IDEX CORP /DE/
Form 10-K
February 21, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 2012

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

For the Transition Period From to
Commission file number 1-10235

IDEX CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-3555336**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1925 West Field Court, Lake Forest, Illinois	**60045**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number:

(847) 498-7070

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange and Chicago Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 þ 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

The aggregate market value of the common stock (based on the June 29, 2012 closing price of $38.98) held by non-affiliates of IDEX Corporation was $3,228,621,602.

The number of shares outstanding of IDEX Corporation s common stock, par value $.01 per share, as of February 15, 2013 was 82,523,658.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2012 annual report to stockholders of IDEX Corporation the (2012 Annual Report) are incorporated by reference to Part II of this Form 10-K and portions of the proxy statement of IDEX Corporation with respect to the 2013 annual meeting of stockholders (the 2013 Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. ***Business.***
IDEX Corporation (IDEX or the Company) is a Delaware corporation incorporated on September 24, 1987. The Company is an applied solutions business that sells an extensive array of pumps, flow meters and other fluidics systems and components and engineered products to customers in a variety of markets around the world. All of the Company s business activities are carried out through wholly-owned subsidiaries.

IDEX has three reportable business segments: Fluid & Metering Technologies, Health & Science Technologies and Fire & Safety/Diversified Products. Reporting units in the Fluid & Metering Technologies segment consist of: Banjo; Energy & Fuels (Energy); Chemical, Food & Process (CFP); Diaphragm & Dosing Pump Technology (DDPT) and Water Services & Technology (WST). Reporting units in the Health & Science Technologies segment consist of: IDEX Health & Science (IH&S); IDEX Optics & Photonics (IOP); Containment; Gast; Micropump and Materials Process Technologies (MPT). Reporting units in the Fire & Safety/Diversified Products segment consist of: Fire Suppression; Rescue; Band-It; and Dispensing Equipment.

In the fourth quarter of 2012, the Company reorganized the reporting units under CFP and Water & Wastewater (Water) reporting units within the Fluid & Metering Technologies segment. The DDPT reporting unit was created to focus on the product technology platform around our core diaphragm and dosing pumps and will consist of Knight and Pulsafeeder from the Water reporting unit and Trebor and Warren Rupp from the CFP reporting unit. The WST reporting unit was created to focus on services provided to end customers in the municipal end markets and will include ADS, IETG, and iPEK from the Water reporting unit. The remaining business units in CFP will consist of Viking and Richter.

IDEX believes that each of its reporting units is a leader in its product and service areas. The Company also believes that its strong financial performance has been attributable to its ability to design and engineer specialized quality products, coupled with its ability to identify and successfully consummate and integrate strategic acquisitions.

FLUID & METERING TECHNOLOGIES SEGMENT

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. Fluid & Metering Technologies application-specific pump and metering solutions serve a diverse range of end markets, including industrial infrastructure (fossil fuels, refined & alternative fuels, and water & wastewater), chemical processing, agricultural, food & beverage, pulp & paper, transportation, plastics and resins, electronics and electrical, construction & mining, pharmaceutical and bio-pharmaceutical, machinery and numerous other specialty niche markets. Fluid & Metering Technologies accounted for 43% of IDEX s sales and 82% of IDEX s operating income in 2012, with approximately 46% of its sales to customers outside the U.S.

Banjo. Banjo is a provider of special purpose, severe-duty pumps, valves, fittings and systems used in liquid handling. Banjo is based in Crawfordsville, Indiana and its products are used in agricultural and industrial applications. Approximately 11% of Banjo s 2012 sales were to customers outside the U.S.

Energy & Fuels. Energy consists of the Company s Corken, Faure Herman, Liquid Controls, S.A.M.P.I. and Toptech businesses. Energy is a leading supplier of flow meters, electronic registration and control products, rotary vane and turbine pumps, reciprocating piston compressors, and terminal automation control systems. Headquartered in Lake Bluff, Illinois (Liquid Controls and Sponsler products), Energy has additional facilities in Longwood, Florida and Zwijndrech, Belgium (Toptech products); Oklahoma City, Oklahoma (Corken products);

La Ferté Bernard, France (Faure Herman products); and Altopascio, Italy (S.A.M.P.I. products). Applications for Liquid Controls and S.A.M.P.I. positive displacement flow meters, electronic, registration and control products include mobile and stationary metering installations for wholesale and retail distribution of petroleum and liquefied petroleum gas, aviation refueling, and industrial metering and dispensing of liquids and gases. Corken products consist of positive-displacement rotary vane pumps, single and multistage regenerative turbine pumps, and small horsepower reciprocating piston compressors. Toptech supplies terminal automation hardware and software to control and manage inventories, as well as transactional data and invoicing, to customers in the oil, gas and refined-fuels markets. Faure Herman is a leading supplier of ultrasonic and helical turbine flow meters used in the custody transfer and control of high value fluids and gases. Approximately 53% of Energy s 2012 sales were to customers outside the U.S.

Chemical, Food & Process. CFP consists of the Company s Richter and Viking businesses. CFP is a producer of fluoroplastic lined corrosion-resistant magnetic drive and mechanical seal pumps, shut-off, control and safety valves for corrosive, hazardous, contaminated, pure and high-purity fluids, as well as rotary internal gear, external gear, vane and rotary lobe pumps, custom-engineered OEM pumps, strainers, gear reducers and engineered pump systems. Richter s corrosion resistant fluoroplastic lined products offer superior solutions for demanding applications in the process industry. Viking s products consist of external gear pumps, strainers and reducers, and related controls used for transferring and metering thin and viscous liquids sold under the Viking® and Wright Flow brands. Viking products primarily serve the chemical, petroleum, pulp & paper, plastics, paints, inks, tanker trucks, compressor, construction, food & beverage, personal care, pharmaceutical and biotech markets. CFP maintains operations in Kempen, Germany (Richter products); Cedar Falls, Iowa (Richter and Viking products); Eastbourne, East Sussex, England and Shannon, Ireland (Viking products). CFP primarily uses independent distributors to market and sell its products. Approximately 54% of CFP s 2012 sales were to customers outside the U.S.

Diaphragm & Dosing Pump Technology. DDPT consists of the Company s Knight, Pulsafeeder, Trebor and Warren Rupp businesses. DDPT is a leading provider of ultra-pure chemical pumps, liquid heating systems, air-operated and natural gas-operated double diaphragm pumps, high-pressure pumps, alloy and non-metallic gear pumps, centrifugal pumps, special purpose rotary pumps, peristaltic pumps, transfer pumps, as well as dispensing equipment for industrial laundries, commercial dishwashing and chemical metering. Knight is a leading manufacturer of pumps and dispensing equipment for industrial laundries, commercial dishwashing and chemical metering. Pulsafeeder products (which also include OBL products) are used to introduce precise amounts of fluids into processes to manage water quality and chemical composition, as well as peristaltic pumps. Its markets include water and wastewater treatment, oil and gas, power generation, pulp and paper, chemical and hydrocarbon processing, and swimming pools. Trebor is a leader in high-purity fluid handling products, including air-operated diaphragm pumps and deionized water-heating systems. Trebor products are used in manufacturing of semiconductors, disk drives and flat panel displays. Warren Rupp products (which also include Pumper Parts and Versa-Matic products) are used for abrasive and semisolid materials as well as for applications where product degradation is a concern or where electricity is not available or should not be used. Warren Rupp products primarily serve the chemical, paint, food processing, electronics, construction, utilities, mining and industrial maintenance markets. DDPT maintains operations in Salt Lake City, Utah (Trebor products); Mansfield, Ohio (Warren Rupp products); Rochester, New York, Punta Gorda, Florida and Milan, Italy (Pulsafeeder products); Lake Forest, California, Mississauga, Ontario, Canada, Eastbourne, East Sussex, England, and Unanderra, Australia (Knight products); and a maquiladora in Ciudad Juarez, Chihuahua, Mexico (Knight products). Approximately 47% of DDPT s 2012 sales were to customers outside the U.S.

Water Services & Technology. WST consists of the Company s ADS, IETG and iPEK businesses. WST is a leading provider of metering technology and flow monitoring products and underground surveillance services for wastewater markets. ADS s products and services provide comprehensive integrated solutions that enable industry, municipalities and government agencies to analyze and measure the capacity, quality and integrity of wastewater collection systems, including the maintenance and construction of such systems. IETG s products and services enable water companies to effectively manage their water distribution and sewerage networks, while its surveillance service specializes in underground asset detection and mapping for utilities and other private companies. iPEK supplies remote controlled systems used for infrastructure inspection. WST maintains operations in Huntsville, Alabama and various other locations in the United States and Australia (ADS products and services); Leeds, England (IETG products and services); and Hirschegg, Austria, and Sulzberg, Germany (iPEK products). Approximately 40% of WST s 2012 sales were to customers outside the U.S.

HEALTH & SCIENCE TECHNOLOGIES SEGMENT

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, including 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, 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 exacting original equipment manufacturer specifications. The segment accounted for 35% of IDEX s sales and (35)% of operating income in 2012, with approximately 54% of its sales to customers outside the U.S.

IDEX Health & Science. IH&S consists of Eastern Plastics, Rheodyne, Ismatec, Sapphire Engineering, Upchurch Scientific and ERC, which was acquired in April 2012. IH&S has facilities in Rohnert Park, California (Rheodyne products); Bristol, Connecticut (Eastern Plastics products); Wertheim-Mondfeld, Germany (Ismatec products); Middleboro, Massachusetts (Sapphire Engineering products); Oak Harbor, Washington (Ismatec and Upchurch Scientific products); and Kawaguchi, Japan (ERC products). Eastern Plastics products, which consist of high- precision integrated fluidics and associated engineered plastics solutions, are used in a broad set of end markets including medical diagnostics, analytical instrumentation, and laboratory automation. Rheodyne products consist of injectors, valves, fittings and accessories for the analytical instrumentation market. Rheodyne products are used by manufacturers of high pressure liquid chromatography equipment servicing the pharmaceutical, biotech, life science, food & beverage, and chemical markets. Ismatec products include peristaltic metering pumps, analytical process controllers, and sample preparation systems. Sapphire Engineering and Upchurch Scientific products consist of fluidic components and systems for the analytical, biotech and diagnostic instrumentation markets, such as fittings, precision-dispensing pumps and valves, tubing and integrated tubing assemblies, filter sensors and other micro-fluidic and nano-fluidic components, as well as advanced column hardware and accessories for the high performance liquid chromatography (HPLC) market. Sapphire Engineering and Upchurch Scientific products primarily serve the pharmaceutical, drug discovery, chemical, biochemical processing, genomics/proteomics research, environmental labs, food/agriculture, medical lab, personal care, and plastics/polymer/rubber production markets. ERC manufactures gas liquid separations and detection solutions for the life science, analytical instrumentation and clinical chemistry markets. ERC s products consist of in-line membrane vacuum degassing solutions, refractive index detectors and ozone generation systems. Approximately 52% of IH&S s 2012 sales were to customers outside the U.S.

IDEX Optics and Photonics. IOP consists of CVI Melles Griot (CVI MG), Semrock and AT Films (the Precision Photonics portion of the AT Films business was acquired in April 2012). CVI MG is a global leader in the design and manufacture of precision photonic solutions used in the life sciences, research, semiconductor, security and defense markets. CVI MG s innovative products are focused on the generation, control and productive use of light for a variety of key science and industrial applications. Products consist of specialty lasers and light sources, electro-optical components, specialty shutters, opto-mechanical assemblies and components. In addition, CVI MG produces critical components for life science research, electronics manufacturing, military and other industrial applications including lenses, mirrors, filters and polarizers. These components are utilized in a number of important applications such as spectroscopy, cytometry (cell counting), guidance systems for target designation, remote sensing, menology and optical lithography. CVI MG is headquartered in Albuquerque, New Mexico, with additional manufacturing sites located in Carlsbad, California; Rochester, New York; Isle of Man, British Isles; Leicester, England; Kyongki-Do, Korea; Tokyo, Japan; Didam, The Netherlands; and Singapore. Semrock is a provider of optical filters for biotech and analytical instrumentation in the life sciences markets. Semrock s optical filters are produced using state-of-the-art manufacturing processes which enable it to offer its customers significant improvements in instrument performance and reliability. Semrock is located in Rochester, New York. AT Films specializes in optical components and coatings for applications in the fields of scientific research, defense, aerospace, telecommunications and electronics manufacturing. AT Films core competence is the design and manufacture of filters, splitters, reflectors and mirrors with the precise physical properties required to support their customers most challenging and cutting-edge optical applications. The Precision Photonics portion of its business specializes in optical components and coatings for applications in the fields of scientific research, aerospace, telecommunications and electronics manufacturing. AT Films is headquartered in Boulder, Colorado. Approximately 57% of IOP s 2012 sales were to customers outside the U.S.

