

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

IDEX CORP /DE/  
Form 10-Q  
November 08, 2007

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

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FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2007  
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  No

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

Large accelerated filer  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

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Number of shares of common stock of IDEX Corporation outstanding as of October 26, 2007: 81,492,424 (net of treasury shares).

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

IDEX CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)  
(UNAUDITED)

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 74,992	\$ 77,941
Receivables, less allowance for doubtful accounts		

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of \$4,793 at September 30, 2007 and \$3,545 at December 31, 2006.....	193,457	166,485
Inventories.....	178,622	160,687
Assets held for sale.....	--	829
Other current assets.....	19,209	11,966
	-----	-----
Total current assets.....	466,280	417,908
Property, plant and equipment -- net.....	170,788	165,949
Goodwill.....	950,503	912,600
Intangible assets -- net.....	184,976	171,363
Other noncurrent assets.....	4,733	3,001
	-----	-----
Total assets.....	\$1,777,280	\$1,670,821
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable.....	\$ 86,769	\$ 75,444
Accrued expenses.....	89,377	95,170
Short-term borrowings.....	154,578	8,210
Liabilities held for sale.....	--	373
Dividends payable.....	9,775	8,055
	-----	-----
Total current liabilities.....	340,499	187,252
Long-term borrowings.....	149,448	353,770
Deferred income taxes.....	115,225	100,316
Other noncurrent liabilities.....	54,280	50,211
	-----	-----
Total liabilities.....	659,452	691,549
	-----	-----
Commitment and contingencies		
Shareholders' equity		
Preferred stock:		
Authorized: 5,000,000 shares, \$.01 per share par value; Issued:		
None.....	--	--
Common stock:		
Authorized: 150,000,000 shares, \$.01 per share par value		
Issued: 81,615,623 shares at September 30, 2007 and 80,669,121 shares at December 31, 2006.....	816	538
Additional paid-in capital.....	343,963	317,417
Retained earnings.....	724,857	638,579
Treasury stock at cost: 151,787 shares at September 30, 2007 and 123,383 shares at December 31, 2006.....	(4,244)	(3,248)
Accumulated other comprehensive income.....	52,436	25,986
	-----	-----
Total shareholders' equity.....	1,117,828	979,272
	-----	-----
Total liabilities and shareholders' equity.....	\$1,777,280	\$1,670,821
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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IDEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)  
(UNAUDITED)

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
Net sales.....	\$334,884	\$289,848	\$1,012,634	\$852,809
Cost of sales.....	197,219	171,083	587,771	500,990
Gross profit.....	137,665	118,765	424,863	351,819
Selling, general and administrative expenses.....	74,517	64,352	231,298	193,644
Operating income.....	63,148	54,413	193,565	158,175
Other income -- net.....	437	501	1,531	770
Interest expense.....	5,537	3,366	17,974	10,368
Income from continuing operations before income taxes.....	58,048	51,548	177,122	148,577
Provision for income taxes.....	19,231	18,215	59,639	51,044
Income from continuing operations.....	38,817	33,333	117,483	97,533
Income (loss) from discontinued operations, net of tax.....	(350)	(306)	(719)	528
Net gain (loss) on sale of discontinued operations, net of tax.....	(55)	12,969	(55)	12,969
Income (loss) from discontinued operations, net of tax.....	(405)	12,663	(774)	13,497
Net income.....	\$ 38,412	\$ 45,996	\$ 116,709	\$111,030
Basic earnings per common share:				
Continuing operations.....	\$ .48	\$ .42	\$ 1.46	\$ 1.23
Discontinued operations.....	--	.16	(.01)	.17
Net income.....	\$ .48	\$ .58	\$ 1.45	\$ 1.40
Diluted earnings per common share:				
Continuing operations.....	\$ .47	\$ .41	\$ 1.43	\$ 1.21
Discontinued operations.....	--	.16	(.01)	.16
Net income.....	\$ .47	\$ .57	\$ 1.42	\$ 1.37
Share data:				
Basic weighted average common shares outstanding.....	80,832	79,689	80,563	79,389
Diluted weighted average common shares outstanding.....	82,311	80,957	82,005	80,897

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See Notes to Condensed Consolidated Financial Statements.

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IDEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)  
(UNAUDITED)

	COMMON STOCK & ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	SHARES
	-----	-----	-----	-----	-----
Balance, December 31, 2006.....	\$317,955	\$638,579	\$ (3,248)	\$25,986	\$
Net income.....		116,709			
Other comprehensive income, net of tax					
Cumulative translation adjustment.....				24,685	
Amortization of retirement obligations..				1,765	
				-----	-----
Other comprehensive income.....				26,450	
				-----	-----
Comprehensive income.....					
Issuance of 773,229 shares of common stock from exercise of stock options and deferred compensation plans.....	17,175				
Share-based compensation.....	9,649				
Restricted shares surrendered for tax withholdings.....			(996)		
Cash dividends declared -- \$.36 per common share outstanding.....		(29,227)			
Cumulative effect of change in accounting for uncertainties in income taxes (FIN 48 -- See Note 15).....		(1,204)			
	-----	-----	-----	-----	-----
Balance, September 30, 2007.....	\$344,779	\$724,857	\$ (4,244)	\$52,436	\$1
	=====	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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IDEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

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(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Cash flows from operating activities of continuing operations		
Net income.....	\$ 116,709	\$ 111,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (income) from discontinued operations.....	719	(528)
Gain on sale of fixed assets.....	(371)	(810)
Loss (gain) on sale of business.....	55	(12,969)
Depreciation and amortization.....	21,235	18,505
Amortization of intangible assets.....	7,070	2,182
Amortization of debt issuance expenses.....	345	342
Stock-based compensation expense.....	9,649	8,429
Deferred income taxes.....	3,181	3,166
Excess tax benefit from stock-based compensation.....	(4,671)	(4,887)
Changes in (net of the effect from acquisitions):		
Receivables.....	(11,112)	(18,183)
Inventories.....	(6,733)	(3,595)
Trade accounts payable.....	5,306	3,914
Accrued expenses.....	(6,652)	5,357
Other -- net.....	3,466	(2,400)
Net cash flows provided by operating activities of continuing operations.....	138,196	109,553
Cash flows from investing activities of continuing operations		
Purchases of property, plant and equipment.....	(18,764)	(15,985)
Acquisition of businesses, net of cash acquired.....	(55,978)	(120,208)
Proceeds from sales of discontinued businesses.....	326	31,474
Proceeds from fixed assets disposals..	288	1,848
Other.....	--	(1,500)
Net cash flows used in investing activities of continuing operations.....	(74,128)	(104,371)
Cash flows from financing activities of continuing operations		
Borrowings under credit facilities for acquisitions.....	24,177	44,000
Borrowings under credit facilities....	37,968	33,276
Payments under credit facilities.....	(122,837)	(78,027)
Dividends paid.....	(27,508)	(22,357)
Distributions (to) from discontinued		

