

IDEX CORP /DE/  
Form 10-Q  
October 27, 2014  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2014

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-10235

IDEX CORPORATION  
(Exact Name of Registrant as Specified in its Charter)

Delaware 36-3555336  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1925 West Field Court, Lake Forest, Illinois 60045  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (847) 498-7070

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of shares of common stock of IDEX Corporation outstanding as of October 23, 2014: 79,396,501.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

IDEX CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands except share and per share amounts)  
 (unaudited)

	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$487,066	\$439,629
Receivables, less allowance for doubtful accounts of \$6,989 at September 30, 2014 and \$5,841 at December 31, 2013	270,466	253,226
Inventories — net	251,058	230,967
Other current assets	68,367	67,131
Total current assets	1,076,957	990,953
Property, plant and equipment — net	219,824	213,488
Goodwill	1,336,353	1,349,456
Intangible assets — net	284,356	311,227
Other noncurrent assets	21,822	22,453
Total assets	\$2,939,312	\$2,887,577
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Trade accounts payable	\$134,406	\$133,312
Accrued expenses	160,895	150,751
Notes payable and current portion of long-term borrowings	103,250	1,871
Dividends payable	—	18,675
Total current liabilities	398,551	304,609
Long-term borrowings	720,173	772,005
Deferred income taxes	144,443	144,908
Other noncurrent liabilities	88,245	93,066
Total liabilities	1,351,412	1,314,588
Commitments and contingencies		
Shareholders' equity		
Preferred stock:		
Authorized: 5,000,000 shares, \$.01 per share par value; Issued: None	—	—
Common stock:		
Authorized: 150,000,000 shares, \$.01 per share par value		
Issued: 89,615,676 shares at September 30, 2014 and 89,154,190 shares at December 31, 2013	896	892
Additional paid-in capital	640,043	607,766
Retained earnings	1,466,472	1,293,740
Treasury stock at cost: 10,008,725 shares at September 30, 2014 and 7,958,510 shares at December 31, 2013	(480,699)	(326,104)
Accumulated other comprehensive income (loss)	(38,812)	(3,305)

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Total shareholders' equity	1,587,900	1,572,989
Total liabilities and shareholders' equity	\$2,939,312	\$2,887,577
See Notes to Condensed Consolidated Financial Statements		

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net sales	\$533,179	\$490,617	\$1,623,868	\$1,503,510
Cost of sales	298,533	279,108	903,670	857,155
Gross profit	234,646	211,509	720,198	646,355
Selling, general and administrative expenses	123,799	114,140	383,428	354,715
Operating income	110,847	97,369	336,770	291,640
Other (income) expense — net	(944	) 188	(1,651	) (518
Interest expense	10,461	10,570	31,323	31,724
Income before income taxes	101,330	86,611	307,098	260,434
Provision for income taxes	29,889	22,812	89,332	72,774
Net income	\$71,441	\$63,799	\$217,766	\$187,660
Basic earnings per common share	\$0.89	\$0.78	\$2.70	\$2.28
Diluted earnings per common share	\$0.88	\$0.78	\$2.68	\$2.27
Share data:				
Basic weighted average common shares outstanding	79,558	81,259	80,064	81,762
Diluted weighted average common shares outstanding	80,561	82,218	81,093	82,701
See Notes to Condensed Consolidated Financial Statements				

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income	\$71,441	\$63,799	\$217,766	\$187,660
Other comprehensive income (loss)				
Reclassification adjustments for derivatives, net of tax	1,141	1,174	3,453	3,551
Pension and other postretirement adjustments, net of tax	1,614	696	2,570	2,907
Cumulative translation adjustment	(55,688	) 28,835	(41,530	) 5,726
Other comprehensive income (loss)	(52,933	) 30,705	(35,507	) 12,184
Comprehensive income	\$18,508	\$94,504	\$182,259	\$199,844
See Notes to Condensed Consolidated Financial Statements				

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IDEX CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(in thousands except share and per share amounts)  
(unaudited)

	Common Stock and Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment	Accumulated Other Comprehensive Income (Loss) Retirement Benefits Adjustment	Cumulative Unrealized Gain (Loss) on Derivatives	Treasury Stock	Total Shareholders' Equity
Balance, December 31, 2013	\$ 608,658	\$1,293,740	\$52,211	\$ (23,857 )	\$ (31,659 )	\$(326,104)	\$ 1,572,989
Net income	—	217,766	—	—	—	—	217,766
Cumulative translation adjustment	—	—	(41,530 )	—	—	—	(41,530 )
Pension and other postretirement adjustments (net of tax of \$834)	—	—	—	2,570	—	—	2,570
Amortization of forward starting swaps (net of tax of \$1,979)	—	—	—	—	3,453	—	3,453
Issuance of 503,046 shares of common stock from issuance of unvested shares, exercise of stock options and deferred compensation plans	13,756	—	—	—	—	—	13,756
Excess tax benefit from share-based compensation	5,360	—	—	—	—	—	5,360
Repurchase of 1,984,337 shares of common stock	—	—	—	—	—	(149,692 )	(149,692 )
Shares surrendered for tax withholding	—	—	—	—	—	(4,903 )	(4,903 )
Share-based compensation	13,165	—	—	—	—	—	13,165
Cash dividends declared - \$.56 per common share	—	(45,034 )	—	—	—	—	(45,034 )
Balance, September 30, 2014	\$ 640,939	\$1,466,472	\$10,681	\$ (21,287 )	\$ (28,206 )	\$(480,699)	\$ 1,587,900

See Notes to Condensed Consolidated Financial Statements

Table of ContentsIDEX CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September	
	30,	
	2014	2013
Cash flows from operating activities		
Net income	\$217,766	\$187,660
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	25,330	26,413
Amortization of intangible assets	32,952	33,282
Amortization of debt issuance expenses	1,290	1,275
Share-based compensation expense	16,445	13,464
Deferred income taxes	(5,170)	) 1,184
Excess tax benefit from share-based compensation	(5,360)	) (6,897)
Non-cash interest expense associated with forward starting swaps	5,432	5,587
Changes in:		
Receivables	(21,394)	) 2,954
Inventories	(17,888)	) 2,644
Other current assets	(2,570)	) 7,381
Trade accounts payable	2,188	13,209
Accrued expenses	19,069	11,062
Other — net	(1,507)	) 692
Net cash flows provided by operating activities	266,583	299,910
Cash flows from investing activities		
Cash purchases of property, plant and equipment	(33,820)	) (23,140)
Acquisition of businesses, net of cash acquired	(25,442)	) (36,849)
Other — net	(52)	) (217)
Net cash flows used in investing activities	(59,314)	) (60,206)
Cash flows from financing activities		
Borrowings under revolving facilities	105,014	63,074
Payments under revolving facilities	(46,780)	) (67,009)
Dividends paid	(63,525)	) (53,957)
Proceeds from stock option exercises	13,787	29,838
Excess tax benefit from share-based compensation	5,360	6,897
Purchase of common stock	(146,042)	) (137,272)
Unvested shares surrendered for tax withholding	(4,903)	) (1,781)
Other	—	) (3,181)
Net cash flows used in financing activities	(137,089)	) (163,391)
Effect of exchange rate changes on cash and cash equivalents	(22,743)	) 4,628
Net increase in cash	47,437	80,941
Cash and cash equivalents at beginning of year	439,629	318,864
Cash and cash equivalents at end of period	\$487,066	\$399,805
Supplemental cash flow information		
Cash paid for:		
Interest	\$16,525	\$17,431



Income taxes	91,625	48,161
See Notes to Condensed Consolidated Financial Statements		

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IDEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Amounts in thousands except share data and where otherwise indicated)  
(unaudited)

1. Basis of Presentation and Significant Accounting Policies

The Condensed Consolidated Financial Statements of IDEX Corporation (“IDEX” or the “Company”) have been prepared in accordance with the accounting principles generally accepted in the United States of America applicable to interim financial information and the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. The statements are unaudited but include all adjustments, consisting only of recurring items, except as noted, that the Company considers necessary for a fair presentation of the information set forth herein. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the entire year.

The Condensed Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in this report should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 which introduces a new five-step revenue recognition model. Under ASU 2014-09, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This standard is effective for fiscal years beginning after December 15, 2016, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption. The Company is currently evaluating the impact of the new guidance on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.

2. Acquisitions

All of the Company’s acquisitions have been accounted for under Accounting Standards Codification (“ASC”) 805, Business Combinations. Accordingly, the accounts of the acquired companies, after adjustments to reflect fair values assigned to assets and liabilities, have been included in the Company's consolidated financial statements from their respective dates of acquisition.

2014 Acquisitions

On April 28, 2014, the Company acquired the stock of Aegis Flow Technologies ("Aegis"), a leader in the design, manufacture and sale of specialty chemical processing valves for use in the chemical, petro-chemical, chlor-alkali, pharmaceutical, semiconductor and pulp/paper industries. Located in Geismar, Louisiana, Aegis has annual revenues of approximately \$15.0 million and will operate in our Chemical, Food & Process platform within our Fluid & Metering Technologies segment. Aegis was acquired for cash consideration of approximately \$25 million. The entire purchase price was funded with borrowings under the Company's revolving credit facility. Goodwill and intangible assets recognized as part of this transaction were \$7.8 million and \$8.8 million, respectively. The \$7.8 million of goodwill is deductible for tax purposes.

