

Edgar Filing: IDEX CORP /DE/ - Form 10-Q

IDEX CORP /DE/  
Form 10-Q  
November 08, 2006

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

☒ [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

OR

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

COMMISSION FILE NUMBER 1-10235

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

36-3555336  
(I.R.S. Employer  
Identification No.)

630 DUNDEE ROAD, NORTHBROOK, ILLINOIS  
(Address of principal executive offices)

60062  
(Zip Code)

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

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

Yes ☒ [X] No ☐ [ ]

Indicate by check mark whether the registrant is a large accelerated filer,  
an accelerated filer or a non-accelerated filer.

Large accelerated filer ☒ [X] Accelerated filer ☐ [ ] Non-accelerated filer ☐ [ ]

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

Yes ☐ [ ] No ☒ [X]

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Number of shares of common stock of IDEX Corporation outstanding as of October 31, 2006: 53,627,394 (net of treasury shares).

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#### PART I. FINANCIAL INFORMATION

##### ITEM 1. FINANCIAL STATEMENTS.

IDEX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)  
(UNAUDITED)

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	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents .....	\$ 78,529	\$ 77,201
Receivables, less allowance for doubtful accounts of \$3,991 at September 30, 2006 and \$3,684 at December 31, 2005 ..	157,846	129,428
Inventories .....	140,842	123,281
Assets held for sale .....	947	10,099
Other current assets .....	15,980	10,962
	-----	-----
Total current assets .....	394,144	350,971
Property, plant and equipment - net .....	154,387	142,485
Goodwill .....	772,589	691,399
Intangible assets - net .....	54,925	28,615
Other noncurrent assets .....	29,803	30,710
	-----	-----
Total assets .....	\$1,405,848	\$1,244,180
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable .....	\$ 73,944	\$ 66,859
Accrued expenses .....	84,215	72,180
Short-term borrowings .....	7,278	3,144
Liabilities held for sale .....	504	4,792
Dividends payable .....	8,006	6,321
	-----	-----
Total current liabilities .....	173,947	153,296
Long-term borrowings .....	160,168	156,899
Deferred income taxes .....	72,515	64,650
Other noncurrent liabilities .....	44,803	46,325
	-----	-----
Total liabilities .....	451,433	421,170
	-----	-----
Shareholders' equity		
Common stock:		
Authorized: 150,000,000 shares, \$.01 per share par value		
Issued: 53,558,992 shares at September 30, 2006 and 52,857,059 shares at December 31, 2005 .....	535	529
Additional paid-in capital .....	319,722	290,428
Retained earnings .....	611,023	524,035
Minimum pension liability adjustment .....	(5,884)	(5,884)
Cumulative translation adjustment .....	42,281	25,160
Treasury stock at cost: 82,255 shares at September 30, 2006 and 63,318 shares at December 31, 2005 .....	(3,248)	(2,361)
Unearned stock compensation .....	(10,014)	(8,897)
	-----	-----
Total shareholders' equity .....	954,415	823,010
	-----	-----
Total liabilities and shareholders' equity .....	\$1,405,848	\$1,244,180
	=====	=====

See Notes to Consolidated Financial Statements.

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## IDEX CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTH ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Net sales .....	\$289,848	\$249,576	\$852,809	\$752,100
Cost of sales .....	171,083	148,272	500,990	444,100
Gross profit .....	118,765	101,304	351,819	308,000
Selling, general and administrative expenses .....	64,352	55,434	193,644	177,100
Operating income .....	54,413	45,870	158,175	130,900
Other income - net .....	501	134	770	1,100
Interest expense .....	3,366	3,534	10,368	11,100
Income from continuing operations before income taxes ....	51,548	42,470	148,577	120,900
Provision for income taxes .....	18,215	14,478	51,044	44,100
Income from continuing operations .....	33,333	27,992	97,533	76,800
Income/(loss) from discontinued operations, net of tax ...	(306)	523	528	1,100
Net gain on sale of discontinued operations, net of tax ..	12,969	--	12,969	--
Income from discontinued operations, net of tax .....	12,663	523	13,497	1,100
Net income .....	\$ 45,996	\$ 28,515	\$111,030	\$ 78,000
Basic earnings per common share:				
Continuing operations .....	\$ .63	\$ .54	\$ 1.84	\$ 1.50
Discontinued operations .....	.24	.01	.26	.10
Net income .....	\$ .87	\$ .55	\$ 2.10	\$ 1.60
Diluted earnings per common share:				
Continuing operations .....	\$ .62	\$ .53	\$ 1.81	\$ 1.48
Discontinued operations .....	.23	.01	.25	.10
Net income .....	\$ .85	\$ .54	\$ 2.06	\$ 1.58
Share data:				
Basic weighted average common shares outstanding .....	53,126	51,618	52,926	51,618
Diluted weighted average common shares outstanding .....	53,971	53,071	53,931	51,618

See Notes to Consolidated Financial Statements.

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## IDEX CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS) (UNAUDITED)

	COMMON STOCK & ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	MINIMUM PENSION LIABILITY ADJUSTMENT	CUMULATIVE TRANSLATION ADJUSTMENT	TREASURY STOCK
	-----	-----	-----	-----	-----
Balance, December 31, 2005.....	\$290,957	\$524,035	\$ (5,884)	\$25,160	\$ (2,36
Net income.....		111,030			
Other comprehensive income					
Cumulative translation adjustment.....				17,121	
Other comprehensive income.....					
Comprehensive income.....					
Issuance of 631,073 shares of common stock from exercise of stock options and deferred compensation plans.....	25,767				
Issuance of restricted stock.....	3,533				
Amortization of restricted stock.....					
Restricted shares surrendered for tax withholdings .....					(88
Cash dividends declared - \$.45 per common share outstanding.....		(24,042)			
Balance, September 30, 2006.....	\$320,257	\$611,023	\$ (5,884)	\$42,281	\$ (3,24
	=====	=====	=====	=====	=====

See Notes to Consolidated Financial Statements.

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## IDEX CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) (UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 2006
	-----
Cash flows from operating activities of continuing operations	
Net income .....	\$ 111,030
Adjustments to reconcile net income to net cash provided by operating activities:	
Earnings from discontinued operations .....	(528

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Gain on sale of fixed assets .....	(810)
Gain on sale of business .....	(12,969)
Depreciation and amortization .....	18,505
Amortization of intangible assets .....	2,182
Amortization of debt issuance expenses .....	342
Stock-based compensation expense .....	8,429
Deferred income taxes .....	3,166
Excess tax benefit from stock-based compensation .....	(4,887)
Changes in (net of the effect from acquisitions):	
Receivables .....	(18,183)
Inventories .....	(3,595)
Trade accounts payable .....	3,914
Accrued expenses .....	5,357
Other - net .....	(2,400)
Net cash flows from operating activities of continuing operations .....	109,553
Cash flows from investing activities of continuing operations	
Additions to property, plant and equipment .....	(15,985)
Acquisition of businesses, net of cash acquired .....	(120,208)
Proceeds from sales of discontinued businesses .....	31,474
Proceeds from fixed assets disposals .....	1,848
Other .....	(1,500)
Net cash flows from investing activities of continuing operations .....	(104,371)
Cash flows from financing activities of continuing operations	
Borrowings under credit facilities for acquisitions .....	44,000
Net repayments under credit facilities .....	(44,000)
Net repayments of other long-term debt .....	(751)
Dividends paid .....	(22,357)
Distributions from discontinued operations .....	328
Proceeds from stock option exercises .....	14,276
Excess tax benefit from stock-based compensation .....	4,887
Other - net .....	(888)
Net cash flows from financing activities of continuing operations .....	(4,505)
Cash flows from discontinued operations	
Net cash provided by operating activities of discontinued operations .....	561
Net cash used in investing activities of discontinued operations .....	(321)
Net cash used in financing activities of discontinued operations .....	(328)
Net cash flows from discontinued operations .....	(88)
Effect of exchange rate changes on cash and cash equivalents .....	651
Net increase in cash .....	1,240
Cash and cash equivalents at beginning of year .....	77,290
Cash and cash equivalents at end of period .....	\$ 78,530
Less-cash, end of period-discontinued operations .....	1
Cash and cash equivalents at end of period-continuing operations .....	\$ 78,529
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for:	
Interest .....	\$ 12,595
Income taxes .....	47,441