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operations.....	(719)	328
Proceeds from stock option exercises..	12,249	14,276
Excess tax benefit from stock-based compensation.....	4,671	4,887
Other -- net.....	(149)	(888)
	-----	-----
Net cash flows used in financing activities of continuing operations.....	(72,148)	(4,505)
Cash flows from discontinued operations		
Net cash (used in) provided by operating activities of discontinued operations.....	(869)	561
Net cash used in investing activities of discontinued operations.....	--	(321)
Net cash provided by (used in) financing activities of discontinued operations.....	867	(328)
	-----	-----
Net cash flows used in discontinued operations.....	(2)	(88)
Effect of exchange rate changes on cash and cash equivalents.....	5,131	651
	-----	-----
Net (decrease) increase in cash.....	(2,951)	1,240
Cash and cash equivalents at beginning of year.....	77,943	77,290
	-----	-----
Cash and cash equivalents at end of period.....	74,992	78,530
	-----	-----
Less-cash, end of period-discontinued operations.....	--	1
	-----	-----
Cash and cash equivalents at end of period-continuing operations.....	\$ 74,992	\$ 78,529
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest.....	\$ 20,247	\$ 12,595
Income taxes.....	59,761	47,441
Significant non-cash activities:		
Debt acquired with acquisition of business.....	1,571	7,195
Capital expenditures included in accounts payable.....	723	--
Non-cash capital expenditures.....	1,437	--

See Notes to Condensed Consolidated Financial Statements.

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

The condensed consolidated financial statements of IDEX Corporation ("IDEX" or the "Company") have been prepared in accordance with the 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, 2007 are not necessarily indicative of the results to be expected for the entire year.

The condensed consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

#### UNCERTAINTY IN INCOME TAXES

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of SFAS No. 109." This interpretation clarifies the accounting and disclosure for uncertain income tax positions relating to the uncertainty about whether a tax return position will ultimately be sustained by the respective tax authorities. See Note 15 for the impact of FIN 48 on the Company's consolidated financial statements.

#### STOCK SPLIT

On April 4, 2007, the Company's Board of Directors authorized a three-for-two common stock split effected in the form of a 50% dividend payable on May 21, 2007, to shareholders of record on May 7, 2007. Par value of common stock remained at \$.01 per share. All prior share and per share amounts have been restated to reflect the stock split.

#### CASH FLOW PRESENTATION

In previously issued financial statements the Company incorrectly presented borrowings and payments under credit facilities as net repayments in the financing activities section of the Consolidated Statements of Cash Flows. Accordingly, such presentation in the accompanying financial statements for the nine months ended September 30, 2006 has been restated to separate line items borrowings and payments under credit facilities. This correction does not affect net cash used in financing activities of continuing operations as previously presented.

### 2. RESTATEMENT OF 2006 CONSOLIDATED BALANCE SHEET AND STATEMENT OF SHAREHOLDERS' EQUITY

In January 2006, the Company adopted the provisions of Statement of Financial Accounting Standard (SFAS) No. 123(R), "Share-Based Compensation." Subsequent to the issuance of the Company's 2006 consolidated financial statements, the Company's management determined that the Company had incorrectly continued to record unearned compensation related to the issuance of restricted stock awards (nonvested shares) in Shareholders' Equity within the Consolidated Balance Sheet and the Consolidated Statements of Shareholders' Equity. Additionally, the Company did not record an entry as of January 1, 2006 to eliminate the Unearned Compensation balance as of December 31, 2005 against Additional Paid-In Capital.

The following is a summary of the effect of the immaterial restatement on the Company's 2006 Consolidated Balance Sheet and Statement of Shareholders'



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Equity. The adjustment has no impact on Consolidated Shareholders' Equity but rather only the components listed below.

	2006 AS REPORTED	ADJUSTMENT	2006 AS RESTATED
	-----	-----	-----
	(IN THOUSANDS)		
Additional paid-in capital.....	\$326,968	\$ (9,551)	\$317,417
Unearned compensation.....	\$ (9,551)	\$ 9,551	\$ -0-

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### IDEX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

It is the Company's intention to correct its presentation for the year ended December 31, 2006 in its 2007 Annual Report on Form 10-K. The Company has corrected the previous presentation of the December 31, 2006 balances within the Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Shareholders' Equity included in this Form 10Q.

In December 2006, the Company adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The transition adjustment related to the adoption of SFAS No. 158 was \$21.1 million. Subsequent to the issuance of the Company's 2006 consolidated financial statements, the Company's management determined that the Company had incorrectly included the transition adjustment within Other comprehensive income and Comprehensive income for the year ended December 31, 2006 in its Consolidated Statements of Shareholders' Equity in the 2006 Annual Report on Form 10-K. The transition adjustment should have been presented as an adjustment to the ending balance of Accumulated other comprehensive income within the 2006 Consolidated Statement of Shareholders' Equity.

The following is a summary of the effect of the adjustment on the Company's 2006 Consolidated Statement of Shareholders' Equity. The adjustment has no impact on Consolidated Shareholders' Equity but rather only the components listed below.

	2006 AS REPORTED	ADJUSTMENT	2006 AS RESTATED
	-----	-----	-----
	(IN THOUSANDS)		
Other comprehensive income.....	\$ 6,710	\$21,132	\$ 27,842
Comprehensive income.....	\$153,381	\$21,132	\$174,513

It is the Company's intention to correct its presentation for the year ended December 31, 2006 in its 2007 Annual Report on Form 10-K.