The purchase price for Aegis has been allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of the acquisition. These nonrecurring fair value measurements are classified as Level 3 in the fair value hierarchy. The Company is continuing to evaluate the initial purchase price allocations, as of the acquisition

date, which will be adjusted as additional information relative to the fair values of the assets and liabilities of the business becomes known. Accordingly, management has used its best estimate in the initial purchase price allocation as of the date of these financial statements.

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## IDEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share data and where otherwise indicated)

(unaudited)

The allocation of the acquisition costs to the assets acquired and liabilities assumed, based on their estimated fair values, is as follows:

Accounts receivable	\$1,147	
Inventory	6,106	
Other current assets, net of cash acquired	230	
Property, plant and equipment	3,019	
Goodwill	7,787	
Intangible assets	8,770	
Total assets acquired	27,059	
Total liabilities assumed	(1,617	)
Net assets acquired	\$25,442	

Acquired intangible assets consist of trade names, customer relationships and unpatented technology. The goodwill recorded for the acquisition reflects the strategic fit, revenue and earnings growth potential of this business.

The acquired intangible assets and weighted average amortization periods are as follows:

	Total	Weighted Average Life
Trade names	\$3,304	15
Customer relationships	4,393	14
Unpatented technology	1,073	8
Acquired intangible assets	\$8,770	

The Company incurred \$1.5 million of acquisition-related transaction costs in the nine months ended September 30, 2014. These costs were recorded in selling, general and administrative expense and were related to completed transactions, pending transactions and potential transactions, including transactions that ultimately were not completed. The Company incurred \$1.3 million of non-cash acquisition fair value inventory charges in the nine months ended September 30, 2014. These charges were recorded in cost of sales.

**2013 Acquisitions**

On March 18, 2013, the Company acquired the assets of FTL Seals Technology, Ltd (“FTL”). FTL specializes in the design and application of high integrity rotary seals, specialty bearings, and other custom products for the oil & gas, mining, power generation, and marine markets. Located in Leeds, England, FTL, along with Precision Polymer Engineering (“PPE”), operates within the Health & Science Technologies segment as part of the Sealing Solutions group and will expand the range of PPE’s technology expertise and markets served. FTL was acquired for an aggregate purchase price of \$34.5 million (£23.1 million) in cash. The entire purchase price was funded with borrowings under the Company’s revolving credit facility. Goodwill and intangible assets recognized as part of this transaction were \$18.0 million and \$13.0 million, respectively. The \$18.0 million of goodwill is not deductible for tax purposes.

**3. Business Segments**

The Company has three reportable business segments: Fluid & Metering Technologies, Health & Science Technologies and Fire & Safety/Diversified Products.

The Fluid & Metering Technologies segment designs, produces and distributes positive displacement pumps, flow meters, injectors, and other fluid-handling pump modules and systems and provides flow monitoring and other services for the water and wastewater industries. The Health & Science Technologies segment designs, produces and distributes a wide range of precision fluidics, rotary lobe pumps, centrifugal and positive displacement pumps, roll

compaction and drying systems used in beverage, food processing, pharmaceutical and cosmetics, pneumatic components and sealing solutions, very high precision, low-flow rate pumping solutions required in analytical instrumentation, clinical diagnostics and drug discovery, high performance molded and extruded, biocompatible medical devices and implantables, air compressors used in medical, dental and industrial applications, optical components and coatings for applications in the fields of scientific research, defense, biotechnology, aerospace,

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## IDEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except share data and where otherwise indicated)

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semiconductor, telecommunications and electronics manufacturing, laboratory and commercial equipment used in the production of micro and nano scale materials, precision photonic solutions used in life sciences, research and defense markets, and precision gear and peristaltic pump technologies that meet exacting original equipment manufacturer specifications. The Fire & Safety/Diversified Products segment produces firefighting pumps and controls, rescue tools, lifting bags and other components and systems for the fire and rescue industry, engineered stainless steel banding and clamping devices used in a variety of industrial and commercial applications, and precision equipment for dispensing, metering and mixing colorants and paints used in a variety of retail and commercial businesses around the world.

Information on the Company's business segments is presented below, based on the nature of products and services offered. The Company evaluates performance based on several factors, of which operating income is the primary financial measure. Intersegment sales are accounted for at fair value as if the sales were to third parties.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales				
Fluid & Metering Technologies				
External customers	\$223,018	\$212,054	\$671,891	\$648,675
Intersegment sales	240	283	828	905
Total group sales	223,258	212,337	672,719	649,580
Health & Science Technologies				
External customers	189,975	177,674	558,716	528,459
Intersegment sales	877	954	4,183	3,904
Total group sales	190,852	178,628	562,899	532,363
Fire & Safety/Diversified Products				
External customers	120,186	100,889	393,261	326,376
Intersegment sales	127	188	518	450
Total group sales	120,313	101,077	393,779	326,826
Intersegment elimination	(1,244)	) (1,425)	) (5,529)	) (5,259)
Total net sales	\$533,179	\$490,617	\$1,623,868	\$1,503,510
Operating income				
Fluid & Metering Technologies	\$54,791	\$51,736	\$166,821	\$155,930
Health & Science Technologies	42,214	36,775	114,580	103,564
Fire & Safety/Diversified Products	31,355	22,119	106,988	74,027
Corporate office and other	(17,513)	) (13,261)	) (51,619)	) (41,881)
Total operating income	110,847	97,369	336,770	291,640
Interest expense	10,461	10,570	31,323	31,724
Other (income) expense - net	(944)	) 188	) (1,651)	) (518)
Income before income taxes	\$101,330	\$86,611	\$307,098	\$260,434



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	September 30, 2014	December 31, 2013
Assets		
Fluid & Metering Technologies	\$1,029,719	\$1,025,352
Health & Science Technologies	1,127,605	1,113,546
Fire & Safety/Diversified Products	512,585	484,139
Corporate office	269,403	264,540
Total assets	\$2,939,312	\$2,887,577

#### 4. Earnings Per Common Share

Earnings per common share (“EPS”) are computed by dividing net income by the weighted average number of shares of common stock (basic) plus common stock equivalents outstanding (diluted) during the period. Common stock equivalents consist of stock options, which have been included in the calculation of weighted average shares outstanding using the treasury stock method, unvested shares, performance share units, and shares issuable in connection with certain deferred compensation agreements (“DCUs”).

ASC 260 “Earnings Per Share” provides that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. If awards are considered participating securities, the Company is required to apply the two-class method of computing basic and diluted earnings per share. The Company has determined that its outstanding unvested shares are participating securities. Accordingly, earnings per common share are computed using the more dilutive of the treasury stock method and the two-class method prescribed by ASC 260. For the purposes of calculating diluted EPS, net income attributable to common shareholders was reduced by \$0.5 million and \$0.3 million for the three months ended September 30, 2014 and 2013, respectively, and \$1.2 million and \$0.8 million for the nine months ended September 30, 2014 and 2013, respectively.

Basic weighted average shares reconciles to diluted weighted average shares as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic weighted average common shares outstanding	79,558	81,259	80,064	81,762
Dilutive effect of stock options, unvested shares, performance share units and DCUs	1,003	959	1,029	939
Diluted weighted average common shares outstanding	80,561	82,218	81,093	82,701

Options to purchase approximately 0.5 million shares of common stock for both the three and nine months ended September 30, 2014 were not included in the computation of diluted EPS because the effect of their inclusion would be antidilutive. Options to purchase 0.3 million and 0.6 million shares of common stock for the three and nine months ended September 30, 2013, respectively, were not included in the computation of diluted EPS because the effect of their inclusion would be antidilutive.





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## 5. Inventories

The components of inventories as of September 30, 2014 and December 31, 2013 were:

	September 30, 2014	December 31, 2013
Raw materials and component parts	\$ 144,635	\$ 133,470
Work in process	40,956	41,895
Finished goods	65,467	55,602
Total	\$ 251,058	\$ 230,967

Inventories are stated at the lower of cost or market. Cost, which includes material, labor, and factory overhead, is determined on a FIFO basis.

## 6. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended September 30, 2014, by reportable business segment, were as follows:

	Fluid & Metering Technologies	Health & Science Technologies	Fire & Safety/ Diversified Products	Total
Balance at December 31, 2013	\$ 528,044	\$ 571,675	\$ 249,737	\$ 1,349,456
Foreign currency translation	(7,568	) (2,829	) (10,493	) (20,890
Acquisitions	7,787	—	—	7,787
Balance at September 30, 2014	\$ 528,263	\$ 568,846	\$ 239,244	\$ 1,336,353

ASC 350 "Goodwill and Other Intangible Assets" requires that goodwill be tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. Annually on October 31, goodwill and other acquired intangible assets with indefinite lives are tested for impairment. The Company did not consider there to be any triggering event that would require an interim impairment assessment, therefore none of the goodwill or other acquired intangible assets with indefinite lives were tested for impairment during the nine months ended September 30, 2014. Based on the results of our annual impairment test at October 31, 2013, all reporting units had a fair value that was significantly in excess of carrying value, except for our IDEX Optics and Photonics ("IOP") reporting unit, which had a fair value approximately 10% greater than the carrying value. The IOP reporting unit was written down to its fair value in 2012 as a result of our annual goodwill impairment testing and, thus, the fair value continues to be near the carrying value.

