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BHP BILLITON APPROVES MINERVA GAS DEVELOPMENT IN VICTORIA

BHP Billiton today announced approval for development of the Minerva gas field in the offshore Otway Basin, Victoria, Australia.

The majority of the Minerva gas will be sold under contract into South Australia via a new pipeline infrastructure link which will connect the Victorian and South Australian principal gas transmission systems. The sale underpins BHP Billiton's strategy to sell gas from Victoria into four eastern states markets as well as opening an additional gas supply source.

The Minerva field development is a greenfield project that will commercialise an intermediate-sized gas resource and provide a robust economic return. Capital expenditure for the development will be around US$137 million (BHP Billiton share US$123 million).

Minerva is a natural gas field with a small amount of liquid condensate. The field has an expected life of 10 years and contains estimated proven and probable gas reserves of 301 billion cubic feet (Bcf) of gas (BHP Billiton share 271 Bcf). It also contains 1.24 million barrels of liquids (BHP Billiton share 1.1 million barrels).

The Minerva development involves the drilling and installation of two subsea well completions in 60 metres of water, approximately 10 kilometres offshore from the township of Port Campbell. Construction will commence during 2002, with first gas expected in the first quarter of 2004.

The project was subject to a comprehensive environmental impact assessment process that involved extensive consultation with the local community and other key stakeholders. Both State and Federal Government Ministerial assessments and approvals have been granted for the development to proceed.

A single flowline will transport the gas to the coast, through a subterranean shore crossing to an onshore gas processing facility where liquids will be removed prior to exporting the gas to South Australia.

The gas plant will have a gross design production capacity of 150 terajoules of gas per day [TJ/d] (BHP Billiton share 135 TJ/d). Approximately 600 barrels (gross) of stabilised condensate will also be produced per day at initial gas sales rates.

In March 2002 BHP Billiton signed a take or pay Gas Sales Agreement with Pelican Point Power Limited (a wholly owned subsidiary of International Power plc) for the provision of Minerva gas (at an initial average rate of approximately 115 TJ/d) over a 10 year period into a greenfield 680 kilometre pipeline terminating in Adelaide.

Volumes in the Gas Sales Agreement will underwrite the Minerva development with up to 90 per cent of BHP Billiton's share of reserves being contracted. The remainder of the gas will be sold in the South East Australian market as demand dictates.

President and CEO BHP Billiton Petroleum Philip Aiken said the development of the Minerva gas field is part of the Group's focus on gas commercialisation and represents a major element in BHP Billiton's Eastern

Gas Strategy.

"The development of the Minerva field will assist us in building on the large gas market share that the Group has developed in Victoria over the past 30 years by enabling us to expand into other south eastern Australian states," he said.

BHP Billiton has made significant progress developing gas markets in New South Wales and Tasmania in recent years. Since September 2000, Bass Strait gas has flowed into New South Wales via the Eastern Gas Pipeline, which now supplies 20 per cent of that State's gas requirements.

In addition, BHP Billiton Petroleum signed an agreement in April 2001 to supply natural gas from the Longford processing plant to Tasmania, supporting the construction of an undersea pipeline.

BHP Billiton holds a 90 per cent interest in the Minerva field and will be the project operator. The remaining 10 per cent interest is held by Santos (BOL) Pty Ltd.

Further information can be found on our Internet site:
http://www.bhpbilliton.com

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A member of the BHP Billiton group which is headquartered in Australia

than 2004. As a percent of sales, gross profit was 40.9% in 2005, which represented a 60 basis-point increase from 40.3% in 2004. The higher gross profit margin primarily reflects volume leverage and global sourcing and operational excellence initiatives. SG&A expenses increased $18.8 million, or 9%, to $232.9 million in 2005 from $214.1 million in 2004. This increase reflects the deliberate reinvestment in the business to drive long-term growth, volume-related expenses and acquisitions. As a percent of net sales, SG&A expenses were 23.0%, an improvement of 70 basis points compared with the 23.7% achieved in 2004. Operating income increased $31.7 million, or 21%, to $181.0 million in 2005 from $149.3 million in 2004, primarily due to higher 2005 gross profit, offset by increased SG&A expenses. Operating margins in 2005 were 17.9% of sales, an improvement of 130 basis points compared with the 16.6% achieved in 2004. In the Fluid & Metering Technologies segment, operating income of $72.6 million and operating margins of 18.9% in 2005 were up from the $62.3 million and 17.7% recorded in 2004, principally due to volume and the impact of operational excellence initiatives. Operating income for the Health & Science Technologies segment of $43.1 million was up from the $32.2 million recorded in 2004, principally due to volume. Operating margins within the Health & Science Technologies segment of 18.3% in 2005 were up from 17.1% in 2004, primarily due to volume leverage. Operating income for the Dispensing Equipment segment of $37.8 million was up from the $32.4 million recorded in 2004, mainly due to volume and the impact of operational excellence initiatives. Operating margins within Dispensing Equipment of 23.9% in 2005 were up from 22.4% in 2004, primarily due to volume leverage and product mix. Operating income in the Fire & Safety/Diversified Products segment of $56.6 million was higher than $47.1 million recorded in 2004, primarily due to increased volume. Operating margins for Fire & Safety/Diversified Products of 23.7% in 2005 were up from the 21.5% in 2004, primarily due to volume leverage and the impact of operational excellence initiatives. Other income of $.6 million in 2005 was $1.3 million higher than $.7 million of other expense in 2004, due to foreign currency exchange gains in 2005. Additionally, in 2004, hurricane-related costs were incurred at one of our business units, as well as certain costs associated with the refinancing of the credit facility. Interest expense decreased to $14.4 million in 2005 from $14.8 million in 2004. The decrease was principally due to lower debt levels resulting from debt paydowns, partially offset by higher interest rates. 19 The provision for income taxes increased to $58.6 million in 2005 from $47.5 million in 2004. The effective tax rate decreased to 35.1% in 2005 from 35.5% in 2004, due to a favorable impact from foreign tax credits and the additional benefit realized from the deduction for income from qualified domestic production activity, partially offset by a reduction in research and development credits. Income from continuing operations for 2005 was $108.6 million, 26% higher than the $86.3 million earned in the same period of 2004. Diluted earnings per share from continuing operations in 2005 of $2.06 increased $0.38, or 23%, compared with the same period of 2004. Net income for 2005 was $109.8 million, 27% higher than the $86.4 million earned in the same period of 2004. Diluted earnings per share in 2005 of $2.08, which included $.02 from discontinued operations, increased $0.40, or 24%, compared with the same period last year. LIQUIDITY AND CAPITAL RESOURCES At December 31, 2006, working capital was $230.7 million and the Company's current ratio was 2.2 to 1. Cash flows from operating activities of continuing operations increased $17.2 million, or 12%, to $160.1 million in 2006 mainly due to the improved operating results discussed above. Cash flows from continuing operations were more than adequate to fund capital expenditures of $21.2 million and $22.5 million in 2006 and 2005, respectively. Capital expenditures were generally for machinery and equipment that improved productivity and tooling to support the global sourcing initiatives, although a portion was for business system technology and replacement of equipment and facilities. Management believes that IDEX has ample capacity in its plants and equipment to meet expected needs for future growth in the intermediate term. The Company acquired Airshore in January 2006 for cash consideration of $12.6 million, JUN-AIR in February 2006 for cash consideration of $15.3 million and the assumption of approximately $7.1 million in debt, Eastern Plastics in May 2006 for cash consideration of $92.4 million, Banjo in October 2006 for a purchase price of $184.5 million, primarily financed by borrowings under the Company's credit facilities and Toptech in December 2006 for a purchase price of $55.0 million, primarily financed by borrowings under the Company's credit facilities. In addition to the $150.0 million of 6.875% Senior Notes ("Senior Notes") due February 15, 2008, the Company has a $600.0 million domestic, multi-currency bank revolving credit facility ("Credit Facility"), which expires December 21, 2011. With $194.0 million outstanding under the facility at December 31, 2006 and outstanding letters of credit totaling $5.3 million, the maximum amount available under the Credit Facility was $400.7 million. Interest is payable quarterly on the outstanding balance at the bank agent's reference rate or, at the Company's election, at LIBOR plus an applicable margin. The applicable margin is based on the credit rating of our Senior Notes, and can range from 24 basis points to 50 basis points. Based on the Company's BBB rating at December 31, 2006, the applicable margin was 40 basis points. We also pay an annual fee of 10 basis points on the total Credit Facility. There are two financial covenants that the Company is required to maintain. As defined in the agreement, the minimum interest coverage ratio (operating cash flow to interest) is 3.0 to 1 and the maximum leverage ratio (outstanding debt to operating cash flow) is 3.25 to 1. At December 31, 2006, the Company was in compliance with both of these financial covenants. We also have a one-year, renewable $30.0 million demand line of credit ("Short-Term Facility"), which expires on December 12, 2007. Borrowings under the Short-Term Facility are at LIBOR plus the applicable margin in effect under the Credit Facility. At December 31, 2006, there were no borrowings outstanding under this facility. 20 We believe the Company will generate sufficient cash flow from operations for the next 12 months to meet its operating requirements, interest on all borrowings, required debt repayments, any authorized share repurchases, planned capital expenditures, and annual dividend payments to holders of common stock. 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. CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS Our contractual obligations and commercial commitments include rental payments under operating leases, payments under capital leases, and other long-term obligations arising in the ordinary course of business. There are no identifiable events or uncertainties, including the lowering of our credit rating that would accelerate payment or maturity of any of these commitments or obligations. The Company also has obligations with respect to its pension and postretirement medical benefit plans, which are not included in the table below. See Note 13 of the Notes to Consolidated Financial Statements in Part II. Item 8. Financial Statements and Supplementary Data. The following table summarizes our significant contractual obligations and commercial commitments at December 31, 2006, and the future periods in which such obligations are expected to be settled in cash. In addition, the table reflects the timing of principal and interest payments on outstanding borrowings. Additional detail regarding these obligations are provided in the Notes to Consolidated Financial Statements in Part II. Item 8. Financial Statements and Supplementary Data, as referenced in the table: LESS MORE PAYMENTS DUE BY PERIOD THAN 1-3 3-5 THAN (IN THOUSANDS) TOTAL 1 YEAR YEARS YEARS 5 YEARS --------------------- -------- ------- -------- -------- ------- Borrowings (Note 4)(1) $432,552 $30,778 $181,850 $218,239 $1,685 Operating lease commitments (Note 5) 16,422 5,870 7,609 1,627 1,316 Capital lease obligations(2) 6,412 802 1,578 1,302 2,730 Purchase obligations(3) 49,433 47,918 1,495 20 -- -------- ------- -------- -------- ------ Total contractual obligations(4) $504,819 $85,368 $192,532 $221,188 $5,731 ======== ======= ======== ======== ====== (1) Includes interest payments based on contractual terms and current interest rates for variable debt. (2) Comprised primarily of property leases. (3) Comprised primarily of inventory commitments. (4) Comprised of liabilities recorded on the balance sheet of $366,351, and obligations not recorded on the balance sheet of $138,468. CRITICAL ACCOUNTING POLICIES We believe that the application of the following accounting policies, which are important to our financial position and results of operations, requires significant judgments and estimates on the part of management. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 of the Notes to Consolidated Financial Statements in Part II. Item 8. Financial Statements and Supplementary Data. Revenue recognition--We primarily recognize revenue from product sales when title passes and the risks of ownership have passed to the customer. Our customary terms are FOB shipping point. Based on our historical experience, we estimate and record provisions for sales returns and sales allowances in the 21 period the related products are sold. To the extent actual results differ from these estimated amounts, results could be adversely affected. Share-based Compensation--Effective January 1, 2006, the Company adopted SFAS No. 123 (R), which is a new critical accounting policy that the Company believes is important to aid in understanding the financial results for 2006. Under SFAS No. 123 (R), the Company uses the Binomial lattice option-pricing model to determine the fair value of options. The Binomial lattice option-pricing model incorporates certain assumptions, such as the expected volatility, risk-free interest rate, expected dividend yield and expected life of options, in order to arrive at a fair value estimate. As a result, share based compensation expense, as calculated and recorded under SFAS No. 123 (R), could have been impacted if other assumptions were used. Furthermore, if the Company used different assumptions in future periods, stock-based compensation expense could be impacted in future periods. We use an independent third party to assist in determining these assumptions. See Note 12 of Notes to Consolidated Financial Statements in Part II. Item 8. Financial Statements and Supplementary Data for additional information. Inventory--The Company states inventory at the lower of cost or market. Cost includes material, labor and overhead and is determined by the last-in, first-out basis or first-in, first-out basis. We make adjustments to reduce the cost of inventory to its net realizable value, if required, at the reporting unit level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in market demand, product life cycle and engineering changes. Long - Lived Assets and Goodwill--The Company evaluates the recoverability of certain noncurrent assets utilizing various estimation processes. An impairment of a long-lived asset exists when the asset's carrying amount exceeds its fair value, and is recorded when the carrying amount is not recoverable through future operations. A goodwill impairment exists when the carrying amount of goodwill exceeds its fair value. Assessments of possible impairments of long-lived assets and goodwill are made when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through future operations. Additionally, testing for possible impairment of recorded goodwill and intangible asset balances is required annually. The amount and timing of impairment charges for these assets require the estimation of future cash flows and the fair market value of the related assets. Income taxes--The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred income tax assets and liabilities are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities based on currently enacted tax laws. The Company's tax balances are based on management's interpretation of the tax regulations and rulings in numerous taxing jurisdictions. Future tax authority rulings and changes in tax laws and future tax planning strategies could affect the actual effective tax rate and tax balances recorded by the Company. Contingencies and litigation--We are currently involved in certain legal and regulatory proceedings and, as required and where it is reasonably possible to do so, have accrued our estimates of the probable costs for the resolution of these matters. These estimates have been developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future operating results for any particular quarterly or annual period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. Defined benefit retirement plans--The plan obligations and related assets of defined benefit retirement plans are presented in Note 13 of the Notes to Consolidated Financial Statements in Part II. Item 8. Financial Statements and Supplementary Data. Plan assets, which consist primarily of marketable equity and debt instruments, are valued using market quotations. Plan obligations and the annual pension expense are determined by consulting with actuaries using a number of assumptions provided by the Company. Key assumptions in measuring the plan obligations include the discount rate at which the obligations could be effectively settled and the anticipated rate of future salary increases. Key assumptions in the determination of the annual pension expense include the discount rate, the rate of salary increases, and the estimated 22 future return on plan assets. To the extent actual amounts differ from these assumptions and estimated amounts, results could be adversely affected. NEW ACCOUNTING PRONOUNCEMENTS In July 2006, the Financial Accounting Standards Board ("FASB") issued 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. This interpretation is effective for fiscal years beginning after December 15, 2006. Management is currently evaluating the requirements of FIN 48 and has not yet determined the impact on the consolidated financial statements. 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. In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This statement amends certain requirements of SFAS Nos. 87, 88, 106 and 132(R). SFAS No. 158 requires two major changes to accounting for defined benefit and other postretirement plans, with two different effective dates. The first requirement of SFAS No. 158, which the Company adopted as of December 31, 2006, requires the recognition of the over funded or under funded status of a defined benefit postretirement plan as an asset or a liability in the balance sheet, with changes in the funded status recorded through comprehensive income in the year in which those changes occur. The impact of the Company's adoption of SFAS No. 158 is more fully described in Note 13 of the Notes to Consolidated Financial Statements in Part II. Item 8. Financial Statements and Supplementary Data. The second requirement of SFAS No. 158, which is effective for the Company as of December 31, 2008, requires that the funded status be measured as of an entity's year-end balance sheet date rather than as of an earlier date as currently permitted. The Company currently uses a measurement date of September 30 for the majority of its non-U.S. defined benefit pension and postretirement plans. 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. ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK. We are subject to market risk associated with changes in interest rates and foreign currency exchange rates. Interest rate exposure is limited to the $362.0 million of total debt outstanding at December 31, 2006. Approximately 59% 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 $1.1 million annualized increase or decrease in interest expense and cash flows. The remaining debt is fixed-rate debt. A treasury risk management policy, adopted by the Board of Directors, describes the procedures and controls over derivative financial and commodity instruments, including interest rate swaps. Under the policy, we do not use derivative financial or commodity instruments for trading purposes, and the use of these instruments is subject to strict approvals by senior corporate officers. Typically, the use of derivative instruments is limited to interest rate swaps on the Company's outstanding long-term debt. As of December 31, 2006, the Company did not have any derivative instruments outstanding. 23 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA. 24 IDEX CORPORATION CONSOLIDATED BALANCE SHEETS (IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS) AS OF DECEMBER 31 ---------------------- 2006 2005 ---------- ---------- ASSETS Current assets Cash and cash equivalents .... $ 77,941 $ 77,201 Receivables - net .... 166,485 129,428 Inventories .... 160,687 123,281 Assets held for sale .... 829 10,099 Other current assets .... 11,966 10,962 ---------- ---------- Total current assets .... 417,908 350,971 Property, plant and equipment - net .... 165,949 142,485 Goodwill .... 912,600 691,399 Intangible assets - net .... 171,363 28,615 Other noncurrent assets .... 3,001 30,710 ---------- ---------- Total assets .... $1,670,821 $1,244,180 ========== ========== LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities Trade accounts payable .... $ 75,444 $ 66,859 Accrued expenses .... 95,170 72,180 Short-term borrowings .... 8,210 3,144 Liabilities held for sale .... 373 4,792 Dividends payable ....

