

2005 Annual Report

The Market-Driven Industrial



Roper Industries, Inc.

Financial Highlights

(in millions except per share amounts)

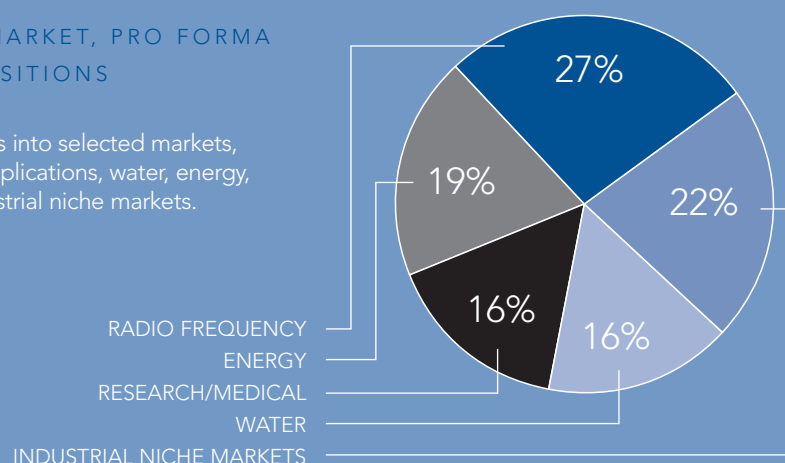
	2004	2005	Change
Net sales	\$ 970	\$1,454	+50%
Income from operations	\$ 171	\$ 265	+55%
Net earnings	\$ 94	\$ 153	+63%
Diluted earnings per share	\$1.24	\$ 1.74	+40%
Cash from operating activities	\$ 165	\$ 281	+71%
EBITDA	\$ 204	\$ 335	+64%

Note: Per share amounts reflect the Company's August 2005 two-for-one stock split in the form of a 100% stock dividend.

Our Markets

2005 REVENUE BY END-MARKET, PRO FORMA
TO REFLECT 2005 ACQUISITIONS

We sell our products and services into selected markets, including radio frequency (RF) applications, water, energy, research/medical and other industrial niche markets.



Our Business

Roper Industries is a market-driven, diversified industrial growth company. Our businesses provide high-margin, engineered products and solutions for global niche markets. We are positioned in attractive markets, and we operate our businesses for profitable growth and cash flow generation. A disciplined acquisition process enables the Company to acquire attractive businesses that enhance our growth and expand our presence into other markets. Roper has a record of vigorous growth in sales, cash flow and earnings. Our stock trades on the New York Stock Exchange under the symbol "ROP."

The Market-Driven Industrial

Begin with the end in mind. This thought succinctly captures Roper's end-market focus, which is the foundation of our strategic framework. To generate compelling growth rates, we look for markets that possess compelling growth attributes. To maximize financial performance, we identify ways to maximize market potential. In the pages that follow, we describe some of these markets and how Roper is positioned within them. In the process, we demonstrate how Roper creates value for its shareholders and why **Roper is The Market-Driven Industrial.**

A Technology That Travels Well

Higher Value Applications for Radio Frequency

The ability to identify and track a mobile asset has never been as critical as in today's security-conscious environment. Our Radio Frequency (RF) businesses are ideally positioned to capitalize on these and other market needs. Our TransCore business is the market leader in North American tolling solutions, using application expertise and advanced RF technology to improve traffic flow and collect fees that can fund needed highway improvements. The Company's new battery-free sticker tags are being rapidly adopted by customers for advanced applications such as high-speed, open-road tolling. Other technology advances are creating significant value for

customers, such as the new read/write tags for the rail industry that enable more dynamic monitoring of loads and operating performance. Our new satellite tracking capabilities create additional value, either stand-alone or in conjunction with RF products. We can offer customers the ability to track assets to improve security and increase asset utilization. Our customers, for example, can track and monitor their high-value shipments and assets continuously. In effect, RF technologies are truly "market movers," delivering an entirely new level of efficiency and security to transportation systems that are central to a global economy.



What's In A Market?

Opportunities

Having opportunities to grow in more ways than one is always advantageous. TransCore, for example, can continue to grow in its core traffic and tolling business, while also leveraging its advanced technology into numerous new market applications and industries. Clear and multiple growth paths reduce business risk and create the potential for added revenue growth.



Our paper-thin, battery-free RFID tags offer superior price/performance value for high and slow speed commercial applications such as tolling and security.