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### 3. ACQUISITIONS

On February 14, 2007, the Company acquired Faure Herman SA ("Faure Herman"), a leading provider of ultrasonic and helical turbine flow meters used in the custody transfer and control of high value fluids and gases. Headquartered in La Ferte Bernard, France, Faure Herman has sales offices in Europe and North America, with annual revenues of approximately \$22 million. Faure Herman operates as part of the Company's Liquid Controls business within its Fluid & Metering Technologies segment. IDEX acquired Faure Herman for an aggregate purchase price of \$25.8 million, consisting of \$24.2 million in cash and the assumption of approximately \$1.6 million of debt. Approximately \$12.9 million of the cash payment was financed by borrowings under the Company's credit facility. Goodwill and intangible assets recognized as part of this transaction were \$13.3 million and \$7.7 million, respectively. The \$13.3 million of goodwill is not deductible for tax purposes.

On June 12, 2007, the Company acquired Quadro Engineering ("Quadro"), a leading provider of particle control solutions for the pharmaceutical and bio-pharmaceutical markets. Quadro's core capabilities include fine milling, emulsification and special handling of liquid and solid particulates for laboratory, pilot phase and production scale processing within the pharmaceutical and bio-pharmaceutical markets. Headquartered in Waterloo, Ontario, Canada, Quadro operates as a standalone unit within the Company's Fluid & Metering Technologies segment. IDEX acquired Quadro for a purchase price of \$32.2 million, consisting entirely of cash. Approximately \$11.3 million of the cash payment was financed by borrowings under the Company's credit facility. Goodwill and intangible assets recognized as part of this transaction were \$11.8 million and \$10.9 million, respectively, reflecting intangible asset valuation refinements of \$4.5 million. Of the \$11.8 million of goodwill, approximately \$8.7 million is expected to be deductible for tax purposes.

The purchase price for Faure Herman and Quadro, 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.

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## IDEX CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The results of operations for these acquisitions have been included within the Company's financial results from the date of the acquisition. The Company does not consider these acquisitions to be material to its results of operations for any of the periods presented.

### 4. DISCONTINUED OPERATIONS

On July 11, 2006, IDEX sold Lubriquip, its lubricant dispensing business that operated as part of IDEX's Dispensing Equipment segment.

On August 13, 2007, the Company completed the sale of Halox, its chemical and electrochemical systems product line operating as a unit of Pulsafeeder in IDEX's Fluid & Metering Technologies segment, resulting in an after-tax loss of \$0.1 million.

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

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
----- (IN THOUSANDS) -----				
Revenue.....	\$ 292	\$ 1,025	\$ 1,428	\$17,550
	=====	=====	=====	=====
Income (loss) from discontinued operations before income taxes.....	(539)	(529)	(1,106)	680
Income tax benefit (provision).....	189	223	387	(152)
Net gain (loss) on sale of discontinued operations, net of tax.....	(55)	12,969	(55)	12,969
	-----	-----	-----	-----
Income (loss) from discontinued operations..	\$ (405)	\$12,663	\$ (774)	\$13,497
	=====	=====	=====	=====

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

	DECEMBER 31, 2006 ----- (IN THOUSANDS) -----
Cash and cash equivalents.....	\$ 2
Receivables, net.....	424
Inventory.....	272
Other current assets.....	20
Property, plant and equipment, net .....	111
	----
Assets held for sale.....	\$829
	=====
Accounts payable.....	\$154
Other liabilities.....	219
	----
Liabilities held for sale.....	\$373
	=====

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### 5. BUSINESS 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,	
	2007	2006	2007	2006
(IN THOUSANDS)				
Net sales				
Fluid & Metering Technologies:				
External customers.....	\$143,438	\$105,886	\$ 420,323	\$314,911
Intersegment sales.....	404	365	1,319	1,100
Total group sales.....	143,842	106,251	421,642	316,011
Health & Science Technologies:				
External customers.....	82,709	80,775	243,819	223,121
Intersegment sales.....	557	477	2,537	2,451
Total group sales.....	83,266	81,252	246,356	225,572
Dispensing Equipment:				
External customers.....	38,145	37,955	135,897	123,778
Intersegment sales.....	--	--	--	--
Total group sales.....	38,145	37,955	135,897	123,778
Fire & Safety/Diversified Products:				
External customers.....	70,592	65,232	212,595	190,999
Intersegment sales.....	--	1	1	2
Total group sales.....	70,592	65,233	212,596	191,001
Intersegment elimination.....	(961)	(843)	(3,857)	(3,553)
Total net sales.....	\$334,884	\$289,848	\$1,012,634	\$852,809
Operating income				
Fluid & Metering Technologies.....	\$ 31,559	\$ 22,957	\$ 91,443	\$ 64,362
Health & Science Technologies.....	16,703	14,488	45,733	41,281
Dispensing Equipment.....	5,625	8,425	31,577	30,443
Fire & Safety/Diversified Products..	16,533	15,844	50,008	45,766
Corporate office and other.....	(7,272)	(7,301)	(25,196)	(23,677)
Total operating income.....	\$ 63,148	\$ 54,413	\$ 193,565	\$158,175

### 6. EARNINGS PER COMMON SHARE

Earnings per common share ("EPS") are computed by dividing net income by

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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

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### IDEX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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,	
	2007	2006	2007	2006
	-----			
	(IN THOUSANDS)			
Basic weighted average common shares outstanding.....	80,832	79,689	80,563	79,389
Dilutive effect of stock options, unvested restricted shares, and DCUs.....	1,479	1,268	1,442	1,508
	-----	-----	-----	-----
Diluted weighted average common shares outstanding.....	82,311	80,957	82,005	80,897
	=====	=====	=====	=====

Options to purchase approximately 1.7 million and 1.4 million shares of common stock as of September 30, 2007 and 2006, 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.

#### 7. INVENTORIES

The components of inventories as of September 30, 2007 and December 31, 2006 were:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
	-----	
	(IN THOUSANDS)	
Raw materials.....	\$ 90,341	\$ 63,360
Work-in-process.....	23,207	16,420
Finished goods.....	65,074	80,907
	-----	-----

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Total.....	\$178,622	\$160,687
	=====	=====

Inventories carried on a LIFO basis amounted to \$148.0 million and \$133.7 million at September 30, 2007 and December 31, 2006, respectively. The excess of current cost over LIFO inventory value amounted to \$4.1 million and \$3.1 million at September 30, 2007 and December 31, 2006 respectively.

8. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the nine months ended September 30, 2007, by business segment, were as follows:

	FLUID & METERING TECHNOLOGIES	HEALTH & SCIENCE TECHNOLOGIES	DISPENSING EQUIPMENT	FIRE & SAFETY/ DIVERSIFIED PRODUCTS	TOTAL
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
Balance at December 31, 2006.....	\$304,464	\$333,801	\$128,457	\$145,878	\$912,600
Foreign currency translation.....	2,970	815	5,543	3,784	13,110
Acquisitions.....	25,099	--	--	--	25,099
Acquisition adjustments.....	(114)	(194)	--	--	(308)
	-----	-----	-----	-----	-----
Balance at September 30, 2007.....	\$332,419	\$334,422	\$134,000	\$149,662	\$950,503
	=====	=====	=====	=====	=====

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset as of September 30, 2007 and December 31, 2006:

AT SEPTEMBER 30, 2007			AT DECEMBER 31, 2006	
-----	-----	-----	-----	-----
GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	AVERAGE LIFE	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
-----	-----	-----	-----	-----
(IN THOUSANDS)				

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Amortizable intangible assets:					
Patents.....	\$ 8,035	\$ (4,891)	11	\$ 8,508	\$ (5,171)
Trade names.....	34,508	(2,670)	17	30,081	(1,224)
Customer relationships.....	72,978	(4,991)	17	64,796	(1,609)
Non-compete agreements.....	4,332	(1,828)	4	4,087	(702)
Unpatented technology.....	12,682	(644)	16	4,727	(127)
Other.....	6,281	(916)	10	6,457	(560)
	-----	-----		-----	-----
Total amortizable intangible assets.....	138,816	(15,940)		118,656	(9,393)
Banjo trade name.....	62,100	--		62,100	--
	-----	-----		-----	-----
Balance at September 30, 2007...	\$200,916	\$ (15,940)		\$180,756	\$ (9,393)
	=====	=====		=====	=====

The Banjo trade name is an indefinite lived intangible asset which will be tested for impairment on an annual basis.

9. ACCRUED EXPENSES

The components of accrued expenses as of September 30, 2007 and December 31, 2006 were:

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
	-----	-----
	(IN THOUSANDS)	
Payroll and related items.....	\$38,864	\$32,897
Management incentive compensation.....	7,028	15,279
Income taxes payable.....	2,477	10,897
Deferred income taxes.....	1,262	1,359
Insurance.....	10,561	10,338
Other.....	29,185	24,400
	-----	-----
Total accrued expenses.....	\$89,377	\$95,170
	=====	=====

10. BORROWINGS

Effective February 2007 the \$150.0 million of 6.875% Senior Notes due February 15, 2008 were reclassified from long-term borrowings to short-term borrowings.

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 21, 2011. With \$139.0 million outstanding under the facility at September 30, 2007, and outstanding letters of credit totaling \$5.7 million, the maximum amount available under the Credit Facility was \$455.3 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 payable at maturity. The applicable margin is based on the credit rating of our Senior Notes, and can range from 24 basis points to 50 basis points. Based on the Company's BBB rating

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

September 30, 2007, the applicable margin was 40 basis points. We also pay an annual fee of 10 basis points on the total Credit Facility.

We also have a one-year, renewable \$30.0 million demand line of credit ("Short-Term Facility"), which expires on December 12, 2007. Borrowings under the Short-Term Facility are at LIBOR plus the applicable margin in effect under the Credit Facility. At September 30, 2007, there were no borrowings outstanding under this facility.

11. PREFERRED STOCK

The Company had five million shares of preferred stock authorized but unissued at September 30, 2007 and December 31, 2006.

12. SHARE-BASED COMPENSATION

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 123R using the modified prospective method, and thus did not restate any prior period amounts. Under this method, compensation cost in the three and nine months ending September 30, 2007 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.

During 2007, the Company has granted approximately 1.1 million stock options and 0.1 million restricted shares, respectively.

Total compensation cost for stock options is as follows:

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
	(IN THOUSANDS)			
General and administrative expenses.....	\$1,687	\$1,650	\$ 5,658	\$ 5,197
Cost of goods sold.....	247	283	818	816
Total expense before income taxes.....	1,934	1,933	6,476	6,013
Income tax benefit.....	(704)	(704)	(2,358)	(2,029)
Total expense after income taxes.....	\$1,230	\$1,229	\$ 4,118	\$ 3,984



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Total compensation cost for restricted stock is as follows:

	THIRD QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
	(IN THOUSANDS)			
General and administrative expenses.....	\$ 986	\$ 815	\$3,153	\$2,410
Cost of goods sold.....	8	3	20	6
Total expense before income taxes.....	994	818	3,173	2,416
Income tax benefit.....	(177)	(126)	(628)	(396)
Total expense after income taxes.....	\$ 817	\$ 692	\$2,545	\$2,020

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IDEX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Classification of stock compensation cost within the Consolidated Statements of Operations is consistent with classification of cash compensation for the same employees. Compensation cost capitalized as part of inventory was immaterial.

As of September 30, 2007, there was \$15.8 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, and \$8.8 million of total unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted-average period of 1.3 years.

13. 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.

PENSION BENEFITS

THIRD QUARTER ENDED SEPTEMBER 30,
2007
2006

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	U.S.	NON-U.S.	U.S.	NON-U.S.
	-----	-----	-----	-----
	(IN THOUSANDS)			
Service cost.....	\$ 469	\$ 224	\$ 102	\$ 177
Interest cost.....	1,072	396	1,329	306
Expected return on plan assets.....	(1,310)	(267)	(1,527)	(201)
Net amortization.....	682	190	1,352	137
	-----	-----	-----	-----
Net periodic benefit cost.....	\$ 913	\$ 543	\$ 1,256	\$ 419
	=====	=====	=====	=====