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset at September 30, 2014 and December 31, 2013:

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 (Amounts in thousands except share data and where otherwise indicated)  
 (unaudited)

	At September 30, 2014			Weighted Average Life	At December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net		Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:							
Patents	\$9,996	\$ (5,108 )	\$4,888	11	\$10,673	\$ (5,179 )	\$5,494
Trade names	106,545	(32,829 )	73,716	16	104,582	(28,310 )	76,272
Customer relationships	242,567	(138,562 )	104,005	11	242,674	(121,092 )	121,582
Non-compete agreements	3,026	(2,744 )	282	3	3,769	(3,272 )	497
Unpatented technology	75,209	(38,050 )	37,159	11	75,528	(32,905 )	42,623
Other	7,034	(4,828 )	2,206	10	6,958	(4,299 )	2,659
Total amortized intangible assets	444,377	(222,121 )	222,256		444,184	(195,057 )	249,127
Unamortized intangible assets:							
Banjo trade name	62,100	—	62,100		62,100	—	62,100
Total intangible assets	\$506,477	\$ (222,121 )	\$284,356		\$506,284	\$ (195,057 )	\$311,227

The unamortized Banjo trade name is an indefinite lived intangible asset which is tested for impairment on an annual basis in accordance with ASC 350 or more frequently if events or changes in circumstances indicate that the asset might be impaired.

#### 7. Accrued Expenses

The components of accrued expenses as of September 30, 2014 and December 31, 2013 were:

	September 30, 2014	December 31, 2013
Payroll and related items	\$61,224	\$63,297
Management incentive compensation	20,302	20,949
Income taxes payable	11,967	11,746
Insurance	9,875	7,741
Warranty	5,400	4,888
Deferred revenue	12,724	9,455
Liability for uncertain tax positions	950	1,201
Accrued interest	9,430	1,354
Other	29,023	30,120
Total accrued expenses	\$160,895	\$150,751

#### 8. Other Noncurrent Liabilities

The components of other noncurrent liabilities as of September 30, 2014 and December 31, 2013 were:

	September 30, 2014	December 31, 2013
Pension and retiree medical obligations	\$64,092	\$67,777

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Liability for uncertain tax positions	3,325	4,624
Deferred revenue	5,047	5,578
Other	15,781	15,087
Total other noncurrent liabilities	\$88,245	\$93,066

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## 9. Borrowings

Borrowings at September 30, 2014 and December 31, 2013 consisted of the following:

	September 30, 2014	December 31, 2013
Revolving Facility	\$70,000	\$10,000
2.58% Senior Euro Notes, due June 2015	102,749	111,505
4.5% Senior Notes, due December 2020	298,938	298,828
4.2% Senior Notes, due December 2021	349,330	349,272
Other borrowings	2,406	4,271
Total borrowings	823,423	773,876
Less current portion	103,250	1,871
Total long-term borrowings	\$720,173	\$772,005

The Company maintains a \$700.0 million revolving credit facility (the "Revolving Facility") with a maturity date of June 27, 2016. Up to \$75.0 million of the Revolving Facility is available for the issuance of letters of credit, and up to \$25.0 million is available to the Company for swing line loans, available on a same-day basis.

Proceeds from the Revolving Facility are available for working capital, acquisitions and other general corporate purposes, including refinancing existing debt of the Company and its subsidiaries.

Borrowings under the Revolving Facility bear interest, at either an alternate base rate or an adjusted LIBOR rate plus, in each case, an applicable margin. This applicable margin is based on the Company's senior, unsecured, long-term debt rating and can range from .875% to 1.70%. Based on the Company's credit rating at September 30, 2014, the applicable margin was 1.05%. Interest is payable (a) in the case of base rate loans, quarterly, and (b) in the case of LIBOR rate loans, on the maturity date of the borrowing, or quarterly from the effective date for borrowings exceeding three months. An annual Revolving Facility fee, also based on the Company's credit rating, is currently 20 basis points and is payable quarterly.

At September 30, 2014, \$70.0 million was outstanding under the Revolving Facility, with \$8.3 million of outstanding letters of credit, resulting in net available borrowing capacity under the Revolving Facility at September 30, 2014 of approximately \$621.7 million.

At September 30, 2014, the Company included the outstanding balance of the 2.58% Senior Euro Notes, \$102.7 million, within Current liabilities on the Consolidated Balance Sheet as the maturity date is June 9, 2015.

Other borrowings of \$2.4 million at September 30, 2014 consisted primarily of debt at international locations maintained for working capital purposes. Interest is payable on the outstanding debt balances at rates ranging from 0.3% to 1.3% per annum.

There are two key financial covenants that the Company is required to maintain in connection with the Revolving Facility and 2.58% Senior Euro Notes. The most restrictive financial covenants under these debt instruments require a minimum interest coverage ratio of 3.0 to 1 and a maximum leverage ratio of 3.25 to 1. At September 30, 2014, the Company was in compliance with both of these financial covenants. There are no financial covenants relating to the 4.5% Senior Notes or 4.2% Senior Notes; however, both are subject to cross-default provisions.

## 10. Derivative Instruments

The Company enters into cash flow hedges from time to time to reduce the exposure to variability in certain expected future cash flows. The type of cash flow hedges the Company enters into includes foreign currency contracts and

interest rate exchange agreements that effectively convert a portion of floating-rate debt to fixed-rate debt and are designed to reduce the impact of interest rate changes on future interest expense.

The effective portion of gains or losses on interest rate exchange agreements is reported in accumulated other comprehensive income (loss) in shareholders' equity and reclassified into net income in the same period or periods in which the hedged transaction affects net income. See Note 12 for the amount of loss reclassified into income for interest rate contracts for the three and nine

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months ended September 30, 2014 and 2013. The remaining gain or loss in excess of the cumulative change in the present value of future cash flows or the hedged item, if any, is recognized into net income during the period of change.

Fair values relating to derivative financial instruments reflect the estimated amounts that the Company would receive or pay to sell or buy the contracts based on quoted market prices of comparable contracts at each balance sheet date. As of September 30, 2014, the Company did not have any interest rate contracts outstanding. In 2010 and 2011, the Company entered into two separate forward starting interest rate contracts in anticipation of the issuance of the 4.2% Senior Notes and the 4.5% Senior Notes. The Company cash settled these two interest rate contracts in 2010 and 2011 for a total of \$68.9 million, which is being amortized into interest expense over the 10 year term of the debt instruments. Approximately \$7.1 million of the pre-tax amount included in accumulated other comprehensive income (loss) in shareholders' equity at September 30, 2014 will be recognized to net income over the next 12 months as the underlying hedged transactions are realized.

#### 11. Fair Value Measurements

ASC 820 "Fair Value Measurements and Disclosures" defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The standard utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs, other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The following table summarizes the basis used to measure the Company's financial assets at fair value on a recurring basis in the balance sheet at September 30, 2014 and December 31, 2013:

	Basis of Fair Value Measurements			
	Balance at September 30, 2014	Level 1	Level 2	Level 3
Money market investment	\$22,668	\$22,668	\$—	\$—
Available for sale securities	4,115	4,115	—	—
	Basis of Fair Value Measurements			
	Balance at December 31, 2013	Level 1	Level 2	Level 3
Money market investment	\$27,871	\$27,871	\$—	\$—
Available for sale securities	3,255	3,255	—	—

There were no transfers of assets or liabilities between Level 1 and Level 2 during the quarter ended September 30, 2014 or the year ended December 31, 2013.

The carrying value of our cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates their fair values because of the short term nature of these instruments. At September 30, 2014, the fair value of the outstanding indebtedness under our Revolving Facility, 2.58% Senior Euro Notes, 4.5% Senior Notes and 4.2% Senior Notes, based on quoted market prices and current market rates for debt with similar credit risk and maturity, was approximately \$851.1 million compared to the carrying value of \$821.0 million. This fair value measurement is classified as Level 2 within the fair value hierarchy since it is determined based upon significant inputs observable in the market, including interest rates on recent financing transactions to entities with a credit rating similar to ours.