8,055 6,321 ---------- ---------- Total current liabilities .... 187,252 153,296 Long-term borrowings .... 353,770 156,899 Deferred income taxes .... 100,316 64,650 Other noncurrent liabilities .... 50,211 46,325 ---------- ---------- Total liabilities .... 691,549 421,170 ---------- ---------- Commitments and contingencies (Note 5) Shareholders' equity Preferred stock: Authorized: 5,000,000 shares, $.01 per share par value .... -- -- Common stock: Authorized: 150,000,000 shares, $.01 per share par value Issued: 53,779,414 shares at December 31, 2006 and 52,857,059 shares at December 31, 2005 .... 538 529 Additional paid-in capital .... 326,968 290,428 Retained earnings .... 638,579 524,035 Pension liability adjustments .... (26,309) (5,884) Cumulative translation adjustment .... 52,295 25,160 Treasury stock at cost: 82,255 shares at December 31, 2006 and 63,318 shares at December 31, 2005 .... (3,248) (2,361) Unearned compensation .... (9,551) (8,897) ---------- ---------- Total shareholders' equity .... 979,272 823,010 ---------- ---------- Total liabilities and shareholders' equity .... $1,670,821 $1,244,180 ========== ========== See Notes to Consolidated Financial Statements. 25 IDEX CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS EXCEPT PER SHARE AMOUNTS) FOR THE YEARS ENDED DECEMBER 31, -------------------------------- 2006 2005 2004 ---------- ---------- -------- Net sales .... $1,154,940 $1,011,253 $901,072 Cost of sales .... 677,533 597,286 537,682 ---------- ---------- -------- Gross profit .... 477,407 413,967 363,390 Selling, general and administrative expenses .... 260,201 232,935 214,092 ---------- ---------- -------- Operating income .... 217,206 181,032 149,298 Other (income) expense - net .... (1,040) (557) 688 Interest expense .... 16,353 14,370 14,764 ---------- ---------- -------- Income from continuing operations before income taxes .... 201,893 167,219 133,846 Provision for income taxes .... 68,171 58,644 47,511 ---------- ---------- -------- Income from continuing operations .... 133,722 108,575 86,335 Income from discontinued operations, net of tax .... 294 1,228 71 Net gain on sale of discontinued operations, net of tax .. 12,655 -- -- ---------- ---------- -------- Income from discontinued operations, net of tax .... 12,949 1,228 71 ---------- ---------- -------- Net income .... $ 146,671 $ 109,803 $ 86,406 ========== ========== ======== Basic earnings per common share: Continuing operations .... $ 2.52 $ 2.11 $ 1.72 Discontinued operations .... 0.25 0.03 0.01 ---------- ---------- -------- Net income .... $ 2.77 $ 2.14 $ 1.73 ========== ========== ======== Diluted earnings per common share: Continuing operations .... $ 2.48 $ 2.06 $ 1.68 Discontinued operations .... 0.24 0.02 -- ---------- ---------- -------- Net income .... $ 2.72 $ 2.08 $ 1.68 ========== ========== ======== Share data: Basic weighted average common shares outstanding .... 53,018 51,392 50,073 Diluted weighted average common shares outstanding .... 53,984 52,720 51,348 See Notes to Consolidated Financial Statements. 26 IDEX CORPORATION CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS) COMMON STOCK AND ADDITIONAL PENSION CUMULATIVE TOTAL PAID-IN RETAINED LIABILITY TRANSLATION TREASURY UNEARNED SHAREHOLDERS' CAPITAL EARNINGS ADJUSTMENTS ADJUSTMENT STOCK COMPENSATION EQUITY --------- -------- ---------- ---------- -------- ------------ ------------ BALANCE, JANUARY 1, 2004 $198,496 $375,629 $(12,481) $ 35,892 $(2,903) $(2,531) $592,102 -------- -------- -------- -------- ------ ------- -------- Net income 86,406 86,406 Other comprehensive income, net of tax Cumulative translation adjustment 17,154 17,154 Minimum pension adjustment 7,837 7,837 -------- Other comprehensive income 24,991 -------- Comprehensive income 111,397 -------- Issuance of 1,238,247 shares of common stock from exercise of stock options and deferred compensation plans 31,997 31,997 Issuance of 145,000 shares of restricted common stock 4,371 (4,371) -- Amortization of restricted common stock award 2,313 2,313 Restricted shares surrendered for tax withholdings (1,306) (1,306) Cash dividends declared--$.45 per common share outstanding (22,898) (22,898) -------- -------- -------- -------- ------ ------- -------- BALANCE, DECEMBER 31, 2004 234,864 439,137 (4,644) 53,046 (4,209) (4,589) 713,605 -------- -------- -------- -------- ------ ------- -------- Net income 109,803 109,803 Other comprehensive income, net of tax Cumulative translation adjustment (27,886) (27,886) Minimum pension adjustment (1,240) (1,240) -------- Other comprehensive loss (29,126) -------- Comprehensive income 80,677 -------- Issuance of 1,848,340 shares of common stock from exercise of stock options and deferred compensation plans 52,683 52,683 Issuance of 176,150 shares of restricted common stock 3,410 3,735 (7,145) -- Amortization of restricted common stock award 2,837 2,837 Restricted shares surrendered for tax withholdings