PENSION BENEFITS

	NINE MONTHS ENDED SEPTEMBER 30, 2007		NINE MONTHS ENDED SEPTEMBER 30, 2006	
	U.S.	NON-U.S.	U.S.	NON-U.S.
	-----	-----	-----	-----
	(IN THOUSANDS)			
Service cost.....	\$ 1,407	\$ 668	\$ 1,635	\$ 504
Interest cost.....	3,216	1,178	3,306	876
Expected return on plan assets.....	(3,931)	(795)	(3,944)	(566)
Net amortization.....	2,047	563	2,719	393
	-----	-----	-----	-----
Net periodic benefit cost.....	\$ 2,739	\$1,614	\$ 3,716	\$1,207
	=====	=====	=====	=====

OTHER BENEFITS

	THIRD QUARTER ENDED SEPTEMBER 30, 2007		NINE MONTHS ENDED SEPTEMBER 30, 2006	
	2007	2006	2007	2006
	-----	-----	-----	-----
	(IN THOUSANDS)			
Service cost.....	\$202	\$115	\$ 457	\$ 352
Interest cost.....	264	290	919	982
Net amortization.....	(4)	89	169	212
	-----	-----	-----	-----
Net periodic benefit cost.....	\$462	\$494	\$1,545	\$1,546
	=====	=====	=====	=====

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The Company previously disclosed in its financial statements for the year ended December 31, 2006, that it expected to contribute approximately \$5.1 million to these pension plans and \$1.3 million to its other postretirement

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### IDEX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

benefit plans in 2007. As of September 30, 2007, \$3.8 million of contributions have been made to the pension plans and \$0.6 million has been made to its other postretirement benefit plans. The Company presently anticipates contributing up to an additional \$0.6 million in 2007 to fund these pension plans and other postretirement benefit plans.

#### 14. 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.

#### 15. 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 from continuing operations increased to \$19.2 million in the third quarter of 2007 from \$18.2 million in the third quarter of 2006. The effective tax rate decreased to 33.1% in the third quarter of 2007 from 35.3% in the third quarter of 2006 due to the renewal of the research and development tax credit and changes in the mix of global pre-tax income among taxing jurisdictions. Additionally, in the third quarter of 2007, the Company recorded certain deferred tax liabilities related to acquisitions occurring in prior years. The effect of this \$2.8 million of additional income tax expense was primarily offset during the quarter by favorable discrete items related to tax events in foreign jurisdictions.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Effective January 1, 2007, the Company adopted FIN 48. In accordance with FIN 48, the Company recognized a cumulative-effect adjustment of \$1.2 million, increasing its liability for unrecognized tax benefits, interest, and penalties and reducing the January 1, 2007 balance of retained earnings.

At January 1, 2007, the Company had \$6.6 million in unrecognized tax benefits. If recognized, \$5.8 million of our unrecognized tax benefits would reduce our income tax expense and effective tax rate. Included in the balance of unrecognized tax benefits at January 1, 2007, is \$0.5 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This represents a decrease in unrecognized tax benefits and depends on the ultimate closure date of various examinations.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. At January 1, 2007, the Company had accrued \$0.9 million and \$0.2 million for the potential payment of interest and penalties, respectively.

The Company is subject to U.S. Federal income tax examinations for the tax

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years 2000 through 2006, however the 2001 and 2002 tax years are limited to adjustments to the research and development credit only. The Company is subject to non-U.S. income tax examinations for the tax years 2002 through 2006. In addition, the Company is subject to state and local income tax examinations for the tax years 2002 through 2006 in jurisdictions for which tax returns have been filed.

During the third quarter of 2007, unrecognized net tax benefits increased by \$0.1 million, which increased the effective tax rate accordingly.

### 16. NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," 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 No. 157, and has not yet determined the impact on the consolidated financial statements.

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## IDEX CORPORATION AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities -- Including an Amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating the impact this pronouncement may have on its results of operations and financial condition.

### 17. SUBSEQUENT EVENTS

In October 2007, the Company acquired Isolation Technologies, a leading developer of advanced column hardware and accessories for the High Performance Liquid Chromatography (HPLC) market, for cash consideration of approximately \$30 million. HPLC instruments are used in a variety of analytical chemistry applications, with primary commercial applications including drug discovery and quality control measurements for pharmaceutical and food/beverage testing. Headquartered in Hopedale, MA, Isolation Technologies has annual revenues of approximately \$11 million. Isolation Technologies will be operated as part of the Company's Sapphire Engineering business unit within IDEX's Health and Science Technologies segment.

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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

The "Historical Overview and Outlook" and the "Liquidity and Capital

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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 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.

IDEX consists of four reportable segments: Fluid & Metering Technologies, Health & Science Technologies, Dispensing Equipment and Fire & Safety/Diversified Products.

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

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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.

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Some of our key 2007 financial highlights for the nine months ended September 30, 2007 were as follows:

- Sales rose 19% to \$1,012.6 million; organic business sales -- excluding acquisitions and foreign currency translation -- were up 6%.
- Gross margins improved 70 basis points to 42.0% of sales, while operating margins at 19.1% were 60 basis points higher than a year ago.
- Income from continuing operations increased 20% to \$117.5 million.
- Diluted EPS from continuing operations of \$1.43 was 22 cents ahead of the same period of 2006.
- Net income increased 5% to \$116.7 million.
- Diluted EPS of \$1.42 was 5 cents ahead of the same period of 2006.

The following forward-looking statements are qualified by the Cautionary Statement Under the Private Securities Litigation Reform Act set forth above.

In the third quarter, we continued to experience strong global demand in our process controls, infrastructure and core health and science end markets. However, our third quarter results were unfavorably impacted by lower demand in the Dispensing Equipment and Fire & Safety/Diversified Products segments. In the Dispensing Equipment segment, we experienced softer than expected demand in the North American small retail channel as well as lower operating margins primarily due to reduced volume, in-quarter operational issues and unfavorable mix. In the Fire & Safety/Diversified Products segment, the results were impacted by lower OEM demand for fire suppression equipment.

For the fourth quarter of 2007, projected organic growth rates in the Fluid & Metering Technologies and Health & Science Technologies segments are 6-8 percent and 3-5 percent, respectively. In the Dispensing Equipment segment, the projected fourth quarter organic growth rate of 4-6 percent reflects improvement from the third quarter due to planned replenishment orders in the North American large retail channel. The projected fourth quarter organic growth rate in the Fire & Safety/Diversified Products segment of 4-5 percent is consistent with third quarter performance, as we anticipate continued softness in the North American fire suppression market.