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## 12. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) are as follows:

	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Cumulative translation adjustment	\$ (55,688 )	\$ —	\$ (55,688 )	\$ 28,835	\$ —	\$ 28,835
Pension and other postretirement adjustments	1,927	(313 )	1,614	1,328	(632 )	696
Reclassification adjustments for derivatives	1,795	(654 )	1,141	1,847	(673 )	1,174
Total other comprehensive income (loss)	\$ (51,966 )	\$ (967 )	\$ (52,933 )	\$ 32,010	\$ (1,305 )	\$ 30,705
	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Cumulative translation adjustment	\$ (41,530 )	\$ —	\$ (41,530 )	\$ 5,726	\$ —	\$ 5,726
Pension and other postretirement adjustments	3,404	(834 )	2,570	4,784	(1,877 )	2,907
Reclassification adjustments for derivatives	5,432	(1,979 )	3,453	5,587	(2,036 )	3,551
Total other comprehensive income (loss)	\$ (32,694 )	\$ (2,813 )	\$ (35,507 )	\$ 16,097	\$ (3,913 )	\$ 12,184

The following table summarizes the amounts reclassified from accumulated other comprehensive income to net income during the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013		Income Statement Caption
	2014	2013	2014	2013	
Pension and other postretirement plans:					
Amortization of service cost	\$ 1,927	\$ 1,328	\$ 3,404	\$ 4,784	Selling, general and administrative expense
Total before tax	1,927	1,328	3,404	4,784	
Provision for income taxes	(313 )	(632 )	(834 )	(1,877 )	
Total net of tax	\$ 1,614	\$ 696	\$ 2,570	\$ 2,907	
Derivatives:					
Reclassification adjustments	\$ 1,795	\$ 1,847	\$ 5,432	\$ 5,587	Interest expense
Total before tax	1,795	1,847	5,432	5,587	
Provision for income taxes	(654 )	(673 )	(1,979 )	(2,036 )	
Total net of tax	\$ 1,141	\$ 1,174	\$ 3,453	\$ 3,551	

## 13. Common and Preferred Stock

On November 8, 2013, the Company's Board of Directors approved a \$300.0 million increase in the authorized level for repurchases of common stock. Repurchases will be funded with future cash flow generation or borrowings

available under the Revolving Facility. During the first nine months of 2014, the Company purchased a total of 2.0 million shares at a cost of \$149.7 million, of which \$3.7 million was settled in October 2014. During the first nine months of 2013, the Company purchased 2.5 million shares at a cost of \$139.9 million, of which \$2.7 million was settled in October 2013. As of September 30, 2014, the amount of share repurchase authorization remaining is \$218.2 million.

At September 30, 2014 and December 31, 2013, the Company had 150 million shares of authorized common stock, with a par value of \$.01 per share, and 5 million shares of authorized preferred stock, with a par value of \$.01 per share. No preferred stock was outstanding at September 30, 2014 or December 31, 2013.

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## 14. Share-Based Compensation

During the nine months ended September 30, 2014, the Company granted approximately 0.5 million stock options, 0.1 million unvested shares and 0.1 million performance share units. During the nine months ended September 30, 2013, the Company granted approximately 0.6 million stock options, 0.2 million unvested shares and 0.1 million performance share units.

Weighted average option fair values and assumptions for the periods specified are disclosed below. The fair value of each option grant was estimated on the date of the grant using the Binomial lattice option pricing model.

	Three Months Ended September 30,	
	2014	2013
Weighted average fair value of option grants	\$20.34	\$15.09
Dividend yield	1.44%	1.57%
Volatility	30.24%	30.65%
Risk-free forward interest rate	0.12% - 3.67%	0.11% - 4.60%
Expected life (in years)	5.87	5.85

  

	Nine Months Ended September 30,	
	2014	2013
Weighted average fair value of option grants	\$19.54	\$12.94
Dividend yield	1.26%	1.57%
Volatility	30.36%	30.93%
Risk-free forward interest rate	0.12% - 4.66%	0.17% - 4.12%
Expected life (in years)	5.89	5.86

Weighted average performance share unit fair values and assumptions for the period specified are disclosed below. The performance share units are market condition awards and have been assessed at fair value on the date of grant using a Monte Carlo simulation model.

	Three and Nine Months Ended September 30,	
	2014	2013
Weighted average fair value of performance share units	\$94.55	\$50.45
Dividend yield	0.00%	0.00%
Volatility	26.41%	28.99%
Risk-free forward interest rate	0.65%	0.40%
Expected life (in years)	2.88	2.87

Total compensation cost for stock options is as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
2014	2013	2014	2013

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Cost of goods sold	\$126	\$94	\$501	\$385	
Selling, general and administrative expenses	1,411	1,238	5,026	4,659	
Total expense before income taxes	1,537	1,332	5,527	5,044	
Income tax benefit	(492	) (439	) (1,743	) (1,620	)
Total expense after income taxes	\$1,045	\$893	\$3,784	\$3,424	

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Total compensation cost for unvested shares is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Cost of goods sold	\$259	\$338	\$1,424	\$1,065
Selling, general and administrative expenses	1,843	2,077	7,167	6,721
Total expense before income taxes	2,102	2,415	8,591	7,786
Income tax benefit	(447)	(551)	(1,778)	(1,864)
Total expense after income taxes	\$1,655	\$1,864	\$6,813	\$5,922

Total compensation cost for performance share units is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Cost of goods sold	\$—	\$—	\$—	\$—
Selling, general and administrative expenses	843	229	2,327	634
Total expense before income taxes	843	229	2,327	634
Income tax benefit	(294)	(82)	(768)	(195)
Total expense after income taxes	\$549	\$147	\$1,559	\$439

The Company's policy is to recognize compensation cost on a straight-line basis, assuming forfeitures, over the requisite service period for the entire award. Classification of stock compensation cost within the Consolidated Statements of Operations is consistent with classification of cash compensation for the same employees.

As of September 30, 2014, there was \$11.6 million of total unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 1.4 years, \$11.3 million of total unrecognized compensation cost related to unvested shares/units that is expected to be recognized over a weighted-average period of 1.0 years, and \$6.2 million of total unrecognized compensation cost related to performance share units that is expected to be recognized over a weighted-average period of 1.1 years.

A summary of the Company's stock option activity as of September 30, 2014, and changes during the nine months ended September 30, 2014, is presented in the following table:

Stock Options	Shares	Weighted Average Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2014	2,516,618	\$39.60	6.87	\$86,200,655
Granted	511,850	72.80		
Exercised	(398,579)	34.56		
Forfeited/Expired	(107,984)	50.23		
Outstanding at September 30, 2014	2,521,905	\$46.68	6.91	\$65,012,309
Vested and expected to vest as of September 30, 2014	2,397,330	\$45.92	6.81	\$63,608,285
Exercisable at September 30, 2014	1,239,830	\$36.47	5.40	\$44,513,426

15. Retirement Benefits

The Company sponsors several qualified and nonqualified defined benefit and defined contribution pension plans and other postretirement plans for its employees. The following tables provide the components of net periodic benefit cost for its major defined benefit plans and its other postretirement plans.

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	Pension Benefits			
	Three Months Ended September 30, 2014		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$227	\$377	\$381	\$373
Interest cost	896	593	673	593
Expected return on plan assets	(1,219	) (329	) (1,326	) (298
Net amortization	590	394	1,491	263
Net periodic benefit cost	\$494	\$1,035	\$1,219	\$931

	Pension Benefits			
	Nine Months Ended September 30, 2014		2013	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$872	\$1,143	\$1,144	\$1,057
Interest cost	3,002	1,797	2,825	1,645
Expected return on plan assets	(4,035	) (986	) (3,989	) (814
Net amortization	1,964	833	4,482	731
Net periodic benefit cost	\$1,803	\$2,787	\$4,462	\$2,619

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost	\$178	\$241	\$535	\$726
Interest cost	233	226	699	680
Net amortization	(118	) 6	(355	) 17
Net periodic benefit cost	\$293	\$473	\$879	\$1,423

The Company previously disclosed in its financial statements for the year ended December 31, 2013, that it expected to contribute approximately \$2.8 million to its defined benefit plans and \$0.9 million to its other postretirement benefit plans in 2014. As of September 30, 2014, the Company now expects to contribute \$3.8 million to its defined benefit plans and \$0.8 million to its other postretirement benefit plans in 2014. The Company contributed a total of \$3.7 million during the first nine months of 2014 and anticipates contributing up to an additional \$0.9 million in 2014 to fund these plans.

#### 16. Legal Proceedings

The Company is party to various legal proceedings arising in the ordinary course of business, none of which are expected to have a material impact on its business, financial condition, results of operations or cash flows.

#### 17. Income Taxes

The Company's provision for income taxes is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes increased to \$29.9 million in the third quarter of 2014 from \$22.8 million in the third quarter of 2013. The effective tax rate increased to 29.5% for the third quarter of 2014 compared to 26.3% in the third quarter of 2013 due to the recognition of discrete tax benefits in prior year and the mix of global pre-tax income among jurisdictions.

The provision for income taxes increased to \$89.3 million in the first nine months of 2014 from \$72.8 million in the same period of 2013. The effective tax rate increased to 29.1% for the first nine months of 2014 compared to 27.9% in the same period of 2013 due to the mix of global pre-tax income among jurisdictions. Additionally, the effective tax rate for the first nine months of 2014 was favorably impacted by settlements with taxing authorities primarily related to purchase price adjustments for prior



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period acquisitions, while the comparable period tax rate in the prior year was favorably impacted by recognition of discrete benefits, as well as the enactment of the American Taxpayer Relief Act of 2012 on January 2, 2013, which reinstated the U.S. R&D credit retroactively to January 1, 2012.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Due to the potential for resolution of federal, state and foreign examinations, and the expiration of various statutes of limitation, it is reasonably possible that the Company's gross unrecognized tax benefits balance may change within the next twelve months by a range of zero to \$1.0 million.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.  
Cautionary Statement Under the Private Securities Litigation Reform Act

This quarterly report on Form 10-Q, including the "Overview and Outlook" and the "Liquidity and Capital Resources" sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to, among other things, operating results and are indicated by words or phrases such as "expects," "anticipates," "should," "will," and similar words or phrases. These statements are subject to inherent uncertainties and risks that could cause actual results to differ materially from those statements. The risks and uncertainties include, but are not limited to, those risks and uncertainties identified under the heading "Risk Factors" in item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and information contained in subsequent reports filed by IDEX with the Securities and Exchange Commission. Investors are cautioned not to rely unduly on forward-looking statements when evaluating the information presented here.