(1,887) (1,887) Cash dividends declared--$.48 per common share outstanding (24,905) (24,905) 27 -------- -------- -------- -------- ------- ------- -------- BALANCE, DECEMBER 31, 2005 290,957 524,035 (5,884) 25,160 (2,361) (8,897) 823,010 -------- -------- -------- -------- ------- ------- -------- Net income 146,671 146,671 Other comprehensive income, net of tax Cumulative translation adjustment 27,135 27,135 Minimum pension adjustment 707 707 Adjustment for adoption of SFAS No. 158 (21,132) (21,132) -------- Other comprehensive income 6,710 -------- Comprehensive income 153,381 -------- Issuance of 857,990 shares of common stock from exercise of stock options and deferred compensation plans 32,797 32,797 Issuance of 74,310 shares of restricted common stock 3,752 (3,752) -- Amortization of restricted common stock award 3,098 3,098 Restricted shares surrendered for tax withholdings (887) (887) Cash dividends declared--$.60 per common share outstanding (32,127) (32,127) -------- -------- -------- -------- ------- ------- -------- BALANCE, DECEMBER 31, 2006 $327,506 $638,579 $(26,309) $ 52,295 $(3,248) $(9,551) $979,272 -------- -------- -------- -------- ------- ------- -------- See Notes to Consolidated Financial Statements. 28 IDEX CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) FOR THE YEARS ENDED DECEMBER 31 ------------------------------ 2006 2005 2004 --------- -------- --------- Cash flows from operating activities of continuing operations Net income .... $ 146,671 $109,803 $ 86,406 Adjustments to reconcile net income to net cash provided by operating activities: Income from discontinued operations .... (294) (1,228) (71) Gain on sale of business .... (12,655) -- -- Gain on sale of fixed assets .... (1,435) -- -- Depreciation and amortization .... 25,825 25,546 26,935 Amortization of intangible assets .... 4,131 708 622 Amortization of debt issuance expenses .... 456 686 580 Stock-based compensation expense .... 10,698 2,837 2,313 Deferred income taxes .... 1,313 4,316 10,782 Excess tax benefit from stock-based compensation .... (5,792) -- -- Changes in (net of the effect from acquisitions): Receivables .... (14,421) (18,222) (5,336) Inventories .... (7,203) (3,344) (9,166) Trade accounts payable .... (724) 38 11,225 Accrued expenses .... 15,837 21,628 16,104 Other - net .... (2,289) 145 144 --------- -------- --------- Net cash flows from operating activities of continuing operations .... 160,118 142,913 140,538 Cash flows from investing activities of continuing operations Additions to property, plant and equipment .... (21,198) (22,532) (20,835) Acquisition of businesses, net of cash acquired .... (359,844) (1,191) (170,983) Proceeds from the sale of discontinued business .... 30,579 -- -- Proceeds from fixed assets disposals .... 3,761 86 -- Other - net .... (1,153) -- 527 --------- -------- --------- Net cash flows from investing activities of continuing operations .... (347,855) (23,637) (191,291) Cash flows from financing activities of continuing operations Borrowings under credit facilities for acquisitions .... 285,000 -- 170,983 Net repayments under credit facilities .... (91,000) (60,067) (124,953) Net borrowings (repayments) of other long-term debt .... (481) (1,709) 1,665 Dividends paid .... (30,393) (24,689) (21,415) Distributions from discontinued operations .... 80 1,438 2,306 Proceeds from stock option exercises .... 17,214 37,503 22,848 Excess tax benefit from stock-based compensation .... 5,792 -- -- Other - net .... (1,779) (1,887) (1,148) --------- -------- --------- Net cash flows from financing activities of continuing operations .... 184,433 (49,411) 50,286 Cash flows from discontinued operations Net cash provided by operating activities of discontinued operations .... (101) 1,975 2,526 Net cash used in investing activities of discontinued operations .... (321) (462) (211) Net cash used in financing activities of discontinued operations .... 335 (1,438) (2,306) --------- -------- --------- Net cash flows from discontinued operations .... (87) 75 9 Effect of exchange rate changes on cash and cash equivalents .... 4,044 76 (820) --------- -------- --------- Net increase (decrease) in cash .... 653 70,016 (1,278) Cash and cash equivalents at beginning of year .... 77,290 7,274 8,552 --------- -------- --------- Cash and cash equivalents at end of period .... 77,943 77,290 7,274 --------- -------- --------- Less-cash at end of period-discontinued operations .... 2 89 14 --------- -------- --------- Cash and cash equivalents at end of period-continuing operations .... $ 77,941 $ 77,201 $ 7,260 ========= ======== ========= SUPPLEMENTAL CASH FLOW INFORMATION Cash paid for: Interest .... $ 15,605 $ 13,953 $ 14,022 Income taxes .... 61,896 35,916 23,617 Significant non-cash activities: Issuance of restricted stock .... $ 3,753 $ 7,145 $ 4,371 Debt acquired with acquisition of business .... 7,102 -- -- Capital expenditures included in accounts payable ....

640 -- -- See Notes to Consolidated Financial Statements. 29 1. SIGNIFICANT ACCOUNTING POLICIES BUSINESS 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. Its products are sold in niche markets to a wide range of industries throughout the world. Its products include industrial pumps, compressors, flow meters, injectors and valves, and related controls for use in a wide variety of process applications; precision fluidics solutions, including pumps, valves, degassing equipment, corrective tubing, fittings, and complex manifolds, as well as specialty medical equipment and devices used in life science applications; precision-engineered equipment for dispensing, metering and mixing paints, and personal care products; refinishing equipment; and engineered products for industrial and commercial markets, including fire and rescue, transportation equipment, oil and gas, electronics, and communications. These activities are grouped into four business segments: Fluid & Metering Technologies, Health & Science Technologies, Dispensing Equipment, and Fire & Safety/Diversified Products. PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the Company and its subsidiaries. Significant intercompany transactions and accounts have been eliminated. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of estimation reflected in the financial statements are sales returns and allowances, inventory, goodwill and intangible assets, income taxes, contingencies and litigation, and defined benefit retirement plans. REVENUE RECOGNITION IDEX recognizes revenue from product sales when title passes and the risks of ownership have passed to the customer. Customary terms are FOB shipping point. Based on its historical experience, the Company estimates and records provisions for sales returns and sales allowances in the period that the related products are sold. CASH AND CASH EQUIVALENTS The Company considers all highly liquid debt instruments purchased with an original maturity of three or fewer months to be cash and cash equivalents. INVENTORIES Inventories are stated at the lower of cost or market. Cost--which includes material, labor and factory overhead--is determined on the first-in, first-out basis or the last-in, first-out basis. A reserve for excess inventory is recorded for inventory on hand in excess of anticipated or historical usage. An obsolescence reserve is recorded for inventory made obsolete by marketplace, product or engineering changes. GOODWILL AND INTANGIBLE ASSETS The Company reviews the carrying value of goodwill and intangible assets in the fourth quarter of each year, or upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, in accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, "Goodwill and Other Intangible Assets". The Company evaluates the recoverability of 30 each of these assets based on the estimated market value of each business unit and the estimated future cash flows from each of the business units. IMPAIRMENT OF LONG-LIVED ASSETS Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, as measured by comparing their net book value to the projected undiscounted future cash flows generated by their use. Impaired assets are recorded at their estimated fair value. BORROWING EXPENSES Expenses incurred in securing and issuing debt are amortized over the life of the related borrowing and are included in interest expense in the Consolidated Statements of Operations. EARNINGS PER COMMON SHARE Earnings per common share ("EPS") are computed by dividing net income by the weighted average number of shares of common stock (basic) plus common stock equivalents and unvested restricted stock (diluted) outstanding during the year. Common stock equivalents consist of stock options and deferred compensation units ("DCUs") and have been included in the calculation of weighted average shares outstanding using the treasury stock method. Basic weighted average shares outstanding reconciles to diluted weighted average shares outstanding as follows: (in thousands) 2006 2005 2004 ------ ------ ------ Basic weighted average common shares outstanding....... 53,018 51,392 50,073 Dilutive effect of stock options, DCUs and unvested restricted shares.................................. 966 1,328 1,275 ------ ------ ------ Diluted weighted average common shares outstanding..... 53,984 52,720 51,348 ====== ====== ====== Options to purchase approximately 1.2 million and .2 million shares of common stock as of December 31, 2006 and 2005, respectively, were not included in the computation of diluted EPS because the exercise price was greater than the average market price of the Company's common stock and, therefore, the effect of their inclusion would be antidilutive. STOCK OPTIONS Prior to January 1, 2006, the Company accounted for its stock-based compensation using the intrinsic value method of Accounting Principles Bulletin ("APB") Opinion No.