Given these trends, current market conditions and the impact from currency and recent acquisitions, we expect fourth quarter sales growth of 12 to 15 percent and EPS of 46 to 49 cents per diluted share. The EPS estimate range as stated includes a projected unfavorable impact of one to two cents from estimated severance and field service expenses in the fourth quarter.

### RESULTS OF OPERATIONS

For purposes of this discussion and analysis section, reference is made to

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the table below and the Company's Condensed Consolidated Statements of Operations included in Item 1. During the third quarter 2006, the Company determined that Halox, its chemical and electrochemical systems business, met the criteria to be classified as a discontinued operation. The sale of Halox was completed during the third quarter 2007. During the second quarter 2006, 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. Financial information for the three and nine months ended September 30, 2006 have been restated to present Halox and Lubriquip as discontinued operations.

### PERFORMANCE IN THE THREE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED WITH THE SAME PERIOD OF 2006

Sales in the three months ended September 30, 2007 were \$334.9 million, a 16% improvement from the comparable period last year. The increase was driven by organic business shipments of 5%, acquisitions accounted for 9% and foreign currency translation contributed 2%. Sales to international customers from organic businesses represented approximately 46% of total sales in the current period compared to 45% in the same period in 2006.

During the quarter, Fluid & Metering Technologies contributed 43% of sales and 45% of operating income; Health & Science Technologies accounted for 25% of sales and 24% of operating income; Dispensing Equipment

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accounted for 11% of sales and 8% of operating income; and Fire & Safety/Diversified Products represented 21% of sales and 23% of operating income.

Fluid & Metering Technologies Group sales of \$143.8 million for the three months ended September 30, 2007 rose \$37.6 million, or 35% compared with 2006, reflecting 9% organic business growth, 25% for acquisitions and a 1% favorable impact from foreign currency translation. In the third quarter of 2007, organic business sales grew approximately 10% domestically and 6% internationally. Organic business sales to customers outside the U.S. were approximately 42% of total group sales during the third quarter of 2007, compared to 43% in 2006.

Health & Science Technologies Group sales of \$83.3 million increased \$2.0 million, or 3%, in the third quarter of 2007 compared with last year's third quarter. Growth in core analytical instrumentation, IVD and biotechnology markets was offset by slow growth in specific pneumatic OEM markets. In the third quarter of 2007, organic business sales decreased 5% domestically and increased 13% internationally. Organic business sales to customers outside the U.S. were approximately 43% of total group sales in the third quarter of 2007, compared to 38% in 2006.

Dispensing Equipment Group sales of \$38.1 million increased \$0.2 million in the third quarter of 2007 compared with 2006. This increase reflects a 5% decrease in organic business offset by 5% from favorable foreign currency translation. Slower North American demand driven by softness in the small retail channel coupled with timing of large retail replenishment programs contributed to lower than expected performance. In the third quarter of 2007, organic business sales decreased 8% domestically and decreased 2% internationally. Organic business sales to customers outside the U.S. were approximately 62% of total group sales in the third quarter of 2007, compared with 61% in the comparable quarter of 2006.

Fire & Safety/Diversified Products Group sales of \$70.6 million increased

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\$5.4 million, or 8%, in the third quarter of 2007 compared with 2006. This increase reflects a 5% increase in organic business volume, with an additional 3% of favorable foreign currency translation. The engineered band clamping business achieved strong growth, offset by weak demand in the North American fire suppression market. In the third quarter of 2007, organic business sales decreased 1% domestically and increased 11% internationally. Organic business sales to customers outside the U.S. were approximately 49% of total group sales in the third quarter of 2007 and 46% in 2006.

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	THIRD QUARTER ENDED SEPTEMBER 30, (1)		NINE MONTHS ENDED SEPTEMBER 30, (1)	
	2007	2006	2007	2006
<b>Fluid &amp; Metering Technologies</b>				
Net sales.....	\$143,842	\$106,251	\$ 421,642	\$316,011
Operating income(2).....	31,559	22,957	91,443	64,362
Operating margin.....	21.9%	21.6%	21.7%	20.4%
Depreciation and amortization.....	\$ 4,310	\$ 2,142	\$ 12,428	\$ 6,882
Capital expenditures.....	2,883	1,280	8,992	3,515
<b>Health &amp; Science Technologies</b>				
Net sales.....	\$ 83,266	\$ 81,252	\$ 246,356	\$225,572
Operating income(2).....	16,703	14,488	45,733	41,281
Operating margin.....	20.1%	17.8%	18.6%	18.3%
Depreciation and amortization.....	\$ 3,316	\$ 2,460	\$ 8,162	\$ 6,303
Capital expenditures.....	1,207	1,025	3,987	3,408
<b>Dispensing Equipment</b>				
Net sales.....	\$ 38,145	\$ 37,955	\$ 135,897	\$123,778
Operating income(2).....	5,625	8,425	31,577	30,443
Operating margin.....	14.7%	22.2%	23.2%	24.6%
Depreciation and amortization.....	\$ 854	\$ 544	\$ 2,431	\$ 2,609
Capital expenditures.....	694	794	2,448	1,984
<b>Fire &amp; Safety/Diversified Products</b>				
Net sales.....	\$ 70,592	\$ 65,233	\$ 212,596	\$191,001
Operating income(2).....	16,533	15,844	50,008	45,766
Operating margin.....	23.4%	24.3%	23.5%	24.0%
Depreciation and amortization.....	\$ 1,235	\$ 1,425	\$ 4,289	\$ 4,503
Capital expenditures.....	829	2,332	2,528	5,098
<b>Company</b>				
Net sales.....	\$334,884	\$289,848	\$1,012,634	\$852,809
Operating income(2).....	63,148	54,413	193,565	158,175
Operating margin.....	18.9%	18.8%	19.1%	18.5%
Depreciation and amortization(3).....	\$ 9,826	\$ 6,592	\$ 28,305	\$ 20,687
Capital expenditures.....	7,794	6,282	20,924	15,985

(1) Data includes acquisition of Faure Herman (February 2007) and Quadro (June 2007) in the Fluid & Metering Technologies Group, JUN-AIR (February 2006) and EPI (May 2006) in the Health & Science Technologies Group and



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Airshore (January 2006) 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 \$137.7 million in the third quarter of 2007 increased \$18.9 million, or 16%, from 2006. Gross profit as a percent of sales was 41.1% in the third quarter of 2007 and 41.0% in 2006. The improved gross margins primarily reflect volume leverage, the Company's strategic sourcing and other operational excellence initiatives and acquisitions, partially offset by lower operating performance in the Dispensing Equipment segment.