Containment. Containment consists of Precision Polymer Engineering (PPE). PPE, which is located in Blackburn, England, is a provider of proprietary high performance seals and advanced sealing solutions for a diverse range of global industries and applications, including hazardous duty, analytical instrumentation, semiconductor/solar, process technologies, pharmaceutical, electronics, and food applications. Approximately 79% of PPE s 2012 sales were to customers outside the U.S.

Gast. Gast consists of the Company s Gast and Jun-Air businesses. The Gast business is a leading manufacturer of air-moving products, including air motors, low-range and medium-range vacuum pumps, vacuum generators, regenerative blowers and fractional horsepower compressors. Gast products are used in a variety of long-life applications requiring a quiet, clean source of moderate vacuum or pressure. Gast products primarily serve the medical equipment, environmental equipment, computers and electronics, printing machinery, paint mixing machinery, packaging machinery, graphic arts, and industrial manufacturing markets. The Jun-Air business is a provider of low-decibel, ultra-quiet vacuum compressors suitable for medical, dental and laboratory applications. Based in Benton Harbor, Michigan, Gast also has a logistics and commercial center in Redditch, England. Approximately 27% of Gast s 2012 sales were to customers outside the U.S.

Micropump. Micropump, headquartered in Vancouver, Washington, is a leader in small, precision-engineered, magnetically and electromagnetically driven rotary gear, piston and centrifugal pumps. Micropump products are used in low-flow abrasive and corrosive applications. Micropump products primarily serve the printing machinery, medical equipment, paints and inks, chemical processing, pharmaceutical, refining, laboratory, electronics, pulp and paper, water treatment, textiles, peristaltic metering pumps, analytical process controllers and sample preparation systems markets. Approximately 77% of Micropump s 2012 sales were to customers outside the U.S.

Materials Process Technologies. MPT consists of Quadro, Fitzpatrick, Microfluidics and Matcon Group Limited (Matcon), which was acquired in July 2012. Quadro is a leading provider of particle control solutions for the pharmaceutical and bio-pharmaceutical markets. Based in Waterloo, Ontario, Canada, Quadro s core capabilities include fine milling, emulsification and special handling of liquid and solid particulates for laboratory, pilot phase and production scale processing within the pharmaceutical and bio-pharmaceutical markets. Fitzpatrick is a global leader in the design and manufacture of process technologies for the pharmaceutical, food and personal care markets. Fitzpatrick designs and manufactures customized size reduction, roll compaction and drying systems to support their customers product development and manufacturing processes. Fitzpatrick is headquartered in Elmhurst, Illinois. Microfluidics is a global leader in the design and manufacture of laboratory and commercial equipment used in the production of micro and nano scale materials for the pharmaceutical and chemical markets. Microfluidics is the exclusive producer of the Microfluidizer® family of high shear fluid processors for uniform particle size reduction, robust cell disruption and nanoparticle creation. Microfluidics has offices in Newton, Massachusetts. Matcon is a global leader in material processing solutions for high value powders used in the manufacture of pharmaceuticals, food, plastics, and fine chemicals.

Matcon s innovative products consist of the original cone valve powder discharge system and filling, mixing and packaging systems, all of which support its customers automation and process requirements. Matcon s products are critical to its customers need to maintain clean, reliable and repeatable formulations of prepackaged foods and pharmaceuticals while helping them achieve lean and agile manufacturing. Matcon is located in Evesham, Worcestershire, England. Approximately 61% of MPT s 2012 sales were to customers outside the U.S.

FIRE & SAFETY/DIVERSIFIED PRODUCTS SEGMENT

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. The segment accounted for 22% of IDEX s sales and 53% of IDEX s operating income in 2012, with approximately 56% of its sales to customers outside the U.S.

Fire Suppression. Fire Suppression consists of the Company s Class 1, Hale and Godiva businesses, which produce truck-mounted and portable fire pumps, stainless steel valves, foam and compressed air foam systems, pump modules and pump kits, electronic controls and information systems, conventional and networked electrical systems, and mechanical components for the fire, rescue and specialty vehicle markets. Fire Suppression s customers are primarily OEMs. Fire Suppression is headquartered in Ocala, Florida (Class 1 and Hale products), with additional facilities located in Warwick, England (Godiva products). Approximately 41% of Fire Suppression s 2012 sales were to customers outside the U.S.

Rescue. Rescue consists of the Company s Dinglee, Hurst Jaws of Life, Lukas and Vetter businesses, which produce hydraulic, battery, gas and electric-operated rescue equipment, hydraulic re-railing equipment, hydraulic tools for industrial applications, recycling cutters, pneumatic lifting and sealing bags for vehicle and aircraft rescue, environmental protection and disaster control, and shoring equipment for vehicular or structural collapse. Rescue Tool s customers are primarily public and private fire and rescue organizations. Rescue has facilities in Shelby, North Carolina (Hurst Jaws of Life products); Tianjin, China (Dinglee products); Erlangen, Germany (Lukas products); and Zulpich, Germany (Vetter products). Approximately 75% of Rescue s 2012 sales were to customers outside the U.S.

Band-It. Band-It is a leading producer of high-quality stainless steel banding, buckles and clamping systems. The BAND-IT® brand is highly recognized worldwide. Band-It products are used for securing exhaust system heat and sound shields, industrial hose fittings, traffic signs and signals, electrical cable shielding, identification and bundling, and in numerous other industrial and commercial applications. Band-It products primarily serve the automotive, transportation equipment, oil and gas, general industrial maintenance, electronics, electrical, communications, aerospace, utility, municipal and subsea marine markets. Band-It is based in Denver, Colorado, with additional operations in Staveley, Derbyshire, England, and a IDEX shared manufacturing facility in China. Approximately 39% of Band-It s 2012 sales were to customers outside the U.S.

Dispensing Equipment. Dispensing Equipment produces precision equipment for dispensing, metering and mixing colorants and paints used in a variety of retail and commercial businesses around the world. Dispensing Equipment is a global supplier of precision-designed tinting, mixing, dispensing and measuring equipment for auto refinishing and architectural paints. Dispensing Equipment products are used in retail and commercial stores, hardware stores, home centers, department stores, automotive body shops as well as point-of-purchase dispensers. Dispensing Equipment is headquartered in Wheeling, Illinois with additional facilities in Sassenheim, The Netherlands; Unanderra, Australia; and Milan, Italy, as well as IDEX shared manufacturing facilities in India and China. Approximately 59% of Dispensing Equipment s 2012 sales were to customers outside the U.S.

INFORMATION APPLICABLE TO THE COMPANY S BUSINESS IN GENERAL AND ITS SEGMENTS

Competitors

The Company s businesses participate in highly competitive markets. IDEX believes that the principal points of competition are product quality, price, design and engineering capabilities, product development, conformity to customer specifications, quality of post-sale support, timeliness of delivery, and effectiveness of our distribution channels.

Principal competitors of the Fluid & Metering Technologies Segment are the Pump Solutions Group (Maag, Blackmer and Wilden products) of Dover Corporation (with respect to pumps and small horsepower compressors used in liquified petroleum gas distribution facilities, rotary gear pumps, and air-operated double-diaphragm pumps); Milton Roy (with respect to metering pumps and controls); and Tuthill Corporation (with respect to rotary gear pumps).

Principal competitors of the Health & Science Technologies Segment are the Thomas division of Gardner Denver, Inc. (with respect to vacuum pumps and compressors); Thermo Scientific Dionex products (with respect to analytical instrumentation); Parker Hannifin (with respect to sealing devices); Valco Instruments Co., Inc. (with respect to fluid injectors and valves); and Gooch & Housego PLC (with respect to electro-optic and precision photonics solutions used in the life sciences market).

The principal competitors of the Fire & Safety/Diversified Products Segment are Waterous Company, a unit of American Cast Iron Pipe Company (with respect to truck-mounted firefighting pumps), Holmatro, Inc. (with respect to rescue), CPS Color Group Oy, which is owned by Nordic Capital (with respect to dispensing and mixing equipment for the paint industry) and Panduit Corporation (with respect to stainless steel bands, buckles and tools).

Employees

At December 31, 2012, the Company had 6,717 employees. Approximately 8% of employees were represented by labor unions, with various contracts expiring through June 2015. Management believes that the Company s relationship with its employees is good. The Company historically has been able to renegotiate its collective bargaining agreements satisfactorily, with its last work stoppage in March 1993.

Suppliers

The Company manufactures many of the parts and components used in its products. Substantially all materials, parts and components purchased by the Company are available from multiple sources.

Inventory and Backlog

The Company regularly and systematically adjusts production schedules and quantities based on the flow of incoming orders. Backlogs typically are limited to one to one and a half months of production. While total inventory levels also may be affected by changes in orders, the Company generally tries to maintain relatively stable inventory levels based on its assessment of the requirements of the various industries served.

Raw Materials

The Company uses a wide variety of raw materials which are generally available from a number of sources. As a result, shortages from any single supplier have not had, and are not likely to have a material impact on operations.

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Shared Services

The Company has production facilities in Suzhou, China and Vadodara, India that support multiple business units. IDEX also has personnel in China, India and Singapore that provide sales and marketing, product design and engineering, and sourcing support to its business units, as well as personnel in various locations in Europe, South America, the Middle East and Japan to support sales and marketing efforts of IDEX businesses in those regions.

Segment Information

For segment financial information for the years 2012, 2011, and 2010, see, Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 11 of the Notes to Consolidated Financial Statements in Part II, Item 8, Financial Statements and Supplementary Data.

Executive Officers of the Registrant

Set forth below are the names of the executive officers of the Company, their ages, years of service, the positions held by them, and their business experience during the past 5 years.

Name	**Age**	**Years of Service**	**Position**
Andrew K. Silvernail	42	4	Chairman of the Board, President and Chief Executive Officer
Heath A. Mitts	42	7	Vice President and Chief Financial Officer
Frank J. Notaro	49	15	Vice President-General Counsel and Secretary
Daniel J. Salliotte	46	8	Vice President-Mergers, Acquisitions and Treasury
Michael J. Yates	47	7	Vice President and Chief Accounting Officer

Mr. Silvernail has served as Chief Executive Officer since August 2011 and as Chairman of the Board since January 2012. Prior to that, Mr. Silvernail was Vice President-Group Executive Health & Science Technologies, Global Dispensing and Fire & Safety/Diversified Products since January 2011. From February 2010 to December 2010, Mr. Silvernail was Vice President-Group Executive Health & Sciences Technologies and Global Dispensing. Mr. Silvernail joined IDEX in January 2009 as Vice President-Group Executive Health & Science Technologies. Prior to joining IDEX, Mr. Silvernail served as Group President at Rexnord Industries from April 2005 to August 2008.

Mr. Mitts has served as Vice President and Chief Financial Officer since March 2011. Mr. Mitts was hired as Vice President-Corporate Finance in September 2005.

Mr. Notaro has served as Vice President-General Counsel and Secretary since March 1998.

Mr. Salliotte has served as Vice President-Mergers, Acquisitions and Treasury since February 2011. Mr. Salliotte joined IDEX in October 2004 as Vice President-Strategy and Business Development.

Mr. Yates has served as Vice-President and Chief Accounting Officer since February 2010. Mr. Yates was hired as Vice President-Controller in October 2005.

The Company s executive officers are elected at a meeting of the Board of Directors immediately following the annual meeting of stockholders, and they serve until the next annual meeting of the Board, or until their successors are duly elected and qualified or their death, resignation or removal.

Public Filings

Copies of the Company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are made available free of charge at www.idexcorp.com as soon as reasonably practicable after being filed electronically with the SEC. Our reports are also available free of charge on the SEC s website, www.sec.gov. Information on the Company s website is not incorporated into this Form 10-K.

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Item 1A. ***Risk Factors.***

For an enterprise as diverse and complex as the Company, a wide range of factors present risks to the Company and could materially affect future developments and performance. In addition to the factors affecting specific business operations identified in connection with the description of our operations and the financial results of our operations elsewhere in this report, the most significant of these factors are as follows:

Changes in U.S. or International Economic Conditions Could Adversely Affect the Revenues and Profitability of Any of Our Businesses.

In 2012, 49% of the Company s revenue was derived from domestic operations while 51% was derived from international operations. The Company s largest end markets include life sciences and medical technologies, fire and rescue, petroleum LPG, paint and coatings, chemical processing, water and wastewater treatment and optical filters and components. A slowdown in the U.S. or global economy and in particular any of these specific end markets could reduce the Company s revenues and profitability.

Conditions in Foreign Countries in Which We Operate Could Adversely Affect Our Business.