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### Significant non-cash activities:

Issuance of restricted stock .....	\$	3,533
Debt acquired with acquisition of business .....		7,195

See Notes to Consolidated Financial Statements.

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### IDEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

#### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of IDEX Corporation ("IDEX" or the "Company") have been prepared in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. The statements are unaudited but include all adjustments, consisting only of recurring items, except as noted, which the Company considers necessary for a fair presentation of the information set forth herein. The results of operations for the three and nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the entire year.

The consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

#### Stock-Based Compensation

Prior to January 1, 2006, the Company accounted for its stock-based compensation using the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company provided pro forma disclosure in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," as if the fair value method of SFAS 123 had been applied to stock-based compensation. In accordance with APB Opinion No. 25, no stock-based compensation cost was reflected in the Company's prior year net income for grants of stock options to employees because the Company granted stock options with an exercise price equal to the market value of the stock on the date of grant. The reported stock-based compensation expense, net of related tax effects, in prior periods represents the amortization of restricted stock grants.

Had the Company used the fair value based accounting method for stock compensation expense prescribed by SFAS Nos. 123 and 148 for the quarter and nine months ended September 30, 2005, the Company's consolidated income from continuing operations and income from continuing operations per share would have been reduced to the pro-forma amounts illustrated as follows:

QUARTER ENDED  
SEPTEMBER 30, 2005  
-----

Income from continuing operations - as reported	\$27,992
Add: Total stock-based employee compensation included in reported	

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income from continuing operations, net of related tax effects	435
Deduct: Total stock-based compensation expense determined under fair-value based method for all awards, net of related tax effects	(1,856)
	-----
Income from continuing operations - pro forma	\$26,571
	=====
Income from continuing operations per share:	
Basic - as reported	\$ 0.54
Stock - based compensation	0.03
	-----
Basic - pro forma	\$ 0.51
	=====
Diluted - as reported	\$ 0.53
Stock - based compensation	0.03
	-----
Diluted - pro forma	\$ 0.50
	=====

Effective January 1, 2006, IDEX adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," using the modified prospective transition method and therefore has not restated results for prior periods. Under this transition method, stock-based compensation expense for the three and nine months ended September 30, 2006 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of December 31, 2005, based on the

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### IDEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Stock-based compensation expense for all stock-based compensation awards granted after December 31, 2005 is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). IDEX recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting period of four years. Prior to the adoption of SFAS No. 123(R), IDEX recognized stock-based compensation expense in accordance with Accounting Principles Bulletin ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." In March 2005, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 107 regarding the SEC's interpretation of SFAS No. 123(R) and the valuation of share-based payments for public companies. IDEX has applied the provisions of SAB No. 107 in its adoption of SFAS No. 123(R). See Note 10 to the Consolidated Financial Statements for a further discussion on stock-based compensation.

## 2. ACQUISITIONS

On January 12, 2006, the Company acquired the assets of Airshore International ("Airshore"), based in British Columbia, Canada. Airshore has annual sales of approximately \$5 million and provides stabilization struts for collapsed buildings and vehicles, high and low pressure lifting bags and



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forcible entry tools for the fire and rescue markets. Airshore operates as part of our Hale business unit within the Fire & Safety/Diversified Products segment. IDEX acquired Airshore for a purchase price of \$12.6 million, consisting entirely of cash.

On February 28, 2006, the Company acquired JUN-AIR International A/S ("JUN-AIR"), based in Norresundby, Denmark. JUN-AIR has annual sales of approximately \$22 million and is a provider of low decibal, ultra quiet vacuum compressors suitable to medical, dental and laboratory applications. JUN-AIR operates as part of our Gast business unit within IDEX's Health & Science Technologies segment. IDEX acquired JUN-AIR for an aggregate purchase price of \$22.4 million, consisting of cash consideration of \$15.2 million and acquired debt of approximately \$7.2 million.

On May 2, 2006, the Company acquired the assets of Eastern Plastics, Inc. ("EPI"), a provider of high-precision integrated fluidics and associated engineered plastics solutions. Based in Bristol, Connecticut, with revenues of approximately \$30 million, EPI's products are used in a broad set of end markets including medical diagnostics, analytical instrumentation, and laboratory automation. IDEX acquired EPI for a purchase price of \$92.4 million, consisting entirely of cash. EPI operates within the Company's Health & Science Technologies segment.

On September 11, 2006, the Company announced that it had entered into a definitive agreement to acquire Banjo Corporation, a provider of special purpose, severe duty pumps, valves, fittings and systems used in liquid handling. Based in Crawfordsville, Indiana, with revenues of approximately \$44 million, Banjo's products are used in agricultural and industrial applications. The acquisition closed on October 3, 2006 for a purchase price of \$182.5 million, primarily with financing provided by borrowings under the Company's credit facilities. Banjo will operate as part of the Company's Fluid & Metering Technologies segment.

The purchase price for Airshore, JUN-AIR and EPI, including transaction costs, has been allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of the acquisitions. The purchase price allocation is preliminary and further refinements may be necessary pending finalization of asset valuations.

The results of operations for these acquisitions have been included within the financial results from the date of the respective acquisitions. The Company does not consider any of the acquisitions, individually or in aggregate, to be material to its results of operations for any of the periods presented.

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IDEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

### 3. DISCONTINUED OPERATIONS

During the third quarter of 2006, the Company determined that Halox, its chemical and electrochemical systems product line operating as a unit of Pulsafeeder in IDEX's Fluid & Metering Technologies segment, met the criteria to be classified as a discontinued operation. As a result, the Company recorded a \$6.2 million write-down (\$3.7 after tax) of the carrying value to its estimated fair market value. The Company is marketing Halox operations and conducting

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other actions required to complete the sale within one year.

Also, during the third quarter of 2006, IDEX completed the sale of Lubriquip, its lubricant dispensing business operating as part of IDEX's Dispensing Equipment segment, resulting in an after-tax gain of \$16.7 million.