Selling, general and administrative (SG&A) expenses increased to \$74.5 million in the third quarter of 2007 from \$64.4 million in 2006. Higher total SG&A expenses reflect acquisitions, volume-related expenses, and

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reinvestment in the business to drive organic growth. As a percent of sales, SG&A expenses were 22.2% for both 2007 and 2006.

Operating income increased \$8.7 million, or 16%, to \$63.1 million in the third quarter of 2007 from \$54.4 million in 2006, primarily reflecting higher volumes, partially offset by increased SG&A expenses. Third quarter operating margins were 18.9% of sales, 10 basis points higher than the third quarter of 2006. The improvement from last year resulted from higher gross margins. In the Fluid & Metering Technologies Group, operating income of \$31.6 million and operating margins of 21.9% in the third quarter of 2007 were up from the \$23.0 million and 21.6% recorded in 2006 principally due to strong global demand for infrastructure-related applications and acquisitions. In the Health & Science Technologies Group, operating income of \$16.7 million and operating margins of 20.1% in the third quarter of 2007 were up from the \$14.5 million and 17.8% recorded in 2006 principally due to favorable mix. In the Dispensing Equipment Group, operating income of \$5.6 million and operating margins of 14.7% in the third quarter of 2007 were down from the \$8.4 million and 22.2% recorded in 2006, due to reduced volume, operational inefficiencies, product quality-driven service costs, unfavorable mix and severance expenses. Operating income in the Fire & Safety/Diversified Products Group of \$16.5 million was higher than the \$15.8 million recorded in 2006, due primarily to increased volume. Operating margins within Fire & Safety/Diversified Products Group of 23.4% in the current quarter were down from 24.3% in 2006, due to volume decline in fire suppression and product mix.

IDEX's provision for income taxes from continuing operations is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes increased to \$19.2 million in the third quarter of 2007 from \$18.2 million in 2006. The effective tax rate decreased to 33.1% in the third quarter of 2007 from 35.3% in the third quarter of 2006 due to the renewal of the research and development tax credit and changes in the mix of global pre-tax income among taxing jurisdictions. Additionally, in the third quarter of 2007, the Company recorded certain deferred tax liabilities related to acquisitions occurring in prior years. The effect of this \$2.8 million of additional income tax expense was primarily offset during the quarter by favorable discrete items related to tax events in foreign jurisdictions.

Income from continuing operations for the current quarter was \$38.8 million, 16% higher than the \$33.3 million earned in the third quarter of 2006.

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Diluted earnings per share from continuing operations in the third quarter of 2007 of \$0.47 increased \$0.06, or 15%, compared with the third quarter of 2006.

Net income for the current quarter of \$38.4 million, which included a loss from discontinued operations of \$0.4 million, decreased from the \$46.0 million earned in the third quarter of 2006, which included income from discontinued operations of \$12.7 million. Diluted earnings per share in the third quarter of 2007 of \$0.47 decreased \$0.10, or 18%, compared with the third quarter of 2006.

### PERFORMANCE IN THE NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED WITH THE SAME PERIOD OF 2006

Sales in the nine months ended September 30, 2007 were \$1,012.6 million, a 19% improvement from the comparable period last year. The increase was driven by organic business shipments of 6%, acquisitions accounted for 10% and foreign currency translation contributed 3%. For the first nine months of the year, organic business sales to international customers were approximately 45% of total sales for both 2007 and 2006.

For the first nine months, Fluid & Metering Technologies contributed 42% of sales and operating income; Health & Science Technologies accounted for 24% of sales and 21% of operating income; Dispensing Equipment accounted for 13% of sales and 14% of operating income; and Fire & Safety/Diversified Products represented 21% of sales and 23% of operating income.

Fluid & Metering Technologies Group sales of \$421.6 million for the nine months ended September 30, 2007 rose \$105.6 million, or 33% compared with 2006, reflecting 9% organic business growth, 23% for acquisitions and a 1% favorable impact from foreign currency translation. In the first nine months of 2007, organic business sales grew approximately 8% both domestically and internationally. Organic business sales to customers outside the U.S. were approximately 43% of total group sales during the first nine months of 2007 compared with 42% in the comparable period of 2006.

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Health & Science Technologies Group sales of \$246.4 million increased \$20.8 million, or 9%, for the first nine months of 2007 compared with 2006. This increase was attributed to acquisitions which contributed 7%, an increase in organic business volume of 1% and favorable foreign currency translation of 1%. In the first nine months of 2007, organic business sales were down 1% domestically and increased 9% internationally. Organic business sales to customers outside the U.S. were approximately 39% of total group sales in 2007 and 37% in 2006.

Dispensing Equipment Group sales of \$135.9 million increased \$12.1 million, or 10%, in the first nine months of 2007 compared with 2006. This increase reflects a 5% increase in organic business volume and 5% from favorable foreign currency translation. In the first nine months of 2007, organic business sales increased 8% domestically and increased 3% internationally. Organic business sales to customers outside the U.S. were approximately 63% of total group sales in the first nine months of 2007 compared with 64% in the comparable period of 2006.

Fire & Safety/Diversified Products Group sales of \$212.6 million increased \$21.6 million, or 11%, in the first nine months of 2007 compared with 2006. This increase reflects a 7% increase in organic business volume, with an additional 4% of favorable foreign currency translation. In the first nine months of 2007, organic business sales increased 5% domestically and 10% internationally.

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Organic business sales to customers outside the U.S. were approximately 47% of total group sales in the first nine months of 2007 and 45% in 2006.

Gross profit of \$424.9 million, in the first nine months of 2007, increased \$73.0 million, or 21%, from 2006. Gross profit as a percent of sales was 42.0% in 2007 an increase from 41.3% in 2006. The improved gross margins primarily reflect volume leverage and the Company's strategic sourcing and other operational excellence initiatives.

