



ESAB Suprarex oxy-fuel cutting machine with variable bevel angle capability in a heavy steel fabrication mill



Manual welding of pipelines using ESAB manual electrodes

Welding and cutting products

– continuing operations

Sales	£621.5m
Adjusted operating profit ⁽ⁱ⁾	£48.7m
Operating margin	7.8%
Employees	6,357

(i) before exceptional items and amortisation of goodwill

Overview

Esab is the world leader in welding products and advanced cutting systems. Esab has a product and geographical spread that is unrivalled and occupies a leading position in the majority of the world's major markets.

Key products

Esab has a leading position in technologies such as cored wire welding, aluminium welding, friction stir welding, inverter-based welding equipment and advanced cutting systems.

Major markets

Esab serves customers across a broad range of industries including shipbuilding, transport and off-road, offshore, power, process and construction.

Manufacturing

Europe:	Sweden; Germany; Netherlands; Italy; Czech Republic; Poland; Hungary; Finland
North America:	USA; Mexico
South America:	Argentina; Brazil
Rest of World:	South Korea; Russia; Indonesia; China; India

Esab in its Centenary Year enjoyed a strong overall performance, with significantly improved sales and operating profits and margins. This was achieved against a background of steel supply shortages and rising prices of steel and other raw materials.

In the second half of the year Esab recorded sales of £318.1 million with adjusted operating profits from continuing operations of £25.4 million, compared with first half 2004 sales of £303.4 million and adjusted operating profits of £23.3 million. Turnover for the year as a whole was £621.5 million (2003: £577.1 million) with adjusted operating profits of £48.7 million (2003: £31.8 million).

The strong global demand for steel and the increasing industrial production levels experienced in 2004 led to an upturn in activity for the welding industry. As a result most of Esab's markets remained strong throughout the year. Process automation has progressively affected the product mix in welding consumables in recent years and this trend is expected to continue in the future.

Sales volumes of consumables and equipment during the year were significantly higher than last year, particularly in North and South

America, where trading has been assisted by the continuing upturn in the economies of both regions. Esab also experienced solid growth in India. Esab has successfully identified new opportunities in Russia outside the oil and gas industry, where it traditionally has had a significant and growing business. With production facilities in twenty-five locations near its major markets, Esab continues to be well positioned to take advantage of further market upturns as global demand rises.

Operational efficiencies resulting from restructuring over the past four years are delivering increasing benefits, and have contributed to Esab's improving operating revenues and margins. In 2004, headcount was reduced by 360 in Europe as part of the restructuring programme, and Esab's headcount at year end was 6,277.

In 2004 Esab's 50 per cent interest in GCE, a non-core business, was sold. During the year Esab increased its stake in its successful South American business venture to 51 per cent and purchased a modern, and recently re-equipped, high quality solid-wire production facility in Finland. It also completed on schedule the relocation of the production facilities from Waltham Cross in the United Kingdom to Katowice in Poland and from Utrecht in the Netherlands to Vamberk in the Czech Republic.

Following the introduction of a number of new products in 2003, Esab marked 2004 with further product launches. The top end Esab Aristo range of welding equipment received a number of significant enhancements. A new range of single-phase compact MIG welding machines and step-controlled machines was produced by the manufacturing unit at Opole, Poland, with production primarily targeted at the North American market. A series of developments in the pipemill sector included new advances in cellulosic welding equipment as well as a range of new thyristor-controlled pipe-welding machines. Additionally, a new highly compact submerged arc welding head was announced for the internal welding of pipes with diameters down to as little as 300 mm.

In the track repair and maintenance sector, Esab has introduced a new fully automated tramway repair system. This complete process package, which is specifically designed for use with roadway embedded track and includes its own specially developed consumable wire, has considerable worldwide application potential. Esab has continued to develop its "railtrac" machine for the repair of railway tracks.

On the welding consumables side, Esab announced further extensions in its range of copper-free solid wires, and in the newly developed range of stainless metal cored and solid wires which are now supplied in the Company's patented MarathonPac system. These products are attracting strong demand from the automotive sector. Esab has also developed new welding solutions for storage tanks in the growing liquid natural gas terminal sector.



Laser-hybrid welding for robot applications at the ESAB process centre in Gothenburg



The ESAB "railtrac" automated welding system for shipbuilding and other large applications