Summarized results of the Company's discontinued operations are as follows:

	THIRD QUARTER ENDED SEPTEMBER 30,		NI ENDED
	2006	2005	2005
	-----	-----	-----
Revenue .....	\$ 1,025	\$8,353	\$17,5
	=====	=====	=====
Income (loss) from discontinued operations before income taxes ...	(529)	772	6
Income tax benefit (provision) .....	223	(249)	(1
Net gain on sale of discontinued operations, net of tax .....	12,969	--	12,9
	-----	-----	-----
Income from discontinued operations .....	\$12,663	\$ 523	\$13,4
	=====	=====	=====

Total assets and liabilities of discontinued operations held for sale at September 30, 2006 and at December 31, 2005 were as follows:

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	-----	-----
Cash and cash equivalents .....	\$ 1	\$ 89
Receivables, net .....	502	3,115
Inventory, net .....	287	3,295
Other current assets .....	46	129
Property, plant and equipment, net .....	111	3,000
Intangibles .....	--	471
	----	-----
Total assets .....	\$947	\$10,099
	=====	=====
Accounts payable .....	\$214	\$ 2,614
Other liabilities .....	290	2,178
	----	-----
Total liabilities .....	\$504	\$ 4,792
	=====	=====

#### 4. BUSINESS SEGMENTS

Effective in the second quarter of 2006, IDEX changed its reporting segments based on recent organizational and structural changes from three to four reportable segments. The new business structure reflects a more focused market strategy across all businesses. Through this new structure, the Company will be better positioned to address emerging customer needs in industrial fluid and metering technologies, health and science instrumentation and equipment, dispensing, and fire and safety. The addition of a fourth segment reflects the

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Company's evolving capability and content for applied health and science technologies. Under the new reporting structure, the Fluid & Metering Technologies segment will consist of the following IDEX business units: Liquid Controls,

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### IDEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

Pulsafeeder, Viking, Warren Rupp, Versa-Matic and recently-acquired Banjo. The Health & Science Technologies segment will include Gast Manufacturing, Micropump, Rheodyne, Scivex and recently-acquired EPI. The Dispensing Equipment segment will consist of FAST and Fluid Management. The Fire & Safety/Diversified Products segment will include the Company's Hale Products' fire suppression and rescue tools businesses, as well as its BAND-IT engineered clamping business. Historical business segment information has been updated to reflect this change in reporting segments.

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

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
Net sales				
Fluid & Metering Technologies:				
External customers .....	\$105,883	\$ 97,274	\$314,910	\$287,558
Intersegment sales .....	366	426	1,100	1,130
Total group sales .....	106,249	97,700	316,010	288,688
Health & Science Technologies:				
External customers .....	80,776	59,828	223,121	170,873
Intersegment sales .....	476	689	2,451	2,106
Total group sales .....	81,252	60,517	225,572	172,979
Dispensing Equipment:				
External customers .....	37,956	33,087	123,778	123,802
Intersegment sales .....	--	--	1	--
Total group sales .....	37,956	33,087	123,779	123,802
Fire & Safety/Diversified Products:				
External customers .....	65,233	59,387	190,999	176,154
Intersegment sales .....	1	1	2	5
Total group sales .....	65,234	59,388	191,001	176,159

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Intersegment elimination .....	(843)	(1,116)	(3,553)	(3,241)
	-----	-----	-----	-----
Total net sales .....	\$289,848	\$249,576	\$852,809	\$758,387
	=====	=====	=====	=====
Operating income				
Fluid & Metering Technologies .....	\$ 22,955	\$ 19,680	\$ 64,361	\$ 53,912
Health & Science Technologies .....	14,488	11,576	41,281	30,693
Dispensing Equipment .....	8,426	6,727	30,444	30,670
Fire & Safety/Diversified Products ....	15,845	14,949	45,766	40,450
Corporate office and other .....	(7,301)	(7,062)	(23,677)	(21,461)
	-----	-----	-----	-----
Total operating income .....	\$ 54,413	\$ 45,870	\$158,175	\$134,264
	=====	=====	=====	=====

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## IDEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

### 5. EARNINGS PER COMMON SHARE

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

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Basic weighted average common shares outstanding .....	53,126	51,618	52,926	51,087
Dilutive effect of stock options, unvested restricted shares, and DCUs .....	845	1,453	1,005	1,416
	-----	-----	-----	-----
Diluted weighted average common shares outstanding.....	53,971	53,071	53,931	52,503
	=====	=====	=====	=====

Options to purchase approximately .9 million and .7 million shares of common stock as of September 30, 2006 and 2005, respectively, were not included in the computation of diluted EPS because the exercise price was greater than the average market price of the Company's common stock and, therefore, the effect of their inclusion would be antidilutive.

### 6. INVENTORIES

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The components of inventories as of September 30, 2006 and December 31, 2005 were:

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	-----	-----
Raw materials .....	\$ 52,494	\$ 51,066
Work-in-process ...	16,015	12,749
Finished goods ....	72,333	59,466
	-----	-----
Total .....	\$140,842	\$123,281
	=====	=====

Inventories carried on a LIFO basis amounted to \$114,645 and \$96,638 at September 30, 2006 and December 31, 2005, respectively. The excess of current cost over LIFO inventory value amounted to \$2,197 and \$1,348 at September 30, 2006 and December 31, 2005 respectively.

### 7. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the nine months ended September 30, 2006, by business group, were as follows:

	FLUID & METERING TECHNOLOGIES	HEALTH & SCIENCE TECHNOLOGIES	DISPENSING EQUIPMENT	FIRE & SAFETY/ DIVERSIFIED PRODUCTS	TO
	-----	-----	-----	-----	-----
Balance at December 31, 2005 ....	\$177,223	\$261,616	\$120,517	\$132,043	\$691
Foreign currency translation ....	1,227	889	4,891	3,829	10
Acquisitions .....	--	69,384	--	7,629	77
Divestiture .....	(6,659)	--	--	--	(6
	-----	-----	-----	-----	-----
Balance at September 30, 2006 ...	\$171,791	\$331,889	\$125,408	\$143,501	\$772
	=====	=====	=====	=====	=====

During the second quarter, the Company determined that due to changes in the Company's strategy, certain previously indefinite lived intangible assets should be considered definite lived assets. Therefore, effective at the beginning of the second quarter of 2006 the Company began to amortize these definite lived intangible assets.

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### IDEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

The following table provides the gross carrying value and accumulated

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amortization for each major class of intangible asset as of September 30, 2006 and December 31, 2005:

		AT SEPTEMBER 30, 2006		AT DECEMBER 31, 2005	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	AVERAGE LIFE	CARRYING AMOUNT	ACCUMULATED AMORTIZATION
	-----	-----	-----	-----	-----
Amortizable intangible assets:					
Patents .....	\$ 8,603	\$ (5,147)	10	\$ 8,680	\$ (4,744)
Trademarks .....	26,800	(595)	19	23,982	--
Customer intangibles .....	20,837	(765)	12	--	--
Non-compete agreements .....	1,914	(499)	4	400	(228)
Unpatented technology .....	1,670	(55)	20	--	--
Other .....	2,405	(243)	8	571	(46)
	-----	-----		-----	-----
Total .....	\$62,229	\$ (7,304)		\$33,633	\$ (5,018)
	=====	=====		=====	=====

### 8. ACCRUED EXPENSES

The components of accrued expenses as of September 30, 2006 and December 31, 2005 were:

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	-----	-----
Payroll .....	\$25,834	\$23,851
Management incentive compensation ...	12,558	13,109
Income taxes payable .....	10,508	7,234
Deferred income taxes .....	1,142	1,142
Insurance .....	7,633	6,742
Other .....	26,540	20,102
	-----	-----
Total .....	\$84,215	\$72,180
	=====	=====

### 9. PREFERRED STOCK

The Company had five million shares of preferred stock authorized but unissued at September 30, 2006 and December 31, 2005.