25, "Accounting for Stock Issued to Employees," and related interpretations. The Company provided pro forma disclosure in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," as if the fair-value method of SFAS No. 123, "Accounting for Stock-Based Compensation," had been applied to stock-based compensation. In accordance with APB Opinion No. 25, no stock-based compensation cost was reflected in the Company's prior year net income for grants of stock options to employees because the Company granted stock options with an exercise price equal to the market value of the stock on the date of grant. The reported stock-based compensation expense, net of related tax effects, in prior periods represents the amortization of restricted stock grants. Had the Company used the fair-value based accounting method for stock compensation expense prescribed by SFAS Nos. 123 and 148 for the twelve months ended December 31, 2005 and 2004, the Company's consolidated income from continuing operations and EPS from continuing operations would have been reduced to the pro-forma amounts as follows: 31 2005 2004 -------- ------- (in thousands) Income from continuing operations - as reported............................ $108,575 $86,335 Add: Total stock-based employee compensation included in reported Income from continuing operations, net of related tax effects......... 1,804 1,457 Deduct: Total stock-based compensation expense determined under fair - value based method for all awards, net of related tax effects.. (8,591) (6,839) -------- ------- Income from continuing operations - pro forma.............................. $101,788 $80,953 ======== ======= EPS from continuing operations: Basic - as reported... $ 2.11 $ 1.72 Stock - based compensation.. (0.13) (0.11) -------- ------- Basic - pro forma.. $ 1.98 $ 1.61 ======== ======= Diluted - as reported.. $ 2.06 $ 1.68 Stock - based compensation.. (0.13) (0.10) -------- ------- Diluted - pro forma.. $ 1.93 $ 1.58 ======== ======= Effective January 1, 2006, IDEX adopted the fair-value recognition provisions of SFAS No. 123(R), "Share-Based Payment," using the modified prospective transition method and, therefore, has not restated results for prior periods. Under this transition method, stock-based compensation expense for the twelve months ended December 31, 2006, includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123. Stock-based compensation expense for all stock-based compensation awards granted after December 31, 2005, is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). IDEX recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting period of four years. Prior to the adoption of SFAS No. 123(R), IDEX recognized stock-based compensation expense in accordance with APB Opinion No. 25. In March 2005, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 107 regarding the SEC's interpretation of SFAS No. 123(R) and the valuation of share-based payments for public companies. IDEX has applied the provisions of SAB No. 107 in its adoption of SFAS No. 123(R). See Note 12 for a further discussion on stock-based compensation. DEPRECIATION AND AMORTIZATION Depreciation is recorded using the straight-line method. The estimated useful lives used in the computation of depreciation of tangible assets are as follows: Land improvements 10 to 12 years Buildings and improvements 3 to 30 years Machinery and equipment and engineering drawings 3 to 12 years Office and transportation equipment 3 to 10 years Certain identifiable intangible assets are amortized over their estimated useful lives using the straight-line method. The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation or amortization period or to the unamortized balance is warranted. This evaluation is based on 32 the expected utilization of the long-lived assets and the projected, undiscounted cash flows of the operations in which the long-lived assets are used. RESEARCH AND DEVELOPMENT EXPENDITURES Costs associated with research and development are expensed in the period incurred and are included in "Cost of sales" within the Consolidated Statements of Operations. Research and development expenses from continuing operations--which include costs associated with developing new products and major improvements to existing products--were $24.8 million, $23.8 million and $20.9 million in 2006, 2005 and 2004, respectively. FOREIGN CURRENCY TRANSLATION The functional currency of substantially all operations outside the United States is the respective local currency. Accordingly, those foreign currency balance sheet accounts have been translated using the exchange rates in effect as of the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. The gains and losses resulting from changes in exchange rates from year to year have been reported in "Cumulative translation adjustment" in the Consolidated Balance Sheets. The effect on the Consolidated Statements of Operations of transaction gains and losses is insignificant for all years presented. FAIR VALUE OF FINANCIAL INSTRUMENTS The carrying amounts of the Company's financial instruments, including cash, trade receivables, accounts payable and accrued expenses, approximate their fair values. CONCENTRATION OF CREDIT RISK IDEX is not dependent on a single customer, the largest of which accounted for less than 2% of net sales for all years presented. NEW ACCOUNTING PRONOUNCEMENTS In July 2006, the Financial Accounting Standards Board ("FASB") issued 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. This interpretation is effective for fiscal years beginning after December 15, 2006. Management is currently evaluating the requirements of FIN 48 and has not yet determined the impact on the consolidated financial statements. 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. In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This statement amends certain requirements of SFAS Nos. 87, 88, 106 and 132(R). SFAS No. 158 requires two major changes to accounting for defined benefit and other postretirement plans, with two different effective dates. The first requirement of SFAS No. 158, which the Company adopted as of December 31, 2006, requires the recognition of the over funded or under funded 33 status of a defined benefit postretirement plan as an asset or a liability in the balance sheet, with changes in the funded status recorded through comprehensive income in the year in which those changes occur. The impact of the Company's adoption of SFAS No. 158 is more fully described in Note 13. The second requirement of SFAS No. 158, which is effective for the Company as of December 31, 2008, requires that the funded status be measured as of an entity's year-end balance sheet date rather than as of an earlier date as currently permitted. The Company currently uses a measurement date of September 30 for the majority of its non-U.S. defined benefit pension and postretirement plans. 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. 2. BALANCE SHEET COMPONENTS The components of certain balance sheet accounts at December 31, 2006 and 2005 were as follows: 2006 2005 -------- -------- (in thousands) RECEIVABLES Customers .... $166,201 $130,619 Other .... 3,829 2,493 -------- -------- Total .... 170,030 133,112 Less allowance for doubtful accounts .. 3,545 3,684 -------- -------- Total receivables--net .... $166,485 $129,428 ======== ======== INVENTORIES Raw materials .... $ 63,360 $ 51,066 Work in process .... 16,420 12,749 Finished goods .... 80,907 59,466 -------- -------- Total inventories .... $160,687 $123,281 ======== ======== Inventories that were carried on a LIFO basis amounted to $133.7 million and $96.6 million at December 31, 2006 and 2005, respectively. The excess of current cost over LIFO inventory value amounted to $3.1 million and $1.3 million at December 31, 2006 and 2005, respectively. 2006 2005 -------- -------- (in thousands) PROPERTY, PLANT AND EQUIPMENT Land and improvements .... $ 17,307 $ 14,538 Buildings and improvements .... 109,408 91,171 Machinery and equipment .... 213,750 193,250 Office and transportation equipment .... 85,806 78,436 Engineering drawings .... 2,327 3,962 Construction in progress .... 6,056 5,753 -------- -------- Total .... 434,654 387,110 Less accumulated depreciation and amortization .. 268,705 244,625 -------- -------- Total property, plant and equipment--net ..... $165,949 $142,485 ======== ======== 34 (in thousands) ACCRUED EXPENSES Payroll and related items .... $32,897 $23,851 Management incentive compensation .. 15,279 13,109 Income taxes payable .... 10,897 7,234 Deferred income taxes .... 1,359 1,142 Insurance .... 7,608 6,742 Other .... 27,130 20,102 ------- ------- Total accrued expenses .... $95,170 $72,180 ======= ======= (in thousands) OTHER NONCURRENT LIABILITIES Pension and retiree medical reserves ... $44,414 $36,387 Other .... 5,797 9,938 ------- ------- Total other noncurrent liabilities .. $50,211 $46,325 ======= ======= 3. GOODWILL AND INTANGIBLE ASSETS The changes in the carrying amount of goodwill for the years ended December 31, 2006 and 2005, by business segment, were as follows: FIRE & FLUID & HEALTH & SAFETY/ METERING SCIENCE DISPENSING DIVERSIFIED (in thousands) TECHNOLOGIES TECHNOLOGIES EQUIPMENT PRODUCTS TOTAL ------------ ------------ ---------- ----------- --------- Balance at January 1, 2005 .... $177,819 $265,282 $130,570 $139,477 $713,148 Foreign currency translation .. (1,272) (816) (10,053) (7,363) (19,504) Purchase price adjustments .... 676 (2,850) -- (71) (2,245) -------- -------- -------- -------- -------- Balance at December 31, 2005 .. 177,223 261,616 120,517 132,043 691,399 Acquisitions (Note 10) .... 132,646 69,300 -- 7,679 209,625 Foreign currency translation .. 1,254 1,305 7,940 6,156 16,655 Purchase price adjustments .... -- 1,580 -- -- 1,580 Divestiture (Note 11) .... (6,659) -- -- -- (6,659) -------- -------- -------- -------- -------- Balance at December 31, 2006 .. $304,464 $333,801 $128,457 $145,878 $912,600 ======== ======== ======== ======== ======== During 2006, the Company determined that due to changes in the Company's strategy, certain previously indefinite-lived intangible assets should be considered definite-lived assets. Therefore, effective at the beginning of the second quarter of 2006, the Company began to amortize these definite-lived intangible assets. 35 The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset at December 31, 2006 and 2005: AT DECEMBER 31, 2006 AT DECEMBER 31, 2005 ---------------------- ---------------------- GROSS GROSS CARRYING ACCUMULATED AVERAGE CARRYING ACCUMULATED (in thousands) AMOUNT AMORTIZATION LIFE AMOUNT AMORTIZATION -------- ------------ ------- -------- ------------ Amortizable intangible assets: Patents .... $ 8,508 $ (5,171) 10 $ 8,680 $(4,744) Trade names .... 30,081 (1,224) 18 23,982 -- Customer relationships .... 64,796 (1,609) 18 -- -- Non-compete agreements .... 4,087 (702) 4 150 (99) Unpatented technology .... 4,727 (127) 13 -- -- Other .... 6,457 (560) 5 821 (175) -------- -------- ------- ------- Total amortizable intangible assets .. 118,656 (9,393) 33,633 (5,018) Banjo trade name (see Note 10) .... $ 62,100 -- -- -- -- -------- -------- ------- ------- Balance at December 31, 2006 .... $180,756 $ (9,393) $33,633 $(5,018) ======== ======== ======= ======= The Banjo trade name is an indefinite lived intangible asset which will be tested for impairment on an annual basis. Amortization of intangible assets was $4.1 million and $.7 million in 2006 and 2005, respectively. Amortization expense for each of the next five years is estimated to be approximately $7.6 million. 4. BORROWINGS Borrowings at December 31, 2006 and 2005 consisted of the following: 2006 2005 -------- -------- (in thousands) Senior Notes .... $150,000 $150,000 Bank credit facilities .... 194,000 -- Other borrowings .... 17,980 10,043 -------- -------- Total borrowings .... 361,980 160,043 Less current portion .... 8,210 3,144 -------- -------- Total long-term borrowings .. $353,770 $156,899 ======== ======== In February 1998, the Company sold $150 million of unsecured Senior Notes due February 15, 2008 ("Senior Notes"), with a coupon interest rate of 6.875% and an effective rate of 6.919% to maturity. Interest is payable semiannually. The Senior Notes are redeemable at any time at the option of the Company in whole or in part. At December 31, 2006, the fair market value of the Senior Notes was approximately $152 million, based on the quoted market price. The Company also maintains a $600 million domestic, multi-currency bank revolving credit facility ("Credit Facility"), which expires on December 21, 2011. At December 31, 2006, there was $194 million outstanding under the Credit Facility and outstanding letters of credit totaled approximately $5 million. The net available borrowings under the Credit Facility as of December 31, 2006, were approximately $401 million. Interest on the outstanding borrowings under the Credit Facility is payable quarterly at a rate based on the bank agent's reference rate or, at the Company's election, at a rate based on LIBOR plus 40 basis points per annum and is payable at maturity. A facility fee equal to 10 basis points per annum is payable quarterly on the total amount available under the Credit Facility. 36 The Company also has a $30 million demand line of credit (Short-Term Facility), which expires on December 12, 2007. Borrowings under the Short-Term Facility are based on LIBOR plus the applicable margin in effect under the Credit Facility. At December 31, 2006, there were no borrowings under the Short-Term Facility. At December 31, 2006, other borrowings included capital leases as well as debt at international locations maintained for working capital purposes. Interest is payable on the outstanding debt balances at the international locations at rates ranging from 3.3% to 6.6% per annum. There are two financial covenants that the Company is required to maintain in connection with the Credit Facility. As defined in the agreement, the minimum interest coverage ratio (operating cash flow to interest) is 3.0 to 1 and the maximum leverage ratio (outstanding debt to operating cash flow) is 3.25 to 1. At December 31, 2006, the Company was in compliance with both of these financial covenants. Total borrowings at December 31, 2006 have scheduled maturities as follows (in thousands): 2007................. $ 8,210 2008................. 153,636 2009................. 880 2010................. 956 2011................. 194,463 Thereafter............ 3,835 -------- Total borrowings... $361,980 ======== 5.