The World's Most Precious Resource



Cash-Generating Solutions for the Water Industry

Water is one of the most precious resources on earth. In North America, more than 50,000 water utilities are responsible for its stewardship. Our Neptune business provides a critical component to these customers, enabling them to monitor usage and charge for it, encouraging more thoughtful consumption. We provide a complete range of solutions, from reliable, lead-free meters to state-of-the-art automated meter-reading (AMR) systems. The Company's large installed base of meters provides a stable and recurring revenue source, while its AMR solutions provide higher growth. Using RF technology, AMR is revolutionizing the way in

which meters are read. Walk-by solutions, for example, feature handheld computers that automatically acquire water usage data, improving productivity, reducing errors and facilitating billing and customer communications. Drive-by solutions, using more sophisticated equipment and software in a moving vehicle, accelerate the benefits for larger customers by enabling wide-scale data acquisition. Customers can benefit from our route management software for computation and billing inputs. In effect, these systems not only act as a "cash register" for utility systems, but also greatly improve productivity through reduced time and costs.

What's In A Market?

Predictability

Consistent results are an important driver of value creation and are best achieved in markets with predictable growth. Our Neptune business demonstrates how a market can provide both stability and growth. Water metering generates growing recurring revenue from replacement or upgrades to installed water meters, while the growing demand for RF-based AMR solutions provides even faster growth. The net effect is the ability to grow the business in a steady manner and to reduce the cyclicity associated with many industrial markets.



The latest in a line of innovative products, the E-Coder)R900i™ integrates Neptune's radio frequency AMR capabilities into its solid-state E-Coder to provide enhanced value and ease of use.





What's In A Market?

Value

We add value by working closely with customers to determine what they really need – the specific products and solutions that will help them reduce costs, increase revenues or compete more effectively. Delivered in timely, user-friendly fashion, such products and solutions add superior value. Creating customer value is the foundation of our strategy to generate cash and create value for shareholders.

Zetec's MIZ®-80iD All-In-One system represents a breakthrough in technology, dramatically improving the speed, ease and safety of power plant steam generator inspections.



Opportunities Full Of Energy

Efficiency and Effectiveness in the Aftermarket

In a world economy ever more reliant on energy to fuel growth, we play an important role for our customers. Avoiding cyclical applications, Roper's energy-related businesses focus on aftermarket customer needs to improve productivity, safety, quality and reliability. Power plants, for instance, require regular and extensive safety testing and servicing to avoid costly outages. We are the market leader specializing in integrated testing systems, consumables and software for nuclear power plant steam generator inspection. We complement these leading offerings with application expertise through our customer support, field service and training activities. We also are focused on solutions that enable turbo-machinery to operate

more efficiently and safely near theoretical limits, thus improving plant productivity. Roper also offers strong global retrofit, service and training services to customers. And we are the market leader in instrumentation for determining the critical characteristics of oil and gas. Customers use our technologies to produce the highest quality products and ensure compliance with growing requirements to reduce sulfur content. Collectively, our businesses position us to take advantage of favorable macro demand drivers in energy by focusing on solutions that deliver meaningful value for customers.

Just What The Doctor Ordered



Improved Productivity and Patient Outcomes in Healthcare

Our imaging businesses are leaders in life science applications, an area of strong technical expertise for the Company. The 2005 acquisitions of CIVCO and MEDTEC enabled us to achieve a strategic initiative to expand into medical imaging applications, a market with attractive secular growth. Our businesses complement their high recurring revenues with a widening range of innovative products, mainly used in diagnostic and therapeutic imaging applications, minimally invasive surgery and cancer treatment. These include new products such as the CIVCO Assist™, a new patient care platform initially designed

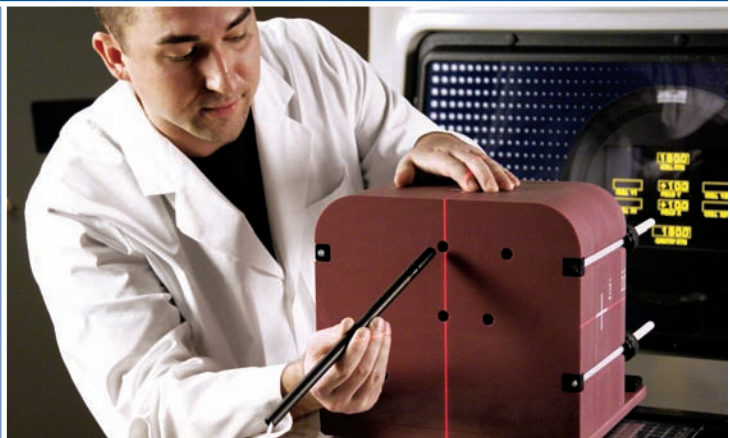
to improve the precision and cost effectiveness of image-guided procedures but with applications throughout the medical industry. Another new product leverages our expertise in urology to improve safety and effectiveness in extracting tissue samples following a biopsy. CIVCO, with strong customer service, telemarketing and order fulfillment capabilities, and MEDTEC, with a direct sales force, also bring complementary distribution strengths to the life sciences/medical segment, providing a broader selection of growth strategies for these businesses.