In 2012, approximately 51% of our total sales were to customers outside the U.S. We expect our international operations and export sales to continue to be significant for the foreseeable future. Our sales from international operations and our sales from export are both subject in varying degrees to risks inherent in doing business outside the United States. These risks include the following:

- possibility of unfavorable circumstances arising from host country laws or regulations;
- risks of economic instability;
- currency exchange rate fluctuations and restrictions on currency repatriation;
- potential negative consequences from changes to taxation policies;
- disruption of operations from labor and political disturbances;
- changes in tariff and trade barriers and import or export licensing requirements; and,
- insurrection or war.

Any of these events could have an adverse impact on our business and operations.

Our Inability to Continue to Develop New Products Could Limit Our Revenue Growth.

The Company s revenue grew 3% organically in 2012 and 9% in 2011. Approximately 14% of our revenue was derived from new products developed over the past three years. Our ability to continue to grow organically is tied in large part to our ability to continue to develop new products.

Our Growth Strategy Includes Acquisitions and We May Not be Able to Make Acquisitions of Suitable Candidates or Integrate Acquisitions Successfully.

Our historical growth has included, and our future growth is likely to continue to include acquisitions. We intend to continue to seek acquisition opportunities both to expand into new markets and to enhance our position in existing markets throughout the world. We may not be able to successfully identify suitable candidates, negotiate appropriate acquisition terms, obtain financing needed to consummate those acquisitions, complete proposed acquisitions or successfully integrate acquired businesses into our existing operations. In addition, any acquisition, once successfully integrated, may not perform as planned, be accretive to earnings, or prove beneficial to us.

Acquisitions involve numerous risks, including the assumption of undisclosed or unindemnified liabilities, difficulties in the assimilation of the operations, technologies, services and products of the acquired companies and the diversion of management s attention from other business concerns. In addition, prior acquisitions have resulted, and future acquisitions could result, in the incurrence of substantial additional indebtedness and other expenses.

The Markets We Serve are Highly Competitive and this Competition Could Reduce our Sales and Operating Margins.

Most of our products are sold in competitive markets. Maintaining and improving our competitive position will require continued investment by us in manufacturing, engineering, quality standards, marketing, customer service and support, and our distribution networks. We may not be successful in maintaining our competitive position. Our competitors may develop products that are superior to our products, or may develop methods of more efficiently and effectively providing products and services or may adapt more quickly than us to new technologies or evolving customer requirements. Pricing pressures may require us to adjust the prices of our products to stay competitive. We may not be able to compete successfully with our existing competitors or with new competitors. Failure to continue competing successfully could reduce our revenues, operating margins and overall financial performance.

We are Dependent on the Availability of Raw Materials, Parts and Components Used in Our Products.

While we manufacture certain parts and components used in our products, we require substantial amounts of raw materials and purchase some parts and components from suppliers. The availability and prices for raw materials, parts and components may be subject to curtailment or change due to, among other things, suppliers allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. Any change in the supply of, or price for, these raw materials or parts and components could materially affect our business, financial condition, results of operations and cash flow.

Significant Movements in Foreign Currency Exchange Rates May Harm Our Financial Results.

We are exposed to fluctuations in foreign currency exchange rates, particularly with respect to the Euro, Canadian Dollar, British Pound and Chinese Renminbi. Any significant change in the value of the currencies of the countries in which we do business against the U.S. Dollar could affect our ability to sell products competitively and control our cost structure, which could have a material adverse effect on our results of operations. For additional detail related to this risk, see Part II, Item 7A, Quantitative and Qualitative Disclosure About Market Risk.

An Unfavorable Outcome of Any of Our Pending Contingencies or Litigation Could Adversely Affect Us.

We currently are involved in legal and regulatory proceedings. Where it is reasonably possible to do so, we accrue estimates of the probable costs for the resolution of these matters. These estimates are developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future operating results for any particular quarter or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. For additional detail related to this risk, see Item 3. Legal Proceedings.

Our Intangible Assets, Including Goodwill, are a Significant Portion of Our Total Assets and a Write-off of Our Intangible Assets Would Adversely Impact Our Operating Results and Significantly Reduce Our Net Worth.

Our total assets reflect substantial intangible assets, primarily goodwill and identifiable intangible assets. At December 31, 2012, goodwill and intangible assets totaled $1,321.7 million and $341.4 million, respectively. These assets result from our acquisitions, representing the excess of cost over the fair value of the tangible net

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assets we have acquired. Annually, or when certain events occur that require a more current valuation, we assess whether there has been an impairment in the value of our goodwill and identifiable intangible assets. If future operating performance at one or more of our reporting units were to fall significantly below forecast levels, we could be required to reflect, under current applicable accounting rules, a non-cash charge to operating income for an impairment. Any determination requiring the write-off of a significant portion of our goodwill or identifiable intangible assets would adversely impact our results of operations and net worth. In accordance with Accounting Standards Codification (ASC) No. 350, the Company concluded that a significant non-cash impairment charge of $198.5 million was required in the fourth quarter of 2012 to reduce the carrying value of goodwill and intangible assets within the IOP platform and goodwill and long-lived assets within the WST platform. See Note 4 in Part II, Item 8, Financial Statements and Supplementary Data for further discussion on goodwill and intangible assets.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

The Company s principal plants and offices have an aggregate floor space area of approximately 4.3 million square feet, of which 2.8 million square feet (65%) is located in the U.S. and approximately 1.5 million square feet (35%) is located outside the U.S., primarily in Germany (8%), the U.K. (7%), China (4%) and The Netherlands (2%). Management considers these facilities suitable and adequate for their operations. Management believes the Company can meet the expected demand increase over the near term with its existing facilities, especially given its operational improvement initiatives that usually increase capacity. The Company s executive office occupies 36,588 square feet of leased space in Lake Forest, Illinois.

Approximately 2.8 million square feet (65%) of the principal plant and office floor area is owned by the Company, and the balance is held under lease. Approximately 1.8 million square feet (42%) of the principal plant and office floor area is held by business units in the Fluid & Metering Technologies Segment; 1.3 million square feet (31%) is held by business units in the Health & Science Technologies Segment; and 1.0 million square feet (23%) is held by business units in the Fire & Safety/Diversified Products Segment.

Item 3. ***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 and seeking money damages, 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 such 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 affected business unit. No provision has been made in the financial statements of the Company for these asbestos-related claims, other than for insurance deductibles in the ordinary course, and the Company does not currently believe these claims will have a material adverse effect on it.

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 it.

Item 4. ***Mine Safety Disclosures***

Not applicable.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

The principal market for the Company s common stock is the New York Stock Exchange, but the common stock is also listed on the Chicago Stock Exchange. As of February 15, 2013, the common stock was held by approximately 6,700 recordholders and there were 82,523,658 shares outstanding.

The high and low sales prices of the common stock per share and the dividends paid per share during the last two years is as follows:

	2012			2011		
	High	Low	Dividends Per Share	High	Low	Dividends Per Share
First Quarter	$ 43.15	$ 36.73	$ 0.17	$ 43.78	$ 38.02	$ 0.15
Second Quarter	44.14	36.91	0.20	47.50	41.90	0.17
Third Quarter	43.96	34.06	0.20	47.28	30.09	0.17
Fourth Quarter	46.69	39.74	0.20	38.36	29.29	0.17

Our payment of dividends in the future will be determined by our Board of Directors and will depend on business conditions, our earnings and other factors.

For information pertaining to securities authorized for issuance under equity compensation plans and the related weighted average exercise price, see Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table provides information about the Company s purchases of common stock during the quarter ended December 31, 2012:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Dollar Value that May Yet be Purchased Under the Plans or Programs(1)
October 1, 2012 to October 31, 2012				$ 249,826,828
November 1, 2012 to November 30, 2012	146,338	$ 43.18	146,338	$ 243,503,531
December 1, 2012 to December 31, 2012	176,997	$ 45.52	176,997	$ 235,438,073
Total	323,335	$ 44.38	323,335	$ 235,438,073

(1) On October 22, 2012, the Company announced that its Board of Directors had increased the authorized level for repurchases of its common stock by approximately $200.0 million.

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Performance Graph. The following table compares total shareholder returns over the last five years to the Standard & Poor s (the S&P) 500 Index, the S&P Midcap Industrials Sector Index and the Russell 2000 Index assuming the value of the investment in our common stock and each index was $100 on December 31, 2007. Total return values for our common stock, the S&P 500 Index, S&P Midcap Industrials Sector Index and the Russell 2000 Index were calculated on cumulative total return values assuming reinvestment of dividends. The shareholder return shown on the graph below is not necessarily indicative of future performance.

	12/07	12/08	12/09	12/10	12/11	12/12
IDEX Corporation	$ 100.00	$ 66.84	$ 86.22	$ 108.28	$ 102.60	$ 128.78
S&P 500 Index	$ 100.00	61.51	75.94	85.65	85.65	97.13
S&P Midcap Industrials Sector Index	$ 100.00	64.87	86.82	112.54	110.49	132.76
Russell 2000 Index	$ 100.00	65.20	81.64	102.30	96.72	117.06

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Item 6. ***Selected Financial Data.*** [1]

(dollars in thousands, except per share data)	2012[2]	2011	2010	2009	2008[2]
RESULTS OF OPERATIONS					
Net sales	$ 1,954,258	$ 1,838,451	$ 1,513,073	$ 1,329,661	$ 1,489,471
Gross profit	803,700	738,673	618,483	522,386	597,433
Selling, general and administrative expenses	444,490	421,703	358,272	325,453	343,392
Asset impairments	198,519				30,090
Restructuring expenses	32,473	12,314	11,095	12,079	17,995
Operating income	128,218	304,656	249,116	184,854	205,956
Other income (expense) net	236	(1,443)	(1,092)	1,151	5,123
Interest expense	42,250	29,332	16,150	17,178	18,852
Provision for income taxes	48,574	80,024	74,774	55,436	65,201
Net income	37,630	193,857	157,100	113,391	127,026
FINANCIAL POSITION					
Current assets	$ 881,865	$ 789,161	$ 692,758	$ 451,712	$ 480,688
Current liabilities	291,427	258,278	353,668	189,682	219,869
Working capital	590,438	530,883	339,090	262,030	260,819
Current ratio	3.0	3.1	2.0	2.4	2.2
Capital expenditures	35,520	34,548	32,769	25,525	28,358
Depreciation and amortization	78,312	72,386	58,108	56,346	48,599
Total assets	2,785,390	2,836,107	2,381,695	2,098,157	2,151,800
Total borrowings	786,576	808,810	527,895	400,100	554,000
Shareholders equity	1,464,998	1,513,135	1,375,660	1,268,104	1,144,783
PERFORMANCE MEASURES					
Percent of net sales:					
Gross profit	41.1%	40.2%	40.9%	39.3%	40.1%
SG&A expenses	22.7	22.9	23.7	24.5	23.1
Operating income	6.6	16.6	16.5	13.9	13.8
Income before income taxes	4.4	14.9	15.3	12.7	12.9
Net income	1.9	10.5	10.4	8.5	8.5
Effective tax rate	56.3	29.2	32.2	32.8	33.9
Return on average assets	1.3	7.4	7.0	5.3	6.2
Borrowings as a percent of capitalization	34.9	34.8	27.7	24.0	32.6
Return on average shareholders equity	2.5	13.4	11.9	9.4	11.1
PER SHARE DATA[3]					
Basic					
net income	$ 0.45	$ 2.34	$ 1.93	$ 1.41	$ 1.55
Diluted					
net income	0.45	2.32	1.90	1.40	1.53
Cash dividends declared	.80	.68	.60	.48	.48
Shareholders equity	17.71	18.18	16.76	15.66	14.26
Stock price					
high	46.69	47.50	40.29	32.85	40.75
low	34.06	29.29	27.54	16.67	17.70
close	46.53	37.11	39.12	31.15	24.15
Price/earnings ratio at year end	103	16	21	22	16
Other Data					
Employees at year end	6,717	6,814	5,966	5,300	5,813
Shareholders at year end	6,700	7,000	7,000	7,000	7,000
Shares outstanding (in 000s):					
Weighted average					
basic	82,689	82,145	80,466	79,716	81,123
diluted	83,641	83,543	81,983	80,727	82,320
At year end	82,727	83,234	82,070	80,970	80,302

(1) For additional detail, see Notes to Consolidated Financial Statements in Part II, Item 8, Financial Statements and Supplementary Data.

(2)

Fiscal year 2012 includes an impairment charge for goodwill and intangible assets within the IOP platform and an impairment charge for goodwill and long-lived assets within the WST platform. Fiscal year 2008 includes a goodwill impairment charge within our Dispensing Equipment reporting unit.