COMMITMENTS AND CONTINGENCIES At December 31, 2006, total future minimum rental payments under noncancelable operating leases, primarily for office facilities, warehouses and data processing equipment, were $16.4 million. The future minimum rental commitments for each of the next five years and thereafter are as follows: 2007--$5.9 million; 2008--$4.6 million; 2009--$3.0 million; 2010--$1.3 million; 2011--$.3 million; thereafter--$1.3 million. Rental expense from continuing operations totaled $9.0 million, $8.9 million and $9.9 million for the years ended December 31, 2006, 2005, and 2004, respectively. IDEX is a party to various legal proceedings involving employment, contractual, product liability and other matters, none of which is expected to have a material adverse effect on its results of operations, financial condition, or cash flows. 6. COMMON AND PREFERRED STOCK The Company issued 74,000 and 176,000 shares of restricted stock as compensation to key employees in 2006 and 2005, respectively. All 74,000 restricted shares issued in 2006 contain a cliff vesting feature and vest three or four years after the grant date. Of the 176,000 shares issued in 2005, 100,000 shares vest annually from one to four years after the grant date, while the remaining 76,000 shares contain a cliff vesting feature and vest four years after the grant date. All restricted shares carry dividend and voting rights, and the sale of the shares is restricted prior to the date of vesting. The restricted shares were recorded at their fair market value on the date of the grant, with a corresponding charge to shareholders' equity. The unearned portion is being amortized as compensation expense on a straight-line basis over the related vesting period. On October 20, 1998, IDEX's Board of Directors authorized the repurchase of up to 2.25 million shares of the Company's common stock, either at market prices or on a negotiated basis as market conditions 37 warrant. Since the inception of this program, IDEX has purchased a total of 9,750 shares at a cost of approximately $144,000. At December 31, 2006 and 2005, the Company had 150 million of authorized common stock, with a par value of $.01 per share and 5 million shares of preferred stock with a par value of $.01 per share. No preferred stock was issued as of December 31, 2006 and 2005. 7. INCOME TAXES Pretax income for the years ended December 31, 2006, 2005, and 2004, was taxed in the following jurisdictions: (in thousands) 2006 2005 2004 -------- -------- -------- Domestic...... $140,630 $114,275 $ 85,088 Foreign....... 61,263 52,944 48,758 -------- -------- -------- Total...... $201,893 $167,219 $133,846 ======== ======== ======== The provision for income taxes for the years ended December 31, 2006, 2005, and 2004, was as follows: (in thousands) 2006 2005 2004 ------- ------- ------- Current U.S. .... $46,656 $36,729 $21,961 State and local .... 3,946 1,738 326 Foreign .... 16,256 15,861 14,442 ------- ------- ------- Total current .... 66,858 54,328 36,729 Deferred U.S. .... 592 2,563 6,293 State and local .... 24 (164) 1,439 Foreign .... 697 1,917 3,050 ------- ------- ------- Total deferred .... 1,313 4,316 10,782 ------- ------- ------- Total provision for income taxes ... $68,171 $58,644 $47,511 ======= ======= ======= Deferred tax assets (liabilities) related to the following at December 31, 2006 and 2005: (in thousands) 2006 2005 --------- -------- Employee and retiree benefit plans ... $ 20,221 $ 2,199 Depreciation and amortization .... (119,700) (68,835) Inventories .... (5,523) (3,653) Allowances and accruals .... 6,726 6,408 Other .... (354) 1,506 --------- -------- Total .... $ (98,630) $(62,375) ========= ======== The deferred tax assets and liabilities recognized in the Company's Consolidated Balance Sheets are as follows: 38 (in thousands) 2006 2005 --------- -------- Deferred tax asset--other current assets .... $ 2,682 $ 3,417 Deferred tax asset--other noncurrent assets .... 363 -- --------- -------- Total deferred tax assets .... 3,045 3,417 Deferred tax liability--accrued expenses .... (1,359) (1,142) Noncurrent deferred tax liability--deferred income taxes ... (100,316) (64,650) --------- -------- Total deferred tax liabilities .... (101,675) (65,792) --------- -------- Net deferred tax liabilities .... $ (98,630) $(62,375) ========= ======== The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to pretax income. The computed amount and the differences for the years ended December 31, 2006, 2005, and 2004 are shown in the following table: (in thousands) 2006 2005 2004 -------- -------- -------- Pretax income .... $201,893 $167,219 $133,846 ======== ======== ======== Provision for income taxes: Computed amount at statutory rate of 35% .... $ 70,663 $ 58,527 $ 46,846 State and local income tax (net of federal tax benefit) .... 2,576 1,023 1,147 Taxes on non-U.S. earnings-net of foreign tax credits ... (2,670) (620) 2,319 U.S. business tax credits .... (1,210) (1,455) (2,674) Extra-territorial income deduction .... (910) (1,214) (1,531) Domestic activities production deduction .... (797) (1,528) -- Other .... 519 3,911 1,404 -------- -------- -------- Total provision for income taxes .... $ 68,171 $ 58,644 $ 47,511 ======== ======== ======== The Company has not provided an estimate for any U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries that might be payable if these earnings were repatriated since the Company considers these amounts to be permanently invested. 8. COMPREHENSIVE INCOME The tax effects of the components of other comprehensive income for 2006, 2005 and 2004 follow: (in thousands) 2006 2005 2004 ------- -------- ------- Pension liability adjustments* Pretax amount .... $ 821 $ (1,748) $12,118 Tax benefit (provision) .... (114) 508 (4,281) ------- -------- ------- Aftertax amount .... $ 707 $ (1,240) $ 7,837 ======= ======== ======= Cumulative translation adjustment Pretax amount .... $27,135 $(27,886) $17,154 Tax provision .... -- -- -- ------- -------- ------- Aftertax amount .... $27,135 $(27,886) $17,154 ======= ======== ======= * Amounts reflect the change in the minimum pension liability prior to the adoption of SFAS No. 158. The SFAS No. 158 transition amount has been included in other comprehensive income. See Note 13 for the affect from adoption of SFAS No. 158. 39 9. BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION Effective in 2006, IDEX changed its reporting segments based on organizational and structural changes from three to four reportable segments. Under the new reporting structure, the Fluid & Metering Technologies segment consists of the following IDEX business units: Banjo, Liquid Controls, Pulsafeeder, Versa-Matic, Viking and Warren Rupp. The Health & Science Technologies segment includes Eastern Plastics, Gast, Micropump, Rheodyne and Scivex. The Dispensing Equipment segment consists of FAST & FM- Europe & Asia and Fluid Management. The Fire & Safety/Diversified Products segment includes Hale Products' fire suppression and rescue tools businesses, as well as the BAND-IT engineered clamping business. Historical business segment information has been updated to reflect this change in reporting segments. IDEX is not dependent on a single customer, the largest of which accounted for less than 2% of net sales for all years presented. 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. (in thousands) 2006 2005 2004 ---------- ---------- ---------- NET SALES Fluid & Metering Technologies: External customers...................... $ 433,845 $ 381,625 $ 350,146 Intersegment sales...................... 1,687 1,538 2,007 ---------- ---------- ---------- Total segment sales.................. 435,532 383,163 352,153 Health & Science Technologies: External customers...................... 301,223 232,531 186,834 Intersegment sales...................... 3,669 2,968 1,458 ---------- ---------- ---------- Total segment sales.................. 304,892 235,499 188,292 Dispensing Equipment: External customers...................... 159,794 158,111 145,091 Intersegment sales...................... -- -- -- ---------- ---------- ---------- Total segment sales.................. 159,794 158,111 145,091 Fire & Safety/Diversified Products: External customers...................... 260,078 238,986 219,001 Intersegment sales...................... 2 6 5 ---------- ---------- ---------- Total segment sales.................. 260,080 238,992 219,006 Intersegment eliminations............... (5,358) (4,512) (3,470) ---------- ---------- ---------- Total net sales...................... $1,154,940 $1,011,253 $ 901,072 ========== ========== ========== OPERATING INCOME (1) Fluid & Metering Technologies.............. $ 89,899 $ 72,596 $ 62,316 Health & Science Technologies.............. 58,229 43,133 32,155 Dispensing Equipment....................... 38,021 37,772 32,435 Fire & Safety/Diversified Products......... 62,664 56,593 47,052 Corporate office and other (2)............. (31,607) (29,062) (24,660) ---------- ---------- ---------- Total operating income............... $ 217,206 $ 181,032 $ 149,298 ========== ========== ========== 40 ASSET Fluid & Metering Technologies.............. $ 613,203 $ 307,838 $ 303,805 Health & Science Technologies.............. 520,991 391,991 383,221 Dispensing Equipment....................... 217,081 196,157 205,665 Fire & Safety/Diversified Products......... 306,400 256,632 246,435 Corporate office and other (2)............. 13,146 91,562 47,166 ---------- ---------- ---------- Total assets......................... $1,670,821 $1,244,180 $1,186,292 ========== ========== ========== DEPRECIATION AND AMORTIZATION Fluid & Metering Technologies.............. $ 10,524 $ 9,824 $ 9,541 Health & Science Technologies.............. 9,043 5,917 6,859 Dispensing Equipment....................... 3,861 4,376 4,590 Fire & Safety/Diversified Products......... 6,086 5,712 6,023 Corporate office and other................. 442 425 544 ---------- ---------- ---------- Total depreciation and amortization.. $ 29,956 $ 26,254 $ 27,557 ========== ========== ========== CAPITAL EXPENDITURES Fluid & Metering Technologies.............. $ 5,487 $ 8,204 $ 10,693 Health & Science Technologies.............. 4,726 5,525 3,190 Dispensing Equipment....................... 2,362 3,383 2,588 Fire & Safety/Diversified Products......... 6,060 4,365 3,208 Corporate office and other................. 2,563 1,055 1,156 ---------- ---------- ---------- Total capital expenditures........... $ 21,198 $ 22,532 $ 20,835 ========== ========== ========== (1) Segment operating income excludes net unallocated corporate operating expenses. (2) Includes intersegment eliminations. Information about the Company's operations in different geographical regions for the years ended December 31, 2006, 2005 and 2004 is shown below. Net sales were attributed to geographic areas based on location of the customer, and no country outside the U.S. was greater than 10% of total revenues. (in thousands) 2006 2005 2004 ---------- ---------- -------- NET SALES U.S.......................... $ 632,239 $ 557,469 $494,666 Europe....................... 285,208 252,749 241,843 Other countries............. 237,493 201,035 164,563 ---------- ---------- -------- Total net sales........... $1,154,940 $1,011,253 $901,072 ========== ========== ======== LONG-LIVED ASSETS-- PROPERTY, PLANT AND EQUIPMENT U.S.......................... $ 110,340 $ 94,805 $ 97,944 Europe....................... 48,966 43,713 51,398 Other countries............. 6,643 3,967 2,847 ---------- ---------- -------- Total long-lived assets... $ 165,949 $ 142,485 $152,189 ========== ========== ======== 10. ACQUISITIONS On January 12, 2006, the Company acquired the assets of Airshore International ("Airshore"), based in British Columbia, Canada. Airshore, with annual revenue of approximately $5 million, provides stabilization struts for collapsed buildings and vehicles, high-and-low pressure lifting bags and forcible entry tools for the fire and rescue markets. Airshore operates as part of Hale in the Fire & Safety/Diversified Products segment. IDEX acquired Airshore for a purchase price of $12.6 million, consisting entirely of cash. Goodwill and intangible assets recognized as part of this transaction were $7.7 million and $4.0 million, respectively. The $7.7 million of goodwill is deductible for tax purposes. 41 On February 28, 2006, the Company acquired the stock of JUN-AIR International A/S ("JUN-AIR"), based in Norresundby, Denmark. JUN-AIR, with annual revenue of approximately $22 million, is a provider of low decibal, ultra quiet vacuum compressors suitable to medical, dental and laboratory applications. JUN-AIR operates as part of Gast in the Health & Science Technologies segment. IDEX acquired JUN-AIR for an aggregate purchase price of $22.4 million, consisting of $15.3 million in cash and debt of approximately $7.1 million. Goodwill and intangible assets recognized as part of this transaction were $9.5 million and $3.7 million, respectively. The $9.5 million of goodwill is not deductible for tax purposes. On May 2, 2006, the Company acquired the stock of Eastern Plastics, Inc. ("Eastern Plastics"), a provider of high-precision integrated fluidics and associated engineered plastics solutions. Based in Bristol, Connecticut with annual revenues of approximately $30 million, Eastern Plastics products are used in a broad set of end markets including medical diagnostics, analytical instrumentation, and laboratory automation. IDEX acquired Eastern Plastics for a purchase price of $92.4 million, consisting entirely of cash. Eastern Plastics operates as a stand-alone business in the Health & Science Technologies segment. Goodwill and intangible assets recognized as part of this transaction were $59.8 million and $19.1 million, respectively. The $59.8 million of goodwill is deductible for tax purposes. On October 3, 2006, the Company acquired the stock of Banjo Corporation ("Banjo"), a provider of special purpose, severe duty pumps, valves, fittings and systems used in liquid handling. Based in Crawfordsville, Indiana, with annual revenues of approximately $44 million, Banjo's products are used in agricultural and industrial applications. IDEX acquired Banjo for a purchase price of $184.5 million, primarily with financing provided by borrowings under the Company's credit facilities. Banjo operates as a stand-alone business in the Fluid & Metering Technologies segment. Goodwill and intangible assets recognized as part of this transaction were $101.1 million and $99.3 million, respectively. The $101.1 million of goodwill is not deductible for tax purposes. On December 1, 2006, the Company acquired the stock of Toptech Systems, Inc. ("Toptech"), a leading provider of terminal automation systems used in the custody transfer and control of high-value fluids and gases. Based in Longwood, Florida, with annual revenues of approximately $22 million, Toptech's products include terminal automation hardware and software used by customers in the oil, gas and refined fuels markets to control and manage inventories, as well as transactional data and invoicing. IDEX acquired Toptech for a purchase price of $55.0 million, primarily financed by borrowings under the Company's credit facilities. Toptech operates as part of the Liquid Controls business in its Fluid & Metering Technologies segment. Goodwill and intangible assets recognized as part of this transaction were $31.3 million and $20.6 million, respectively. The $31.3 million of goodwill is deductible for tax purposes. The purchase price for Airshore, JUN-AIR, Eastern Plastics, Banjo and Toptech, including transaction costs, has been allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of the acquisitions. The purchase price allocation is preliminary and further refinements may be necessary pending finalization of asset valuations. The results of operations for these acquisitions have been included in the financial results from the date of the respective acquisition. The Company does not consider any of the acquisitions, individually or in aggregate, to be material to its results of operations for any of the periods presented. 11. DISCONTINUED OPERATIONS On July 11, 2006, IDEX sold Lubriquip, its lubricant dispensing business that operated as part of IDEX's Dispensing Equipment segment, resulting in an after-tax gain of $16.7 million. In September 2006, the Company determined that Halox, its chemical and electrochemical systems product line operating as part of Pulsafeeder in IDEX's Fluid & Metering Technologies segment, met the criteria to be classified as assets held for sale and a discontinued operation. As a result, the Company recorded a $6.2 million write-down ($4.1 million after-tax) of the carrying value of Halox to its estimated 42 fair market value. The Company is marketing the Halox operations and conducting other actions required to complete the sale within one year. Financial information for all periods presented has been restated to present the operating results of both Lubriquip and Halox as discontinued operations. Summarized results of the Company's discontinued operations are as follows: DECEMBER 31, -------------------------- (in thousands) 2006 2005 2004 ------- ------- ------- Revenue .... $18,149 $32,022 $27,225 ======= ======= ======= Income from discontinued operations before income taxes .... $ 525 $ 1,709 $ 31 Income tax benefit (provision) .... (231) (481) 40 ------- ------- ------- Sub-total .... 294 1,228 71 Net gain on sale of discontinued operations, net of tax .... 12,655 -- -- ------- ------- ------- Income from discontinued operations .. $12,949 $ 1,228 $ 71 ======= ======= ======= Total assets and liabilities expected to be transferred as part of the sale of the discontinued operations at December 31, 2006 and 2005 were as follows: DECEMBER 31, DECEMBER 31, (in thousands) 2006 2005 ------------ ------------ Cash and cash equivalents .... $ 2 $ 89 Receivables, net .... 424 3,115 Inventory, net .... 272 3,295 Other current assets .... 20 129 Property, plant and equipment, net .. 111 3,000 Goodwill(1)......................... -- 471 ---- ------- Assets held for sale .... $829 $10,099 ==== ======= Accounts payable .... $154 $ 2,614 Other liabilities .... 219 2,178 ---- ------- Liabilities held for sale .... $373 $ 4,792 ==== ======= (1) Balance as of December 31, 2005 excludes $6.6 million of goodwill, which was written off as part of the loss in 2006. 12. STOCK-BASED COMPENSATION As of December 31, 2006, the Company has two stock-based compensation plans for executives, non-employee directors, and certain key employees which authorize the granting of stock options, restricted stock, restricted stock units, and other types of awards consistent with the purpose of the plans. The number of shares authorized for issuance under the Company's plans as of December 31, 2006, totals 2.3 million, of which .9 million shares were available for future issuance. Stock options granted under these plans are generally non-qualified, and are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Substantially all of the options issued to employees prior to 2005 become exercisable in five equal installments, while all options issued to employees in 2005 and after become exercisable in four equal installments, beginning one year from the date of grant, and generally expire 10 years from the date of grant. Stock options granted to non-employee directors cliff vest after one or two years. Restricted stock and restricted stock unit awards generally cliff vest after four years for employees, and three years for non-employee directors. 43 Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective method, and thus did not restate any prior period amounts. Under this method, compensation cost in the twelve months ending December 31, 2006 include the portion vesting in the period for (1) all share-based payments granted prior to, but not vested as of December 31, 2005, based on the grant date fair value estimated using the Black-Scholes option-pricing model in accordance with the original provisions of SFAS No. 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated using the Binomial lattice option-pricing model. Weighted average option fair values and assumptions for the period specified are disclosed in the following table: FOR THE YEAR ENDED DECEMBER 31, ------------------------------ 2006 2005 2004 ------------ ------ ------ Weighted average fair value of grants... $14.42 $12.51 $ 7.81 Dividend yield......................... 1.21% 1.50% 1.55% Volatility............................ 30.76% 30.00% 29.60% Risk-free interest rate................ 4.71% - 5.00% 4.30% 3.00% Expected life (in years)............... 4.93 5.50 5.50 The assumptions are as follows: - The Company estimated volatility using its historical share price performance over the contractual term of the option. - The Company uses historical data to estimate the expected life of the option. The expected life assumption for the year ended December 31, 2006, is an output of the Binomial lattice option-pricing model, which incorporates vesting provisions, rate of voluntary exercise and rate of post-vesting termination over the contractual life of the option to define expected employee behavior. - The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual life of the option. For the year ended December 31, 2006, the Company presents the range of risk-free one-year forward rates, derived from the U.S. treasury yield curve, utilized in the Binomial lattice option-pricing model. - The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the contractual life of the option. Results of prior periods do not reflect any restated amounts and the Company had no cumulative effect adjustment upon adoption of SFAS No. 123(R) under the modified prospective method. The Company's policy is to recognize compensation cost on a straight-line basis over the requisite service period for the entire award. Additionally, the Company's general policy is to issue new shares of common stock to satisfy stock option exercises or grants of restricted stock. The adoption of SFAS No. 123(R) decreased the Company's reported operating income and income before income taxes for the twelve months ending December 31, 2006, by $7.6 million and reported net income by $4.7 million. The adoption of SFAS No. 123(R) resulted in a decrease in reported cash flow from operating activities for the twelve months ending December 31, 2006, of $5.8 million, offset by an increase in reported cash flow from financing activities. The Company's adoption of SFAS No. 123(R) did not affect operating income, income before income taxes, net income, cash flow from continuing operations, cash flow from financing activities, basic and diluted EPS reported for 2005. Total compensation cost for stock-based compensation arrangements recognized in the twelve months ending December 31, 2006, was $7.6 million for stock options and $3.1 million for restricted stock. Compensation cost recognized in SG&A expenses for the twelve months ending December 31, 2006, was $6.6 million for stock options and $3.0 million for restricted stock. Compensation cost recognized in cost of goods sold for the twelve months ending December 31, 2006, was $1.0 million for stock options and $0.1 million for restricted stock. Recognition of compensation cost was consistent with recognition of cash compensation for the same employees, and $0.2 million of compensation cost was capitalized as part of 44 inventory. The total income tax benefit recognized in the income statement for the twelve months ending December 31, 2006 for stock-based compensation arrangements was $2.9 million. As of December 31, 2006, there was $14.3 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. A summary of the Company's stock option activity as of December 31, 2006, and changes during the year ended December 31, 2006 is presented in the following table: Weighted Weighted-Average Aggregate Average Remaining Intrinsic Stock Options Shares Price Contractual Term Value ------------ --------- -------- --------------- ----------- Outstanding at January 1, 2006.......... 4,197,150 $26.57 Granted................................ 675,895 49.34 Exercised.............................. (733,440) 23.02 Forfeited/Expired....................... (530,312) 29.12 --------- ------ ---- ----------- Outstanding at December 31, 2006........ 3,609,293 $31.13 7.06 $60,625,312 --------- ------ ---- ----------- Expected to vest at December 31, 2006... 3,441,904 $30.72 6.99 $59,108,800 --------- ------ ---- ----------- Exercisable at December 31, 2006........ 1,574,658 $24.67 5.92 $35,799,923 ========= ====== ==== =========== The intrinsic value for stock options outstanding and exercisable is defined as the difference between the market value of the Company's common stock as of the end of the period and the grant price. The total intrinsic value of options exercised during the twelve months ending December 31, 2006, was $18.6 million. During the year ending December 31, 2006, cash received from options exercised was $17.2 million and the actual tax benefit realized for the tax deductions from stock options exercised totaled $6.8 million. A summary of the Company's restricted stock activity as of December 31, 2006, and changes during the year ending December 31, 2006, is presented in the following table: Weighted-Average Grant Date Fair Restricted Stock Shares Value --------------- ------- --------------- Nonvested at January 1, 2006..... 296,530 $35.93 Granted......................... 74,310 50.50 Vested.......................... (48,675) 36.01 Forfeited....................... (11,620) 42.84 ------- ------ Nonvested at December 31, 2006... 310,545 $39.49 ======= ====== Generally, restricted stock grants accrue dividends and their fair value is equal to the market price of the Company's stock at the date of the grant. As of December 31, 2006, there was $7.2 million of total unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted-average period of 1.4 years. 13. RETIREMENT BENEFITS In September 2006, the FASB issued SFAS No. 158, which amends certain requirements of SFAS Nos. 87, 88, 106 and 132(R). Under SFAS No. 158, companies are required to report the plan's funded status on their balance sheets. The difference between the plan's funded status and its current balance sheet position is recognized, net of tax, as a component of other comprehensive income. This statement is effective for fiscal years ending after December 15, 2006. We adopted SFAS No. 158 effective December 45 31, 2006, and the incremental effect of applying it on individual line items on our consolidated balance sheet as of December 31, 2006 is as follows: Before After Application Application (in thousands) of SFAS No. 158 Adjustments of SFAS No. 158 -------------- ----------- -------------- Other noncurrent assets........ $ 14,501 $(11,500) $ 3,001 Total assets.................. 1,682,321 (11,500) 1,670,821 Accrued expenses.............. 90,372 4,798 95,170 Other noncurrent liabilities... 45,377 4,834 50,211 Total liabilities............. 681,917 9,632 691,549 Other comprehensive income..... (5,177) (21,132) (26,309) Total shareholders' equity..... 1,000,404 (21,132) 979,272 The Company sponsors several qualified and nonqualified pension plans and other postretirement plans for its employees. The Company uses a measurement date of December 31 for its U.S. and Canadian defined benefit pension plans and a September 30 measurement date for its other non-U.S. defined benefit pension plans. The following table provides a reconciliation of the changes in the benefit obligations and fair value of plan assets over the two-year period ended December 31, 2006, and a statement of the funded status at December 31 for both years: 46 PENSION BENEFITS -- 2006 2005 OTHER BENEFITS ------------------- ------------------- ------------------- (in thousands) U.S. Non-U.S. U.S. Non-U.S. 2006 2005 -------- -------- -------- -------- -------- -------- Change in benefit obligation Obligation at January 1 $ 78,627 $ 23,373 $ 73,432 $ 21,883 $ 23,319 $ 20,090 Service cost 2,128 726 4,261 593 478 410 Interest cost 4,359 1,235 4,107 1,124 1,211 1,193 Plan amendments 705 -- 492 -- -- (93) Benefits paid (6,516) (895) (5,821) (1,048) (1,140) (1,015) Actuarial loss 1,035 962 2,941 3,495 (521) 2,734 Currency translation -- 3,151 -- (2,674) (9) -- Divestitures (4,178) -- -- -- -- -- Curtailments/Settlements (1,633) -- (785) -- -- -- Other 2,395 3,861 -- -- -- -- -------- -------- -------- -------- -------- -------- Obligation at December 31 $ 76,922 $ 32,413 $ 78,627 $ 23,373 $ 23,338 $ 23,319 ======== ======== ======== ======== ======== ======== Change in plan assets Fair value of plan assets at January 1 $ 65,236 $ 12,264 $ 64,306 $ 11,163 $ -- $ -- Actual return on plan assets 7,312 1,048 1,098 1,447 -- -- Employer contributions 4,950 1,921 6,438 1,983 1,140 1,015 Benefits paid (6,516) (895) (5,821) (1,048) (1,140) (1,015) Currency translation -- 1,849 -- (1,281) -- -- Divestitures (4,892) -- -- -- -- -- Curtailments/Settlements (1,633) -- (785) -- -- -- Other -- 665 -- -- -- -- -------- -------- -------- -------- -------- -------- Fair value of plan assets at December 31 $ 64,457 $ 16,852 $ 65,236 $ 12,264 $ -- $ -- ======== ======== ======== ======== ======== ======== Funded Status at December 31 $(12,465) $(15,561) $(13,391) $(11,109) $(23,338) $(23,319) Components on the Consolidated Balance Sheets *: Noncurrent assets $ 12 $ -- $ -- $ -- $ -- $ -- Current liabilities (2,978) (517) -- -- (1,302) -- Noncurrent liabilities (9,499) (15,044) -- -- (22,036) -- -------- -------- -------- -------- -------- -------- Net liability at December 31 $(12,465) $(15,561) $ -- $ -- $(23,338) $ -- ======== ======== ======== ======== ======== ======== * In accordance with SFAS No. 158, retrospective application is not required 47 The accumulated benefit obligation for all defined benefit pension plans was $102.5 million and $95.7 million at December 31, 2006 and 2005, respectively. For plans with an accumulated benefit obligation in excess of plan assets, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets was $28.2 million, $26.7 million and $3.3 million, respectively, at December 31, 2006, and $33.2 million, $31.9 million and $12.3 million, respectively, at December 31, 2005. The assumptions used in the measurement of the Company's benefit obligation at December 31, 2006 and 2005, were as follows: U.S. PLANS NON-U.S. PLANS ----------------- ---------------------- 2006 2005 2006 2005 ---------- ----- ---------- ---------- Discount rate................... 5.80% 5.50% 4.50-5.25% 4.30-5.10% Expected return on plan assets... 8.50% 8.50% 5.00-7.00% 5.00-5.90% Rate of compensation increase.... 4.00% 4.00% 2.75-4.50% 4.25% To develop the expected rate of return on plan assets, the Company considered the historical returns and the future expectations for returns on each asset class, as well as the target asset allocation of the pension portfolio. The pre-tax amounts recognized in other comprehensive income (loss) as of December 31, 2006 are as follows: Non-U.S. Other Post- U.S. Pension Pension Benefit Retirement (in thousands) Benefit Plans Plans Benefit Plans Total ------------- -------------- ------------ -------- Initial net obligation .... $ (93) $ -- $ (93) Prior service credit (cost)...... (1,423) -- $ 363 (1,060) Net loss .... (23,746) (10,751) (5,330) (39,827) -------- -------- ------- -------- Total........................... $(25,262) $(10,751) $(4,967) $(40,980) ======== ======== ======= ======== The amounts in other comprehensive income as of December 31, 2006, that are expected to be recognized as components of net periodic benefit cost during 2007 are as follows: Non-U.S. Other Post- U.S. Pension Pension Benefit Retirement (in thousands) Benefit Plans Plans Benefit Plans Total ------------- -------------- ------------ ------ Initial net obligation........... $ 46 $ -- $ -- $ 46 Prior service cost.............. 529 -- 30 559 Net loss......................... 2,087 744 158 2,989 ------ ---- ---- ------ Total .... $2,662 $744 $188 $3,594 ====== ==== ==== ====== 48 The following tables provide the components of, and the assumptions used to determine, the net periodic benefit cost for the plans in 2006, 2005 and 2004: Pension Benefits --- 2006 2005 2004 ----------------- ----------------- ----------------- (in thousands) U.S. Non-U.S. U.S. Non-U.S. U.S. Non-U.S. ------- -------- ------- -------- ------- -------- Service cost .... $ 2,128 $ 726 $ 4,261 $ 593 $ 3,849 $ 581 Interest cost .... 4,359 1,235 4,107 1,124 4,014 1,089 Expected return on plan assets .... (5,175) (829) (5,271) (664) (5,009) (588) Net amortization .... 3,587 540 2,463 309 2,710 252 Other .... 2,186 -- 504 -- 265 -- ------- ------ ------- ------ ------- ------ Net periodic benefit cost .... $ 7,085 $1,672 $ 6,064 $1,362 $ 5,829 $1,334 ======= ====== ======= ====== ======= ====== Other Benefits ----------------------- (in thousands) 2006 2005 2004 ------ ------ ------ Service cost.................... $ 478 $ 410 $ 413 Interest cost................... 1,211 1,194 1,088 Expected return on plan assets... -- -- -- Net amortization................ 373 212 67 Other........................... -- -- -- ------ ------ ------ Net periodic benefit cost........ $2,062 $1,816 $1,568 ====== ====== ====== U.S. Plans Non-U.S. Plans ----------------- ------------------------------- 2006 2005 2004 2006 2005 2004 ---- ---- ---- --------- ---------