What's In A Market?

Cash

By combining thoughtful market selection with effective operating capabilities, we continue to create an expanding stream of cash flow. Our served markets offer profitable growth opportunities, while our continuous improvement philosophy ensures that we convert this growth into significant cash flow. Cash Return on Investment (CRI) is the common metric that focuses the entire enterprise on cash flow growth and disciplined asset investment, ensuring that we never lose sight of our ultimate goal of creating shareholder value.

The Benchmark IMRT Phantom allows radiation oncology clinicians to generate advanced quality assurance tests for cutting-edge radiation therapy treatments.





Roper Transforms Market Potential Into Performance For Its Shareholders

To Our Shareholders:

Roper's unwavering focus on markets and customers contributed importantly to our record financial performance in 2005. Net sales grew 50% to \$1.45 billion, operating cash flow grew 71% to \$281 million and earnings grew 63% to \$153 million. Our shareholders were rewarded with significant appreciation in our share price during the year. We also raised our cash dividend for the thirteenth straight year, and we completed a 100% stock dividend. For the Company and its shareholders, 2005 was a very good year.

Our performance reflects the successful execution of all elements of our growth strategy. Record sales resulted

from solid internal growth and the successful integration of recent acquisitions. Our success was demonstrated by improvement in operating margins. Our relentless emphasis on cash returns enabled us to convert 184% of our record net earnings into record operating cash flow of \$281 million.

These achievements reflect a management philosophy based on simple ideas that yield powerful results. It's a philosophy that starts with positioning the Company in advantageous markets, identifying the best growth opportunities within those markets and capturing market share by creating valuable customer solutions.

TRANSFORMING MARKET POTENTIAL INTO GROWTH

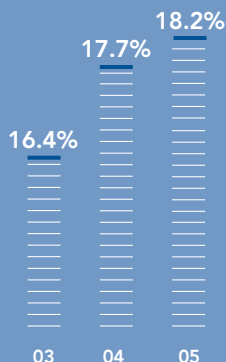
Net Sales
(\$ in millions)



Net sales have more than doubled over the past three years due to strategic acquisitions and internal growth.

TRANSFORMING GROWTH INTO PRODUCTIVITY

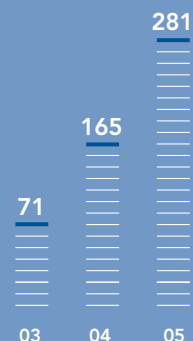
Operating Margins



An improved operating focus that includes reduced costs, expanded product development and enhanced customer access has led to margin expansion.

TRANSFORMING PRODUCTIVITY INTO CASH

Cash from Operating Activities
(\$ in millions)



Shareholder value is created by driving cash return on investment (CRI), which focuses on growing the business, while reducing the level of investment.

Market-Driven at Every Level

Careful selection of end-markets is critical to our goal of producing sustainable growth. We strive to avoid markets with cyclical characteristics in favor of those offering steady expansion and multiple growth paths. Over the past few years, our investment strategy has positioned the Company in attractive markets such as water, radio frequency, energy and research/medical – all notable for strong demand drivers and profitable opportunities.

Our performance within our chosen markets is enhanced by tools we use to identify the most effective means to grow. In some cases, this leads to investments in developing new products or capturing an advantage in technology

or application expertise. We also work tirelessly to improve our channel access to customers, extending our distribution to enhance global reach and increasing and improving our access to end-users in order to get closer to our customers. We invest in sales training to improve our capabilities in serving customers. Our progress on each of these initiatives contributed to internal growth in 2005.