### 10. SHARE-BASED COMPENSATION

As of September 30, 2006, the Company has two stock-based compensation plans for executives, non-employee directors, and certain key employees which authorize the granting of stock options, restricted stock, restricted stock units, and other types of awards consistent with the purpose of the plans. The number of shares authorized for issuance under the Company's plans as of September 30, 2006 totals 2.3 million, of which .9 million shares were available for future issuance. Stock options granted under these plans are generally non-qualified, and are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Substantially all of the options issued to employees prior to 2005 become exercisable in five equal installments,

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while all options issued to employees in 2005 and after become exercisable in four equal installments, beginning one year from the date of grant, and generally expire 10 years from the date of grant. Stock options granted to non-employee directors cliff vest after one or two years. Restricted stock and restricted stock unit awards generally cliff vest after four years for employees and three years for non-employee directors.

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### IDEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective method, and thus did not restate any prior period amounts. Under this method, compensation cost in the three months and nine months ending September 30, 2006 include the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of December 31, 2005, based on the grant date fair value estimated using the Black-Scholes option-pricing model in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated using the Binomial lattice option-pricing model. Weighted average option fair values and assumptions for the period specified are disclosed in the following table:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER	
	2006	2005	2006	2005
Weighted average fair value of grants	\$ 11.85	\$13.11	\$ 14.43	\$12.49
Dividend yield	1.42%	1.50%	1.21%	1.50%
Volatility	30.83%	30.00%	30.76%	30.00%
Risk-free interest rate	4.39% - 4.82%	4.3%	4.71% - 5.00%	4.3%
Expected life (in years)	4.9	5.5	4.9	5.5

The assumptions are as follows:

- The Company estimated volatility using its historical share price performance over the contractual term of the option.
- The Company uses historical data to estimate the expected life of the option. The expected life assumption for the three and nine months ended September 30, 2006 is an output of the Binomial lattice option-pricing model, which incorporates vesting provisions, rate of voluntary exercise and rate of post-vesting termination over the contractual life of the option to define expected employee behavior.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual life of the option. For the three and nine months ended September 30, 2006, we present the range of risk-free one-year forward rates, derived from the U.S. treasury yield curve, utilized in the Binomial lattice option-pricing model.

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- The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the contractual life of the option.

Results of prior periods do not reflect any restated amounts and the Company had no cumulative effect adjustment upon adoption of SFAS No. 123(R) under the modified prospective method. The Company's policy is to recognize compensation cost on a straight-line basis over the requisite service period for the entire award. Additionally, the Company's general policy is to issue new shares of common stock to satisfy stock option exercises or grants of restricted shares.

The adoption of SFAS No. 123(R) decreased the Company's reported operating income and income before income taxes for the three and nine months ending September 30, 2006 by \$2.0 million and \$6.0 million, respectively, and reported net income by \$1.2 million and \$3.9 million, respectively. The adoption of SFAS No. 123(R) resulted in a decrease in reported cash flow from operating activities for the three and nine months ending September 30, 2006 of \$.3 million and \$4.9 million, respectively, offset by an increase in reported cash flow from financing activities. The Company's adoption of SFAS No. 123(R) did not effect operating income, income before income taxes, net income, cash flow from operations, cash flow from financing activities, basic and diluted net income per share in the comparable third quarter and nine months ended September 30, 2005.

Total compensation cost for stock-based compensation arrangements recognized in the three and nine months ending September 30, 2006, respectively, was \$2.0 million and \$6.0 million for stock options and \$0.8 million and \$2.4 million for restricted stock. Compensation cost recognized in general and administrative expenses for the three and nine months ending September 30, 2006, respectively, was \$1.7 million and \$5.2 million for stock options and \$0.8 million and \$2.3 million for restricted stock. Compensation cost recognized in cost of goods sold for the three and nine months ending September 30, 2006, respectively, was \$0.3 million and \$0.8 million for stock options.

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IDEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

Compensation cost recognized in cost of goods sold for nine months ending September 30, 2006 was \$0.1 for restricted stock. Recognition of compensation cost was consistent with recognition of cash compensation for the same employees, and \$0.2 million of compensation cost was capitalized as part of inventory. The total income tax benefit recognized in the income statement for the three and nine months ending September 30, 2006 for stock-based compensation arrangements was \$0.8 million and \$2.1 million, respectively.

As of September 30, 2006, there was \$16.3 million of total unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 1.5 years.

A summary of the Company's stock option activity as of September 30, 2006, and changes during the nine months ended September 30, 2006 is presented in the following table:



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FIXED OPTIONS	SHARES	WEIGHTED AVERAGE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
-----	-----	-----	-----	-----
Outstanding at January 1, 2006	4,197,150	\$26.57		
Granted	669,895	49.37		
Exercised	(603,733)	22.96		
Forfeited/Expired	(421,752)	28.03		
	-----	-----	----	-----
Outstanding at September 30, 2006	3,841,560	\$30.91	7.25	\$50,895,742
	=====	=====	=====	=====
Exercisable at September 30, 2006	1,661,941	\$24.07	6.04	\$31,563,956
	=====	=====	=====	=====

The intrinsic value for stock options outstanding and exercisable is defined as the difference between the market value of the Company's common stock as of the end of the period and the grant price. The total intrinsic value of options exercised during the nine months ending September 30, 2006 was \$15.7 million. During the nine months ending September 30, 2006, cash received from options exercised was \$14.3 million and the actual tax benefit realized for the tax deductions from stock options exercised totaled \$5.7 million.

A summary of the Company's restricted stock activity as of September 30, 2006, and changes during the nine months ending September 30, 2006 is presented in the following table:

RESTRICTED STOCK	SHARES	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
-----	-----	-----
Nonvested at January 1, 2006	296,530	\$35.93
Granted	72,310	50.60
Vested	(48,000)	35.80
Forfeited	(5,450)	40.33
	-----	-----
Nonvested at September 30, 2006	315,390	\$39.56
	=====	=====

Generally, restricted stock grants accrue dividends and their fair value is equal to the market price of the Company's stock at the date of the grant. As of September 30, 2006, there was \$7.9 million of total unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted-average period of 1.5 years.

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IDEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

11. RETIREMENT BENEFITS

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

PENSION BENEFITS				
THIRD QUARTER ENDED SEPTEMBER 30,				
-----				
2006		2005		
-----		-----		
U.S.	NON-U.S.	U.S.	NON-U.S.	
-----	-----	-----	-----	
Service cost .....	\$ 102	\$ 177	\$ 1,213	\$ 208
Interest cost .....	1,329	306	1,334	323
Expected return on plan assets ..	(1,527)	(201)	(1,838)	(338)
Net amortization .....	1,352	136	783	52
	-----	-----	-----	-----
Net periodic benefit cost ....	\$ 1,256	\$ 418	\$ 1,492	\$ 245
	=====	=====	=====	=====

PENSION BENEFITS				
NINE MONTHS ENDED SEPTEMBER 30,				
-----				
2006		2005		
-----		-----		
U.S.	NON-U.S.	U.S.	NON-U.S.	
-----	-----	-----	-----	
Service cost .....	\$ 1,635	\$ 504	\$ 3,346	\$ 526
Interest cost .....	3,306	876	3,426	1,003
Expected return on plan assets ..	(3,944)	(566)	(4,506)	(685)
Net amortization .....	2,719	393	2,085	197
	-----	-----	-----	-----
Net periodic benefit cost ....	\$ 3,716	\$ 1,207	\$ 4,351	\$ 1,041
	=====	=====	=====	=====