Overview and Outlook

IDEX is an applied solutions company specializing in fluid and metering technologies, health and science technologies, and fire, safety and other diversified products built to customers' specifications. IDEX's products are sold in niche markets to a wide range of industries throughout the world. Accordingly, IDEX's businesses are affected by levels of industrial activity and economic conditions in the U.S. and in other countries where it does business and by the relationship of the U.S. dollar to other currencies. Levels of capacity utilization and capital spending in certain industries and overall industrial activity are among the factors that influence the demand for IDEX's products.

The Company has three reportable business segments: Fluid & Metering Technologies, Health & Science Technologies and Fire & Safety/Diversified Products. Within our three reportable segments, the Company maintains six platforms, where we will invest in organic growth and acquisitions with a strategic view towards a platform with the potential for at least \$500 million in revenue, and seven groups, where we will focus on organic growth and strategic acquisitions. The Fluid & Metering Technologies segment contains the Energy, Water (comprised of Water Services & Technology and Diaphragm & Dosing Pump Technology), and Chemical, Food & Process platforms as well as the Agricultural group (comprised of Banjo). The Health & Science Technologies segment contains the IDEX Optics & Photonics, Scientific Fluidics and Material Processing Technologies platforms, as well as the Sealing Solutions and the Industrial (comprised of Micropump and Gast) groups. The Fire & Safety/Diversified Products segment is comprised of the Dispensing, Rescue, Band-It, and Fire Suppression groups. Each platform/group is comprised of one or more of our 15 reporting units: five reporting units within Fluid & Metering Technologies (Energy; Chemical, Food, & Process; Water Services & Technology; Banjo; Diaphragm & Dosing Pump Technology); six reporting units within Health & Science Technologies (IDEX Optics and Photonics; Scientific Fluidics; Material Processing Technologies; Sealing Solutions; Micropump; and Gast); and four reporting units within Fire & Safety/Diversified Products (Dispensing, Rescue, Band-It, and Fire Suppression).

The Fluid & Metering Technologies segment designs, produces and distributes positive displacement pumps, flow meters, injectors, and other fluid-handling pump modules and systems and provides flow monitoring and other services for the food, chemical, general industrial, water and wastewater, agricultural and energy industries.

The Health & Science Technologies segment designs, produces and distributes a wide range of precision fluidics, rotary lobe pumps, centrifugal and positive displacement pumps, roll compaction and drying systems used in beverage, food processing, pharmaceutical and cosmetics, pneumatic components and sealing solutions, very high precision, low-flow rate pumping solutions required in analytical instrumentation, clinical diagnostics and drug discovery, high performance molded and extruded, biocompatible medical devices and implantables, air compressors used in medical, dental and industrial applications, optical components and coatings for applications in the fields of scientific research, defense, biotechnology, aerospace, telecommunications and electronics manufacturing, laboratory and commercial equipment used in the production of micro and nano scale materials, precision photonic solutions used in life sciences, research and defense markets, and precision gear and peristaltic pump technologies that meet

exact original equipment manufacturer specifications.

The Fire & Safety/Diversified Products segment produces firefighting pumps and controls, rescue tools, lifting bags and other components and systems for the fire and rescue industry, and engineered stainless steel banding and clamping devices used in a variety of industrial and commercial applications, precision equipment for dispensing, metering and mixing colorants and paints used in a variety of retail and commercial businesses around the world.

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Some of our key financial highlights for the three months ended September 30, 2014 are as follows:

Sales of \$533.2 million increased 9%; organic sales — excluding acquisitions and foreign currency translation — were up 7%.

Operating income of \$110.8 million increased 14%.

Net income increased 12% to \$71.4 million.

Diluted EPS of \$0.88 increased 10 cents, or 13%, compared to 2013.

Some of our key financial highlights for the nine months ended September 30, 2014 are as follows:

Sales of \$1,623.9 million increased 8%; organic sales — excluding acquisitions and foreign currency translation — were up 6%.

Operating income of \$336.8 million increased 15%.

Net income increased 16% to \$217.8 million.

Diluted EPS of \$2.68 increased 41 cents, or 18%, compared to 2013.

Given the Company's current outlook and the projection of 5-6% organic revenue growth for the year, our projected fourth quarter 2014 diluted EPS is in the range of \$0.85 to \$0.88 with full year 2014 diluted EPS of \$3.52 to \$3.55.

## Results of Operations

The following is a discussion and analysis of our results of operations for the three and nine month periods ended September 30, 2014 and 2013. Segment operating income and EBITDA excludes unallocated corporate operating expenses.

Management's primary measurements of segment performance are sales, operating income, and operating margin. In addition, due to the highly acquisitive nature of the Company, the determination of operating income includes amortization of acquired intangible assets and, as a result, management reviews depreciation and amortization as a percentage of sales. These measures are monitored by management and significant changes in operating results versus current trends in end markets and variances from forecasts are analyzed with segment management.

In this report, references to organic sales, a non-GAAP measure, refers to sales from continuing operations calculated according to generally accepted accounting principles in the United States but excludes (1) sales from acquired businesses during the first twelve months of ownership and (2) the impact of foreign currency translation. The portion of sales attributable to foreign currency translation is calculated as the difference between (a) the period-to-period change in organic sales and (b) the period-to-period change in organic sales after applying prior period foreign exchange rates to the current year period. Management believes that reporting organic sales provides useful information to investors by helping identify underlying growth trends in our business and facilitating easier comparisons of our revenue performance with prior and future periods and to our peers. The Company excludes the effect of foreign currency translation from organic sales because foreign currency translation is not under management's control, is subject to volatility and can obscure underlying business trends. The Company excludes the effect of acquisitions because the nature, size, and number of acquisitions can vary dramatically from period to period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult. In addition, this report references EBITDA. This non-GAAP measure has been reconciled to net income and operating income in this Item 2 under the heading "Non-GAAP Disclosures." Given the acquisitive nature of the Company, management believes that EBITDA provides important information about the performance of the Company's businesses by, among other matters, eliminating the impact of higher amortization expense at recently acquired businesses.

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## Consolidated Results in the Three Months Ended September 30, 2014 Compared with the Same Period of 2013

(In thousands)	Three Months Ended		
	September 30,		
	2014	2013	
Net sales	\$533,179	\$490,617	
Operating income	110,847	97,369	
Operating margin	20.8	% 19.8	%
EBITDA	\$131,400	\$116,960	
EBITDA as a percentage of net sales	24.6	% 23.8	%
Depreciation and amortization	\$19,609	\$19,779	
Depreciation and amortization as a percentage of net sales	3.7	% 4.0	%
Capital expenditures	\$10,521	\$7,318	
Capital expenditures as a percentage of net sales	2.0	% 1.5	%

For the third quarter of 2014, Fluid & Metering Technologies contributed 42% of sales, 43% of operating income and 41% of EBITDA; Health & Science Technologies accounted for 36% of sales, 33% of operating income and 36% of EBITDA; and Fire & Safety/Diversified Products represented 22% of sales, 24% of operating income and 23% of EBITDA. The aforementioned percentages are calculated on the basis of total segment (and not total Company) sales, operating income and EBITDA.

Sales in the three months ended September 30, 2014 were \$533.2 million, a 9% increase from the comparable period last year. This increase reflects a 7% increase in organic sales, 1% from acquisitions (Aegis - April 2014) and 1% favorable foreign currency translation. Organic sales to customers outside the U.S. represented approximately 52% of total sales in the third quarter of 2014 compared to 51% during the same period of 2013.

Gross profit of \$234.6 million in the third quarter of 2014 increased \$23.1 million, or 11%, from the same period in 2013. Gross margin of 44.0% in the third quarter of 2014 increased from 43.1% during the same period in 2013. The increase in gross margin is primarily due to volume leverage and productivity.

Selling, general and administrative expenses increased to \$123.8 million in the third quarter of 2014 from \$114.1 million during the same period of 2013. The change reflects an increase of approximately \$.9 million for incremental costs from the Aegis acquisition and an increase in volume related expenses of \$8.8 million. As a percentage of sales, SG&A expenses were 23.2% for the third quarter of 2014 and 23.3% for the same period of 2013.

Operating income of \$110.8 million in the third quarter of 2014 was up from the \$97.4 million recorded during the same period in 2013, primarily reflecting an increase in volume and improved productivity. Operating margin of 20.8% in the third quarter of 2014 was up from 19.8% during the same period of 2013, primarily due to volume leverage and productivity.

Other income - net was \$0.9 million in the third quarter of 2014 compared with \$0.2 million of other expense - net recorded in the same period in 2013, primarily due to foreign currency translation gains.

Interest expense of \$10.5 million in the third quarter of 2014 was slightly down from \$10.6 million in 2013.

The provision for income taxes is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes of \$29.9 million for the third quarter of 2014 increased compared to \$22.8 million recorded in the same period of 2013. The effective tax rate increased to 29.5% for the third quarter of 2014 compared to 26.3% in the same period of 2013 due to the recognition of discrete tax benefits in the prior year and the mix of global pre-tax income among jurisdictions. Additionally, the effective tax rate for the first nine months of 2014 was favorably impacted by settlements with taxing authorities primarily related to purchase price adjustments for prior period acquisitions, while the comparable period tax rate in the prior year was favorably impacted by recognition of discrete benefits, as well as the enactment of the American Taxpayer Relief Act of 2012 on January 2, 2013, which reinstated the U.S. R&D credit retroactively to January 1, 2012.