By getting closer to our customers, we can develop application solutions that deliver superior value by meeting their critical needs. Our water metering and RF tolling solutions, for example, act as the “cash register” for our customers, enabling them to generate the revenues they need for operations or infrastructure investments. Our energy

systems and instruments improve customer process productivity and provide necessary information for improving quality and meeting regulatory requirements. Our research tools facilitate advanced research in leading laboratories around the world, while our medical products improve patient outcomes and enhance provider productivity. Customer solutions such as these demonstrate the multidimensional nature of our market-based strategy.

Creating Growth through Acquisition

Our acquisitions have created considerable value for our shareholders and represent a core competency at Roper. We have developed a rigorous acquisition methodology steeped in diligence,

analysis and discipline that enables us to recognize a good fit. It also enables us to know when to walk away. Every year we evaluate billions of dollars of potential transactions, selecting only those consistent with our growth and cash generation requirements.

Our acquisitions are driven primarily by growth potential, not simply cost reduction. We focus on the market potential of a business. We value management continuity. We bring our proven governance processes to drive operational and integration successes. Simply put, we buy a business in order to grow it – a message that most quality acquisition candidates find immensely appealing.

Acquisitions have proven to be an excellent means to expand into desirable end-markets. The acquisitions of Neptune in 2003 and TransCore in 2004 created substantial positions for us in the large and growing water and radio-frequency markets. Both businesses have become platforms for further growth via bolt-on acquisitions, such as Inovonics, a provider of wireless technology used primarily in security applications, which we added to our RF segment in 2005. The integration of this new segment went well in 2005, with operating margins expanding throughout the year from 12.1% in the first quarter to 17.6% in the fourth quarter.

During 2005, we also acquired CIVCO and MEDTEC to establish Roper's first platform in medical markets. Together MEDTEC and CIVCO provide a wide range of devices and consumables for diagnostic and therapeutic imaging applications, creating excellent future growth potential. Not only is the medical market stable and growing, but

these businesses also generate strong recurring revenue and high margins, with relatively low working capital requirements. In other words, they fit our criteria well.

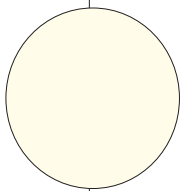
New Segment Operating Structure Sharpens Market Focus

In 2003, we created several operating segments on the basis of common competencies that relate to markets, products and infrastructure in order to further improve our performance. Our businesses have benefited from this structure in the form of reduced costs, expanded product development and enhanced customer access.

Having achieved many of the synergies we initially envisioned, we now plan to refine our operational structure further in 2006 to reflect our strengthened focus on markets. The net result will be market-focused segments. This realignment will result in even greater collaboration among our businesses in developing customer solutions and improving distribution. The new structure will unleash other opportunities. For example, we will be consolidating most of our Energy market businesses into a new facility in 2006, giving us the ability to increase our capabilities and reduce noncore costs. An operational structure even more closely aligned with markets should further drive our growth.

Financial Discipline Yields Strong Results

Details in our 2005 performance underscore the improved operating focus that we have pursued. Roper's cash conversion story is particularly compelling. In 2005, EBITDA reached \$335 million, a 64% increase over 2004 and more than



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triple the \$95 million recorded in 2003. EBITDA margins expanded 210 basis points year-over-year to 23.1%.

Another aspect of our cash story is the dramatic improvement in working capital velocity. At year-end, net working capital dropped to an all-time low of 13.8% of annualized fourth quarter sales. This level is 620 basis points lower than the same metric in 2003. Even with the substantial growth realized in 2005, inventory reductions contributed nearly \$10 million to our operating cash flow.

We continue to make solid progress toward our goal of achieving an investment grade rating. Even after investing \$330 million in acquisitions in 2005, we finished the year with our revolver largely undrawn, a modest debt-to-EBITDA ratio

of 2.7 and interest coverage at nearly 8 times. In conjunction with our growing cash flow, we have ample capacity to fund investment and acquisitions.

Count on More in 2006

As we start 2006, we are building on our strong momentum. We are continuing to expand our market leadership through market share gains in water and technology rollouts in RF. We are excited about our new medical growth platform, while our energy-related businesses continue to capitalize on growing global demand.

We are well positioned to execute our growth strategy. The Company has successfully maintained the nimbleness of its small-cap past, while enjoying

the scale benefits of its mid-cap size today. Our market-driven strategy complements our focus on cash generation to create shareholder value. We have shown how bringing simple ideas to our businesses empowers them to create powerful results. For all these reasons, and the contributions from our dedicated employees, we will continue to create value for our shareholders.

Sincerely,

Brian D. Jellison
Chairman, President and
Chief Executive Officer



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