--------- Discount rate 5.50% 5.75% 6.00% 4.30-5.10% 5.50-6.00% 5.50-6.00% Expected return on plan assets 8.50% 8.50% 8.50% 5.00-7.00% 5.00-6.25% 6.50% Rate of compensation increase 4.00% 4.00% 4.00% 3.00-4.40% 4.25% 4.25% Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation or the market value of assets are amortized over the average remaining service period of active participants. Costs of bargaining unit-sponsored multi-employer plans and defined contribution plans were $7.8 million, $7.4 million and $6.4 million for 2006, 2005 and 2004, respectively. For measurement purposes, a 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2006. The rate was assumed to decrease gradually each year to a rate of 6% for 2013, and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% increase in the assumed health care cost trend rates would increase the service and interest cost components of the net periodic benefit cost by $.1 million and the health care component of the accumulated postretirement benefit obligation by $2.0 million. A 1% decrease in the assumed health care cost trend rate would decrease the service and interest cost components of the net periodic benefit cost by $.1 million and the health care component of the accumulated postretirement benefit obligation by $1.7 million. 49 PLAN ASSETS The Company's pension plan weighted average asset allocations at December 31, 2006 and 2005, by asset category, were as follows: 2006 2005 ---- ---- Equity securities................ 60% 64% Debt securities.................. 39 35 Other........................... 1 1 --- ---- Total......................... 100% 100% === ==== INVESTMENT POLICIES AND STRATEGIES The investment objectives of the Company's plan assets are to earn the highest possible rate of return consistent with the tolerance for risk as determined periodically by IDEX in its role as a fiduciary. The general guidelines of asset allocation of fund assets are that "equities" will represent from 55% to 75% of the market value of total fund assets with a target of 66%, and "fixed income" obligations, including cash, will represent from 25% to 45% with a target of 34%. The term "equities" includes common stock, convertible bonds and convertible stock. The term "fixed income" includes preferred stock and/or contractual payments with a specific maturity date. The Company strives to maintain asset allocations within the designated ranges by conducting periodic reviews of fund allocations and plan liquidity needs, and rebalancing the portfolio accordingly. The total fund performance is monitored and results measured using a 3- to 5-year moving average against long-term absolute and relative return objectives to meet actuarially determined forecasted benefit obligations. No restrictions are placed on the selection of individual investments by the qualified investment fund managers. The performance of the investment fund managers is reviewed on a regular basis, using appointed professional independent advisors. As of December 31, 2006 and 2005, there were no shares of the Company's stock held in plan assets. CASH FLOWS The Company expects to contribute approximately $5.1 million to its defined benefit plans, $7.8 million to its defined contribution plans and $1.3 million to its other postretirement benefit plans in 2007. ESTIMATED FUTURE BENEFIT PAYMENTS The future estimated benefit payments for the next five years and the five years thereafter are as follows: 2007--$9.9 million; 2008--$6.8 million; 2009--$7.2 million; 2010--$7.9 million; 2011--$8.7 million; 2012 to 2016--$52.0 million. 14. SUBSEQUENT EVENTS In February 2007, the Company acquired Faure Herman SA, 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 will be operated as part of the Company's Liquid Controls business within its Fluid & Metering Technologies segment. 50 15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) The following table summarizes the unaudited quarterly results of operations for the years ended December 31, 2006 and 2005. All periods have been presented to reflect discontinued operations (see Note 11). 2006 QUARTERS 2005 QUARTERS -------------------------------------- --------------------------------------- FIRST SECOND THIRD FOURTH FIRST SECOND THIRD FOURTH -------- -------- -------- -------- -------- -------- -------- -------- Net sales $266,388 $296,573 $289,848 $302,131 $244,515 $264,296 $249,576 $252,866 Gross profit 110,133 122,921 118,765 125,588 99,713 109,422 101,304 103,528 Operating income 47,778 55,984 54,413 59,031 40,460 47,934 45,870 46,768 Income from continuing operations 29,581 34,619 33,333 36,189 23,451 28,805 27,992 28,327 Income (loss) from discontinued operations, net of tax 497 337 12,663 (548) 194 128 523 383 Net income $ 30,078 $ 34,956 $ 45,996 $ 35,641 $ 23,645 $ 28,933 $ 28,515 $ 28,710 Basic EPS from continuing operations $ .56 $ .65 $ .63 $ .68 $ .46 $ .57 $ .54 $ .54 Basic EPS from discontinued operations .01 .01 .24 (.01) .01 -- .01 .01 Basic EPS $ .57 $ .66 $ .87 $ .67 $ .47 $ .57 $ .55 $ .55 Basic weighted average shares outstanding 52,637 53,014 53,126 53,293 50,679 50,963 51,618 52,306 Diluted EPS from continuing operations $ .55 $ .64 $ .62 $ .67 $ .45 $ .55 $ .53 $ .53

