

GO ²⁰⁰⁴ Review of Operations

Energy. Velocity. Drive. GO.
Ecolab's operating divisions and business units keep going strong every day. Our customers rely on Ecolab to provide products, systems and service expertise to help streamline their operations. And Ecolab delivers.

The following is a detailed summary of 2004 and projected outlook for 2005 from each of our core businesses.

United States

Institutional

The rollout of one of the strongest slates of new, differentiated products in recent history propelled the Institutional Division as sales rose 5% to record levels, improving across its business units in 2004.

Highlights

- Launched a host of new products, including *Wash 'n Walk*, which revolutionizes floor cleaning by reducing grease buildup on floors, and *Grease Exxpress*, which dramatically reduces cleaning time for restaurant grills.
- Introduced the *Force* family of ready-to-use light- and heavy-duty grease and soil removers that are best-in-class solutions.
- Acquired Daydots International, a leader in food safety products such as food rotation labels and food preparation bags, thereby enhancing Institutional's food safety offerings and adding a strong catalog marketing capability to the division's portfolio.
- Drove growth with independent restaurants via *Quick Snap*, a highly effective new product line with convenient packaging and case sizes.
- Improved training programs, added sales associates and reinforced its commitment to preventive maintenance and outstanding response times.



The *Grease Exxpress* line, including its *Fast Foam Degreaser* and *High-Temp Grill Cleaner*, uses fast-acting chemistry to significantly speed up the grease removal process in restaurants and foodservice kitchens.

Outlook

Institutional should benefit from improved market conditions in 2005, building upon recent strong product technology launches, along with increased sales headcount and improved field training. The division continues to upgrade its anchor technologies of warewashing, laundry and housekeeping while building its water filtration portfolio through new alliances with outside technology leaders. The division will also expand its business with independent customers, and with the addition of long-term care facilities and beverage line cleaning.

Kay

Kay achieved outstanding growth, as sales rose 16% with gains realized across all of its markets in 2004, thanks to a compelling value proposition, corporate account gains and new product innovations.

Highlights

- Continued to drive sales in the quickservice restaurant and food retail markets, thereby gaining market share and further strengthening Kay's reputation as the leader in cleaning, sanitation and brand protection for these markets.
- Introduced several quickservice restaurant products, including a

new grill cleaner, a reformulated *Glass & Multi-Surface Cleaner* and *Spot Mop*, a unique flat mop with a quick-drying, handle-mounted cleaner.

- Enabled online food safety and pest elimination reporting to all food retail customers as part of *MarketGuard*, a key cross-divisional initiative that integrates the best food safety, pest elimination and floor care solutions to help food retailers achieve the highest standards of cleanliness.
- Entered the movie theater market and gained several chain accounts with a comprehensive cleaning program and specialty products.
- Strengthened training and certification requirements for its field team, improved sales productivity and implemented safety and diversity initiatives.

The *Spot Mop* encourages spot cleaning every 30 minutes of heavy foot-traffic areas such as movie theater lobbies, quickservice restaurants and public restrooms by featuring a lightweight, ergonomically correct handle with a mounted product dispenser.





The discreet *Gatekeeper XP* offers preventive exterior protection by securing rodents before they can enter a facility.

Outlook

Kay will continue to enhance its leading market position and strong corporate account relationships in 2005 to further drive growth. Kay expects continued strong gains in 2005 across all markets, driven by a healthy mix of new corporate chain accounts, organic growth with existing customers, and new product and service offerings. The division will also roll out online *MarketGuard* reporting to select quickservice restaurants.

Pest Elimination

Pest Elimination posted strong, double-digit growth in its food retail, government and non-food retail markets in 2004, resulting in a 10% sales gain. Sales to existing customers were also strong, thanks to innovative product offerings and exceptional service.

Highlights

- Launched *EcoPro FS* to the full-service restaurant segment. The program includes the core Pest Elimination program, along with service for fruit flies and ants, which are common problems for foodservice operations.



EcoSure provides advanced quality assurance services for food safety, workplace safety and consumer experience through on-site evaluations, real-time reporting and training for foodservice, retail and hospitality managers.