OTHER BENEFITS				
-----				
THIRD QUARTER ENDED		NINE MONTHS ENDED		
SEPTEMBER 30,		SEPTEMBER 30,		
-----		-----		
2006	2005	2006	2005	
----	----	-----	-----	
Service cost .....	\$115	\$121	\$ 352	\$ 362
Interest cost .....	290	318	982	952
Expected return on plan assets ..	89	19	212	58
	-----	-----	-----	-----
Net periodic benefit cost ....	\$494	\$458	\$1,546	\$1,372
	=====	=====	=====	=====

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The Company previously disclosed in its financial statements for the year ended December 31, 2005, that it expected to contribute approximately \$6.0 million to these pension plans and \$1.0 million to its other postretirement benefit plans in 2006. As of September 30, 2006, \$5.9 million of contributions have been made to the pension plans and \$.8 million has been made to its other postretirement benefit plans. The Company presently anticipates contributing up to an additional \$1.4 million in 2006 to fund the pension plans and other postretirement benefit plans.

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IDEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

### 12. LEGAL PROCEEDINGS

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

### 13. NEW ACCOUNTING PRONOUNCEMENTS

#### Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") 48, "Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109." This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. IDEX will be required to adopt this interpretation in the first quarter of 2007. Management is currently evaluating the requirements of FIN 48 and has not yet determined the impact on the consolidated financial statements.

#### Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements" ("SFAS No. 157") which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This statement is effective for fiscal periods beginning after November 15, 2007 and does not require any new fair value measurements. Management is currently evaluating the requirements of SFAS 157 and has not yet determined the impact on the consolidated financial statements.

#### Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, FASB the issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires companies to report the funded status of their defined benefit pension and other postretirement benefit plans on their balance sheets as a net liability or asset as of December 31, 2006. The new standard does not address the accounting

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treatment for pension and postretirement benefits in the income statement. Management is still assessing the effects adoption of SFAS 158 will have on its financial position.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

The "Historical Overview and Outlook" and the "Liquidity and Capital Resources" sections of this management's discussion and analysis of our financial condition and operations contain 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 those anticipated at the date of this filing. The risks and

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uncertainties include, but are not limited to, the following: 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 the effect this has 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 here are only made as of the date of this report, and we undertake no obligation to publicly 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.

#### HISTORICAL OVERVIEW AND OUTLOOK

IDEX Corporation ("IDEX") or the ("Company") is an applied solutions company specializing in fluid and metering technologies, health and science technologies, dispensing equipment, and fire, safety and other diversified products built to its customers' specifications. Our 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 certain industries and overall industrial activity are among the factors that influence the demand for our products.

Effective in the second quarter of 2006, IDEX changed its reporting segments based on recent organizational and structural changes from three to four reportable segments. The new business structure reflects a more focused

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market strategy across all businesses. The Company's reporting segments are now: Fluid & Metering Technologies, Health & Science Technologies, Dispensing Equipment and Fire & Safety/Diversified Products. Historical business segment information has been updated to reflect this change in reporting segments.

The Fluid & Metering Technologies Group produces pumps, compressors, flow meters, and related controls for the movement of liquids and gases in a diverse range of end markets from industrial infrastructure to food and beverage. The Health & Science Technologies Group produces a wide variety of small scale, highly accurate pumps, valves, fittings and medical devices, as well as compressors used in medical, dental and industrial applications. The Dispensing Equipment Group produces highly engineered equipment for dispensing, metering and mixing colorants, paints, inks and dyes, hair colorants and other personal care products, as well as refinishing equipment. The Fire & Safety/Diversified Products Group produces firefighting pumps, 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.

IDEX has a history of achieving above-average operating margins. Our operating margins have exceeded the average operating margin for the companies that comprise the Value Line Composite Index (VLCI) every year since 1988. We view the VLCI operating performance statistics as a proxy for an average industrial company. Our operating margins are influenced by, among other things, utilization of facilities as sales volumes change and inclusion of newly acquired businesses.

Some of our key 2006 financial highlights for the nine months ended September 30, 2006 were as follows:

- Orders were \$869.6 million, 12% higher than a year ago; base business orders - excluding acquisitions and foreign currency translation - were up 9%.
- Sales of \$852.8 million rose 12%; base business sales - excluding acquisitions and foreign currency translation - were up 9%.
- Gross margins improved 40 basis points to 41.3% of sales, while operating margins at 18.5% were 80 basis points higher than a year ago.
- Income from continuing operations increased 22% to \$97.5 million.
- Diluted EPS from continuing operations of \$1.81 was 28 cents ahead of the same period 2005.
- Net income increased 37% to \$111.0 million.
- Diluted EPS of \$2.06 was 52 cents ahead of the same period of 2005.

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Our business units continue to deliver profitable sales growth as a result of new product initiatives and market initiatives and our on-going commitment to operational excellence. During the first nine months of the year, organic sales growth was 9 percent, reflecting particular strength in Health & Science Technologies at 14 percent, Fluid & Metering Technologies at 9 percent and Fire & Safety/Diversified Products at 9 percent. As we move forward, we believe our businesses are well positioned in attractive product segments driven by strong underlying industry segment fundamentals and, even more importantly, our ability

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to effectively serve expanding niche applications. We are focused on the voice of our customer, while using the powerful combination of continuous process improvement and new product innovation to drive our future performance.

The following forward-looking statements are qualified by the cautionary statement under the Private Securities Litigation Reform Act set forth above.

As a short-cycle business, our performance is reliant upon the current pace of incoming orders, and we have limited visibility on future business conditions. We believe IDEX is well positioned for earnings expansion. This is based on our lower cost structure resulting from our operational excellence discipline, our investment in new products, applications and global markets, and our pursuit of strategic acquisitions to help drive IDEX's longer term profitable growth.

### RESULTS OF OPERATIONS

For purposes of this discussion and analysis section, reference is made to the table on the following page and the Company's Consolidated Statements of Operations included in Item 1. During the third quarter, the Company determined that Halox, its chemical and electrochemical systems business, met the criteria to be classified as a discontinued operation. During the second quarter, the Company determined that Lubriquip, its lubricant dispensing business, met the criteria to be classified as a discontinued operation and was subsequently sold July 11, 2006. The financial statements and the group financial information have been revised to reflect Lubriquip and Halox as discontinued operations.

Performance in the Three Months Ended September 30, 2006 Compared with the Same Period of 2005

For the three months ended September 30, 2006, orders, sales and profits were higher than the comparable three months of last year. New orders totaled \$285.6 million, 16% higher than the same period last year. Excluding the impact of foreign currency translation and the three acquisitions made since the beginning of 2006 (Airshore- January 2006; JUN-AIR - February 2006 and EPI - May 2006), base business orders were 9% higher than the same period one year ago.

Sales in the three months ended September 30, 2006 were \$289.8 million, a 16% improvement from the comparable period last year. The increase was driven by base business shipments of 9%, acquisitions accounted for 6% and foreign currency translation contributed 1%. Sales to international customers from base businesses represented approximately 45% of total sales in the current period of both 2006 and 2005.

During the quarter, Fluid & Metering Technologies contributed 37% of sales and operating income; Health & Science Technologies accounted for 28% of sales and 23% of operating income; Dispensing Equipment accounted for 13% of sales and 14% of operating income; and Fire & Safety/Diversified Products represented 22% of sales and 26% of operating income.