Net income in the third quarter of 2014 of \$71.4 million increased from \$63.8 million during the same period of 2013. Diluted earnings per share in the third quarter of 2014 of \$0.88 increased \$0.10, or 13%, compared with the same period in 2013.



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## Fluid &amp; Metering Technologies Segment

(In thousands)

	Three Months Ended			
	September 30,			
	2014	2013		
Net sales	\$223,258	\$212,337		
Operating income	54,791	51,736		
Operating margin	24.5	% 24.4	%	
EBITDA	\$61,460	\$58,158		
EBITDA as a percentage of net sales	27.5	% 27.4	%	
Depreciation and amortization	\$6,724	\$6,981		
Depreciation and amortization as a percentage of net sales	3.0	% 3.3	%	
Capital expenditures	\$3,592	\$2,843		
Capital expenditures as a percentage of net sales	1.6	% 1.3	%	

Sales of \$223.3 million increased \$10.9 million, or 5%, in the third quarter of 2014 compared with the same period of 2013. This reflects a 4% increase in organic sales and a 1% increase from acquisitions (Aegis - April 2014). In the third quarter of 2014, organic sales decreased 2% domestically and increased 10% internationally compared to the 2013 period. Organic sales to customers outside the U.S. were approximately 50% of total segment sales during the third quarter of 2014, compared with 46% during the same period in 2013.

Sales increased in our Energy platform in the third quarter of 2014 compared to the same period of 2013 due to the continued strength of North American truck builds. This was offset by the push out of large downstream project orders in Europe and the Middle East where we expect ongoing volatility. Sales within our Chemical, Food & Process platform increased compared to the third quarter of 2013 due to the continued strong performance of our North American distribution business and successful introduction of new products in the oil and gas markets, which offset delays on large European chemical projects. Sales were flat within Diaphragm & Dosing Pump Technology compared to the third quarter of 2013, as strength in the oil and gas markets was offset by softness in Europe. Sales within our Agricultural group decreased compared to the third quarter of 2013, due to the slowdown in farm equipment production and decrease in farm income. Sales increased significantly within Water Services, compared to the third quarter of 2013, primarily due to the sale of new products into the United Kingdom and increases in municipal activity.

Operating income and operating margin of \$54.8 million and 24.5% respectively, were higher than the \$51.7 million and 24.4% recorded in the third quarter of 2013, due to higher volume and productivity initiatives, partially offset by \$0.8 million of non-cash acquisition fair value inventory charges associated with the Aegis acquisition.

## Health &amp; Science Technologies Segment

(In thousands)

	Three Months Ended			
	September 30,			
	2014	2013		
Net sales	\$190,852	\$178,628		
Operating income	42,214	36,775		
Operating margin	22.1	% 20.6	%	
EBITDA	\$53,639	\$47,442		
EBITDA as a percentage of net sales	28.1	% 26.6	%	
Depreciation and amortization	\$11,005	\$10,798		
Depreciation and amortization as a percentage of net sales	5.8	% 6.0	%	
Capital expenditures	\$5,164	\$2,823		
Capital expenditures as a percentage of net sales	2.7	% 1.6	%	

Sales of \$190.9 million increased \$12.2 million, or 7%, in the third quarter of 2014 compared with the same period in 2013. This reflects 5% organic revenue growth and 2% favorable foreign currency translation. In the third quarter of 2014, organic sales increased 10% domestically and 1% internationally. Organic sales to customers outside the

U.S. were approximately 53% of total segment sales in the third quarter of 2014 compared with 54% during the same period in 2013.



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Sales within our Material Processing Technologies platform increased compared to the third quarter of 2013 primarily due to the strength in the Asian food and pharmaceutical markets. Sales decreased compared to the third quarter of 2013 within our Scientific Fluidics platform due to weakness in the analytical instrumentation market. Sales within our Sealing Solutions group increased compared to the third quarter of 2013 due to continued strong sales into the oil and gas, and scientific markets. Sales within our Optics and Photonics platform increased compared to the third quarter of 2013 due to the continued strength of the life sciences and industrial markets. Sales within our Industrial group increased compared to the third quarter of 2013 due to continued growth in North American distributor sales and the team's ability to expand markets served.

Operating income and operating margin of \$42.2 million and 22.1%, respectively, in the third quarter of 2014 were up from the \$36.8 million and 20.6% recorded in the same period of 2013, primarily due to increased volume and productivity initiatives.

## Fire &amp; Safety/Diversified Products Segment

(In thousands)

	Three Months Ended			
	September 30,			
	2014	2013		
Net sales	\$ 120,313	\$ 101,077		
Operating income	31,355	22,119		
Operating margin	26.1	% 21.9		%
EBITDA	\$ 33,483	\$ 23,827		
EBITDA as a percentage of net sales	27.8	% 23.6		%
Depreciation and amortization	\$ 1,597	\$ 1,726		
Depreciation and amortization as a percentage of net sales	1.3	% 1.7		%
Capital expenditures	\$ 1,018	\$ 776		
Capital expenditures as a percentage of net sales	0.8	% 0.8		%

Sales of \$120.3 million increased \$19.2 million, or 19%, in the third quarter of 2014 compared with the same period in 2013. This reflects 18% organic growth and 1% favorable foreign currency translation. In the third quarter of 2014, organic sales increased 21% domestically and 16% internationally, year over year. Organic sales to customers outside the U.S. were approximately 54% of total segment sales in the third quarter of 2014, compared to 55% in the same quarter of 2013.

Sales within our Dispensing group increased compared to the third quarter of 2013 due to strong markets in Western Europe and North America, and new product sales into Asia. Sales within our Band-It group increased compared to the third quarter of 2013 due to an increase in transportation sales and strong distribution sales in North America. Sales within our Fire Suppression group increased due to demand for new products and stable core business in North America and China. Sales within our Rescue group increased compared to the third quarter of 2013 due to the success of new product introductions and growth in North America, offset by softness in Asia from delays in municipal spending.

Operating income and operating margin of \$31.4 million and 26.1%, respectively, in the third quarter of 2014 were higher than the \$22.1 million and 21.9% recorded in the third quarter of 2013, primarily due to volume leverage and productivity initiatives.

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## Consolidated Results in the Nine Months Ended September 30, 2014 Compared with the Same Period of 2013

(In thousands)	Nine Months Ended			
	2014	September 30, 2013		
Net sales	\$1,623,868	\$1,503,510		
Operating income	336,770	291,640		
Operating margin	20.7	% 19.4		%
EBITDA	\$396,703	\$351,853		
EBITDA as a percentage of net sales	24.4	% 23.4		%
Depreciation and amortization	\$58,282	\$59,695		
Depreciation and amortization as a percentage of net sales	3.6	% 4.0		%
Capital expenditures	\$33,820	\$23,140		
Capital expenditures as a percentage of net sales	2.1	% 1.5		%

For the first nine months of 2014, Fluid & Metering Technologies contributed 41% of sales, 43% of operating income and 42% of EBITDA; Health & Science Technologies accounted for 35% of sales, 30% of operating income and 33% of EBITDA; and Fire & Safety/Diversified Products represented 24% of sales, 27% of operating income and 25% of EBITDA. The aforementioned percentages are calculated on the basis of total segment (and not total Company) sales, operating income and EBITDA.

Sales in the nine months ended September 30, 2014 were \$1,623.9 million, an 8% increase from the comparable period last year. This increase reflects a 6% increase in organic sales, a 1% increase from acquisitions (FTL — March 2013 and Aegis - April 2014) and 1% favorable foreign currency translation. Organic sales to customers outside the U.S. represented approximately 49% of total sales in the first nine months of 2014, compared to 50% during the same period of 2013.

Gross profit of \$720.2 million in the first nine months of 2014 increased \$73.8 million, or 11%, from the same period in 2013. Gross margin of 44.4% in the first nine months of 2014 increased from 43.0% during the same period in 2013. The increase in gross margin primarily resulted from an increase in volume and benefits from the Company's structural cost actions taken in the prior year.

Selling, general and administrative expenses increased to \$383.4 million in the first nine months of 2014 from \$354.7 million during the same period of 2013. The change reflects an increase of approximately \$2.7 million for incremental costs from the FTL and Aegis acquisitions and an increase in volume related expenses of \$26.0 million. As a percentage of sales, SG&A expenses were 23.7% for the first nine months of both 2014 and 2013.

Operating income of \$336.8 million in the first nine months of 2014 was up from the \$291.6 million recorded during the same period in 2013, primarily reflecting an increase in volume and improved productivity. Operating margin of 20.7% in the first nine months of 2014 was up from 19.4% during the same period of 2013, primarily due to volume leverage, productivity, and conversion of a large Dispensing order.

The provision for income taxes is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes of \$89.3 million for the first nine months of 2014 increased compared to \$72.8 million recorded in the same period of 2013. The effective tax rate increased to 29.1% for the first nine months of 2014 compared to 27.9% in the same period of 2013 due to the mix of global pre-tax income among jurisdictions. Additionally, the effective tax rate for the first nine months of 2014 is higher than the same period in the prior year due to the recognition of discrete tax benefits in 2013 as well as the lapsing of the U.S. R&D credit which expired at the end of 2013.

