2003          | 2004          |
|-------------------------|---------------|---------------|---------------|
| Institutional*          | 3,125         | 3,190         | 3,055         |
| Kay                     | 245           | 275           | 325           |
| Pest Elimination        | 1,555         | 1,645         | 1,725         |
| Professional Products** | 175           | 180           | 95            |
| Healthcare**            | -             | -             | 70            |
| GCS Service             | 530           | 535           | 470           |
| Textile Care            | 85            | 80            | 75            |
| Food & Beverage         | 395           | 405           | 450           |
| Water Care Services     | 100           | 95            | 95            |
| Vehicle Care            | 100           | 100           | 100           |
| Europe/Africa/ME        | 3,370         | 3,285         | 3,915         |
| Asia Pacific            | 925           | 1,015         | 960           |
| Canada                  | 320           | 340           | 355           |
| Latin America           | 485           | 540           | 590           |
| <b>Total</b>            | <b>11,410</b> | <b>11,685</b> | <b>12,280</b> |

\*2004 decrease of 250 associates due to the sale of a grease management product line.

\*\*2004 reflects the separation of Healthcare from Professional Products.