Fluid & Metering Technologies Group sales of \$106.2 million for the three months ended September 30, 2006 rose \$8.5 million, or 9% compared with 2005, reflecting 8% base business growth and a 1% favorable impact from foreign currency translation. In the third quarter of 2006, base business sales grew approximately 6% domestically and 11% internationally. Base business sales to customers outside the U.S. were approximately 43% of total group sales during the third quarter of 2006 compared with 42% in the comparable quarter of 2005.

Health & Science Technologies Group sales of \$81.3 million increased \$20.7 million, or 34%, in the third quarter of 2006 compared with last year's third quarter. This increase was attributed to the JUN-AIR and EPI acquisitions which contributed 23%, favorable foreign currency translation of 1% and an increase in

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base business volume of 10%. In the third quarter of 2006, base business sales increased 6% domestically and 21% internationally. Base business sales to customers outside the U.S. were approximately 38% of total group sales in the third quarter of 2006, compared with 35% in the comparable quarter of 2005.

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Dispensing Equipment Group sales of \$38.0 million increased \$4.9 million, or 15%, in the third quarter of 2006 compared with 2005. This increase reflects a 12% increase in base business volume and 3% from favorable foreign currency translation. In the third quarter of 2006, base business sales increased 20% domestically and 1% internationally. Base business sales to customers outside the U.S. were approximately 59% of total group sales in the third quarter of 2006, compared with 63% in the comparable quarter of 2005.

Fire & Safety/Diversified Products Group sales of \$65.2 million increased \$5.8 million, or 10%, in the third quarter of 2006 compared with 2005. This increase reflects an 8% increase in base business volume, with an additional 2% of favorable foreign currency translation. In the third quarter of 2006, base business sales increased 7% domestically and 9% internationally. Base business sales to customers outside the U.S. were approximately 45% of total group sales in the third quarter of both 2006 and 2005.

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006(1)	2005
<b>Fluid &amp; Metering Technologies</b>				
Net sales .....	\$106,249	\$ 97,700	\$316,010	\$288,688
Operating income (2) .....	22,955	19,680	64,361	53,912
Operating margin .....	21.6%	20.1%	20.4%	18.7%
Depreciation and amortization .....	\$ 2,142	\$ 2,432	\$ 6,882	\$ 7,550
Capital expenditures .....	1,280	1,444	3,515	6,462
<b>Health &amp; Science Technologies</b>				
Net sales .....	\$ 81,252	\$ 60,517	\$225,572	\$172,979
Operating income (2) .....	14,488	11,576	41,281	30,693
Operating margin .....	17.8%	19.1%	18.3%	17.7%
Depreciation and amortization .....	\$ 2,460	\$ 1,452	\$ 6,303	\$ 4,485
Capital expenditures .....	1,025	1,638	3,408	4,295
<b>Dispensing Equipment</b>				
Net sales .....	\$ 37,956	\$ 33,087	\$123,779	\$123,802
Operating income (2) .....	8,426	6,727	30,444	30,670
Operating margin .....	22.2%	20.3%	24.6%	24.8%
Depreciation and amortization .....	\$ 544	\$ 1,047	\$ 2,609	\$ 3,225
Capital expenditures .....	794	858	1,984	2,530
<b>Fire &amp; Safety/Diversified Products</b>				
Net sales .....	\$ 65,234	\$ 59,388	\$191,001	\$176,159
Operating income (2) .....	15,845	14,949	45,766	40,450
Operating margin .....	24.3%	25.2%	24.0%	23.0%
Depreciation and amortization .....	\$ 1,425	\$ 1,303	\$ 4,503	\$ 4,360
Capital expenditures .....	2,332	856	5,098	2,646

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### Company

Net sales .....	\$289,848	\$249,576	\$852,809	\$758,387
Operating income (2) .....	54,413	45,870	158,175	134,264
Operating margin .....	18.8%	18.4%	18.5%	17.7%
Depreciation and amortization (3) ..	\$ 6,592	\$ 6,339	\$ 20,687	\$ 20,028
Capital expenditures .....	6,282	5,116	15,985	16,790

- (1) Nine month data includes acquisition of JUN-AIR and EPI in the Health & Sciences Technologies Group and Airshore in the Fire & Safety/Diversified Products Group from the dates of acquisition.
- (2) Group operating income excludes unallocated corporate operating expenses.
- (3) Excludes amortization of debt issuance expenses and unearned stock compensation.

Gross profit of \$118.8 million, in the third quarter of 2006, increased \$17.5 million, or 17%, from 2005. Gross profit as a percent of sales was 41.0% in the third quarter of 2006 and 40.6% 2005. The improved gross margins primarily reflect the Company's strategic sourcing and other operational excellence initiatives.

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Selling, general and administrative (SG&A) expenses increased to \$64.4 million in the third quarter of 2006 from \$55.4 million in 2005 primarily due to higher volume, the acquisitions of Airshore, JUN-AIR and EPI, and the implementation of Statement of Financial Accounting Standard ("SFAS") No. 123(R), "Share-Based Payment". As a percent of sales, SG&A expenses were 22.2% for both 2006 and 2005.

Operating income increased \$8.5 million, or 19%, to \$54.4 in the third quarter of 2006 from \$45.9 million in 2005, primarily reflecting higher volumes, partially offset by increased SG&A expenses. Third quarter operating margins were 18.8% of sales, 40 basis points higher than the third quarter of 2005. The improvement from last year resulted from higher gross margins. In the Fluid & Metering Technologies Group, operating income of \$23.0 million and operating margins of 21.6% in the third quarter of 2006 were up from the \$19.7 million and 20.1% recorded in 2005 principally due to volume leverage and the impact of our operational excellence initiatives. Operating income for the Health & Science Technologies Group of \$14.5 million was up from the \$11.6 million recorded in 2005 principally due to volume leverage. Operating margins within Health & Science Technologies Group of 17.8% in the current quarter were down from 19.1% in 2005 primarily due to acquisitions and related expenses. Operating income for the Dispensing Equipment Group of \$8.4 million was up from the \$6.7 million recorded in 2005 mainly due to volume leverage and the impact of our operational excellence initiatives. Operating margins within Dispensing Equipment Group of 22.2% in the current quarter were up from 20.3% in 2005 primarily due to volume and product mix. Operating income in the Fire & Safety/Diversified Products Group of \$15.8 million was higher than \$14.9 recorded in 2005, due primarily to increased volume. Operating margins within Fire & Safety/Diversified Products Group of 24.3% in the current quarter was down from 25.2% in 2005, primarily due to product mix.

Other income in the third quarter of 2006 of \$.5 million was favorable compared with \$.1 million in 2005 primarily due to an increase in interest income.



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IDEX's provision for income taxes is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes increased to \$18.2 million in the third quarter of 2006 from \$14.5 million in 2005. The effective tax rate increased to 35.3% in the current quarter from 34.1% in the third quarter of 2005 due to the expiration of the research and development tax credits in 2006, partially offset by changes in the mix of global pre-tax income among taxing jurisdictions.

Income from continuing operations for the current quarter was \$33.3 million, 19% higher than the \$28.0 million earned in the third quarter of 2005. Diluted earnings per share from continuing operations in the third quarter of 2006 of \$.62 increased \$.09, or 17%, compared with the third quarter of 2005.