- Created a co-marketing program with a major distributor partner, resulting in a significant increase in "street" accounts such as independently owned and operated restaurants.
- Introduced the new *Gatekeeper* and *Gatekeeper XP* interior and exterior rodent traps, which secure pests in discreet units disguised as heating vents.
- Launched the *Allur-Ring* cockroach bait station, a portable, dual-action device that monitors and eliminates cockroaches.
- Enhanced its service to the hospitality industry with new bed bug and fruit fly service protocols.
- Continued its successful *MarketGuard* program, through which the division's offerings are marketed alongside those from the Kay and Professional Products divisions.
- Experienced dramatic growth in its *EcoSure* advanced quality assurance business by focusing on an integrated approach to food safety, workplace safety and consumer experience evaluations.

Outlook

In 2005, Pest Elimination expects to further penetrate its key food retail, non-food retail, quickservice restaurant and government markets. The division expects improved growth rates in its full-service restaurant and hospitality markets on the strength of new product and service offerings. Pest Elimination

The time- and labor-saving *Phazer Mobile Floor Care System* features a backpack container, *MonoStar* floor finish, and a microfiber applicator and pad.



is well-positioned and will continue to drive growth by investing in its associates through training and additional headcount.

Professional Products

After repositioning the skin care and instrument care portion of its healthcare business as a separate division, Professional Products focused on its core markets and gaining market share.

Highlights

- Created a Corporate Accounts group and realigned resources as it focused on key markets of building service contractors, retail and healthcare.
- Phased out a non-strategic janitorial equipment distribution business and a segment of its specialty product sales.
- Launched its comprehensive *Bright FX High Performance Floor Care System*, unveiling innovations designed to whiten and brighten floors in high-traffic retail environments.
- Introduced its *STEPsCheck Quality Assurance System*, an electronic-based technology that allows facility managers to quickly and easily audit their staff's adherence to established cleaning criteria.
- Broadened its floor care offerings for stone surface restoration and maintenance.
- Created the *M.O.R.E.* (Management of Risk Exposure) program, which helps reduce slips and falls, and also offers incident response and claim support services.

Outlook

With its strengthened product offerings in place, Professional Products expects to achieve solid growth in 2005, driven by a focus on food retail products and new opportunities. It will strengthen its service network through strategic personnel additions in key markets. The division plans to continue

Ecolab's popular *Asepti-Solid System* now includes an alkaline detergent and acid rinse that deliver superior instrument cleaning to healthcare facilities with hard water issues.



to generate differentiated floor care technology, and will work closely with its European counterpart to accelerate equipment and product launches in both regions.

Healthcare

In its first year as a separate division, Healthcare sales rose 6%, achieving double-digit growth in its core markets.

Highlights

- Delivered significant growth in its central sterile processing market with the launch of *Asepti-Solid II*, which provides excellent results for surgical instrument cleaning in hard water and other difficult cleaning situations.
- Introduced a convenient, 1.25-ounce size of its popular *Endure 320* antimicrobial handwash, providing easy access for hospital staff in the fight against nosocomial infections, which are infections that take place or originate in hospitals.

- Significantly increased sales of both liquid and solid products for the instrument care segment through aggressive sales efforts led by Ecolab's strong product differentiation.
- Achieved high sales growth in its waterless skin care category, fueled by *Endure* and *Quik-Care* product effectiveness, and recommended hand hygiene guidelines for hospitals.

Outlook

Healthcare foresees double-digit growth in 2005 from its core markets as it expands its product portfolio in its target markets of infection prevention, operating rooms and sterile processing. It anticipates additional customer contract gains, along with continued growth in its instrument care solids line. Going forward, the division will promote its core products, technology and distribution channels as it simultaneously invests in and pursues additional headcount, R&D, marketing and acquisition opportunities.

GCS Service

Led by a new management team, GCS Service focused on improving operations and infrastructure to further develop its scalable business model for future growth. The business achieved positive trends in its key performance metrics – including increased productivity and customer satisfaction – during 2004 and is poised for sales growth and profitability improvement in 2005.