Net income in the first nine months of 2014 of \$217.8 million increased from \$187.7 million during the same period of 2013. Diluted earnings per share in the first nine months of 2014 of \$2.68 increased \$0.41, or 18%, compared with the same period in 2013.



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## Fluid &amp; Metering Technologies Segment

(In thousands)	Nine Months Ended			
	September 30,			
	2014	2013		
Net sales	\$672,719	\$649,580		
Operating income	166,821	155,930		
Operating margin	24.8	% 24.0		%
EBITDA	\$187,214	\$175,689		
EBITDA as a percentage of net sales	27.8	% 27.0		%
Depreciation and amortization	\$20,022	\$20,953		
Depreciation and amortization as a percentage of net sales	3.0	% 3.2		%
Capital expenditures	\$11,155	\$8,126		
Capital expenditures as a percentage of net sales	1.7	% 1.3		%

Sales of \$672.7 million increased \$23.1 million, or 4%, in the first nine months of 2014 compared with the same period of 2013. This reflects a 2% increase in organic sales, a 1% favorable impact from acquisitions (Aegis - April 2014) and 1% favorable foreign currency translation. In the first nine months of 2014, organic sales increased 3% domestically and 1% internationally compared to the 2013 period. Organic sales to customers outside the U.S. were approximately 45% of total segment sales during the first nine months of 2014 and 2013.

Sales within our Energy platform increased in the first nine months of 2014 compared to the same period of 2013 due to the continued strength of OEM truck builds and North American electronic retrofits. Sales within our Chemical, Food & Process platform increased compared to the first nine months of 2013 based on strong demand in the North American industrial market, which was partially offset by delays in large international chemical projects. Sales within our Agriculture group improved slightly due to the strength of new product introductions, partially offset by weak market conditions. Diaphragm & Dosing Pump Technology sales increased compared to the first nine months of 2013 due to increased demand in the North American oil and gas markets, offset by large project delays in Europe and the Middle East. Sales in Water Services & Technology increased in the first nine months of 2014 compared to the same period in 2013 based primarily on continued share gain along with a slight increase in municipal spending.

Operating income and operating margin of \$166.8 million and 24.8%, respectively, were higher than the \$155.9 million and 24.0% recorded in the first nine months of 2013, primarily due to increased volume, operational execution, and productivity, partially offset by \$1.3 million of non-cash acquisition fair value inventory charges associated with the Aegis acquisition.

## Health &amp; Science Technologies Segment

(In thousands)	Nine Months Ended			
	September 30,			
	2014	2013		
Net sales	\$562,899	\$532,363		
Operating income	114,580	103,564		
Operating margin	20.4	% 19.5		%
EBITDA	\$147,008	\$136,397		
EBITDA as a percentage of net sales	26.1	% 25.6		%
Depreciation and amortization	\$32,404	\$32,537		
Depreciation and amortization as a percentage of net sales	5.8	% 6.1		%
Capital expenditures	\$13,991	\$9,777		
Capital expenditures as a percentage of net sales	2.5	% 1.8		%

Sales of \$562.9 million increased \$30.5 million, or 6%, in the first nine months of 2014 compared with the same period in 2013. This reflects 4% organic revenue growth, 1% growth from acquisitions (FTL - March 2013) and 1% favorable foreign currency translation. In the first nine months of 2014, organic sales increased 7% domestically and 1% internationally. Organic sales to customers outside the U.S. were approximately 53% of total segment sales in the

first nine months of 2014 compared with 52% during the same period in 2013.

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Sales within our Material Processing Technologies platform increased compared to the first nine months of 2013 due to large pharmaceutical and food project shipments in the North American and Asian markets. Sales within our Scientific Fluidics platform increased compared to the first nine months of 2013 due to new product introductions and the strength of the life sciences market, offset by continued weakness in the analytical instrumentation market. Sales within the Sealing Solutions group increased compared to the first nine months of 2013 primarily due to the acquisition of FTL in March 2013. Sales within our Optics and Photonics platform were flat compared to the first nine months of 2013 due to the decision to exit certain product lines, offset by renewed strength in the semiconductor and life sciences markets. Sales within our Industrial group increased compared to the first nine months of 2013 due to growth in North American distributor sales and capturing market share.

Operating income and operating margin of \$114.6 million and 20.4%, respectively, in the first nine months of 2014 were up from the \$103.6 million and 19.5% recorded in the same period of 2013, primarily due to increased volume and productivity.

## Fire &amp; Safety/Diversified Products Segment

(In thousands)

	Nine Months Ended			
	September 30,			
	2014	2013		
Net sales	\$393,779	\$326,826		
Operating income	106,988	74,027		
Operating margin	27.2	% 22.7		%
EBITDA	\$112,581	\$79,732		
EBITDA as a percentage of net sales	28.6	% 24.4		%
Depreciation and amortization	\$4,949	\$5,175		
Depreciation and amortization as a percentage of net sales	1.3	% 1.6		%
Capital expenditures	\$5,517	\$2,997		
Capital expenditures as a percentage of net sales	1.4	% 0.9		%

Sales of \$393.8 million increased \$67.0 million, or 20%, in the first nine months of 2014 compared with the same period in 2013. This reflects 19% organic growth and 1% favorable foreign currency translation. In the first nine months of 2014, organic sales increased 31% domestically and 10% internationally, compared with the same period in 2013. Organic sales to customers outside the U.S. were approximately 52% of total segment sales in the first nine months of 2014 compared to 57% during the same period of 2013.

Sales within our Dispensing group increased compared to the first nine months of 2013 as a result of fulfilling a large Dispensing order and the strength of Asian and Western European markets. Sales within our Band-It group increased compared to the first nine months of 2013 driven by strength in the North American transportation and oil and gas markets. Sales within our Fire Suppression group increased due to demand for power facility trailers and stable project orders in China and North America. Sales within our Rescue group decreased slightly due to prolonged decision making on municipal projects in Asia, partially offset by the success of new products.

Operating income and operating margin of \$107.0 million and 27.2%, respectively, in the first nine months of 2014 were higher than the \$74.0 million and 22.7% recorded in the first nine months of 2013, primarily due to volume leverage, the fulfillment of the large dispensing order as well as a prior year charge associated with a facility disposal in 2013.

## Liquidity and Capital Resources

At September 30, 2014, the Company's cash and cash equivalents totaled \$487.1 million, of which \$376.5 million was held outside of the United States. At September 30, 2014, working capital was \$678.4 million and the current ratio was 2.7 to 1. Cash flows from operating activities for the first nine months of 2014 decreased \$33.3 million, or 11.1%, to \$266.6 million compared to the first nine months of 2013, due to higher federal income tax payments and higher operating working capital needs due to increased volumes, partially offset by higher earnings.

Cash flows provided by operating activities were more than adequate to fund capital expenditures of \$33.8 million and \$23.1 million in the first nine months of 2014 and 2013, respectively. Capital expenditures were generally for machinery and equipment that improved productivity, tooling, business system technology, replacement of equipment and investments in new facilities. Management believes the Company has sufficient capacity in its plants and equipment to meet expected needs for future growth.

The Company maintains the Revolving Facility, which is a \$700.0 million unsecured, multi-currency bank credit facility expiring on June 27, 2016. At September 30, 2014, there were \$70.0 million of outstanding borrowings under the Revolving

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Facility and outstanding letters of credit totaled approximately \$8.3 million. The net available borrowing capacity under the Revolving Facility at September 30, 2014, was approximately \$621.7 million. Borrowings under the Revolving Facility bear interest, at either an alternate base rate or an adjusted LIBOR rate plus, in each case, an applicable margin. Such applicable margin is based on the Company's senior, unsecured, long-term debt rating and can range from .875% to 1.70%. Based on the Company's credit rating at September 30, 2014, the applicable margin was 1.05%. Interest is payable (a) in the case of base rate loans, quarterly, and (b) in the case of LIBOR rate loans, on the maturity date of the borrowing, or quarterly from the effective date for borrowings exceeding three months. An annual Revolving Facility fee, also based on the Company's credit rating, is currently 20 basis points and is payable quarterly. At September 30, 2014, the Company included the outstanding balance of the 2.58% Senior Euro Notes, \$102.7 million within Current liabilities on the Consolidated Balance Sheet as the maturity date is June 9, 2015.

There are two key financial covenants that the Company is required to maintain in connection with the Revolving Facility and 2.58% Senior Euro Notes. The most restrictive financial covenants under these debt instruments require a minimum interest coverage ratio of 3.0 to 1 and a maximum leverage ratio of 3.25 to 1. At September 30, 2014, the Company was in compliance with both of these financial covenants, as the Company's interest coverage ratio was 12.94 to 1 and the leverage ratio was 1.58 to 1. There are no financial covenants relating to the 4.5% Senior Notes or 4.2% Senior Notes; however, both are subject to cross-default provisions.

On November 8, 2013, the Company's Board of Directors approved a \$300.0 million increase in the authorized level for repurchases of common stock. Repurchases under the program will be funded with future cash flow generation or borrowings available under the Revolving Facility. During the first nine months of 2014, the Company purchased a total of 2.0 million shares at a cost of \$149.7 million, of which \$3.7 million was settled in October 2014. As of September 30, 2014, the amount of share repurchase authorization remaining is \$218.2 million.