Net income for the current quarter was \$46.0 million, which included \$12.7 million from discontinued operations, increased from the \$28.5 million earned in the third quarter of 2005. Diluted earnings per share in the third quarter of 2006 of \$.85, which included \$.23 from discontinued operations, increased \$.31, or 57%, compared with the third quarter of 2005.

Performance in the Nine Months Ended September 30, 2006 Compared with the Same Period of 2005

Orders, sales and profits were higher for the first nine months of 2006 compared with the same period last year. New orders for the first nine months of 2006 totaled \$869.6 million, 12% higher than last year. Excluding the impact of foreign currency translation and the three acquisitions made since the beginning of 2006 (Airshore, JUN-AIR and EPI), orders were 9% higher than the comparable period of 2005.

Sales in the first nine months of the year increased 12% to \$852.8 million from \$758.4 million a year ago. Base business sales rose 9% and acquisitions accounted for a 3% improvement. For the first nine months of the year, base business sales to international customers were approximately 45% of total sales for both 2006 and 2005.

For the first nine months, Fluid & Metering Technologies contributed 37 percent of sales and 35 percent of operating income; Health & Science Technologies accounted for 26 percent of sales and 23 percent of operating income; Dispensing Equipment accounted for 15 percent of sales and 17 percent of operating income; and Fire & Safety/Diversified Products represented 22 percent of sales and 25 percent of operating income.

Fluid & Metering Technologies Group sales of \$316.0 million increased \$27.3 million, or 9%, for the nine months ended September 30, 2006 compared with 2005. The 9% increase reflects all base business sales as foreign currency translation had a minimal impact. In the first nine months of 2006, base business sales grew 9%

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domestically and 10% internationally. Base business sales to customers outside the U.S. were approximately 42% of total group sales in both the 2006 and 2005 periods.

Health & Science Technologies Group sales of \$225.6 million increased \$52.6 million, or 30%, for the nine months ended September 30, 2006 compared with 2005. This reflected a 14% increase in base business volume and a 16% increase from the JUN-AIR and EPI acquisitions. In the first nine months of 2006, base business sales increased 8% domestically and 28% internationally. Base business

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sales to customers outside the U.S. were approximately 36% of total group sales in the first nine months of 2006, compared with 32% in the comparable period of 2005.

Dispensing Equipment Group sales of \$123.8 million was flat in the first nine months of 2006 compared with the same period in 2005. An increase in base business sales of 1% was offset by unfavorable foreign currency translation of 1%. In the first nine months of 2006, base business sales increased 12% domestically, but decreased 5% internationally. Base business sales to customers outside the U.S. were approximately 64% of total group sales in the first nine months of 2006, compared with 68% in the comparable period of 2005.

Fire & Safety/Diversified Group sales of \$191.0 million increased \$14.8 million, or 8%, in the first nine months of 2006 compared with 2005. The 8% increase reflects all base business volume. In the first nine months of 2006, base business sales increased 10% domestically and 8% internationally. Base business sales to customers outside the U.S. were approximately 46% of total group sales in both the 2006 and 2005 periods.

Gross profit of \$351.8 million in the first nine months of 2006 increased \$41.4 million, or 13% from 2005. Gross profit as a percent of sales was 41.3% in 2006, an increase from 40.9% in 2005. The improved gross margins primarily reflected the Company's strategic sourcing and other operational excellence initiatives.

SG&A increased to \$193.6 million in 2006 from \$176.2 million in 2005, and as a percent of sales was 22.8%, an improvement from 23.2% in 2005. The increase in SG&A expenses reflected the acquisitions of Airshore, JUN-AIR and EPI, volume-related expenses and the implementation of SFAS No. 123(R).

Operating income increased by \$23.9 million, or 18%, to \$158.2 million in the first nine months of 2006 from \$134.3 million in 2005, primarily reflecting the higher gross margins discussed above and volume leverage, partially offset by increased SG&A expenses. Operating margins for the first nine months of 2006 were 18.5% compared with 17.7% in the prior year period. The margin increase from last year was primarily due to volume leverage and the improvement in gross margins discussed above. In the Fluid & Metering Technologies Group, operating income of \$64.4 million and operating margins of 20.4% in 2006 were up from the \$53.9 million and 18.7% recorded in 2005, principally due to volume leverage and the impact of our operational excellence initiatives. Operating income for the Health & Science Technologies Group of \$41.3 million and operating margins of 18.3% were up from the \$30.7 million and 17.7% in 2005 principally due to volume leverage and savings realized from the Company's operational excellence initiatives. Operating income for the Dispensing Equipment Group of \$30.4 million and operating margins of 24.6% in 2006 were down slightly from the \$30.7 million and 24.8% in 2005, mainly due to unfavorable market conditions in Europe. Operating income in the Fire & Safety/Diversified Products Group of \$45.8 million and operating margins of 24.0% in 2006 increased from \$40.5 million and 23.0% achieved in 2005 and primarily reflected increased sales volume and the impact of operational excellence initiatives.

Other income in the first nine months of 2006 of \$.8 million was favorable compared with \$.5 million in 2005 mainly due an increase in interest income, partially offset by unfavorable foreign currency translation.

IDEX's provision for income taxes is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes increased to \$51.0 million in 2006 from \$43.3 million in 2005. The effective tax rate decreased to 34.4% in 2006 from 35.0% in 2005 due to changes in the mix of global pre-tax income among taxing jurisdictions, partially offset by the expiration of the research and development tax credits in 2006.

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Income from continuing operations for the first nine months of 2006 was \$97.5 million, 22% higher than the \$80.2 million earned in the same period of 2005. Diluted earnings per share from continuing operations in the first nine months of 2006 of \$1.81 increased \$0.28, or 18%, compared with the same period of 2005.

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Net income for the first nine months of 2006 was \$111.0 million, 37% higher than the \$81.1 million earned in the same period of 2005. Diluted earnings per share in the first nine months of 2006 of \$2.06, which included \$.25 from discontinued operations, increased \$0.52, or 34%, compared with the same period last year.

### LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2006, working capital was \$220.2 million and our current ratio was 2.3 to 1. Cash flows from operating activities increased \$9.3 million, or 9%, to \$109.6 million in the first nine months of 2006 mainly due to the improved operating results discussed above.

Cash flows provided from operations were more than adequate to fund capital expenditures of \$16.0 million and \$16.8 million in the first nine months of 2006 and 2005, respectively. Capital expenditures were generally for machinery and equipment that improved productivity and tooling to support IDEX's global sourcing initiatives, although a portion was for business system technology and replacement of equipment and facilities. Management believes that IDEX has ample capacity in its plants and equipment to meet expected needs for future growth in the intermediate term.

The Company acquired Airshore in January 2006 for cash consideration of \$12.6 million, JUN-AIR in February 2006 for cash consideration of \$15.2 million and the assumption of approximately \$7.2 million in debt and EPI in May 2006 for cash consideration of \$92.4 million. The Company also acquired Banjo, which closed on October 3, 2006 for a purchase price of \$182.5 million, primarily with financing provided by borrowings under the Company's credit facilities.