Highlights

- Achieved additional improvements in its centralized Customer Service Center, technician productivity and customer satisfaction ratings. Ongoing investments to further enhance service capabilities will be made, but the transition to its centralized facility has been completed.

- Completed administration agreements with select major national chains for ongoing maintenance and repair as part of the division's approach toward more nationwide marketing in 2005.
- Introduced a number of differentiated offerings, including customized service reporting tools that provide key operational information for chain customers and equipment manufacturers.
- Strengthened its management team, adding key Ecolab associates with successful service experience.

Outlook

GCS Service expects improving results throughout 2005, benefiting from its recent investments. Its customer-driven solutions and investments in technical solutions will help expedite sales growth and momentum going forward. The division also plans increased corporate account business, delivering its enhanced service levels and cross-divisional relationships with Ecolab's existing customer base.

Textile Care

Textile Care sales rose 6% in 2004, benefiting from important corporate account gains, differentiated offerings and a renewed focus on marketing its value-added services. The division also realized improved profitability during the year.

Ecolab's *Aquamiser*, an efficient water reuse system, and *Energy Optimiser* (shown here), a self-cleaning heat exchanger, help reduce water consumption and energy costs in commercial laundries.



Ecolab's GCS Service Division is the leading nationwide provider of repair, customized care programs and services for commercial foodservice equipment.



Food & Beverage's *Solodigm* clean-in-place program is designed to reduce cleaning time and water consumption for dairy processors and cheese manufacturers.

Highlights

- Gained new corporate account business, including a significant account with one of the largest suppliers of uniforms and business apparel in North America.
- Effectively marketed its differentiated offerings, including *Ecoport*, a powerful tool that tracks water and energy usage in order to optimize plant production.
- Furthered Ecolab's Circle the Customer strategy by partnering with Water Care Services to treat both wash aisle and wastewater at key corporate accounts.
- Aggressively pursued new business opportunities with its *Aquamiser* water reuse system and the *Energy Optimiser*, a heat exchange system that helps reduce energy costs, improve rinsing results and reduce drying times for professional laundries.

Outlook

Despite continuing market challenges, Textile Care plans to achieve higher sales again in 2005 by building on its recent corporate account gains and differentiated offerings. The division expects good growth in the healthcare market, and will aggressively pursue increased market share as it simultaneously reduces internal costs and focuses on profit improvement.

Food & Beverage

Food & Beverage achieved stronger growth in 2004, with sales up 9%, spurred by a significant acquisition, improved field productivity, new initiatives and growth in its meat, poultry, dairy and beverage segments.

Highlights

- Acquired Alcide Corporation, a \$24 million producer of biocidal and sanitation products for the agribusiness, meat and poultry industries, thereby increasing customer coverage, further accelerating growth and increasing new product development.
- Added *Sanova* to Ecolab's product portfolio with the acquisition of Alcide. This effective antimicrobial is a high-value food safety intervention used in the processing of red meat, poultry, seafood, and fruits and vegetables. In addition, the *Udder Gold* brand of teat dips for dairy farms is a premier global brand.
- Undertook an aggressive new account effort, winning significant new business as the division pursued its comprehensive *EcoShield* plant protection effort. *EcoShield* is a tailored program that combines industry-specific solutions for both food safety and operational efficiency.
- Enhanced its strong corporate relationships in support of Ecolab's Circle the Customer strategy, resulting in significant cross-divisional sales, organic growth and improved customer results.
- Posted record growth in its meat and dairy markets.

Outlook

Food & Beverage expects solid sales growth in 2005, driven in part by its increased presence in the meat and poultry industries following the Alcide acquisition. The division's continued emphasis on a comprehensive approach to food safety and intervention, as well as its planned extension of new product technologies to additional markets, should help sustain growth despite industry-wide challenges such as rising freight and raw material prices.

Water Care Services

Water Care Services enjoyed a strong year, as it achieved 10% sales growth by focusing on key cross-divisional sales opportunities in the food and beverage industry, as well as corporate accounts.

Blue Coral Solid Gold delivers concentrated power and solid performance to car wash operators in a lightweight, convenient package.