SG&A expenses increased to \$231.3 million in the first nine months of 2007 from \$193.6 million in 2006. Higher total SG&A expenses reflect acquisitions, volume-related expenses, and reinvestment in the business to drive organic growth. As a percent of sales, SG&A expenses were 22.9% for 2007 and 22.8% for 2006.

Operating income increased \$35.4 million, or 22%, to \$193.6 million in the first nine months of 2007 from \$158.2 million in 2006, primarily reflecting higher volumes, partially offset by increased SG&A expenses. Operating margins for the first nine months of 2007 were 19.1% of sales, 60 basis points higher than the first nine months of 2006. The improvement from last year resulted from higher gross margins, partially offset by higher SG&A. In the Fluid & Metering Technologies Group, operating income of \$91.4 million and operating margins of 21.7% in the first nine months of 2007 were up from the \$64.4 million and 20.4%, respectively, recorded in 2006 principally due to strong global demand and acquisitions. Operating income for the Health & Science Technologies Group of \$45.7 million was up from the \$41.3 million recorded in 2006 principally due to volume. Operating margins within Health & Science Technologies Group of 18.6% in the current period were up slightly from 18.3% in 2006 primarily due to acquisitions and growth-related investments in the Company's medical product lines. In the Dispensing Equipment Group, operating income of \$31.6 million in the first nine months of 2007 was up from the \$30.4 million recorded in 2006 principally due to improved market conditions in Europe and the impact of our operational excellence initiatives. Operating margins within the Dispensing Equipment Group of 23.2% in the current period were down from 24.6% in 2006 primarily due to operational issues, unfavorable mix and severance expenses. Operating income in the Fire & Safety/Diversified Products Group of \$50.0 million was higher than \$45.8 million recorded in 2006, due primarily to increased volume. Operating margins within Fire & Safety/Diversified Products Group of 23.5% in the current period were down slightly from 24.0% in 2006, primarily due to product mix.

Other income in the first nine months of 2007 increased \$0.8 million compared with 2006 primarily due to favorable foreign currency translation.

IDEX's provision for income taxes from continuing operations is based upon estimated annual tax rates for the year applied to federal, state and foreign income. The provision for income taxes increased to \$59.6 million in the first nine months of 2007 from \$51.0 million in 2006. The effective tax rate decreased to 33.7% in the current period from 34.4% in 2006. In 2007, the Company recorded certain deferred tax liabilities related to acquisitions occurring in prior years. The effect of this \$2.8 million of additional income tax expense was primarily offset during the year by favorable discrete items related to tax events in foreign jurisdictions.

Income from continuing operations for the first nine months was \$117.5 million, 20% higher than the \$97.5 million earned in the same period of 2006. Diluted earnings per share from continuing operations in the first nine months

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of 2007 of \$1.43 increased \$0.22, or 18%, compared with the same period last year.

Net income for the first nine months of 2007 was \$116.7 million, which included a loss from discontinued operations of \$0.8 million, increased from the \$111.0 million earned in the same period of 2006, which included income from discontinued operations of \$13.5 million. Diluted earnings per share in the first nine months of 2007 of \$1.42 increased \$0.05, or 4%, compared with the same period of 2006.

### LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2007, working capital was \$125.8 million and our current ratio was 1.4 to 1. Cash flows from operating activities increased \$28.6 million, or 26%, to \$138.2 million in the first nine months of 2007 mainly due to the improved operating results discussed above.

Cash flows provided from operations were more than adequate to fund capital expenditures of \$18.8 million and \$16.0 million in the first nine months of 2007 and 2006, 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 Faure Herman in February 2007 for cash consideration of \$24.2 million and the assumption of approximately \$1.6 million in debt and Quadro Engineering in June 2007 for cash consideration of \$32.2 million. Approximately \$12.9 million and \$11.3 million, respectively, of the cash payments for both acquisitions were financed by borrowings under the Company's credit facility.

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 21, 2011. With \$139.0 million outstanding under the facility at September 30, 2007, and outstanding letters of credit totaling \$5.7 million, the maximum amount available under the Credit Facility was \$455.3 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 payable at maturity. The applicable margin is based on the credit rating of our Senior Notes, and can range from 24 basis points to 50 basis points. Based on the Company's BBB rating at September 30, 2007, the applicable margin was 40 basis points. We also pay an annual fee of 10 basis points on the total Credit Facility.

We also have a one-year, renewable \$30.0 million demand line of credit ("Short-Term Facility"), which expires on December 12, 2007. Borrowings under the Short-Term Facility are at LIBOR plus the applicable margin in effect under the Credit Facility. At September 30, 2007, there were no borrowings outstanding under this facility.

We believe for the next 12 months that cash flow from operations and our availability under the Credit Facility will be sufficient to meet our 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. The Company is currently in the process of evaluating its options related to the Senior Notes due February 15, 2008, including the potential use of its Credit Facility. 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.

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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. The Company's interest rate exposure is primarily related to the \$304.0 million of total debt outstanding at September 30, 2007. Approximately 51% 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 \$0.8 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

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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, 2007, the Company did not have any interest rate swaps outstanding.

On June 12, 2007, the Company acquired certain forward contracts as part of the Quadro acquisition that are expected to lapse by December 31, 2007. Currently these contracts are marked-to market on a monthly basis, the impact of which is immaterial to the Consolidated Statements of Operations.

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 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

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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.

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 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, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, 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.

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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, financial position, results of operations or cash flow.

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, results of operations or cash flow.

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

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 OF SHARES THAT MAY BE PURCHASED UNDER THESE PLANS OR PROGRAMS
July 1, 2007 to July 31, 2007.....	--	--	--	2,
August 1, 2007 to August 31, 2007.....	--	--	--	2,
September 1, 2007 to September 30, 2007.....	--	--	--	2,

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(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.

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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  
/s/ DOMINIC A. ROMEO

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

November 7, 2007

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EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
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)

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- 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 21, 2006, 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. 10.1 to the Current Report of IDEX on Form 8-K dated December 22, 2006, 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. 7 dated as of December 12, 2006 to the Credit Lyonnais Uncommitted Line of Credit Agreement dated December 3, 2001 (incorporated by reference to Exhibit No. 4.6(a) to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2006, Commission File No. 1-10235)
- \*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