Diluted EPS from discontinued operations .01 .01 .23 (.01) -- -- .01 .01 Diluted EPS $ .56 $ .65 $ .85 $ .66 $ .45 $ .55 $ .54 $ .054 Diluted weighted average shares outstanding 53,857 54,029 53,971 54,186 52,383 52,641 53,071 53,492 51 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM To the Board of Directors and Shareholders of IDEX Corporation We have audited the accompanying consolidated balance sheets of IDEX Corporation and its subsidiaries (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of IDEX Corporation and its subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. As discussed in Note 1, effective January 1, 2006, the Company changed its method of accounting for stock-based compensation as a result of adopting Statement of Financial Accounting Standards No. 123(R), "Share Based Payment". As discussed in Note 13 effective December 31, 2006, the Company changed its method of accounting for pensions and other postretirement benefits as a result of adopting Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". /s/ Deloitte & Touche LLP Deloitte & Touche LLP Chicago, Illinois February 27, 2007 52 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM To the Board of Directors and Shareholders of IDEX Corporation We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that IDEX Corporation and its subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at: Banjo Corporation, which was acquired on October 3, 2006 and whose financial statements constitute 9.9 percent and 14.0 percent of net and total assets, respectively, 1.0 percent of revenues, and 1.5 percent of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2006, Toptech Systems Inc., which was acquired on December 1, 2006 and whose financial statements constitute 3.2 percent and 3.5 percent of net and total assets, respectively, 0.2 percent of revenues, and 0.4 percent of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2006. Accordingly, our audit did not include the internal control over financial reporting at Banjo Corporation and Toptech Systems, Inc. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the 53 effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the financial statements and financial statement schedule as of and for the year ended December 31, 2006 of the Company and our report dated February 27, 2007 expressed an unqualified opinion on those financial statements and included an explanatory paragraph related to a change in accounting for share based payments as a result of adopting Statement of Financial Accounting Standards No. 123(R), "Share Based Payments" and a change in accounting for pension and other postretirement benefits as a result of adopting Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". /s/ Deloitte & Touche LLP Deloitte & Touche LLP Chicago, Illinois February 27, 2007 54 Management's Report on Internal Control over Financial Reporting Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that: Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining effective internal control over financial reporting for the Company. Management has used the framework set forth in the report entitled "Internal Control--Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2006. The Company completed the acquisition of Banjo Corporation (Banjo) on October 3, 2006. Due to the timing of the acquisition, management has excluded Banjo from our evaluation of effectiveness of internal controls over financial reporting. This exclusion represented approximately 1.0 percent of total sales and 1.5 percent of net income as well as 9.9 percent of net assets and 14.0 percent of total assets for the year ended December 31, 2006. The Company completed the acquisition of Toptech Systems, Inc. (Toptech) on December 1, 2006. Due to the timing of the acquisition, management has excluded Toptech from our evaluation of effectiveness of internal controls over financial reporting. This exclusion represented approximately 0.2 percent of total sales and 0.4 percent of net income as well as 3.2 percent of net assets and 3.5 percent of total assets for the year ended December 31, 2006. The Company's independent registered public accounting firm, Deloitte & Touche LLP has issued an attestation report on management's assessment of the Company's internal control over financial reporting dated February 27, 2007. /s/ Lawrence D. Kingsley ------------------------------------ Lawrence D. Kingsley Chairman of the Board and Chief Executive Officer 55 /s/ Dominic A. Romeo ------------------------------------ Dominic A. Romeo Vice President and Chief Financial Officer Northbrook, Illinois February 27, 2007 56 ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE. None. ITEM 9A. 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 at the reasonable assurance level. The information set forth under the captions "Report of Independent Registered Public Accounting Firm" and "Management's Report on Internal Control Over Financial Reporting" on pages 53 - 55 of Part II. Item 8. Financial Statements and Supplementary Data is incorporated herein by reference. 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 control over financial reporting. During the fourth quarter of 2006, the Company implemented a new ERP system at one of our larger business units. The Company believes that effective internal control over financial reporting was maintained during and after this conversion. ITEM 9B. OTHER INFORMATION. None. PART III ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE. Information under the headings "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance," and the information under the subheading "Information Regarding the Board of Directors and Committees," in the Company's 2007 Proxy Statement is incorporated herein by reference. Information regarding executive officers of the Company is located in Part I. Item 1. of this report under the caption "Executive Officers of the Registrant." The Company has adopted a Code of Business Conduct and Ethics applicable to the Company's directors, officers (including the Company's principal executive officer and principal financial & accounting officer) and employees. The Code of Business Conduct and Ethics, along with the Audit Committee Charter, Nominating and Corporate Governance Committee Charter, Compensation Committee Charter and Corporate Governance Guidelines are available on the Company's website at www.idexcorp.com. 57 In the event that we amend or waive any of the provisions of the Code of Business Conduct and Ethics applicable to our principal executive officer or principal financial & accounting officer, we intend to disclose the same on the Company's website. ITEM 11. EXECUTIVE COMPENSATION. Information under the heading "Executive Compensation" in the Company's 2007 Proxy Statement is incorporated herein by reference. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS. Information under the heading "Security Ownership" in the Company's 2007 Proxy Statement is incorporated herein by reference. EQUITY COMPENSATION PLAN INFORMATION The following table sets forth certain information with respect to the Company's equity compensation plans as of December 31, 2006: NUMBER OF SECURITIES WEIGHTED-AVERAGE NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE PRICE OF REMAINING AVAILABLE FOR EXERCISE OF OUTSTANDING FUTURE ISSUANCE UNDER OUTSTANDING OPTIONS, OPTIONS, WARRANTS EQUITY COMPENSATION PLAN CATEGORY WARRANTS AND RIGHTS AND RIGHTS PLANS(1) ------------ -------------------- ---------------- ---------------------- Equity compensation plans approved by the Company's shareholders .... 3,844,488 $ 29.22 858,766(2) Equity compensation plans not approved by the Company's shareholders.................... -- -- 432,851(3) --------- ------- --------- Total .... 3,844,488 $ 29.22 1,291,617 ========= ======= ========= -------------------- (1) Excludes securities to be issued upon the exercise of outstanding options, warrants and rights. (2) Includes 27,985 shares remaining available for future issuance for settlement of Deferred Compensation Units under the Directors' Deferred Compensation Plan. (3) Includes 432,851 shares remaining for future issuance for settlement of Deferred Compensation Units under the 1996 Deferred Compensation Plan for Non-Officer Presidents (the "Presidents' Deferred Compensation Plan"). Under the Presidents' Deferred Compensation Plan, presidents who are not officers can defer their compensation into either an interest-bearing account or a deferred compensation units account as of the date that such compensation would otherwise be payable. The deferred compensation credited to the interest-bearing account is credited with interest, as determined by the Company, on at least a quarterly basis, based on an interest rate equal to the Lehman Brothers Long Term AAA Corporate Bond Yield Average as determined on the first business day of December preceding the calendar year. Deferred compensation credited to the deferred compensation units account is converted into a number of Deferred Compensation Units (DCUs), which represent equivalent shares of the Company Common Stock. The number of DCUs is determined by dividing the amount deferred by the closing price of the Company's Common Stock the day before the date of deferral. The DCUs are entitled to receive dividend equivalents which are reinvested in DCUs based on the same formula for investment of a participant's deferral. Both of these accounts are payable upon separation of service within the meaning of Internal Revenue Code Section 409A of the Internal Revenue Code; however, no benefits are payable prior to the date that is six months after the date of separation of service, or the date of death of the employee, if earlier. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE. No certain relationships exist. Information under the heading "Information Regarding the Board of Directors and Committees" in the Company's 2007 Proxy Statement is incorporated herein by reference. ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES Information under the heading "Principal Accountant Fees and Services" in the Company's 2007 Proxy Statement is incorporated herein by reference. PART IV ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE. (A) 1. Financial Statements Consolidated financial statements filed as part of this report are listed under Part II. Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. 2006 FORM 10-K PAGE --------- 2. Financial Statement Schedule Schedule II - Valuation and Qualifying Accounts................. 59 All other schedules are omitted because they are not applicable, not required, or because the required information is included in the Consolidated Financial Statements of IDEX or the Notes thereto. 3. Exhibits The exhibits filed with this report are listed on the "Exhibit Index." (B) Exhibit Index Reference is made to the Exhibit Index beginning on page 61 hereof. 58 IDEX CORPORATION AND SUBSIDIARIES SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004 (IN THOUSANDS) BALANCE CHARGED TO BEGINNING COSTS AND BALANCE DESCRIPTION OF YEAR EXPENSES (1) DEDUCTIONS (2) OTHER (3) END OF YEAR ----------- --------- ------------ ------------- --------- ----------- Allowance for Doubtful Accounts Year Ended December 31, 2006: Deducted from assets to which they apply: Allowance for Doubtful Accounts .... $3,684 $553 $746 $ 54 $3,545 Year Ended December 31, 2005: Deducted from assets to which they apply: Allowance for Doubtful Accounts............... 4,106 866 658 (630) 3,684 Year Ended December 31, 2004: Deducted from assets to which they apply: Allowance for Doubtful Accounts............... 3,640 976 904 394 4,106 ---------- (1) Includes provision for doubtful accounts, sales returns and sales discounts granted to customers. (2) Represents uncollectible accounts, net of recoveries. (3) Represents acquisition, divestiture, translation and reclassification adjustments. 59