The Company believes current cash, cash from operations and cash available under the Revolving Facility will be sufficient to meet its operating cash requirements, planned capital expenditures, interest on all borrowings, pension and postretirement funding requirements, expected share repurchases and annual dividend payments to holders of the Company's stock for the remainder of 2014. Additionally, in the event that suitable businesses are available for acquisition upon acceptable terms, the Company may obtain all or a portion of the financing for these acquisitions through the incurrence of additional borrowings. As of September 30, 2014, \$70.0 million was outstanding under the Revolving Facility, with \$8.3 million of outstanding letters of credit, resulting in net available borrowing capacity under the Revolving Facility at September 30, 2014 of approximately \$621.7 million.

Non-GAAP Disclosures

The following is a reconciliation of EBITDA to the comparable measures of net income and operating income, as determined in accordance with U.S. GAAP. We have reconciled consolidated EBITDA to net income and we have reconciled segment EBITDA to segment operating income, as we do not allocate interest and income taxes to our segments. EBITDA means earnings before interest, income taxes, depreciation and amortization. Given the acquisitive nature of the Company which results in a higher level of amortization expense at recently acquired businesses, management uses EBITDA, in addition to operating income, to provide it with another way to measure financial performance of businesses across our three segments. Management also uses EBITDA for enterprise valuation purposes. We believe that EBITDA is also useful to some investors as an indicator of the strength and performance of the Company's and its segment's ongoing business operations and a way to evaluate and compare operating performance and value companies within our industry. However, it should not be considered as an alternative to net income, operating income or any other items calculated in accordance with U.S. GAAP. The definition of EBITDA used here may differ from that used by other companies.



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Consolidated EBITDA Reconciliation (in thousands)		Three Months Ended					
		September 30,					
		2014	2013				
Net income		\$71,441	\$63,799				
+ Income taxes		29,889	22,812				
+ Interest expense		10,461	10,570				
+ Depreciation & amortization		19,609	19,779				
EBITDA		\$131,400	\$116,960				
Net sales		\$533,179	\$490,617				
EBITDA as a percentage of net sales		24.6	% 23.8 %				
Segment EBITDA Reconciliation (in thousands)		Three Months Ended September 30,					
		2014			2013		
		FMT	HST	FSD	FMT	HST	FSD
Operating income		\$54,791	\$42,214	\$31,355	\$51,736	\$36,775	\$22,119
- Other (income) expense - net		55	(420 )	(531 )	559	131	18
+ Depreciation & amortization		6,724	11,005	1,597	6,981	10,798	1,726
EBITDA		\$61,460	\$53,639	\$33,483	\$58,158	\$47,442	\$23,827
Net sales		\$223,258	\$190,852	\$120,313	\$212,337	\$178,628	\$101,077
EBITDA as a percentage of net sales		27.5 %	28.1 %	27.8 %	27.4 %	26.6 %	23.6 %
Consolidated EBITDA Reconciliation (in thousands)		Nine Months Ended					
		September 30,					
		2014	2013				
Net income		\$217,766	\$187,660				
+ Income taxes		89,332	72,774				
+ Interest expense		31,323	31,724				
+ Depreciation & amortization		58,282	59,695				
EBITDA		\$396,703	\$351,853				
Net sales		\$1,623,868	\$1,503,510				
EBITDA as a percentage of net sales		24.4	% 23.4 %				
Segment EBITDA Reconciliation (in thousands)		Nine Months Ended September 30,					
		2014			2013		
		FMT	HST	FSD	FMT	HST	FSD
Operating income		\$166,821	\$114,580	\$106,988	\$155,930	\$103,564	\$74,027
- Other (income) expense - net		(371 )	(24 )	(644 )	1,194	(296 )	(530 )
+ Depreciation & amortization		20,022	32,404	4,949	20,953	32,537	5,175
EBITDA		\$187,214	\$147,008	\$112,581	\$175,689	\$136,397	\$79,732
Net sales		\$672,719	\$562,899	\$393,779	\$649,580	\$532,363	\$326,826
EBITDA as a percentage of net sales		27.8 %	26.1 %	28.6 %	27.0 %	25.6 %	24.4 %



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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is subject to market risk associated with changes in foreign currency exchange rates and interest rates. The Company may, from time to time, enter into foreign currency forward contracts and interest rate swaps on its debt when it believes there is a financial advantage in doing so. A treasury risk management policy, adopted by the Board of Directors, provides for procedures and controls over derivative financial and commodity instruments, including foreign currency forward contracts and interest rate swaps. Under the policy, the Company does not use derivative financial or commodity instruments for trading purposes, and the use of these instruments is subject to strict approvals by senior officers. Typically, the use of derivative instruments is limited to foreign currency forward contracts and interest rate swaps on the Company's outstanding long-term debt.

The Company's foreign currency exchange rate risk is limited principally to the Euro, British Pound, Canadian Dollar, Japanese Yen, Indian Rupee and Chinese Renminbi. The Company manages its foreign exchange risk principally through invoicing customers in the same currency as the source of products. The effect of transaction gains and losses is reported within other income-net on the Consolidated Statements of Operations.

The Company's interest rate exposure is primarily related to the \$823.4 million of total debt outstanding at September 30, 2014. Approximately 9% of the debt is priced at interest rates that float with the market. A 50 basis point movement in the interest rate on the floating rate debt would result in an approximate \$0.4 million annualized increase or decrease in interest expense and cash flows. The remaining debt is fixed rate debt.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) promulgated under the Securities Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2014, that the Company's disclosure controls and procedures were effective.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings.

The Company and six of its subsidiaries are presently named as defendants in a number of lawsuits claiming various asbestos-related personal injuries, allegedly as a result of exposure to products manufactured with components that contained asbestos. These components were acquired from third party suppliers, and were not manufactured by any of the subsidiaries. To date, the majority of the Company's settlements and legal costs, except for costs of coordination, administration, insurance investigation and a portion of defense costs, have been covered in full by insurance, subject to applicable deductibles. However, the Company cannot predict whether and to what extent insurance will be available to continue to cover these settlements and legal costs, or how insurers may respond to claims that are tendered to them. Claims have been filed in jurisdictions throughout the United States. Most of the claims resolved to date have been dismissed without payment. The balance have been settled for various insignificant amounts. Only one case has been tried, resulting in a verdict for the Company's business unit. No provision has been made in the financial statements of the Company, other than for insurance deductibles in the ordinary course, and the Company does not currently believe the asbestos-related claims will have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

The Company is also party to various other legal proceedings arising in the ordinary course of business, none of which is expected to have a material adverse effect on its business, financial condition, results of operations or cash flows.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information about the Company's purchases of its common stock during the quarter ended September 30, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Maximum Dollar Value that May Yet be Purchased Under the Plans or Programs <sup>(1)</sup>
July 1, 2014 to July 31, 2014	241,966	\$79.29	241,966	\$ 263,044,053
August 1, 2014 to August 31, 2014	265,063	\$76.50	265,063	\$ 242,767,145
September 1, 2014 to September 30, 2014	323,924	\$75.71	323,924	\$ 218,243,017
Total	830,953	\$77.00	830,953	\$ 218,243,017

On November 8, 2013, the Company announced that its Board of Directors had increased the authorized level for repurchases of its common stock by approximately \$300.0 million. This followed the prior Board of Directors (1) repurchase authorizations of \$200.0 million, announced by the Company on October 22, 2012; \$50.0 million, announced by the Company on December 6, 2011; and the original repurchase authorization of \$125.0 million announced by the Company on April 21, 2008.

## Item 6. Exhibits.

The exhibits listed in the accompanying "Exhibit Index" are filed or furnished as part of this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IDEX Corporation

By: /s/ HEATH A. MITTS  
Heath A. Mitts  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

By: /s/ MICHAEL J. YATES  
Michael J. Yates  
Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

Date: October 27, 2014

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EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of IDEX Corporation (incorporated by reference to Exhibit No. 3.1 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on April 21, 1988)
3.1(a)	Amendment to Restated Certificate of Incorporation of IDEX Corporation (incorporated by reference to Exhibit No. 3.1(a) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 1996, Commission File No. 1-10235)
3.1(b)	Amendment to Restated Certificate of Incorporation of IDEX Corporation (incorporated by reference to Exhibit No. 3.1(b) to the Current Report of IDEX on Form 8-K dated March 24, 2005, Commission File No. 1-10235)
3.2	Amended and Restated By-Laws of IDEX Corporation (incorporated by reference to Exhibit No. 3.1 to the Current Report of IDEX Corporation on Form 8-K filed November 14, 2011, Commission File No. 1-10235)
3.2(a)	Amended and Restated Article III, Section 13 of the Amended and Restated By-Laws of IDEX Corporation (incorporated by reference to Exhibit No. 3.2(a) to Post-Effective Amendment No. 3 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on February 12, 1990)
*10.1	Second Amendment of the Third Amended and Restated IDEX Corporation Directors Deferred Compensation Plan
*31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes Oxley Act of 2002
*31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes Oxley Act of 2002
*32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
*32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
*101	The following financial information from IDEX Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Earnings, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statement of Shareholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.

\* Filed herewith