(3) Calculated by applying the two-class method of allocating earnings to common stock and participating securities as required by ASC 260, Earnings Per Share.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***

Cautionary Statement Under the Private Securities Litigation Reform Act

This management s discussion and analysis, including, but not limited to, the section entitled 2012 Overview and Outlook , and other portions of this report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These statements may relate to, among other things, capital expenditures, cost reductions, cash flow, and operating improvements and are indicated by words or phrases such as anticipate, estimate, plans, expects, projects, should, will, management believes, the Company believes, we believe, the Company intends and similar words or phrases. These statements are subject to inherent uncertainties and risks that could cause actual results to differ materially from the results described in those statements. These risks and uncertainties include, but are not limited to, economic and political consequences resulting from terrorist attacks and wars; levels of industrial activity and economic conditions in the U.S. and other countries around the world; pricing pressures and other competitive factors, and levels of capital spending in certain industries all of which could have a material impact on our order rates and results, particularly in light of the low levels of order backlogs we typically maintain; our ability to make acquisitions and to integrate and operate acquired businesses on a profitable basis; the relationship of the U.S. dollar to other currencies and its impact on pricing and cost competitiveness; political and economic conditions in foreign countries in which we operate; interest rates; capacity utilization and its effect on costs; labor markets; market conditions and material costs; and developments with respect to contingencies, such as litigation and environmental matters. The forward-looking statements included in this report are only made as of the date of this report, and we undertake no obligation to update them to reflect subsequent events or circumstances. Investors are cautioned not to rely unduly on forward-looking statements when evaluating the information presented here.

2012 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 customer specifications. IDEX s products are sold in niche markets to a wide range of industries throughout the world. Accordingly, our businesses are affected by levels of industrial activity and economic conditions in the U.S. and in other countries where we do business and by the relationship of the U.S. dollar to other currencies. Levels of capacity utilization and capital spending in the industries that use our products and overall industrial activity are important factors that influence the demand for our products.

The Company has three reportable business segments: Fluid & Metering Technologies, Health & Science Technologies and Fire & Safety/Diversified Products. Within these three reportable segments, the Company maintains six strategic platforms, where we will primarily invest organically and through acquisitions, and eight groups, where we will primarily focus on organic growth to drive these businesses. The Fluid & Metering Technologies segment is comprised of the Energy, DDPT, and CFP platforms as well as the WST and Agricultural groups. The Health & Science Technologies segment is comprised of the IOP, Scientific Fluidics and MPT platforms as well as the Containment and Industrial groups. The Fire & Safety/Diversified Products segment is comprised of the Dispensing, Rescue, Band-It, and Fire Suppression groups.

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, including 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

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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 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, 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.

Some of our 2012 financial results are as follows:

- Sales of $1.95 billion rose 6%; organic sales excluding acquisitions and foreign currency translation were up 3%.
- Asset impairment charge recorded for $198.5 million.
- Operating income of $128.2 million decreased 58%.
- Net income decreased 81% to $37.6 million.
- Diluted EPS of $0.45 decreased $1.87 or 81% compared to 2011.

On a regional basis North America has remained strong, the Asian markets are improving and we see stabilization in Europe. For 2013, based on the Company s current outlook, we are forecasting fully diluted EPS of $2.85 to $2.95.

Results of Operations

The following is a discussion and analysis of our results of operations for each of the three years in the period ended December 31, 2012. For purposes of this Item, reference is made to the Consolidated Statements of Operations in Part II, Item 8, Financial Statements and Supplementary Data. Segment operating income excludes unallocated corporate operating expenses. Certain prior year amounts have been revised to include the Dispensing Equipment segment as part of the Fire & Safety/Diversified Products segment and to reflect the movement of our Trebor business unit from the Health & Science Technologies segment to the Fluid & Metering Technologies segment.

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.

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

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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.

Performance in 2012 Compared with 2011

(in thousands)	2012	2011
Net sales	$ 1,954,258	$ 1,838,451
Operating income	128,218	304,656
Operating margin	6.6%	16.6%
Identifiable assets	$ 2,785,390	$ 2,836,107
Depreciation and amortization	78,312	72,386
Depreciation and amortization as a percentage of net sales	4.0%	3.9%
Capital expenditures	$ 35,520	$ 34,548
Capital expenditures as a percentage of net sales	1.8%	1.9%

Sales in 2012 were $1,954.3 million, a 6% increase from the comparable period last year. This increase reflects a 3% increase in organic sales, 5% from acquisitions (AT Films January 2011, Microfluidics March 2011, CVI MG June 2011, ERC April 2012 and Matcon July 2012) and 2% unfavorable foreign currency translation. Organic sales to customers outside the U.S. represented approximately 50% of total sales in the period compared with 52% in 2011.

In 2012, Fluid & Metering Technologies contributed 43% of sales and 82% of operating income; Health & Science Technologies accounted for 35% of sales and (35)% of operating income; and Fire & Safety/Diversified Products represented 22% of sales and 53% of operating income.

Gross profit of $803.7 million in 2012 increased $65.0 million, or 9%, from 2011. Gross margins were 41.1% in 2012 and 40.2% in 2011.

SG&A expenses increased to $444.5 million in 2012 from $421.7 million in 2011. The $22.8 million increase reflects approximately $26.8 million of incremental costs from new acquisitions, $2.7 million for a benefit from forfeited CEO equity compensation recorded in 2011 and a $2.8 million gain from the sale of a facility in Italy recorded in 2011, partially offset by $9.5 million of cost savings initiatives. As a percentage of sales, SG&A expenses were 22.7% for 2012 and 22.9% for 2011.

During 2012, the Company recorded pre-tax restructuring expenses totaling $32.5 million, compared with $12.3 million for the same period in 2011. These restructuring expenses were mainly attributable to employee severance related to employee reductions across various functional areas, the termination of a defined benefit pension plan and facility rationalization resulting from the Company s cost savings initiatives. These initiatives included exit costs related to five facility closures and severance benefits for 491 employees in 2012 and severance benefits for 292 employees in 2011.

The Company concluded that a non-cash impairment charge was required to reduce the carrying value of goodwill and intangible assets within the IOP reporting unit and goodwill and long-lived assets within the WST reporting unit. The goodwill within IOP primarily originated from the 2011 acquisition of CVI Melles Griot and the goodwill in WST primarily originated from the 2008 acquisitions of IETG and ADS. As a result of our annual test, an impairment charge was required within IOP due to continued softness in the Optics & Photonics end markets. In addition, we were required to perform an interim impairment test within WST at December 31, 2012 due to the reorganization of certain FMT businesses in the fourth quarter. This reorganization, combined with continued softness in municipal end markets, contributed to the impairment charge. As a result of the above testing, the Company recorded a pre-tax charge of $198.5 million in the fourth quarter of 2012. This non-cash asset impairment charge will not affect our liquidity, operations or ongoing financial performance.

No additional impairments were identified at any of the other reporting units.

Operating income of $128.2 million in 2012 was down from the $304.7 million recorded in 2011, primarily reflecting $198.5 million of asset impairment charges and an increase of $20.2 million in restructuring-related charges, partially offset by an increase in volume and improved productivity. Operating margin of 6.6% in 2012 was down from 16.6% in 2011 primarily due to the impact of asset impairment charges and restructuring-related charges, as well as the dilutive impact from acquisitions, partially offset by volume leverage and productivity.

Interest expense increased to $42.3 million in 2012 from $29.3 million in 2011. The increase was principally due to higher debt levels resulting from the CVI MG acquisition and higher interest rates associated with converting our Revolving Facility debt in 2011 to fixed rate 4.2% Senior Notes.

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 decreased to $48.6 million in 2012 compared to $80.0 in 2011. The effective tax rate increased to 56.3% in 2012 compared to 29.2% in 2011, mainly due to the nonrecurring asset impairment charge recorded in the fourth quarter of 2012. The impairment charge increased our effective tax rate by 26.9%. Our effective tax rate was also impacted by the mix of global pre-tax income among jurisdictions, a reversal of disallowed executive compensation expense in the prior year and the impact of recent acquisitions.

In January 2013, legislation was enacted to extend the federal research and development credit and other favorable tax benefits through December 31, 2013. As a result, we expect that our income tax provision for the first quarter of 2013 will include a discrete tax benefit for the research and development credit which was extended retroactively to January 1, 2012.

Net income for the year of $37.6 million decreased from the $193.9 million earned in 2011. Diluted earnings per share in 2012 of $0.45 decreased $1.87, or 81%, from $2.32 in 2011.

Fluid & Metering Technologies Segment

(in thousands)	**2012**	**2011**
Net sales	$ 833,288	$ 831,287
Operating income	146,650	164,818
Operating margin	17.6%	19.8%
Identifiable assets	$ 1,023,143	$ 1,072,023
Depreciation and amortization	29,637	32,368
Depreciation and amortization as a percentage of net sales	3.6%	3.9%
Capital expenditures	$ 13,535	$ 12,543
Capital expenditures as a percentage of net sales	1.6%	1.5%

Sales of $833.3 million increased $2.0 million in 2012 compared with 2011. This increase reflected 2% organic growth offset by 2% unfavorable foreign currency translation. The increase in organic sales was largely attributed to growth across our Energy platform and our Agricultural group. In 2012, organic sales increased approximately 7% domestically and decreased 3% internationally. Organic sales to customers outside the U.S. were approximately 47% of total segment sales in 2012, compared with 48% in 2011.

Sales within our Energy platform increased compared to 2011, due to strong demand for systems used in midstream and downstream oil and gas applications both domestically and internationally. Additionally, large Energy project sales to emerging markets drove international sales growth, partially offset by weakness in the European downstream markets due to general economic conditions. Domestic sales growth within Energy was driven by the transportation end markets and strength in our distribution channel. Sales within our CFP platform

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increased compared to 2011 on strong general industrial and chemical demand in both our OEM and distributor channels in North America and Asia. In addition, CFP sales growth accelerated in emerging markets. Sales within our Agriculture group increased due to robust demand in North America. DDPT sales increased compared to 2011, due to a modest increase in project activity for the chemical and industrial businesses. Offsetting the sales increases above was a decrease in our WST group, which continues to face funding headwinds in the municipal water end market.

Operating income and operating margin of $146.7 million and 17.6%, respectively, were lower than the $164.8 million and 19.8% recorded in 2012, primarily due to $27.7 million of impairment charges and an increase of $3.4 million of restructuring charges, partially offset by productivity and cost reduction initiatives.

Health & Science Technologies Segment

(in thousands)	2012	2011
Net sales	$ 695,235	$ 607,900
Operating (loss) income	(62,835)	106,037
Operating margin	(9.0)%	17.4%
Identifiable assets	$ 1,102,868	$ 1,178,653
Depreciation and amortization	$ 39,981	$ 30,055
Depreciation and amortization as a percentage of net sales	5.8%	4.9%
Capital expenditures	$ 13,140	$ 12,938
Capital expenditures as a percentage of net sales	1.9%	2.1%

Sales of $695.2 million increased $87.3 million, or 14%, in 2012 compared with 2011. This increase reflected 16% growth from acquisitions (AT Films, Microfluidics, CVI MG, ERC and Matcon), offset by a 1% unfavorable foreign currency translation and a 1% decrease in organic sales. In 2012, organic sales increased 2% domestically and decreased 4% internationally. Organic sales to customers outside the U.S. were approximately 51% of total segment sales in both 2012 and 2011.

Sales within our MPT platform increased compared to 2011 due a full twelve months of sales from Microfluidics, acquired in March 2011, strength in Asian food and pharmaceutical markets, and large project orders received in the second half of 2011 which shipped during the first half of 2012. Sales within our Scientific Fluidics platform decreased compared to 2011 due to slowed instrumentation end markets driven by National Institutes of Health funding concerns, inventory reduction programs by our customers and inconsistent OEM demand in North America, partially offset by modest growth in the life sciences end market, particularly in Asia. Sales within our Containment group increased slightly compared to 2011 due to an increase in distributor sales and an upturn in the diesel and gas engine markets. Sales within our Optics and Photonics platform increased compared to 2011 primarily as a result of our CVI MG acquisition. However, 2012 sales within our Optics and Photonics platform were lower than anticipated due to weak demand in the defense, biotech and electronics end markets. Sales at our Industrial group decreased compared to 2011 due to lower sales to distributors and slower sales into automotive end markets.

An operating loss of $62.8 million in 2012 was down from the $106.0 million of income recorded in 2011, primarily due to $170.8 million of impairment charges and $14.7 million of current period restructuring charges, partially offset by the $15.8 million acquisition fair value inventory charge for CVI MG recorded in 2011 and productivity from prior period restructuring actions. A negative operating margin of 9.0% in 2012 was down from 17.4% in 2011, due to the dilutive impact from acquisitions, current period restructuring charges and impairment charges.