In addition to the \$150.0 million of 6.875% Senior Notes due February 15, 2008, the Company also has a \$600.0 million domestic multi-currency bank revolving credit facility ("Credit Facility"), which expires December 14, 2009. With no borrowings outstanding under the facility at September 30, 2006, and outstanding letters of credit totaling \$5.3 million, the maximum amount available under the Credit Facility was \$594.7 million. Interest is payable quarterly on the outstanding balance at the bank agent's reference rate or, at the Company's election, at LIBOR plus an applicable margin. The applicable margin is based on the credit rating of our Senior Notes, and can range from 27 basis points to 75 basis points. Based on the Company's BBB rating at September 30, 2006, the applicable margin was 55 basis points. We also pay an annual fee of 15 basis points on the total Credit Facility.

There are two financial covenants that the Company is required to maintain. As defined in the agreement, the minimum interest coverage ratio (operating cash flow to interest) is 3.0 to 1 and the maximum leverage ratio (outstanding debt to operating cash flow) is 3.25 to 1. At September 30, 2006, the Company was in compliance with both of these financial covenants.

We also have a one-year, renewable \$30.0 million demand line of credit ("Short-Term Facility"), which expires on December 12, 2006. Borrowings under the Short-Term Facility are at LIBOR plus the applicable margin in effect under

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the Credit Facility. At September 30, 2006, there were no borrowings outstanding under this facility.

We believe the Company will generate sufficient cash flow from operations for the next 12 months and in the long term to meet its operating requirements, interest on all borrowings, required debt repayments, any authorized share repurchases, planned capital expenditures, and annual dividend payments to holders of common stock. In the event that suitable businesses are available for acquisition upon terms acceptable to the Board of Directors, we may obtain all or a portion of the financing for the acquisitions through the incurrence of additional long-term borrowings.

Our contractual obligations and commercial commitments include 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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### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is subject to market risk associated with changes in interest rates and foreign currency exchange rates. Interest rate exposure is limited to the \$167.4 million of total debt outstanding at September 30, 2006. Approximately 10% 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 \$0.1 million annualized increase or decrease in interest expense and cash flows. The remaining debt is fixed rate debt. We will, from time to time, enter into interest rate swaps on our debt when we believe there is a financial advantage for 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 interest rate swaps. Under the policy, we do not use derivative financial or commodity instruments for trading purposes, and the use of these instruments is subject to strict approvals by senior officers. Typically, the use of derivative instruments is limited to interest rate swaps on the Company's outstanding long-term debt. As of September 30, 2006, the Company did not have any derivative instruments outstanding.

Our foreign currency exchange rate risk is limited principally to the euro and British pound. We manage our foreign exchange risk principally through invoicing our customers in the same currency as the source of our products. As a result, the Company's exposure to any movement in foreign currency exchange rates is immaterial to the Consolidated Statements of Operations.

### ITEM 4. CONTROLS AND PROCEDURES.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management

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is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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

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

During the third quarter of 2006, the Company implemented a new financial consolidation system throughout the organization. The Company believes that effective internal control over financial reporting was maintained during and after this conversion.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS.

IDEX and five of its subsidiaries have been named as defendants in a number of lawsuits claiming various asbestos-related personal injuries, allegedly as a result of exposure to products manufactured with components that contained asbestos. Such components were acquired from third party suppliers, and were not manufactured by any of the subsidiaries. To date, all 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

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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 Alabama, California, Connecticut, Delaware, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Washington and Wyoming. Most of the claims resolved to date have been dismissed without payment. The balance has been settled for reasonable amounts. Only one case has been tried, resulting in a verdict for the Company's business unit.

No provision has been made in the financial statements of the Company, other than for insurance deductibles in the ordinary course, and IDEX does not currently believe the asbestos-related claims will have a material adverse effect on the Company's business or financial position.

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

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

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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 Number Shares that May be Purchased U the Plans or Programs (1) -----
July 1, 2006 to July 31, 2006	--	--	--	2,240,250
August 1, 2006 to August 31, 2006	--	--	--	2,240,250
September 1, 2006 to September 30, 2006	--	--	--	2,240,250

(1) On October 20, 1998, IDEX's Board of Directors authorized the repurchase of up to 2.25 million shares of its common stock, either at market prices or on a negotiated basis as market conditions warrant.

## ITEM 5. OTHER INFORMATION.

There has been no material change to the procedures by which security holders may recommend nominees to the Company's board.

## ITEM 6. EXHIBITS.

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

## SIGNATURES

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

IDEX CORPORATION

November 8, 2006

/s/ Dominic A. Romeo

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Dominic A. Romeo  
Vice President and Chief Financial  
Officer  
(duly authorized principal financial  
officer)

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## EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
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- 3.1 Restated Certificate of Incorporation of IDEX Corporation (formerly HI, Inc.) (incorporated by reference to Exhibit No. 3.1 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on April 21, 1988)
- 3.1(a) Amendment to Restated Certificate of Incorporation of IDEX Corporation (formerly HI, Inc.), (incorporated by reference to Exhibit No. 3.1(a) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 1996, Commission File No. 1-10235)
- 3.1(b) Amendment to Restated Certificate of Incorporation of IDEX Corporation (incorporated by reference to Exhibit No. 3.1 (b) to the Current Report of IDEX on Form 8-K dated March 24, 2005, Commission File No. 1-10235)
- 3.2 Amended and Restated By-Laws of IDEX Corporation (incorporated by reference to Exhibit No. 3.2 to Post-Effective Amendment No. 2 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on July 17, 1989)
- 3.2(a) Amended and Restated Article III, Section 13 of the Amended and Restated By-Laws of IDEX Corporation (incorporated by reference to Exhibit No. 3.2(a) to Post-Effective Amendment No. 3 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-21205, as filed on February 12, 1990)
- 4.1 Restated Certificate of Incorporation and By-Laws of IDEX Corporation (filed as Exhibits No. 3.1 through 3.2 (a))
- 4.2 Indenture, dated as of February 23, 1998, between IDEX Corporation, and Norwest Bank Minnesota, National Association, as Trustee, relating to the 6-7/8% Senior Notes of IDEX Corporation due February 15, 2008 (incorporated by reference to Exhibit No. 4.1 to the Current Report of IDEX on Form 8-K dated February 23, 1998, Commission File No. 1-10235)
- 4.3 Specimen Senior Note of IDEX Corporation (incorporated by reference to Exhibit No. 4.1 to the Current Report of IDEX on Form 8-K dated February 23, 1998, Commission File No. 1-10235)
- 4.4 Specimen Certificate of Common Stock of IDEX Corporation (incorporated by reference to Exhibit No. 4.3 to the Registration Statement on Form S-2 of IDEX, et al., Registration No. 33-42208, as filed on September 16, 1991)
- 4.5 Credit Agreement, dated as of December 14, 2004, among IDEX Corporation, Bank of America N.A. as Agent and Issuing Bank, and the Other Financial Institutions Party Hereto (incorporated by reference to Exhibit No. 4.5 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2004, Commission File No. 1-10235)
- 4.6 Credit Lyonnais Uncommitted Line of Credit, dated as of December 3, 2001 (incorporated by reference to Exhibit 4.6 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2001, Commission File No. 1-10235)
- 4.6(a) Amendment No. 6 dated as of December 14, 2005 to the Credit Lyonnais Uncommitted Line of Credit Agreement dated December 3, 2001
- 10.1 Definitive agreement to acquire Banjo Corporation, dated September 8, 2006, (incorporated by reference to exhibit 10.1 to the Current Report of IDEX on Form 8-K dated September 14, 2006, Commission File No. 1-10235)

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- \*31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
- \*31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
- \*32.1 Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
- \*32.2 Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

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\* Filed herewith