Highlights

- Posted strong gains in the food and beverage industry, canning market and corporate accounts, thanks to aggressive cross-selling and expansion with existing customers.
- Strengthened its field organization by increasing sales staff in key metro areas, accomplishing division-wide training and investing in its R&D and marketing areas.
- Secured long-term contracts with key corporate accounts, including major customers in the food and beverage and hospitality industries.
- Launched its highly effective *CanCare* technology, which prevents corrosion, spotting and scale buildup on canned products that utilize water for process heating and cooling.
- Enjoyed continued success of *Blackwater 100*, which helps prevent costly blockages in onboard plumbing lines on cruise ships.

Outlook

Water Care Services expects its investments in sales personnel and training to accelerate growth in 2005. The division anticipates additional gains in its corporate account portfolio as it continues to enhance its product and service tools, which provide added value to its customers.

Vehicle Care

Vehicle Care faced difficult weather conditions in 2004, with record periods of rain and cold that affected the entire industry, as well as the detrimental effects of rising gas prices. Despite these challenges, the division increased both its market share and operating income.



Highlights

- Launched next-generation products in its solids area, including *Blue Coral Solid Gold*, which substantially improves cleaning, efficiency and ease-of-use while reducing equipment maintenance for in-bay customers such as convenience stores.
- Achieved record sales in its detailing segment through new contracts with major car dealerships, auto refurbishing and auction chains. This important business is less affected by weather changes and offers attractive growth opportunities.
- Established multi-year contracts with several of the largest tunnel/conveyor chains in the nation, gaining multiple sites in many different states.
- Introduced a strong, new *Black Magic* product for the online tire dressing market.

Outlook

Vehicle Care expects to show improved results in 2005. The division will continue its expansion strategy in the detailing, trucking and fleet segments, as well as explore new vehicle wash segments. In addition, Vehicle Care plans to launch a polymer-based protectant that helps shed water and dirt with proven efficacy.

International

Europe/Africa/ Middle East & Export

Europe achieved steady growth as sales rose 8%, driven by strong product offerings, cross-divisional distributor partnerships, a pan-European approach to offset sluggish markets in the central regions and a Pest Elimination acquisition that bolstered the product portfolio. The Middle East and Africa businesses posted moderate growth despite turbulence in some areas.

Highlights

- Institutional sales showed solid growth, leveraging successful product launches including *X-Streamtec*, a revolutionary new warewashing system, and *BarGuard*, the world's first fully automated beer and beverage line cleaning system. Institutional also boosted growth in the independent restaurant segment.
- Food & Beverage sales rose, benefiting from ongoing success with existing products and innovative new introductions such as *Oxysan ZS*, a disinfectant for brewery, beverage and dairy customers.

- Professional Products helped offset the effects of industry-wide consolidation with successful new product initiatives, including *Phazer*, a mobile floor finishing system that features a backpack and microfiber applicator to dramatically increase efficiency, and *Healthguard*, a hospital cleaning system that improves hygiene, ergonomics and productivity.
- Textile Care secured major customers with its popular *Aquamiser*, an efficient water reuse system that reduces water consumption, and *Energy Optimizer*, a self-cleaning heat exchange system that helps reduce energy costs.
- Healthcare's solid growth, led by the United Kingdom and Germany, was driven by success with government contracts and geographic expansion.
- Pest Elimination expanded its international presence through the acquisitions of Nigiko, a \$55 million Paris-based commercial provider, and Elimco, a \$4 million South African provider, as Ecolab continues to bring its proven premium service to new global markets with good growth potential.

Outlook

Europe foresees continued growth in 2005 on the strength of new product launches, increased headcount, corporate account gains and cross-divisional distributor relationships. Key Institutional programs such as *BarGuard* are expected to grow business with independent restaurants, and foodservice distributor relationships will be aggressively expanded. The division also plans to focus on healthcare opportunities such as nursing homes and clean rooms.

Asia Pacific

Asia Pacific leveraged a 4% sales gain to post a solid profit improvement in 2004, led by strong performances from its East Asia and New Zealand businesses that helped offset weak markets in Japan.