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Fire & Safety/Diversified Products Segment

(in thousands)	2012	2011
Net sales	$ 437,053	$ 402,425
Operating income	96,120	85,901
Operating margin	22.0%	21.3%
Identifiable assets	$ 488,886	$ 442,400
Depreciation and amortization	$ 7,107	$ 8,516
Depreciation and amortization as a percentage of net sales	1.6%	2.1%
Capital expenditures	$ 6,654	$ 5,644
Capital expenditures as a percentage of net sales	1.5%	1.4%

Sales of $437.1 million increased $34.6 million, or 9%, in 2012 compared with 2011. This increase reflected 11% organic growth offset by 2% unfavorable foreign currency translation. In 2012, organic sales increased 29% domestically and 1% internationally. Organic sales to customers outside the U.S. were approximately 57% of total segment sales in 2012, compared with 63% in 2011.

Sales within our Dispensing group increased on strength in our core North American markets driven by a large replenishment project, which began shipping in the second quarter of 2012. The sales increase within our Band-It group was driven by general North American industrial market improvement and strength in the oil and gas applications market. Sales within our Fire Suppression group increased as a result of geographic expansions into Asian markets and through the penetration into product adjacencies. Sales within our Rescue group increased as a result of robust demand for our rescue tools within North American markets and traction in South and Central America initiatives.

Operating income of $96.1 million was higher than the $85.9 million recorded in 2011, primarily due to volume leverage and productivity, partially offset by an increase of $3.1 million in restructuring charges and a $2.8 million gain on the sale of a facility in 2011. Operating margin of 22.0% in 2012 was up from 21.3% in 2011, primarily due to improved productivity and cost reduction initiatives, partially offset by current period restructuring charges and the gain on the sale of a facility in 2011.

Performance in 2011 Compared with 2010

(in thousands)	2011	2010
Net sales	$ 1,838,451	$ 1,513,073
Operating income	304,656	249,116
Operating margin	16.6%	16.5%
Identifiable assets	$ 2,836,107	$ 2,381,695
Depreciation and amortization	72,386	58,108
Depreciation and amortization as a percentage of net sales	3.9%	3.8%
Capital expenditures	$ 34,548	$ 32,769
Capital expenditures as a percentage of net sales	1.9%	2.2%

Sales in 2011 of $1,838.5 million were 22% higher than the $1,513.1 million recorded in 2010. This increase reflected a 9% increase in organic sales, 11% from seven acquisitions (PPE April 2010, OBL July 2010, Periflo September 2010, Fitzpatrick November 2010, AT Films January 2011, Microfluidics March 2011 and CVI MG June 2011) and 2% favorable foreign currency translation. Organic sales increased in Fluid & Metering Technologies, Health & Science Technologies and Fire & Safety/Diversified Products segments. Domestic organic sales were up 4% versus the prior year, while international organic sales increased 15%. Organic sales to customers outside the U.S. represented 52% of total sales in 2011 and 49% in 2010.

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In 2011, Fluid & Metering Technologies contributed 45% of sales and 46% of operating income; Health & Science Technologies accounted for 33% of sales and 30% of operating income; and Fire & Safety/Diversified Products represented 22% of sales and 24% of operating income.

Gross profit of $738.7 million in 2011 was $120.2 million, or 19%, higher than 2010. As a percentage of sales, gross profit was 40.2% in 2011, a 70 basis-point decrease from 40.9% in 2010. The decrease in gross margin primarily reflected acquisition fair value inventory charges of $15.8 million related to our CVI MG acquisition, partially offset by higher volume and product mix.

SG&A expenses increased to $421.7 million in 2011 from $358.3 million in 2010. The $63.4 million increase reflected approximately $16.7 million in volume-related expenses, $46.4 million for incremental costs associated with acquisitions and $5.8 million of acquisition-related costs, partially offset by a $2.8 million gain from the sale of a facility in Italy and $2.7 million from the reversal of previously recorded share based compensation costs related to the CEO transition. As a percentage of sales, SG&A expenses were 22.9% for 2011 and 23.7% for 2010.

During 2011, the Company recorded pre-tax restructuring expenses totaling $12.3 million, while $11.1 million was recorded for the same period in 2010. These restructuring expenses were mainly attributable to employee severance related to employee reductions across various functional areas and facility rationalization resulting from the Company s cost savings initiatives. These initiatives included severance benefits for 292 employees in 2011 and 215 in 2010.

Operating income increased $55.5 million, or 22%, to $304.7 million in 2011 from $249.1 million in 2010. This increase primarily reflected an increase in volume, improved productivity and a gain from the sale of a facility in Italy, partially offset by acquisition fair value inventory charges and acquisition-related costs. Operating margins in 2011 were 16.6% of sales compared with 16.5% recorded in 2010.

Other expense of $1.4 million in 2011 was higher than the $1.1 million expense in 2010, primarily due to higher losses on foreign currency transactions and a loss on an interest rate contract settlement, partially offset by an increase in interest income.

Interest expense increased to $29.3 million in 2011 from $16.2 million in 2010. The increase was principally due to higher debt levels resulting from the funding of the CVI MG acquisition and a higher interest rate associated with the 4.5% senior notes issued in December 2010 with a 5.8% effective interest rate.

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 increased to $80.0 million for 2011 compared to $74.8 million in 2010. The effective tax rate decreased to 29.2% for 2011 compared to 32.2% in 2010 primarily due to the mix of global pre-tax income among jurisdictions and as a result of recent acquisitions.

Net income in 2011 of $193.9 million increased from the $157.1 million earned in 2010. Diluted earnings per share of $2.32 in 2011 increased $0.42, or 22%, compared with diluted earnings per share of $1.90 in 2010.

Fluid & Metering Technologies Segment

(in thousands)	**2011**	**2010**
Net sales	$ 831,287	$ 718,291
Operating income	164,818	131,018
Operating margin	19.8%	18.2%
Identifiable assets	$ 1,072,023	$ 1,065,953
Depreciation and amortization	32,368	31,893
Depreciation and amortization as a percentage of net sales	3.9%	4.4%
Capital expenditures	$ 12,543	$ 17,314
Capital expenditures as a percentage of net sales	1.5%	2.4%

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Sales of $831.3 million in 2011 increased $113.0 million, or 16%, compared with 2010. This increase reflected a 13% increase in organic sales, 1% for acquisitions (OBL and Periflo) and 2% favorable foreign currency translation. The increase in organic sales was driven by strong global growth in our agriculture, chemical and energy end markets. In 2011, organic sales increased approximately 9% domestically and 19% internationally. Organic sales to customers outside the U.S. were approximately 48% of total segment sales in 2011 and 46% in 2010.

Operating income of $164.8 million and operating margins of 19.8% in 2011 were up from the $131.0 million and 18.2% recorded in 2010 principally due to higher sales, sourcing initiatives, strategic pricing and cost control.

Health & Science Technologies Segment

(in thousands)	2011	2010
Net sales	$ 607,900	$ 408,852
Operating income	106,037	83,258
Operating margin	17.4%	20.4%
Identifiable assets	$ 1,178,653	$ 693,532
Depreciation and amortization	$ 30,055	$ 17,253
Depreciation and amortization as a percentage of net sales	4.9%	4.2%
Capital expenditures	$ 12,938	$ 7,510
Capital expenditures as a percentage of net sales	2.1%	1.8%

Sales of $607.9 million increased $199.0 million, or 49%, in 2011 compared with 2010. This change reflected an 11% increase in organic growth, 37% for acquisitions (PPE, Fitzpatrick, AT Films, Microfluidics and CVI MG) and 1% favorable foreign currency translation. The increase in organic sales reflected market strength across all Health & Science Technologies product markets. In 2011, organic sales increased 2% domestically and 17% internationally. Organic sales to customers outside the U.S. were approximately 51% of total segment sales in 2011 and 47% in 2010.

Operating income of $106.0 million in 2011 was up from the $83.3 million recorded in 2010 due to volume leverage, improved mix with new products and increased content on OEM platforms, partially offset by the inventory fair value charge associated with the CVI MG acquisition. Operating margin in the Health & Science Technologies Segment of 17.4% in 2011 was down from 20.4% in 2010 primarily due to the inventory fair value charge associated with the CVI MG acquisition, partially offset by higher volume.

Fire & Safety/Diversified Products Segment

(in thousands)	2011	2010
Net sales	$ 402,425	$ 390,821
Operating income	85,901	82,334
Operating margin	21.3%	21.1%
Identifiable assets	$ 442,400	$ 484,107
Depreciation and amortization	$ 8,516	$ 8,638
Depreciation and amortization as a percentage of net sales	2.1%	2.2%
Capital expenditures	$ 5,644	$ 4,642
Capital expenditures as a percentage of net sales	1.4%	1.2%

Sales of $402.4 million increased $11.6 million, or 3%, in 2011 compared with 2010. This change reflected 3% favorable foreign currency translation, while organic sales were essentially flat. The change in organic sales reflected strength in rescue equipment, engineered band clamping systems and the Dispensing group within

Eastern Europe and Asia, partially offset by weakness in fire suppression and market softness in North America within our Dispensing business. In 2011, organic sales decreased 7% domestically and increased 5% internationally. Organic sales to customers outside the U.S. were 63% of total segment sales in 2011 and 59% in 2010.

Operating income and operating margins in the Fire & Safety/Diversified Products Segment of $85.9 million and 21.3%, respectively, were higher than the $82.3 million and 21.1% recorded in 2010, primarily due to volume leverage, favorable product mix and a gain from the sale of a facility in Italy, partially offset by restructuring related costs.

Liquidity and Capital Resources

At December 31, 2012, working capital was $590.4 million and the Company s current ratio was 3.0 to 1. Cash flows from operating activities increased $108.9 million, or 50%, to $326.2 million in 2012, primarily due to higher operating income, excluding the non-cash asset impairment charge; improved working capital; and the settlement of an interest rate contract for $38.7 million in 2011. At December 31, 2012, the Company s cash and cash equivalents totaled $318.9 million, of which $201.9 million was held outside of the United States. The Company has not provided an estimate for any U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries that might be payable if these earnings were repatriated since the Company considers these amounts to be permanently invested.

Cash flows from operations were more than adequate to fund capital expenditures of $35.5 million and $34.5 million in 2012 and 2011, respectively. Capital expenditures were generally for machinery and equipment that improved productivity and tooling to support global sourcing initiatives, although a portion was for business system technology and replacement of equipment and facilities. Management believes that the Company has ample capacity in its plants and equipment to meet expected needs for future growth in the intermediate term.

The Company acquired Precision Photonics Corporation (PPC) in April 2012 for cash consideration of $20.6 million, ERC in April 2012 for cash consideration of $13.3 million and the assumption of approximately $4.7 million of debt, and Matcon in July 2012 for cash consideration of $35.0 million, $2.4 million of working capital adjustments to be paid in the first quarter of 2013, and contingent consideration valued at $8.4 million as of the opening balance sheet date. The cash payments for ERC and Matcon were financed with borrowings under the Company s credit facility, while the acquisition of PPC was funded with available cash on hand.

The Company completed the acquisitions of AT Films on January 31, 2011 for cash consideration of $31.8 million and contingent consideration valued at approximately $2.7 million, Microfluidics on March 11, 2011 for cash consideration of $18.5 million and CVI MG on June 10, 2011 for cash consideration of $393.3 million and the assumption of approximately $1.4 million of debt. Approximately $365.0 million of the cash payment for CVI MG was financed with borrowings under the Company s revolving credit facility while the remaining cash payments were funded from cash on hand.

The Company maintains a revolving credit facility (the Revolving Facility), which is a $700.0 million unsecured, multi-currency bank credit facility expiring on June 27, 2016. At December 31, 2012, $21.0 million was outstanding under the Revolving Facility, with $6.5 million of outstanding letters of credit. The net available borrowing capacity under the Revolving Facility at December 31, 2012, was approximately $672.5 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. 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 December 31, 2012, 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.

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On June 9, 2010, the Company completed a private placement of 81.0 million ($96.8 million) aggregate principal amount of 2.58% Series 2010 Senior Euro Notes due June 9, 2015 (2.58% Senior Euro Notes) pursuant to a Master Note Purchase Agreement, dated June 9, 2010 (the Purchase Agreement). The Purchase Agreement provides for the issuance of additional series of notes in the future, provided that the aggregate principal amount outstanding under the agreement at any time does not exceed $750.0 million. The 2.58% Senior Euro Notes bear interest at a rate of 2.58% per annum, which is payable semi-annually in arrears on each June 9th and December 9th and will mature on June 9, 2015. The 2.58% Senior Euro Notes are unsecured obligations of the Company and rank pari passu in right of payment with all of the Company s other senior debt. The Company may at any time prepay all or any portion of the 2.58% Senior Euro Notes; provided that any such portion is greater than 5% of the aggregate principal amount of notes then outstanding under the Purchase Agreement. In the event of a prepayment, the Company would be required to pay an amount equal to par plus accrued interest plus a make-whole premium. The Purchase Agreement contains certain covenants that restrict the Company s ability to, among other things, transfer or sell assets, create liens and engage in certain mergers or consolidations. In addition, the Company must comply with a leverage ratio and interest coverage ratio as set forth in the Purchase Agreement. The Purchase Agreement provides for customary events of default. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding 2.58% Senior Euro Notes will become due and payable immediately without further action or notice. In the case of payment events of defaults, any holder of the 2.58% Senior Euro Notes affected thereby may declare all the 2.58% Senior Euro Notes held by it due and payable immediately. In the case of any other event of default, a majority of the holders of the 2.58% Senior Euro Notes may declare all the 2.58% Senior Euro Notes to be due and payable immediately.