SIGNATURES Pursuant to the requirements of Section 13 or 15(d) 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/ DOMINIC A. ROMEO ----------------------------------- Dominic A. Romeo Vice President and Chief Financial Officer Date: February 27, 2007 Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. SIGNATURE TITLE DATE --------- ----- ---- /S/ LAWRENCE D. KINGSLEY Chairman of the Board and Chief Executive Officer February 27, 2007 ------------------------------------ (Principal Executive Officer) Lawrence D. Kingsley /S/ DOMINIC A. ROMEO Vice President and Chief Financial Officer February 27, 2007 ------------------------------------ (Principal Financial and Accounting Officer) Dominic A. Romeo /S/ BRADLEY J. BELL Director February 27, 2007 ------------------------------------ Bradley J. Bell /S/ RUBY R. CHANDY Director February 27, 2007 ------------------------------------ Ruby R. Chandy /S/ FRANK S. HERMANCE Director February 27, 2007 ------------------------------------ Frank S. Hermance /S/ GREGORY B. KENNY Director February 27, 2007 ------------------------------------ Gregory B. Kenny /S/ NEIL A. SPRINGER Director February 27, 2007 ------------------------------------ Neil A. Springer /S/ MICHAEL T. TOKARZ Director February 27, 2007 ------------------------------------ Michael T. Tokarz 60 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) 3.1(b) Amendment to Restated Certificate of Incorporation of IDEX Corporation (formerly HI, Inc.) (incorporated by reference to Exhibit No. 3.1(b) to the Current Report of IDEX on Form 8-K 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% of Senior Notes of IDEX 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 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 10.1** Revised and Restated IDEX Management Incentive Compensation Plan for Key Employees Effective January 1, 2003 10.2** Form of Indemnification Agreement of IDEX Corporation (incorporated by reference to Exhibit No. 10.23 to the Registration Statement on Form S-1 of IDEX, et al., Registration No. 33-28317, as filed on April 26, 1989) 61 EXHIBIT INDEX Exhibit Number Description ------- ----------- 10.3** Form of Shareholder Purchase and Sale Agreement of IDEX Corporation (incorporated by reference to Exhibit 10.24 to Amendment No. 1 to the Registration Statement on Form S-1 of IDEX, Registration No. 33-28317, as filed on June 1, 1989) 10.4** IDEX Corporation Amended and Restated Stock Option Plan for Outside Directors adopted by resolution of the Board of Directors dated as of January 25, 2000 (incorporated by reference to Exhibit No. 10.1 of the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 2000, Commission File No. 10-10235) 10.4(a)** First Amendment to IDEX Corporation Amended and Restated Stock Option Plan for Outside Directors, adopted by resolution of the Board of Directors dated as of November 20, 2003 (incorporated by reference to Exhibit

10.6 (a) to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2003) 10.5** Non-Qualified Stock Option Plan for Non-Officer Key Employees of IDEX Corporation (incorporated by reference to Exhibit No. 10.15 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 1992, Commission File No. 1-102351) 10.6** Third Amended and Restated 1996 Stock Option Plan for Non-Officer Key Employees of IDEX Corporation dated January 9, 2003 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of IDEX, Registration No. 333-104768, as filed on April 25, 2003) 10.7** Non-Qualified Stock Option Plan for Officers of IDEX Corporation (incorporated by reference to Exhibit No. 10.16 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 1992, Commission File No. 1-102351) 10.8** First Amended and Restated 1996 Stock Plan for Officers of IDEX Corporation (incorporated by reference to Exhibit No. 10.1 to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 1998, Commission File No. 1-102351) 10.9** 2001 Stock Plan for Officers dated March 27, 2001 (incorporated by reference to Exhibit No. 10.2 to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 2001, Commission File No. 1-10235) 10.10** Executive Incentive Bonus Plan dated March 27, 2001 (incorporated by reference to Exhibit No. 10.1 to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 2001, Commission File No. 1-10235) 10.11** IDEX Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit No. 10.17 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 1992, Commission File No. 1-102351) 10.12** Second Amended and Restated IDEX Corporation Directors Deferred Compensation Plan (incorporated by reference to Exhibit No. 10.14(b) to the Annual Report of IDEX on Form 10-K for the year ended December 31, 1997, Commission File No. 1-10235) 10.13** IDEX Corporation 1996 Deferred Compensation Plan for Officers (incorporated by reference to Exhibit No. 4.8 to the Registration Statement on Form S-8 of IDEX, et al., Registration No. 333-18643, as filed on December 23, 1996) 10.13(a)** First Amendment to the IDEX Corporation 1996 Deferred Compensation Plan for Officers, dated March 23, 2004 (incorporated by reference to Exhibit No. 10.1 to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 2004) 10.14** IDEX Corporation 1996 Deferred Compensation Plan for Non-Officer Presidents (incorporated by reference to Exhibit No. 4.7 to the Registration Statement on Form S-8 of IDEX, et al., Registrant No. 333-18643, as filed on December 23, 1996) 62 EXHIBIT INDEX Exhibit Number Description ------- ----------- 10.15** Letter Agreement between IDEX Corporation and John L. McMurray, dated April 24, 2000 (incorporated by reference to Exhibit No. 10.17(a) to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2001, Commission File No. 1-10235) 10.16** Letter Agreement between IDEX Corporation and Dominic A. Romeo, dated December 1, 2003 (incorporated by reference to Exhibit No. 10.21 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2003) 10.17** Restricted Stock Award Agreement between IDEX Corporation and Dominic A. Romeo, dated January 14, 2004 (incorporated by reference to Exhibit No. 10.22 to the Annual Report of IDEX on Form 10-K for the year ended December 31, 2003) 10.18** Employment Agreement between IDEX Corporation and Lawrence D. Kingsley, dated July 21, 2004 (incorporated by reference to Exhibit No. 10.1 to the Quarterly Report of IDEX on Form 10-Q for the quarter ended September 30, 2004) 10.18(a)** First Amendment to Employment Agreement between IDEX Corporation and Lawrence D. Kingsley, dated March 22, 2005 (incorporated by reference to Exhibit 10.20 (a) to the Current Report of IDEX on Form 8-K dated March 24, 2005, Commission File No. 1-10235) 10.19** Restricted Stock Award Agreement between IDEX Corporation and Lawrence D. Kingsley, dated August 23, 2004 (incorporated by reference to Exhibit No. 10.01 to the Periodic Report of IDEX on Form 8-K filed on August 26, 2004) 10.20** Restricted Stock Award Agreement between IDEX Corporation and Lawrence D. Kingsley, dated March 22, 2005 (incorporated by reference to Exhibit No. 10.25 to the Current Report of IDEX on Form 8-K filed dated March 24, 2005, Commission File No. 1-10235) 10.21** Form Stock Option Agreement (incorporated by reference to Exhibit 10.23 to the Current Report of IDEX on Form 8-K dated March 24, 2005, Commission File No. 1-10235) 10.22** Form Restricted Stock Agreement (incorporated by reference to Appendix A of the Proxy Statement of IDEX Corporation, dated February 25, 2005, Commission File No. 1-10235) 10.23** IDEX Corporation Incentive Award Plan (incorporated by reference to Exhibit 10.24 to the Current Report of IDEX on Form 8-K dated March 24, 2005, Commission File No. 1-10235) 10.24** Letter Agreement between IDEX Corporation and Frank J. Notaro, dated April 24, 2000 10.25** Definitive agreement to acquire Banjo Corporation, dated September 8, 2006, (incorporated by reference to exhibit 10.1 to the Current Report of IDEX on Form 8-K dated September 14, 2006, Commission File No. 1-10235) *12 Ratio of Earnings to Fixed Charges *13 The portions of IDEX Corporation's 2006 Annual Report to Shareholders, which are specifically incorporated by reference *21 Subsidiaries of IDEX *23 Consent of Deloitte & Touche LLP 63

EXHIBIT INDEX Exhibit Number Description ------- ----------- *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 ---------- * Filed herewith ** Management contract or compensatory plan or agreement. 61