GREAT AMERICAN FINANCIAL RESOURCES INC
Form 4
July 05, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
MILIANO CHRISTOPHER P

(Last) (First) (Middle)

250 EAST FIFTH STREET

(Street)

CINCINNATI, OH 45202

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GREAT AMERICAN FINANCIAL RESOURCES INC [GFR]

3. Date of Earliest Transaction (Month/Day/Year)
06/30/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive Vice President& CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $1.00 par value	06/30/2005		M		9,730	A	$ 13.25	25,205.315	D	
Common Stock, $1.00 par value	06/30/2005		F		6,370	D	$ 20.24	18,835.3158	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MILIANO CHRISTOPHER P 250 EAST FIFTH STREET CINCINNATI, OH 45202			Executive Vice President& CFO	

Signatures

Mark F. Muething, Attorney-in-Fact for Christopher P. Miliano	07/05/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. >

4,271

Total borrowings
823,423

773,876

Less current portion
103,250

1,871

Total long-term borrowings
$
720,173

$
772,005

The Company maintains a $700.0 million revolving credit facility (the "Revolving Facility") with a maturity date of June 27, 2016. Up to $75.0 million of the Revolving Facility is available for the issuance of letters of credit, and up to $25.0 million is available to the Company for swing line loans, available on a same-day basis.
Proceeds from the Revolving Facility are available for working capital, acquisitions and other general corporate purposes, including refinancing existing debt of the Company and its subsidiaries.
Borrowings under the Revolving Facility bear interest, at either an alternate base rate or an adjusted LIBOR rate plus, in each case, an applicable margin. This applicable margin is based on the Company's senior, unsecured, long-term debt rating and can range from .875% to 1.70%. Based on the Company's credit rating at September 30, 2014, the applicable margin was 1.05%. Interest is payable (a) in the case of base rate loans, quarterly, and (b) in the case of LIBOR rate loans, on the maturity date of the borrowing, or quarterly from the effective date for borrowings exceeding three months. An annual Revolving Facility fee, also based on the Company's credit rating, is currently 20 basis points and is payable quarterly.
At September 30, 2014, $70.0 million was outstanding under the Revolving Facility, with $8.3 million of outstanding letters of credit, resulting in net available borrowing capacity under the Revolving Facility at September 30, 2014 of approximately $621.7 million.
At September 30, 2014, the Company included the outstanding balance of the 2.58% Senior Euro Notes, $102.7 million, within Current liabilities on the Consolidated Balance Sheet as the maturity date is June 9, 2015.
Other borrowings of $2.4 million at September 30, 2014 consisted primarily of debt at international locations maintained for working capital purposes. Interest is payable on the outstanding debt balances at rates ranging from 0.3% to 1.3% per annum.
There are two key financial covenants that the Company is required to maintain in connection with the Revolving Facility and 2.58% Senior Euro Notes. The most restrictive financial covenants under these debt instruments require a minimum interest coverage ratio of 3.0 to 1 and a maximum leverage ratio of 3.25 to 1. At September 30, 2014, the Company was in compliance with both of these financial covenants. There are no financial covenants relating to the 4.5% Senior Notes or 4.2% Senior Notes; however, both are subject to cross-default provisions.

10. Derivative Instruments
The Company enters into cash flow hedges from time to time to reduce the exposure to variability in certain expected future cash flows. The type of cash flow hedges the Company enters into includes foreign currency contracts and interest rate exchange agreements that effectively convert a portion of floating-rate debt to fixed-rate debt and are designed to reduce the impact of interest rate changes on future interest expense.
The effective portion of gains or losses on interest rate exchange agreements is reported in accumulated other comprehensive income (loss) in shareholders' equity and reclassified into net income in the same period or periods in which the hedged transaction affects net income. See Note 12 for the amount of loss reclassified into income for interest rate contracts for the three and nine

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Explanation of Responses:

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

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

11. Fair Value Measurements

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

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

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

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

	Balance at December 31, 2013	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
Money market investment	$27,871	$27,871	$—	$—
Available for sale securities	3,255	3,255	—	—

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

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

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12. Other Comprehensive Income (Loss)

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

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

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

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

13. Common and Preferred Stock

On November 8, 2013, the Company’s Board of Directors approved a $300.0 million increase in the authorized level for repurchases of common stock. Repurchases will be funded with future cash flow generation or borrowings available under the Revolving Facility. During the first nine months of 2014, the Company purchased a total of 2.0 million shares at a cost of $149.7 million, of which $3.7 million was settled in October 2014. During the first nine months of 2013, the Company purchased 2.5 million shares at a cost of $139.9 million, of which $2.7 million was settled in October 2013. As of September 30, 2014, the amount of share repurchase authorization remaining is $218.2 million.