On December 6, 2010, the Company completed a public offering of $300.0 million 4.5% senior notes due December 15, 2020 (4.5% Senior Notes). The net proceeds from the offering of approximately $295.7 million, after deducting a $1.6 million issuance discount, a $1.9 million underwriting commission and $0.8 million offering expenses, were used to repay $250.0 million of outstanding bank indebtedness, with the balance used for general corporate purposes. The 4.5% Senior Notes bear interest at a rate of 4.5% per annum, which is payable semi-annually in arrears on each June 15 and December 15. The Company may redeem all or a portion of the 4.5% Senior Notes at any time prior to maturity at the redemption prices set forth in the Note Indenture governing the 4.5% Senior Notes. The Company may issue additional debt from time to time pursuant to the Indenture. The Indenture and 4.5% Senior Notes contain covenants that limit the Company s ability to, among other things, incur certain liens securing indebtedness, engage in certain sale-leaseback transactions, and enter into certain consolidations, mergers, conveyances, transfers or leases of all or substantially all the Company s assets. The terms of the 4.5% Senior Notes also require the Company to make an offer to repurchase the 4.5% Senior Notes upon a change of control triggering event (as defined in the Indenture) at a price equal to 101% of their principal amount plus accrued and unpaid interest, if any.

On December 9, 2011, the Company completed a public offering of $350.0 million 4.2% senior notes due December 15, 2021 (4.2% Senior Notes). The net proceeds from the offering of approximately $346.2 million, after deducting a $0.9 million issuance discount, a $2.3 million underwriting commission and $0.6 million offering expenses, were used to repay $306.0 million of outstanding bank indebtedness, with the balance used for general corporate purposes. The 4.2% Senior Notes bear interest at a rate of 4.2% per annum, which is payable semi-annually in arrears on each June 15 and December 15. The Company may redeem all or part of the 4.2% Senior Notes at any time prior to maturity at the redemption prices set forth in the Note Indenture governing the 4.2% Senior Notes. The Company may issue additional debt from time to time pursuant to the Indenture. The Indenture and 4.2% Senior Notes contain covenants that limit the Company s ability to, among other things, incur certain liens securing indebtedness, engage in certain sale-leaseback transactions, and enter into certain consolidations, mergers, conveyances, transfers or leases of all or substantially all the Company s assets. The terms of the 4.2% Senior Notes also require the Company to make an offer to repurchase the 4.2% Senior Notes upon a change of control triggering event (as defined in the Indenture) at a price equal to 101% of their principal amount plus accrued and unpaid interest, if any.

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On April 15, 2010, the Company entered into a forward starting interest rate contract with a notional amount of $300.0 million and a settlement date in December 2010. This contract was entered into in anticipation of the issuance of the 4.5% Senior Notes and was designed to lock in the market interest rate as of April 15, 2010. In December 2010, the Company settled and paid this interest rate contract for $31.0 million. The $31.0 million is being amortized into interest expense over the 10 year term of the 4.5% Senior Notes, which results in an effective interest rate of 5.8%.

On July 12, 2011, the Company entered into a forward starting interest rate contract with a notional amount of $350.0 million and a settlement date of September 30, 2011. This contract was entered into in anticipation of the issuance of the 4.2% Senior Notes and was designed to lock in the market interest rate as of July 12, 2011. On September 29, 2011, the Company settled this interest rate contract for $34.7 million with a payment made on October 3, 2011. Simultaneously, the Company entered into a separate interest rate contract with a notional amount of $350.0 million and a settlement date of February 28, 2012. The contract was entered into in anticipation of the expected issuance of the 4.2% Senior Notes and was designed to maintain the market rate as of July 12, 2011. In December 2011, the Company settled and paid the September interest rate contract for $4.0 million, resulting in a total settlement of $38.7 million. Of the $38.7 million, $0.8 was recognized as other expense in 2011 and the balance of $37.9 million is being amortized into interest expense over the 10 year term of the 4.2% Senior Notes, which results in an effective interest rate of 5.3%.

There are two key financial covenants that the Company is required to maintain in connection with the Revolving Facility and the 2.58% Senior Euro Notes. The key financial covenants require a minimum interest coverage ratio of 3.0 to 1 and a maximum leverage ratio of 3.25 to 1. At December 31, 2012, the Company was in compliance with both of these financial covenants, as the Company s interest coverage ratio was 10.05 to 1 and the leverage ratio was 1.92 to 1. There are no financial covenants relating to the 4.5% Senior Notes or 4.2% Senior Notes.

On October 22, 2012, the Company s Board of Directors approved an increase in the authorized level for repurchases of common stock by $200.0 million. Repurchases under the program will be funded with future cash flow generation. During 2012, 2.2 million shares were purchased at a cost of $89.6 million.

The Company believes current cash and cash that will be generated from operations will be sufficient to meet its operating cash requirements, planned capital expenditures, interest on all borrowings, pension and postretirement funding requirements, authorized share repurchases and annual dividend payments to holders of the Company s stock for the next twelve months. 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 December 31, 2012, $21.0 million was outstanding under the Revolving Facility.

Contractual Obligations

Our contractual obligations include pension and postretirement medical benefit plans, rental payments under operating leases, payments under capital leases, and other long-term obligations arising in the ordinary course of business. There are no identifiable events or uncertainties, including the lowering of our credit rating that would accelerate payment or maturity of any of these commitments or obligations.

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The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2012, and the future periods in which such obligations are expected to be settled in cash. In addition, the table reflects the timing of principal and interest payments on outstanding borrowings. Additional detail regarding these obligations is provided in the Notes to Consolidated Financial Statements in Part II, Item 8, Financial Statements and Supplementary Data.

Payments Due by Period	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(In thousands)		
Borrowings[1]	$ 1,037,259	$ 39,563	$ 171,348	$ 78,223	$ 748,125
Operating lease obligations	41,351	14,078	14,591	5,568	7,114
Capital lease obligations[2]	3,516	578	1,123	1,715	100
Purchase obligations[3]	75,435	70,959	4,284	192	
Pension and post-retirement obligations	109,823	12,787	20,042	20,250	56,744
Income tax obligations[4]	6,506	2,218	3,290	669	329
Total contractual obligations[5]	$ 1,273,890	$ 140,183	$ 214,678	$ 106,617	$ 812,412

(1) Includes interest payments based on contractual terms and current interest rates for variable debt.

(2) Consists primarily of tangible personal property leases.

(3) Consists primarily of inventory commitments.

(4) Excludes interest and penalties.

(5) Comprises liabilities recorded on the balance sheet of $884.3, and obligations not recorded on the balance sheet of $389.6.

Critical Accounting Policies

We believe that the application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 of the Notes to Consolidated Financial Statements in Part II, Item 8, Financial Statements and Supplementary Data.

Revenue recognition The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility of the sales price is reasonably assured. For product sales, delivery does not occur until the products have been shipped and risk of loss has been transferred to the customer. Revenue from services is recognized when the services are provided or ratably over the contract term. Some arrangements with customers may include multiple deliverables, including the combination of products and services. In such cases, the Company has identified these as separate elements in accordance with ASC 605-25 Revenue Recognition-Multiple-Element Arrangements-Recognition and recognizes revenue consistent with the policy for each separate element based on the relative selling price method. Revenues from some long-term contracts are recognized on the percentage-of-completion method. Percentage-of-completion is measured principally by the percentage of costs incurred to date for each contract to the estimated total costs for such contract at completion. Provisions for estimated losses on uncompleted long-term contracts are made in the period in which such losses are determined. Due to uncertainties inherent in the estimation process, it is reasonably possible that completion costs, including those arising from contract penalty provisions and final contract settlements, will be revised in the near-term. Such revisions to costs and income are recognized in the period in which the revisions are determined.

The Company records allowances for discounts, product returns and customer incentives at the time of sale as a reduction of revenue as such allowances can be reliably estimated based on historical experience and known

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trends. The Company also offers product warranties and accrues its estimated exposure for warranty claims at the time of sale based upon the length of the warranty period, warranty costs incurred and any other related information known to the Company.

Goodwill, long-lived and intangible assets The Company evaluates the recoverability of certain noncurrent assets utilizing various estimation processes. An impairment of a long-lived asset exists when the asset s carrying amount exceeds its fair value, and is recorded when the carrying amount is not recoverable through future operations. An indefinite lived intangible asset or goodwill impairment exists when the carrying amount of intangible assets and goodwill exceeds its fair value. Assessments of possible impairments of goodwill, long-lived or intangible assets are made when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. Additionally, testing for possible impairment of recorded goodwill and indefinite-lived intangible asset balances is performed annually. The amount and timing of impairment charges for these assets require the estimation of future cash flows and the fair value of the related assets.

The Company s business acquisitions result in recording goodwill and other intangible assets, which affect the amount of amortization expense and possible impairment expense that the Company will incur in future periods. The Company follows the guidance prescribed in ASC 350, Goodwill and Other Intangible Assets to test goodwill and intangible assets for impairment. Annually, on October 31st or more frequently if triggering events occur, the Company compares the fair value of their reporting units to the carrying value of each reporting unit to determine if a goodwill impairment exists.

The Company determines the fair value of each reporting unit utilizing an income approach (discounted cash flows) weighted 50% and a market approach consisting of a comparable public company multiples methodology weighted 50%. To determine the reasonableness of the calculated fair values, the Company reviews the assumptions to ensure that neither the income approach nor the market approach yielded significantly different valuations.

The key assumptions are updated every year for each reporting unit for the income and market methodology used to determine fair value. Various assumptions are utilized including forecasted operating results, annual operating plans, strategic plans, economic projections, anticipated future cash flows, the weighted average cost of capital, market data and market multiples. The assumptions that have the most significant effect on the fair value calculation are the weighted average cost of capital, the market multiples and terminal growth rates. The 2012 and 2011 ranges for these three assumptions utilized by the Company are as follows:

Assumptions:	**2012 Range**	**2011 Range**
Weighted average cost of capital	10.0% to 14%	12.5% to 14.5%
Market multiples	7.5x to 11.0x	6.5x to 13.0x
Terminal growth rates	3.0% to 3.5%	3.0% to 3.5%

In prior periods, the Company disclosed certain reporting units for which the estimated fair value did not significantly exceed carrying value. Assumptions used in estimating fair value included successful execution of business forecasts and favorable market conditions. Consistent with the Company s approach in its annual impairment testing, in assessing the fair value of the reporting units, the Company considered both the market approach and income approach. Under the market approach, the fair value of the reporting unit is based on comparing the reporting unit to comparable publicly traded companies. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of significant management assumptions including estimates of operating results, capital expenditures, other operating costs and discount rates. Weighting was equally attributed to both the market and income approaches (50% each) in arriving at the fair value of the reporting units. As a result of our annual impairment test for the IOP reporting unit and as a result of the reorganization of certain FMT reporting units, the

Company determined that the fair value of the IOP and WST reporting units was less than the carrying value of the net assets of the reporting units, and thus the Company performed step two of the goodwill impairment test.

In step two of the goodwill impairment test, the Company determined the implied fair value of the goodwill and compared it to the carrying value, which resulted in a $149.8 million goodwill impairment charge at the IOP reporting unit and a $20.7 million impairment charge at the WST reporting unit.

The unamortized Banjo trade name and the CVI Melles Griot trade names were determined to be indefinite lived intangible assets which are 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. As a result of our annual impairment test, the Company concluded that the fair value of the CVI Melles Griot trade names within the IOP reporting unit was less than the carrying value, resulting in a $21.0 million impairment charge. The Company also determined that the CVI Melles Griot trade names no longer had an indefinite life and reclassified the remaining $26.0 million to definite lived assets that will be amortized over a remaining useful life of 15 years.

A long-lived asset impairment exists when the carrying amount of the asset exceeds its fair value. Assessments of possible impairments of long-lived assets are made when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. The amount and timing of impairment charges for these assets require the estimation of future cash flows and the fair value of the related assets. As a result of the reorganization of certain FMT reporting units, the Company concluded that certain long lived assets within the WST reporting unit had a fair value that was less than the carrying value of the assets, resulting in a $7.0 million impairment charge. No additional impairments were identified at any of the other reporting units.