The *BarGuard* System is an automatic beverage tube cleaning program that increases beverage quality and customer satisfaction.



Highlights

- Achieved strong Institutional growth with corporate account customers and independent restaurants. Institutional also completed the Japanese launch of *LaunderCare*, a comprehensive range of products and equipment for on-premise laundries at nursing homes and hotels, and launched *FlowTech*, a convenient dispenser and solid detergent for independent restaurants.
- Gained Food & Beverage market share with its enhanced lubricant programs, which offer superior performance for beverage and brewery customers, and posted double-digit growth in China through sales to breweries, beverage producers and dairy plants.
- Expanded its Pest Elimination business, gaining new sales through Ecolab's Circle the Customer approach and an emphasis on hiring and training skilled associates. Ecolab also entered the Pest Elimination business in Malaysia, the Philippines and Indonesia.

The flexible *LaunderCare* program features ultra-concentrated laundry products designed to enhance the efficiency of laundry operations by reducing washing time, water usage and energy costs while maintaining whiteness and prolonging linen life.





The revolutionary enzyme-based *Wash 'n Walk* no-rinse floor cleaner literally eats grease off kitchen floor tiles and grout, improving appearance and helping to reduce the chance of slips and falls.

Outlook

Asia Pacific plans to accelerate growth in Australia and Japan in 2005 through new programs and by "circling" existing customers with additional solutions. East Asia's high growth rate is expected to continue despite the ongoing challenge of rising oil prices. The *MarketGuard* supermarket program and Ecolab's floor care offerings will help drive Institutional growth, specifically in China, Korea and Thailand. The business will also invest in additional sales-and-service associates and will pursue attractive acquisitions to help drive growth.

Canada

Canada sales increased 4%, led by new products, corporate account gains and market share increases among independent restaurants and breweries, as well as a favorable economic rebound in domestic and international travel.

Highlights

- Signed new, long-term Institutional corporate account agreements and aggressively took "street" (independent restaurant) business from the competition through direct sales and distributor partnerships, resulting in double-digit growth.
- Enjoyed success from the launch of several new Institutional products, including *Wash 'n Walk* and *Grease Express*.
- Introduced new Food & Beverage offerings such as *Emerald* teat conditioner for the agricultural segment, *Lubodrive FP/FP+* low-foam lubrication for beverage production, and *Bottleguard ACP*, which improves cleaning and rinsing for the returnable bottle industry.
- Secured a new, multi-year corporate account agreement with a major dairy customer and generated significant sales with large fisheries.

Outlook

In 2005, Canada's Institutional business will build on a strengthened route program, momentum with "street" accounts and 2004's new product offerings to seek attractive growth and expand market share. The Food & Beverage area has an aggressive plan that encompasses a renewed focus on corporate account gains across its markets, supported by investments made this year in sales-and-service associates and education.

Latin America

Despite ongoing political and economic uncertainties, the Latin America business had an excellent year. The region achieved 13% sales growth and improved earnings through robust growth in Institutional, Food & Beverage and Pest Elimination segments across all regions.



Our professional stone care line offers solutions for stain protection, cleaning, maintenance, polishing and restoration of a variety of natural stone floors.

Highlights

- Strengthened Institutional sales through the launch of its *LaunderCare* line, providing significant energy, water and labor savings for customers such as hotels and commercial laundries.
- Continued its successful penetration of the retail supermarket segment with the cross-divisional *MarketGuard* program, which combines services and solutions from Pest Elimination, Kay and Professional Products.
- Began rolling out its new natural stone care line, which offers easy, cost-effective maintenance and restoration of marble, granite and limestone floors for hospitality, retail and commercial customers.
- Expanded geographic coverage by realigning Export businesses in Peru, Ecuador and Bolivia.

Outlook

Latin America foresees continued strong growth in 2005 as it launches an array of new products and aggressively expands into new markets and new geographies. As tourism markets rebound, Institutional will benefit from new product launches in its laundry, housekeeping and retail segments. Food & Beverage will emphasize corporate account gains and new product penetration in the beverage, brewery and food markets. Pest Elimination will continue its rapid growth through geographic expansion and ongoing cross-divisional efforts.