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

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14. Share-Based Compensation

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

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

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

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

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

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

Total compensation cost for stock options is as follows:

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

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

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Total compensation cost for unvested shares is as follows:

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

Total compensation cost for performance share units is as follows:

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

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

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

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

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

15. Retirement Benefits

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

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

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

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

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

16. Legal Proceedings

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

17. Income Taxes

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

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

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

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

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement Under the Private Securities Litigation Reform Act

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

Overview and Outlook

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

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

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

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

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

- Sales of $533.2 million increased 9%; organic sales — excluding acquisitions and foreign currency translation — were up 7%.
- Operating income of $110.8 million increased 14%.
- Net income increased 12% to $71.4 million.
- Diluted EPS of $0.88 increased 10 cents, or 13%, compared to 2013.

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

- Sales of $1,623.9 million increased 8%; organic sales — excluding acquisitions and foreign currency translation — were up 6%.
- Operating income of $336.8 million increased 15%.
- Net income increased 16% to $217.8 million.
- Diluted EPS of $2.68 increased 41 cents, or 18%, compared to 2013.

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

Results of Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Explanation of Responses:

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Fluid & Metering Technologies Segment

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

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

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

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

Health & Science Technologies Segment

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

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

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

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

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

Fire & Safety/Diversified Products Segment

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

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

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

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

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

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

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

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

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

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

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

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

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

Explanation of Responses:

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Fluid & Metering Technologies Segment

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

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

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

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

Health & Science Technologies Segment

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

Sales of $562.9 million increased $30.5 million, or 6%, in the first nine months of 2014 compared with the same period in 2013. This reflects 4% organic revenue growth, 1% growth from acquisitions (FTL - March 2013) and 1% favorable foreign currency translation. In the first nine months of 2014, organic sales increased 7% domestically and 1% internationally. Organic sales to customers outside the U.S. were approximately 53% of total segment sales in the first nine months of 2014 compared with 52% during the same period in 2013.

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

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

Fire & Safety/Diversified Products Segment

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

Non-GAAP Disclosures

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

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Consolidated EBITDA Reconciliation (in thousands)	Three Months Ended September 30,			
	2014		2013	
Net income	$71,441		$63,799	
+ Income taxes	29,889		22,812	
+ Interest expense	10,461		10,570	
+ Depreciation & amortization	19,609		19,779	
EBITDA	$131,400		$116,960	
Net sales	$533,179		$490,617	
EBITDA as a percentage of net sales	24.6	%	23.8	%

Segment EBITDA Reconciliation (in thousands)	Three Months Ended September 30,											
	2014						2013					
	FMT		HST		FSD		FMT		HST		FSD	
Operating income	$54,791		$42,214		$31,355		$51,736		$36,775		$22,119	
- Other (income) expense - net	55		(420	)	(531	)	559		131		18	
+ Depreciation & amortization	6,724		11,005		1,597		6,981		10,798		1,726	
EBITDA	$61,460		$53,639		$33,483		$58,158		$47,442		$23,827	
Net sales	$223,258		$190,852		$120,313		$212,337		$178,628		$101,077	
EBITDA as a percentage of net sales	27.5	%	28.1	%	27.8	%	27.4	%	26.6	%	23.6	%

Consolidated EBITDA Reconciliation (in thousands)	Nine Months Ended September 30,			
	2014		2013	
Net income	$217,766		$187,660	
+ Income taxes	89,332		72,774	
+ Interest expense	31,323		31,724	
+ Depreciation & amortization	58,282		59,695	
EBITDA	$396,703		$351,853	
Net sales	$1,623,868		$1,503,510	
EBITDA as a percentage of net sales	24.4	%	23.4	%

Segment EBITDA Reconciliation (in thousands)	Nine Months Ended September 30,											
	2014						2013					
	FMT		HST		FSD		FMT		HST		FSD	
Operating income	$166,821		$114,580		$106,988		$155,930		$103,564		$74,027	
- Other (income) expense - net	(371	)	(24	)	(644	)	1,194		(296	)	(530	)
+ Depreciation & amortization	20,022		32,404		4,949		20,953		32,537		5,175	
EBITDA	$187,214		$147,008		$112,581		$175,689		$136,397		$79,732	
Net sales	$672,719		$562,899		$393,779		$649,580		$532,363		$326,826	
EBITDA as a percentage of net sales	27.8	%	26.1	%	28.6	%	27.0	%	25.6	%	24.4	%

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Explanation of Responses:

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

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

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

Item 4. Controls and Procedures.

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

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

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

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

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

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

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

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

Item 6. Exhibits.

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

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SIGNATURES

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

IDEX Corporation

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

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

Date: October 27, 2014

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EXHIBIT INDEX

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

* Filed herewith