Defined benefit retirement plans The plan obligations and related assets of the defined benefit retirement plans are presented in Note 14 of the Notes to Consolidated Financial Statements in Part II, Item 8, Financial Statements and Supplementary Data. Level 1 assets are valued using unadjusted quoted prices for identical assets in active markets. Level 2 assets are valued using quoted prices or other observable inputs for similar assets. Level 3 assets are valued using unobservable inputs, but reflect the assumptions market participants would use in pricing the assets. Plan obligations and the annual pension expense are determined by consulting with actuaries using a number of assumptions provided by the Company. Key assumptions in the determination of the annual pension expense include the discount rate, the rate of salary increases, and the estimated future return on plan assets. To the extent actual amounts differ from these assumptions and estimated amounts, results could be adversely affected.

Changes in the discount rate assumptions will impact the (gain) loss amortization and interest cost components of the projected benefit obligation (PBO), which in turn, may impact the Company s funding decisions if the PBO exceeds plan assets. Each 100 basis point increase or decrease in the discount rate will cause a corresponding decrease or increase, respectively, in the PBO of an estimated $25.0 million based upon the December 31, 2012 data.

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) (ASU 2011-04), which was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The Company adopted this guidance on January 1, 2012, and its adoption did not impact the consolidated financial position, results of operations or cash flows of the Company.

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In June 2011, FASB issued ASU 2011-05 Presentation of Comprehensive Income. ASU 2011-05 allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The guidance eliminated the option to report other comprehensive income and its components in the statement of changes in equity. While ASU 2011-05 changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. In December 2011, FASB issued ASU 2011-12 Comprehensive Income (Topic 220); Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 deferred certain aspects of ASU 2011-05. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted ASU 2011-05 and the deferrals in ASU 2011-12 on January 1, 2012 and the adoption did not impact the consolidated financial position, results of operations or cash flows of the Company.

New Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02), which allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test of an indefinite-lived intangible asset. Under ASU 2012-02, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset if the entity determines, based on qualitative assessment, that it is not more likely than not impaired. The revised standard is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012; however, early adoption is permitted. As of December 31, 2012, the Company did not elect to early adopt ASU 2012-02, however it is not expected to have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

Item 7A. ***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, describes the 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 financial or commodity derivative 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 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 (expense)-net on the Consolidated Statements of Operations.

The Company s interest rate exposure is primarily related to its $786.6 million of total debt outstanding at December 31, 2012. Approximately 4% 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 $0.2 million annualized increase or decrease in interest expense and cash flows. The remaining debt is fixed rate debt.

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Item 8. ***Financial Statements and Supplementary Data.***

IDEX CORPORATION

CONSOLIDATED BALANCE SHEETS

	As of December 31, 2012	2011
	(In thousands except share and per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 318,864	$ 230,259
Receivables net	256,095	252,845
Inventories	234,950	254,258
Other current assets	71,956	51,799
Total current assets	881,865	789,161
Property, plant and equipment net	219,161	213,717
Goodwill	1,321,727	1,431,366
Intangible assets net	341,372	382,222
Other noncurrent assets	21,265	19,641
Total assets	$ 2,785,390	$ 2,836,107
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Trade accounts payable	$ 117,341	$ 110,977
Accrued expenses	150,176	130,696
Short-term borrowings	7,335	2,444
Dividends payable	16,575	14,161
Total current liabilities	291,427	258,278
Long-term borrowings	779,241	806,366
Deferred income taxes	121,349	142,482
Other noncurrent liabilities	128,375	115,846
Total liabilities	1,320,392	1,322,972
Commitments and contingencies (Note 8)		
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: 87,732,405 shares at December 31, 2012 and 85,968,630 shares at December 31, 2011	877	860
Additional paid-in capital	550,682	490,128
Retained earnings	1,113,541	1,142,412
Treasury stock at cost: 5,005,518 shares at December 31, 2012 and 2,734,747 shares at December 31, 2011	(156,699)	(64,796)
Accumulated other comprehensive loss	(43,403)	(55,469)
Total shareholders equity	1,464,998	1,513,135
Total liabilities and shareholders equity	$ 2,785,390	$ 2,836,107

See Notes to Consolidated Financial Statements.

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IDEX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2012	2011	2010
	(In thousands except per share amounts)		
Net sales	$ 1,954,258	$ 1,838,451	$ 1,513,073
Cost of sales	1,150,558	1,099,778	894,590
Gross profit	803,700	738,673	618,483
Selling, general and administrative expenses	444,490	421,703	358,272
Asset impairments	198,519		
Restructuring expenses	32,473	12,314	11,095
Operating income	128,218	304,656	249,116
Other income (expense) net	236	(1,443)	(1,092)
Interest expense	42,250	29,332	16,150
Income before income taxes	86,204	273,881	231,874
Provision for income taxes	48,574	80,024	74,774
Net income	$ 37,630	$ 193,857	$ 157,100
Earnings per common share:			
Basic earnings per common share	$ 0.45	$ 2.34	$ 1.93
Diluted earnings per common share	$ 0.45	$ 2.32	$ 1.90
Share data:			
Basic weighted average common shares outstanding	82,689	82,145	80,466
Diluted weighted average common shares outstanding	83,641	83,543	81,983

See Notes to Consolidated Financial Statements.

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IDEX CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2012	2011	2010
		(In thousands)	
Net income	$ 37,630	$ 193,857	$ 157,100
Other comprehensive income (loss)			
Gains (losses) and reclassification adjustments for derivatives, net of tax	4,780	(20,254)	(14,210)
Pension and other postretirement adjustments, net of tax	(7,159)	(8,398)	(2,830)
Cumulative translation adjustment	14,445	(14,108)	(21,097)
Comprehensive income	$ 49,696	$ 151,097	$ 118,963

See Notes to Consolidated Financial Statements.

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IDEX CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Cumulative Translation Adjustment	Accumulated Other Comprehensive Income (Loss): Retirement Benefits Adjustments	Accumulated Other Comprehensive Income (Loss): Cumulative Unrealized Gain (Loss) on Derivatives	Treasury Stock	Total Shareholders Equity
			(In thousands except share and per share amounts)				
Balance, December 31, 2009	$ 402,405	$ 896,977	$ 59,399	$ (27,258)	$ (6,713)	$ (56,706)	$ 1,268,104
Net income		157,100					157,100
Cumulative translation adjustment			(21,097)				(21,097)
Net change in retirement obligations (net of tax expense of $1.7 million)				(2,830)			(2,830)
Net change on derivatives designated as cash flow hedges (net of tax benefit of $11.9 million)					(14,210)		(14,210)
Issuance of 1,222,274 shares of common stock from issuance of unvested shares, exercise of stock options and deferred compensation plans	22,354						22,354
Share-based compensation	17,358						17,358
Unvested shares surrendered for tax withholding						(2,082)	(2,082)
Cash dividends declared $.60 per common share outstanding		(49,037)					(49,037)
Balance, December 31, 2010	$ 442,117	$ 1,005,040	$ 38,302	$ (30,088)	$ (20,923)	$ (58,788)	$ 1,375,660
Net income		193,857					193,857
Cumulative translation adjustment			(14,108)				(14,108)
Net change in retirement obligations (net of tax benefit of $4.2 million)				(8,398)			(8,398)
Net change on derivatives designated as cash flow hedges (net of tax benefit of $12.5 million)					(20,254)		(20,254)
Issuance of 1,596,145 shares of common stock from issuance of unvested shares, exercise of stock options and deferred compensation plans	37,621						37,621
Share-based compensation	11,250						11,250
Unvested shares surrendered for tax withholding						(6,008)	(6,008)
Cash dividends declared $.68 per common share outstanding		(56,485)					(56,485)
Balance, December 31, 2011	$ 490,988	$ 1,142,412	$ 24,194	$ (38,486)	$ (41,177)	$ (64,796)	$ 1,513,135
Net income		37,630					37,630
Cumulative translation adjustment			14,445				14,445
Net change in retirement obligations (net of tax benefit of $1.6 million)				(7,159)			(7,159)
Net change on derivatives designated as cash flow hedges (net of tax of $2.8 million)					4,780		4,780
Issuance of 1,826,977 shares of common stock from issuance of unvested shares, exercise of stock options and deferred compensation plans	49,721						49,721
Repurchase of 2,182,946 shares of common stock						(89,563)	(89,563)
Share-based compensation	10,850						10,850
Unvested shares surrendered for tax withholding						(2,340)	(2,340)
		(66,501)					(66,501)

Cash dividends declared $.80 per common share outstanding							
Balance, December 31, 2012	$ 551,559	$ 1,113,541	$ 38,639	$ (45,645)	$ (36,397)	$ (156,699)	$ 1,464,998

See Notes to Consolidated Financial Statements.

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IDEX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,		
	2012	2011	2010
		(In thousands)	
Cash flows from operating activities			
Net income	$ 37,630	$ 193,857	$ 157,100
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (gain) on sale of fixed assets		(2,831)	12
Asset impairments	198,519		
Depreciation and amortization	36,827	36,882	32,367
Amortization of intangible assets	41,485	35,504	25,741
Amortization of debt issuance expenses	1,685	1,263	547
Share-based compensation expense	13,102	12,076	17,358
Deferred income taxes	(37,229)	(3,576)	(7,336)
Excess tax benefit from share-based compensation	(4,474)	(5,298)	(3,457)
Non-cash interest expense associated with forward starting swaps	7,637	3,570	
Forward starting interest rate contract settlement		(38,707)	(30,970)
Changes in (net of the effect from acquisitions):			
Receivables	12,747	(16,488)	(22,162)
Inventories	23,799	(607)	(26,651)
Other current assets	(12,127)	877	(2,985)
Trade accounts payable	(1,376)	(8,645)	21,432
Accrued expenses	9,944	7,411	17,941
Other net	(1,989)	1,953	5,540
Net cash flows provided by operating activities	326,180	217,241	184,477
Cash flows from investing activities			
Purchases of property, plant and equipment	(35,807)	(35,175)	(31,740)
Acquisition of businesses, net of cash acquired	(68,930)	(443,634)	(91,286)
Proceeds from fixed asset disposals		12,651	720
Other net	(529)	(3,379)	
Net cash flows used in investing activities	(105,266)	(469,537)	(122,306)
Cash flows from financing activities			
Borrowings under revolving facilities and credit facilities for acquisitions	35,000	365,000	53,866
Borrowings under revolving facilities	94,479	471,222	
Borrowings under credit facilities		1,890	7,685
Proceeds from issuance of 4.2% Senior Notes		349,125	
Proceeds from issuance of 2.58% Senior Euro Notes			96,762
Proceeds from issuance of 4.5% Senior Notes			298,427
Payments under revolving facilities, credit facilities and term loan	(158,825)	(906,115)	(331,632)
Debt issuance costs		(5,451)	(2,685)
Dividends paid	(64,087)	(54,613)	(46,334)
Proceeds from stock option exercises	45,771	33,064	18,057
Excess tax benefit from share-based compensation	4,474	5,298	3,457
Purchase of common stock	(89,563)		
Unvested shares surrendered for tax withholding	(2,340)	(6,008)	(2,082)
Other	(1,394)		
Net cash flows (used in) provided by financing activities	(136,485)	253,412	95,521
Effect of exchange rate changes on cash and cash equivalents	4,176	(5,993)	3,918

Net increase (decrease) in cash	88,605	(4,877)	161,610
Cash and cash equivalents at beginning of year	230,259	235,136	73,526
Cash and cash equivalents at end of period	$ 318,864	$ 230,259	$ 235,136
Supplemental cash flow information			
Cash paid for:			
Interest	$ 32,639	$ 27,749	$ 16,776
Income taxes	87,603	66,087	73,867
Significant non-cash activities:			
Contingent consideration for acquisition	8,370	3,000	
Debt acquired with acquisition of business	4,680	1,400	758

See Notes to Consolidated Financial Statements.

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Business

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 its customers specifications. Its products are sold in niche markets to a wide range of industries throughout the world. The Company s products include industrial pumps, compressors, flow meters, injectors and valves, and related controls for use in a wide variety of process applications; precision fluidics solutions, including pumps, valves, degassing equipment, corrective tubing, fittings, and complex manifolds, precision photonic solutions, optical filters and specialty medical equipment and devices used in life science applications; precision-engineered equipment for dispensing, metering and mixing paints; refinishing equipment; and engineered products for industrial and commercial markets, including fire and rescue, transportation equipment, oil and gas, electronics, and communications. These activities are grouped into three reportable segments: Fluid & Metering Technologies, Health & Science Technologies and Fire & Safety/Diversified Products.

Principles of Consolidation

The consolidated financial statements include the Company and its subsidiaries. All intercompany transactions and accounts have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of estimation reflected in the financial statements are revenue recognition, sales returns and allowances, allowance for doubtful accounts, inventory valuation, recoverability of long-lived assets, income taxes, product warranties, derivatives, contingencies and litigation, insurance-related items, impairment charges, share-based compensation, defined benefit retirement plans and purchase accounting related to acquisitions.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability of the sales price is reasonably assured. For product sales, delivery does not occur until the products have been shipped and risk of loss has been transferred to the customer. Revenue from services is recognized when the services are provided or ratably over the contract term. Some arrangements with customers may include multiple deliverables, including the combination of products and services. In such cases the Company has identified these as separate elements in accordance with ASC 605-25 and recognizes revenue consistent with the policy for each separate element based on the relative selling price method. Revenues from certain long-term contracts are recognized on the percentage-of-completion method. Percentage-of-completion is measured principally by the percentage of costs incurred to date for each contract to the estimated total costs for such contract at completion. Provisions for estimated losses on uncompleted long-term contracts are made in the period in which such losses are determined. Due to uncertainties inherent in the estimation process, it is reasonably possible that completion costs, including those arising from contract penalty provisions and final contract settlements, will be revised in the near-term. Such revisions to costs and income are recognized in the period in which the revisions are determined.

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company records allowances for discounts, product returns and customer incentives at the time of sale as a reduction of revenue as such allowances can be reliably estimated based on historical experience and known trends. The Company also offers product warranties and accrues its estimated exposure for warranty claims at the time of sale based upon the length of the warranty period, warranty costs incurred and any other related information known to the Company.

Shipping and Handling Costs

Shipping and handling costs are included in cost of sales and are recognized as a period expense during the period in which they are incurred.

Advertising Costs

Advertising costs of $15.3 million, $13.4 million and $11.0 million for 2012, 2011 and 2010, respectively, are expensed as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of 90 days or less to be cash and cash equivalents.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses as a result of customer s inability to make required payments. Management evaluates the aging of the accounts receivable balances, the financial condition of its customers, historical trends and the time outstanding of specific balances to estimate the amount of accounts receivables that may not be collected in the future and records the appropriate provision.

Inventories

The Company states inventories at the lower of cost or market. Cost, which includes material, labor, and factory overhead, is determined on a FIFO basis. We make adjustments to reduce the cost of inventory to its net realizable value, if required, at the business unit level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in market demand, product life cycle and engineering changes.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, as measured by comparing their net book value to the projected undiscounted future cash flows generated by their use. Impaired assets are recorded at their estimated fair value using a discounted cash flow analysis.

Goodwill and Indefinite-Lived Intangible Assets

In accordance with ASC 350, the Company reviews the carrying value of goodwill and indefinite-lived intangible assets annually on October 31, or upon the occurrence of events or changes in circumstances that indicate that the carrying value of the goodwill or intangible assets may not be recoverable. The Company evaluates the recoverability of these assets based on the estimated fair value of each of the fifteen reporting units and the indefinite-lived intangible asset. See Note 4 for a further discussion on goodwill and intangible assets.

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Borrowing Expenses

Expenses, inclusive of commissions and professional fees, incurred in securing and issuing debt are capitalized and included in Other noncurrent assets. These assets are amortized over the life of the related borrowing and the related amortization is included in Interest expense in the Consolidated Statements of Operations.

Earnings per Common Share

Earnings per common share (EPS) is computed by dividing net income by the weighted average number of shares of common stock (basic) plus common stock equivalents and unvested shares (diluted) outstanding during the year. Common stock equivalents consist of stock options and deferred compensation units (DCUs) and have been included in the calculation of weighted average shares outstanding using the treasury stock method.

ASC 260 concludes 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 were computed using the two-class method prescribed by ASC 260. Net income attributable to common shareholders was reduced by $0.1 million, $1.2 million and $1.4 million in 2012, 2011 and 2010, respectively.

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

	2012	2011	2010
		(In thousands)	
Basic weighted average common shares outstanding	82,689	82,145	80,466
Dilutive effect of stock options, DCUs and unvested shares	952	1,398	1,517
Diluted weighted average common shares outstanding	83,641	83,543	81,983

Options to purchase approximately 1.2 million, 0.7 million and 0.2 million shares of common stock in 2012, 2011 and 2010, respectively, were not included in the computation of diluted EPS because the effect of their inclusion would have been antidilutive.

Share-Based Compensation

The Company accounts for share-based payments in accordance with ASC 718. Accordingly, the Company expenses the fair value of awards made under its share-based compensation plans. That cost is recognized in the consolidated financial statements over the requisite service period of the grants. See Note 13 for further discussion on share-based compensation.

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation and Amortization

Property and equipment are stated at cost, with depreciation and amortization provided using the straight-line method over the following estimated useful lives:

Land improvements	8 to 12 years
Buildings and improvements	8 to 30 years
Machinery, equipment and other	3 to 12 years
Office and transportation equipment	3 to 10 years

Certain identifiable intangible assets are amortized over their estimated useful lives using the straight-line method. The estimated useful lives used in the computation of amortization of identifiable intangible assets are as follows:

Patents	5 to 17 years
Trade names	10 to 20 years
Customer relationships	3 to 20 years
Non-compete agreements	2 to 5 years
Unpatented technology and other	4 to 20 years

Research and Development Expenditures

Costs associated with research and development are expensed in the period incurred and are included in Cost of sales within the Consolidated Statements of Operations. Research and development expenses, which include costs associated with developing new products and major improvements to existing products, were $36.4 million, $36.0 million and $31.8 million in 2012, 2011 and 2010, respectively.

Foreign Currency Translation

The functional currency of substantially all operations outside the United States is the respective local currency. Accordingly, those foreign currency balance sheet accounts have been translated using the exchange rates in effect as of the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. The gains and losses resulting from changes in exchange rates from year to year have been reported in Accumulated other comprehensive loss in the Consolidated Balance Sheets. The effect of transaction gains and losses is reported within Other income (expense)-net in the Consolidated Statements of Operations.

Income Taxes

Income tax expense includes United States, state, local and international income taxes. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial reporting and the tax basis of existing assets and liabilities and for loss carryforwards. The tax rate used to determine the deferred tax assets and liabilities is the enacted tax rate for the year and manner in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

Concentration of Credit Risk

The Company is not dependent on a single customer, the largest of which accounted for less than 2% of net sales for all years presented.

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (ASU 2011-04), which was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The Company adopted this guidance on January 1, 2012, and its adoption did not impact the consolidated financial position, results of operations or cash flows of the Company.

In June 2011, FASB issued ASU 2011-05 Presentation of Comprehensive Income. ASU 2011-05 allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While ASU 2011-05 changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. In December 2011, FASB issued ASU 2011-12 Comprehensive Income (Topic 220); Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 deferred certain aspects of ASU 2011-05. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted ASU 2011-05 and the deferrals in ASU 2011-12 on January 1, 2012 and the adoption did not impact the consolidated financial position, results of operations or cash flows of the Company.

New Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02), which allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test of an indefinite-lived intangible asset. Under ASU 2012-02, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset if the entity determines, based on qualitative assessment, that it is not more likely than not impaired. The revised standard is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012; however, early adoption is permitted. As of December 31, 2012, the Company did not elect to early adopt ASU 2012-02, however it is not expected to have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

2. Restructuring

During 2012, 2011 and 2010, the Company recorded restructuring costs as a part of the 2011 and 2009 restructuring initiatives that support the implementation of key strategic efforts designed to facilitate long-term sustainable growth through cost reduction actions, primarily consisting of employee reductions and facility rationalization. The costs incurred related to these initiatives are included in Restructuring expenses in the Consolidated Statements of Operations while the related accruals are included in Accrued expenses in the Consolidated Balance Sheets. Severance costs primarily consist of severance benefits through payroll continuation, COBRA subsidies, outplacement services, conditional separation costs and employer tax liabilities, while exit costs primarily consist of asset disposals or impairments, the termination of a defined benefit plan, legal costs and relocation charges.

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2011 Initiatives

During 2012 and 2011, the Company recorded pre-tax restructuring expenses totaling $32.5 million and $12.3 million, respectively, related to our 2011 restructuring initiative for exit costs and employee severance related to employee reductions across various functional areas as well as facility rationalization. The 2011 restructuring initiatives included severance benefits for 491 employees in 2012 and 292 employees in 2011. The 2011 initiative was completed by the end of 2012 and no further restructuring is currently planned. Severance payments are expected to be fully paid in the next 12 months using cash from operations.

2009 Initiatives

During 2010, the Company recorded $11.1 million of pre-tax restructuring expenses related to our 2009 restructuring initiative for employee severance related to employee reductions across various functional areas as well as facility closures resulting from the Company s cost savings initiatives. The 2009 restructuring initiative included severance benefits for over 700 employees. The 2009 initiatives were substantially complete by the end of 2010, with restructuring charges totaling $23.2 million for the program.

Pre-tax restructuring expenses by segment, for 2012, were as follows:

	Severance Costs	Exit Costs	Total
		(In thousands)	
Fluid & Metering Technologies	$ 6,226	$ 36	$ 6,262
Health & Science Technologies	11,223	3,521	14,744
Fire & Safety/Diversified Products	3,226	5,114	8,340
Corporate/Other	2,844	283	3,127
Total restructuring costs	$ 23,519	$ 8,954	$ 32,473

Pre-tax restructuring expenses by segment, for 2011, were as follows:

	Severance Costs	Exit Costs	Total
		(In thousands)	
Fluid & Metering Technologies	$ 2,800	$ 61	$ 2,861
Health & Science Technologies	2,007	123	2,130
Fire & Safety/Diversified Products	4,430	797	5,227
Corporate/Other	2,096		2,096
Total restructuring costs	$ 11,333	$ 981	$ 12,314

Pre-tax restructuring expenses by segment, for 2010, were as follows:

	Severance Costs	Exit Costs	Total

	(In thousands)		
Fluid & Metering Technologies	$ 2,630	$ 320	$ 2,950
Health & Science Technologies	3,511	1,650	5,161
Fire & Safety/Diversified Products	1,230		1,230
Corporate/Other	1,754		1,754
Total restructuring costs	$ 9,125	$ 1,970	$ 11,095

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restructuring accruals of $10.9 million and $5.9 million at December 31, 2012 and 2011, respectively, are reflected in Accrued expenses in our Consolidated Balance Sheets as follows:

	2011 Initiative	2009 Initiative	Total
		(In thousands)	
Balance at January 1, 2011	$	$ 3,543	$ 3,543
Restructuring expenses	12,314		12,314
Payments, utilization and other	(6,439)	(3,543)	(9,982)
Balance at December 31, 2011	5,875		5,875
Restructuring expenses	32,473		32,473
Payments, utilization and other	(27,461)		(27,461)
Balance at December 31, 2012	$ 10,887	$	$ 10,887

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Balance Sheet Components

	December 31, 2012	December 31, 2011
	(In thousands)	
RECEIVABLES		
Customers	$ 257,114	$ 254,816
Other	4,577	3,889
Total	261,691	258,705
Less allowance for doubtful accounts	5,596	5,860
Total receivables net	$ 256,095	$ 252,845
INVENTORIES		
Raw materials and components parts	$ 139,229	$ 155,577
Work in process	33,025	40,506
Finished goods	62,696	58,175
Total	$ 234,950	$ 254,258
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements	$ 31,787	$ 30,320
Buildings and improvements	141,952	128,932
Machinery, equipment and other	288,542	278,936
Office and transportation equipment	95,920	98,341
Construction in progress	12,040	8,820
Total	570,241	545,349
Less accumulated depreciation and amortization	351,080	331,632
Total property, plant and equipment net	$ 219,161	$ 213,717
ACCRUED EXPENSES		
Payroll and related items	$ 55,618	$ 51,728
Management incentive compensation	15,974	17,402
Income taxes payable	10,284	8,456
Deferred income taxes		167
Insurance	8,974	6,495
Warranty	4,875	4,417
Deferred revenue	9,682	7,954
Restructuring	10,887	5,875
Liability for uncertain tax positions	2,679	1,061
Accrued interest	1,713	1,424
Contingent consideration for acquisition	3,528	1,500
Other	25,962	24,217
Total accrued expenses	$ 150,176	$ 130,696

OTHER NONCURRENT LIABILITIES		
Pension and retiree medical obligations	$ 96,853	$ 91,542
Liability for uncertain tax positions	4,989	5,262
Deferred revenue	6,534	3,198
Contingent consideration for acquisition	5,515	
Other	14,484	15,844
Total other noncurrent liabilities	$ 128,375	$ 115,846

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2012	2011 (In thousands)	2010
VALUATION AND QUALIFYING ACCOUNTS[(1)]			
Beginning balance January 1	$ 5,860	$ 5,322	$ 6,160
Charged to costs and expenses, net of recoveries	653	1,044	945
Utilization	(1,151)	(917)	(1,879)
Currency translation and other	234	411	96
Ending balance December 31	$ 5,596	$ 5,860	$ 5,322

(1) Includes provision for doubtful accounts, sales returns and sales discounts granted to customers.

4. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for 2012 and 2011, by business segment, were as follows: