ROPER INDUSTRIES INC
Form 10-Q
August 08, 2012

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File Number 1-12273

ROPER INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	51-0263969 (I.R.S. Employer Identification No.)
6901 Professional Pkwy. East, Suite 200 Sarasota, Florida (Address of principal executive offices)	34240 (Zip Code)

(941) 556-2601
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark if the registrant is a shell company (as defined in Rule 12-b2 of the Act). ¨ Yes þ No

The number of shares outstanding of the Registrant's common stock as of August 3, 2012 was 97,808,889.

ROPER INDUSTRIES, INC.

REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings (unaudited)
(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net sales	$ 724,872	$ 699,871	$ 1,435,938	$ 1,345,180
Cost of sales	327,264	322,808	647,137	618,021
Gross profit	397,608	377,063	788,801	727,159
Selling, general and administrative expenses	218,824	213,093	439,713	421,189
Income from operations	178,784	163,970	349,088	305,970
Interest expense	15,077	16,196	30,560	32,892
Other income/(expense)	(574)	7,243	(1,064)	7,954
Earnings before income taxes	163,133	155,017	317,464	281,032
Income taxes	48,320	48,706	94,342	85,742
Net earnings	$ 114,813	$ 106,311	$ 223,122	$ 195,290
Net earnings per share:				
Basic	$ 1.18	$ 1.11	$ 2.29	$ 2.04
Diluted	1.15	1.08	2.24	1.99
Weighted average common shares outstanding:				
Basic	97,460	95,911	97,249	95,644
Diluted	99,619	98,412	99,500	98,282
Dividends declared per common share	$ 0.1375	$ 0.1100	$ 0.2750	$ 0.2200

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (unaudited)
(in thousands)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net earnings	$ 114,813	$ 106,311	$ 223,122	$ 195,290
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(33,208)	(7,761)	(14,047)	29,452
Total other comprehensive income/(loss), net of tax	(33,208)	(7,761)	(14,047)	29,452
Comprehensive income	$ 81,605	$ 98,550	$ 209,075	$ 224,742

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (unaudited)
(in thousands)

	June 30, 2012	December 31, 2011
ASSETS:		
Cash and cash equivalents	$ 518,898	$ 338,101
Accounts receivable, net	439,184	439,134
Inventories, net	209,626	204,758
Deferred taxes	40,335	38,004
Unbilled receivables	74,011	63,829
Other current assets	43,323	31,647
Total current assets	1,325,377	1,115,473
Property, plant and equipment, net	108,089	108,775
Goodwill	2,873,361	2,866,426
Other intangible assets, net	1,065,124	1,094,142
Deferred taxes	61,419	63,006
Other assets	68,811	71,595
Total assets	$ 5,502,181	$ 5,319,417
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable	$ 139,379	$ 141,943
Accrued liabilities	306,945	322,904
Income taxes payable	-	8,895
Deferred taxes	8,862	10,548
Current portion of long-term debt, net	57,424	69,906
Total current liabilities	512,610	554,196
Long-term debt, net of current portion	1,011,817	1,015,110
Deferred taxes	483,652	482,603
Other liabilities	80,091	72,412
Total liabilities	2,088,170	2,124,321
Commitments and contingencies		
Common stock	996	987
Additional paid-in capital	1,153,620	1,117,093
Retained earnings	2,259,422	2,063,110
Accumulated other comprehensive earnings	19,753	33,800
Treasury stock	(19,780)	(19,894)
Total stockholders' equity	3,414,011	3,195,096

Total liabilities and stockholders' equity	$	5,502,181	$	5,319,417

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	Six months ended June 30, 2012	2011
Cash flows from operating activities:		
Net earnings	$223,122	$ 195,290
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization of property, plant and equipment	18,950	18,865
Amortization of intangible assets	52,289	50,266
Amortization of deferred financing costs	1,181	1,181
Non-cash stock compensation	19,704	15,808
Changes in operating assets and liabilities, net of acquired businesses:		
Accounts receivable	(2,321)	(26,735)
Unbilled receivables	(10,244)	3,988
Inventories	(5,452)	(25,312)
Accounts payable and accrued liabilities	(20,371)	17,446
Income taxes	(18,615)	2,175
Other, net	2,540	(10,455)
Cash provided by operating activities	260,783	242,517
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(36,872)	(204,612)
Capital expenditures	(20,532)	(19,390)
Proceeds from sale of assets	1,018	1,123
Other, net	(474)	(1,361)
Cash used in investing activities	(56,860)	(224,240)
Cash flows from financing activities:		
Payments under revolving line of credit, net	-	(75,000)
Principal payments on convertible notes	(13,215)	(23,536)
Cash dividends to stockholders	(26,673)	(21,002)
Proceeds from stock option exercises	28,314	12,914
Stock award tax excess windfall benefit	11,070	3,729
Treasury stock sales	1,123	1,059
Redemption premium on convertible debt	(19,149)	-
Other	(1,107)	(107)
Cash used in financing activities	(19,637)	(101,943)
Effect of foreign currency exchange rate changes on cash	(3,489)	9,299

Net increase/(decrease) in cash and cash equivalents		180,797		(74,367)
Cash and cash equivalents, beginning of period		338,101		270,394
Cash and cash equivalents, end of period	$	518,898	$	196,027

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Statement of Changes in Stockholders' Equity (unaudited)
(in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Treasury stock	Total
Balances at December 31, 2011	$ 987	$ 1,117,093	$ 2,063,110	$ 33,800	$ (19,894)	$ 3,195,096
Net earnings	-	-	223,122	-	-	223,122
Stock option exercises	6	28,308	-	-	-	28,314
Treasury stock sold	-	1,009	-	-	114	1,123
Currency translation adjustments, net of $849 tax	-	-	-	(14,047)	-	(14,047)
Stock based compensation	-	19,228	-	-	-	19,228
Restricted stock activity	3	(5,902)	-	-	-	(5,899)
Stock option tax benefit, net of shortfalls	-	10,966	-	-	-	10,966
Conversion of senior subordinated convertible notes, net of $2,067 tax	-	(17,082)	-	-	-	(17,082)
Dividends declared	-	-	(26,810)	-	-	(26,810)
Balances at June 30, 2012	$ 996	$ 1,153,620	$ 2,259,422	$ 19,753	$ (19,780)	$ 3,414,011

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
June 30, 2012

1. Basis of Presentation

The accompanying condensed consolidated financial statements for the three and six month periods ended June 30, 2012 and 2011 are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the financial position, results of operations and cash flows of Roper Industries, Inc. and its subsidiaries ("Roper" or the "Company") for all periods presented. The December 31, 2011 financial position data included herein was derived from the audited consolidated financial statements included in the 2011 Annual Report on Form 10-K ("Annual Report") but does not include all disclosures required by U.S. generally accepted accounting principles ("GAAP").

Roper's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

The results of operations for the three and six month periods ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year. You should read these unaudited condensed consolidated financial statements in conjunction with Roper's consolidated financial statements and the notes thereto included in its 2011 Annual Report filed on February 24, 2012 with the Securities and Exchange Commission ("SEC").

2. Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to accounting and disclosures related to fair value measurement. This amendment results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards. Roper adopted this guidance on January 1, 2012. The guidance did not have a material impact on the Company's results of operations, financial position or cash flows.

In June 2011, the FASB issued an amendment to the disclosure of comprehensive income. This amendment requires the presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Roper adopted this guidance on January 1, 2012. The guidance did not have an impact on the Company's results of operations, financial position or cash flows as it is disclosure only in nature.

In September 2011, the FASB issued new accounting rules related to testing goodwill for impairment. The new accounting rules permit an entity to first assess qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the two-step goodwill impairment test prescribed under current accounting rules. Otherwise, the two-step goodwill impairment test is not required. Roper adopted this guidance on January 1, 2012. The Company is currently assessing the new accounting rules but does not expect these rules to have a material effect on its results of operations, financial position or cash flows.

3. Earnings Per Share

Basic earnings per share were calculated using net earnings and the weighted average number of shares of common stock outstanding during the respective period. Diluted earnings per share were calculated using net earnings and the weighted average number of shares of common stock and potential common stock outstanding during the respective period. Potentially dilutive common stock consisted of stock options and the premium over the conversion price on Roper's senior subordinated convertible notes based upon the trading price of Roper's common stock. The effects of potential common stock were determined using the treasury stock method. Weighted average shares outstanding are as shown below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Basic shares outstanding	97,460	95,911	97,249	95,644
Effect of potential common stock:				
Common stock awards	1,129	1,282	1,172	1,293
Senior subordinated convertible notes	1,030	1,219	1,079	1,345
Diluted shares outstanding	99,619	98,412	99,500	98,282

For the three and six month periods ended June 30, 2012 there were 401,600 and 408,100 outstanding stock options, respectively, that were not included in the determination of diluted earnings per share because doing so would have been antidilutive; this compares to 662,000 outstanding stock options that would have been antidilutive for the three and six month periods ended June 30, 2011.

4. Stock Based Compensation

The Roper Industries, Inc. Amended and Restated 2006 Incentive Plan is a stock based compensation plan used to grant incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights or equivalent instruments to Roper's employees, officers, directors and consultants.

Roper's stock purchase plan allows employees in the U.S. and Canada to designate up to 10% of eligible earnings to purchase Roper's common stock at a 5% discount to the average closing price of the stock at the beginning and end of a quarterly offering period. The common stock sold to the employees may be either treasury stock, stock purchased on the open market, or newly issued shares.

The following table provides information regarding the Company's stock based compensation expense (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Stock based compensation	$ 9,749	$ 7,704	$ 19,704	$ 15,808
Tax effect recognized in net income	3,412	2,696	6,896	5,535
Windfall tax benefit/(shortfall), net	3,551	836	10,966	3,627

Stock Options - In the six month period ended June 30, 2012, 412,100 options were granted with a weighted average fair value of $29.39 per option. During the same period in 2011, 652,000 options were granted with a weighted average fair value of $24.86 per option. All options were issued at grant date fair value, which is defined by the Plan as the closing price of Roper's common stock on the date of grant.

Roper records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option-pricing model. Historical data, among other factors, is used to estimate the expected price volatility, the expected dividend yield, the expected option life and the expected forfeiture rate. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The following weighted average assumptions were used to estimate the fair value of options granted during current and prior year periods using the Black-Scholes option-pricing model:

	Six months ended June 30,	
	2012	2011
Fair value per share ($)	29.39	24.86
Risk-free interest rate (%)	0.82	2.07
Expected option life (years)	5.22	5.33
Expected volatility (%)	36.55	35.17
Expected dividend yield (%)	0.59	0.59

Cash received from option exercises for the six months ended June 30, 2012 and 2011 was $28.3 million and $12.9 million, respectively.

Restricted Stock Awards - During the six months ended June 30, 2012, 290,307 restricted stock awards were granted with a weighted average fair value per share of $94.05. During the same period in 2011, 310,580 awards were granted with a weighted average fair value per share of $74.76. All grants were issued at grant date fair value.

During the six months ended June 30, 2012, 205,405 restricted awards vested with a weighted average grant date fair value per share of $55.98, at a weighted average vest date fair value per share of $94.57.

Employee Stock Purchase Plan - During the six month periods ended June 30, 2012 and 2011, participants of the employee stock purchase plan purchased 12,329 and 13,356 shares, respectively, of Roper’s common stock for total consideration of $1.12 million and $1.06 million, respectively. All shares were purchased from Roper’s treasury shares.

5. Inventories

	June 30, 2012	December 31, 2011
	(in thousands)	
Raw materials and supplies	$ 129,874	$ 119,550

Work in process		30,934		31,085
Finished products		87,327		89,334
Inventory reserves		(38,509)		(35,211)
	$	209,626	$	204,758

6. Goodwill

		Industrial Technology		Energy Systems & Controls		Medical & Scientific Imaging (in thousands)		RF Technology		Total
Balances at December 31, 2011	$	419,053	$	393,967	$	768,228	$	1,285,178	$	2,866,426
Goodwill acquired		-		8,629		6,884		-		15,513
Other				41				143		184
Currency translation adjustments		(5,187)		(1,553)		(1,721)		(301)		(8,762)
Balances at June 30, 2012	$	413,866	$	401,084	$	773,391	$	1,285,020	$	2,873,361

7. Other Intangible Assets, net

	Cost	Accumulated amortization (in thousands)	Net book value
Assets subject to amortization:			
Customer related intangibles	$ 1,022,134	$ (302,156)	$ 719,978
Unpatented technology	193,915	(72,358)	121,557
Software	49,395	(35,833)	13,562
Patents and other protective rights	25,398	(17,699)	7,699
Trade secrets	1,500	(1,361)	139
Assets not subject to amortization:			
Trade names	231,207	-	231,207
Balances at December 31, 2011	$ 1,523,549	$ (429,407)	$ 1,094,142
Assets subject to amortization:			
Customer related intangibles	$ 1,030,543	$ (332,805)	$ 697,738
Unpatented technology	203,621	(86,591)	117,030
Software	49,396	(38,330)	11,066
Patents and other protective rights	27,654	(19,124)	8,530
Trade secrets	1,500	(1,431)	69
Assets not subject to amortization:			
Trade names	230,691	-	230,691
Balances at June 30, 2012	$ 1,543,405	$ (478,281)	$ 1,065,124

Amortization expense of other intangible assets was $50,336 and $48,376 during the six months ended June 30, 2012 and 2011, respectively.

8. Debt

Roper's 3.75% senior subordinated convertible notes due 2034 became convertible on January 15, 2009. During the six month period ended June 30, 2012, 29,760 notes were converted for $32.4 million in cash and 41,678 shares of common stock at a weighted average share price of $94.50. No gain or loss was recorded upon these conversions. In addition, a related $2.1 million deferred tax liability associated with excess deductions recorded for tax purposes was relieved to additional paid-in capital upon the conversions.

On June 30, 2012, the conversion of 6,700 notes was pending, with a settlement date of July 10, 2012. The conversion resulted in the payment of $3.0 million in cash and the issuance of 53,328 shares of common stock at a weighted average share price of $97.86.

At June 30, 2012, the conversion price on the outstanding notes was $449.17. If converted at June 30, 2012, the value would exceed the $55 million principal amount of the notes by approximately $88 million and could result in the issuance of 915,407 shares of Roper's common stock.

9. Fair Value of Financial Instruments

Roper's long-term debt at June 30, 2012 included $500 million of fixed-rate senior notes due 2019, with a fair value of approximately $599 million, and $500 million of fixed-rate senior notes due 2013, with a fair value of approximately $529 million, based on the trading prices of the notes, which is a Level 1 measurement in the FASB fair value hierarchy. Short-term debt included $55 million of fixed-rate convertible notes that were reported at fair value due to the ability of note holders to exercise the conversion option of the notes.

The Company manages interest rate risk by maintaining a combination of fixed- and variable-rate debt, which may include interest rate swaps to convert fixed-rate debt to variable-rate debt, or to convert variable-rate debt to fixed-rate debt. At June 30, 2012 an aggregate notional amount of $500 million in interest rate swaps designated as fair value hedges effectively changed Roper's $500 million senior notes due 2013 with a fixed interest rate of 6.625% to a variable-rate obligation at a weighted average spread of 4.377% plus the 3 month London Interbank Offered Rate ("LIBOR").

The swaps are recorded at fair value in the balance sheet as an asset or liability, and the changes in fair value of both the interest rate swap and the hedged senior notes due 2013 are recorded as interest expense. At June 30, 2012, the fair value of the swap was an asset balance of $9.26 million and was reported in other assets, with a corresponding increase of $9.06 million in the notes being hedged, which was reported as long-term debt. The impact on earnings for the three and six month periods ended June 30, 2012 was immaterial. The Company has determined the swaps to be Level 2 in the FASB fair value hierarchy, and uses inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks in order to value the instruments.

10. Contingencies

Roper, in the ordinary course of business, is the subject of, or a party to, various pending or threatened legal actions, including product liability and employment practices. The Company is vigorously contesting all lawsuits that, in general, are based upon claims of the kind that have been customary over the past several years. After analyzing the Company's contingent liabilities on a gross basis and, based upon past experience with resolution of its product liability and employment practices claims and the limits of the primary, excess, and umbrella liability insurance coverages that are available with respect to pending claims, management believes that adequate provision has been made to cover any potential liability not covered by insurance, and that the ultimate liability, if any, arising from these actions should not have a material adverse effect on Roper's consolidated financial position, results of operations or cash flows.

Over recent years there has been an increase in certain U.S. states in asbestos-related litigation claims against numerous industrial companies. Roper or its subsidiaries have been named defendants in some such cases. No significant resources have been required by Roper to respond to these cases and the Company believes it has valid defenses to such claims and, if required, intends to defend them vigorously. Given the state of these claims it is not possible to determine the potential liability, if any.

Roper's financial statements include accruals for potential product liability and warranty claims based on its claims experience. Such costs are accrued at the time revenue is recognized. A summary of the warranty accrual activity for the six months ended June 30, 2012 is presented below (in thousands):

Balance at December 31, 2011	$ 8,147
Additions charged to costs and expenses	4,876
Deductions	(4,372)
Other	(39)
Balance at June 30, 2012	$ 8,612

11. Business Segments

Sales and operating profit by industry segment are set forth in the following table (dollars in thousands):

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	Change	2012	2011	Change
Net sales:						
Industrial Technology	$ 203,944	$ 183,455	11.2%	$ 399,080	$ 353,437	12.9%
Energy Systems & Controls	154,737	145,750	6.2	303,339	275,383	10.2
Medical & Scientific Imaging	150,921	151,078	(0.1)	313,732	296,365	5.9
RF Technology	215,270	219,588	(2.0)	419,787	419,995	(0.0)
Total	$ 724,872	$ 699,871	3.6%	$ 1,435,938	$ 1,345,180	6.7%
Gross profit:						
Industrial Technology	$ 102,770	$ 92,068	11.6%	$ 201,433	$ 177,782	13.3%
Energy Systems & Controls	86,135	80,412	7.1	166,543	150,558	10.6
Medical & Scientific Imaging	96,212	95,006	1.3	202,398	186,260	8.7
RF Technology	112,491	109,577	2.7	218,427	212,559	2.8
Total	$ 397,608	$ 377,063	5.4%	$ 788,801	$ 727,159	8.5%
Operating profit*:						
Industrial Technology	$ 62,076	$ 51,729	20.0%	$ 119,583	$ 97,918	22.1%
Energy Systems & Controls	40,202	37,704	6.6	75,859	66,748	13.6
Medical & Scientific Imaging	35,679	35,352	0.9	79,041	70,389	12.3
RF Technology	58,161	52,911	9.9	108,514	97,861	10.9
Total	$ 196,118	$ 177,696	10.4%	$ 382,997	$ 332,916	15.0%
Long-lived assets:						

Industrial Technology	$	43,096	$	41,343	4.2%
Energy Systems & Controls		18,892		17,868	5.7
Medical & Scientific Imaging		44,314		48,261	(8.2)
RF Technology		28,639		31,047	(7.8)
Total	$	134,941	$	138,519	(2.6)%

*Segment operating profit is before unallocated corporate general and administrative expenses. These expenses were $17,334 and $13,726 for the three months ended June 30, 2012 and 2011, respectively, and $33,909 and $26,946 for the six months ended June 30, 2012 and 2011, respectively.

12. Subsequent Events

On July 27, 2012, Roper entered into a $1.5 billion senior unsecured five-year revolving credit facility, maturing July 27, 2017, with JPMorgan Chase Bank, N.A., as administrative agent, and a syndicate of lenders. The new facility replaced the Company's previous senior unsecured five-year credit facility, dated July 7, 2008.

On July 28, 2012, Roper signed an agreement to acquire Sunquest Information Systems, Inc., a leading provider of diagnostic and laboratory software solutions to healthcare providers, in an all-cash transaction valued at $1.415 billion, including approximately $25 million in cash tax benefits. Completion of the transaction is subject to Hart-Scott-Rodino regulatory approval and other customary closing conditions.

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

You should read the following discussion in conjunction with Management's Discussion and Analysis of Financial Conditions and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011 as filed on February 24, 2012 with the SEC and the notes to our Condensed Consolidated Financial Statements included elsewhere in this report.

Information About Forward-Looking Statements

This report includes "forward-looking statements" within the meaning of the federal securities laws. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the SEC or in connection with oral statements made to the press, potential investors or others. All statements that are not historical facts are "forward-looking statements." The words "estimate," "plan," "project," "inten "expect," "believe," "anticipate," and similar expressions identify forward-looking statements. These forward-looking statements include statements regarding our expected financial position, business, financing plans, business strategy, business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to our company as a whole, as well as statements regarding acquisitions, potential acquisitions and the benefits of acquisitions.

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Examples of forward-looking statements in this report include but are not limited to our expectations regarding our ability to generate operating cash flows and reduce debt and associated interest expense and our expectations regarding growth through acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, but are not limited to the following:

- general economic conditions;
- difficulty making acquisitions and successfully integrating acquired businesses;
- any unforeseen liabilities associated with future acquisitions;
- limitations on our business imposed by our indebtedness;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- increased directors' and officers' liability and other insurance costs;
- risk of rising interest rates;
- product liability and insurance risks;
- increased warranty exposure;
- future competition;
- the cyclical nature of some of our markets;

- reduction of business with large customers;
- risks associated with government contracts;
- changes in the supply of, or price for, raw materials, parts and components;
- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our substantial intangible assets;
- our ability to successfully develop new products;
- failure to protect our intellectual property;
- economic disruption caused by terrorist attacks, health crises or other unforeseen events; and
- the factors discussed in other reports filed with the SEC.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update any of these statements in light of new information or future events.

Overview

Roper Industries, Inc. (“Roper,” “we” or “us”) is a diversified growth company that designs, manufactures and distributes energy systems and controls, medical and scientific imaging products and software, industrial technology products and radio frequency (“RF”) products and services. We market these products and services to selected segments of a broad range of markets, including RF applications, medical, water, energy, research, education, software-as-a-service (“SaaS”)-based information networks, security and other niche markets.

We pursue consistent and sustainable growth in earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses that offer high value-added, engineered products and solutions and are capable of achieving growth and maintaining high margins. Our acquisitions have represented both bolt-ons to existing businesses and new strategic platforms. We strive for high cash and earnings returns from our investments. During the six months ended June 30, 2012, we acquired the assets of Shanghai Hao Ying Measurement & Control Technology Co, Ltd. (“Hao Ying”) on January 5, 2012, the shares of Cambridge Viscosity, Inc. (“Cambridge”) on February 27, 2012 and the assets of Ascension Technology Corporation (“Ascension”) on May 31, 2012. Hao Ying and Cambridge are reported in the Energy Systems & Controls segment. Ascension is reported in the Medical and Scientific Imaging segment.

Application of Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). A discussion of our significant accounting policies can be found in the notes to our consolidated financial statements for the year ended December 31, 2011 included in our Annual Report.

GAAP offers acceptable alternative methods for accounting for certain issues affecting our financial results, such as determining inventory cost, depreciating long-lived assets and recognizing revenue. We have not changed the application of acceptable accounting methods or the significant estimates affecting the application of these principles in the last three years in a manner that had a material effect on our financial statements.

The preparation of financial statements in accordance with GAAP requires the use of estimates, assumptions, judgments and interpretations that can affect the reported amounts of assets, liabilities, revenues and expenses, the disclosure of contingent assets and liabilities and other supplemental disclosures.

The development of accounting estimates is the responsibility of our management. Our management discusses those areas that require significant judgments with the audit committee of our board of directors. The audit committee reviews all financial disclosures to be included in our filings with the SEC. Although we believe the positions we have taken with regard to uncertainties are reasonable, others might reach different conclusions and our positions can change over time as more information becomes available. If an accounting estimate changes, its effects are accounted for prospectively or through a cumulative catch up adjustment.

Our most significant accounting uncertainties are encountered in the areas of accounts receivable collectibility, inventory valuation and utilization, future warranty obligations, revenue recognition, including percentage-of-completion, income taxes and goodwill and indefinite-lived asset impairment analyses. These issues, except for income taxes (which are not allocated to our business segments), affect each of our business segments. These issues are evaluated primarily using a combination of historical experience, current conditions and relatively short-term forecasting.

Accounts receivable collectability is based on the economic circumstances of customers and credits given to customers after shipment of products, including in certain cases, credits for returned products. Accounts receivable are regularly reviewed to determine customers who have not paid within agreed upon terms, whether these amounts are consistent with past experiences, what historical experience has been with amounts deemed uncollectible and the impact that current and near-term forecast economic conditions might have on collection efforts in general and with specific customers. The returns and other sales credit allowance is an estimate of customer returns, exchanges, discounts or other forms of anticipated concessions and is treated as a reduction in revenue. The returns and other sales credit histories are analyzed to determine likely future rates for such credits. Our allowance for doubtful accounts receivable, sales returns and sales credits was $10.9 million, or 2.4% of total gross accounts receivable at June 30, 2012, as compared to $10.6 million, or 2.4% of total gross accounts receivable at December 31, 2011. The allowance will fluctuate as a percentage of sales based on specific identification of allowances needed due to changes in our business as well as the write-off of uncollectible receivables.

We regularly compare inventory quantities on hand against anticipated future usage, which we determine as a function of historical usage or forecasts related to specific items in order to evaluate obsolescence and excessive quantities. When we use historical usage, this information is also qualitatively compared to business trends to evaluate the reasonableness of using historical information as an estimate of future usage. Business trends can change rapidly and these events can affect the evaluation of inventory balances. At June 30, 2012, inventory reserves for excess and obsolete inventory were $38.5 million, or 15.5% of gross inventory cost, as compared to $35.2 million, or 14.7% of gross inventory cost, at December 31, 2011. The inventory reserve as a percent of gross inventory cost will fluctuate based upon specific identification of reserves needed based upon changes in our business as well as the physical disposal of obsolete inventory.

Most of our sales are covered by warranty provisions that generally provide for the repair or replacement of qualifying defective items for a specified period after the time of sale, typically 12 months. Future warranty obligations are evaluated using, among other factors, historical cost experience, product evolution and customer feedback. At June 30, 2012, the accrual for future warranty obligations was $8.6 million or 0.3% of annualized second quarter sales and was consistent with prior quarters.

Revenues related to the use of the percentage-of-completion method of accounting are dependent on a comparison of total costs incurred to date to total estimated costs for a project. During the six month period ended June 30, 2012, we recognized $61.3 million of net sales using this method. In addition, $110.2 million of net sales related to unfinished percentage-of-completion contracts had yet to be recognized at June 30, 2012. Contracts accounted for under this method are generally not significantly different in profitability from revenues accounted for under other methods.

Income taxes can be affected by estimates of whether, and within which jurisdictions, future earnings will occur and if, how and when cash is repatriated to the U.S., combined with other aspects of an overall income tax strategy.

Additionally, taxing jurisdictions could retroactively disagree with our tax treatment of certain items, and some historical transactions have income tax effects going forward. GAAP requires these future effects to be evaluated using current laws, rules and regulations, each of which can change at any time and in an unpredictable manner. Our second quarter effective income tax rate was 29.6% and was lower than the prior year rate of 31.4%. The decrease is due to the benefit of certain tax planning initiatives offset partially by the decrease in the Section 199 qualifying production activities deduction.

The evaluation of the carrying value of goodwill and indefinite-lived intangibles is required to be performed on an annual basis and on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We perform the annual analysis during our fourth quarter.

Results of Operations

General

The following tables set forth selected information for the periods indicated. Dollar amounts are in thousands and percentages are the particular line item shown as a percentage of net sales. Percentages may not foot due to rounding.

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net sales				
Industrial Technology	$ 203,944	$ 183,455	$ 399,080	$ 353,437
Energy Systems & Controls	154,737	145,750	303,339	275,383
Medical & Scientific Imaging	150,921	151,078	313,732	296,365
RF Technology	215,270	219,588	419,787	419,995
Total	$ 724,872	$ 699,871	$ 1,435,938	$ 1,345,180
Gross profit:				
Industrial Technology	50.4%	50.2%	50.5%	50.3%
Energy Systems & Controls	55.7	55.2	54.9	54.7
Medical & Scientific Imaging	63.7	62.9	64.5	62.8
RF Technology	52.3	49.9	52.0	50.6
Total	54.9	53.9	54.9	54.1
Selling, general & administrative expenses:				
Industrial Technology	20.0%	22.0%	20.5%	22.6%
Energy Systems & Controls	29.7	29.3	29.9	30.4
Medical & Scientific Imaging	40.1	39.5	39.3	39.1
RF Technology	25.2	25.8	26.2	27.3
Total	27.8	28.5	28.3	29.3
Segment operating profit:				
Industrial Technology	30.4%	28.2%	30.0%	27.7%
Energy Systems & Controls	26.0	25.9	25.0	24.2
Medical & Scientific Imaging	23.6	23.4	25.2	23.8
RF Technology	27.0	24.1	25.8	23.3
Total	27.1	25.4	26.7	24.7
Corporate administrative expenses	(2.4)	(2.0)	(2.4)	(2.0)
	24.7	23.4	24.3	22.7
Interest expense	(2.1)	(2.3)	(2.1)	(2.4)
Other income/(expense)	(0.1)	1.0	(0.1)	0.6
Earnings before income taxes	22.5	22.2	22.1	20.9
Income taxes	(6.7)	(7.0)	(6.6)	(6.4)
Net earnings	15.8%	15.2%	15.5%	14.5%

Three months ended June 30, 2012 compared to three months ended June 30, 2011

Net sales for the quarter ended June 30, 2012 were $724.9 million as compared to $699.9 million in the prior year quarter, an increase of 4%. The increase was the result of organic growth of 3% and a 2% increase in sales from acquisitions, partially offset by a negative 1.5% foreign exchange impact.

In our Industrial Technology segment, net sales were up 11% to $203.9 million in the second quarter of 2012 as compared to $183.5 million in the second quarter of 2011. Organic growth accounted for 13% of the increase in sales, with an offsetting negative 2% from foreign exchange. The increase in organic sales was due primarily to growth in our materials testing and fluid handling businesses. Gross margins increased to 50.4% in the second quarter of 2012 as compared to 50.2% in the second quarter of 2011. Selling, general and administrative ("SG&A") expenses as a percentage of net sales decreased to 20.0% in the current year quarter from 22.0% in the prior year quarter due to operating leverage on higher sales volume. The resulting operating profit margins were 30.4% in the second quarter of 2012 as compared to 28.2% in the second quarter of 2011.

Net sales in our Energy Systems & Controls segment increased by 6% to $154.7 million during the second quarter of 2012 compared to $145.8 million in the second quarter of 2011. Organic sales increased by 5% while acquisitions added $5.2 million, or 3.5%, offset partially by a negative 2% foreign exchange impact. The increase in organic sales was due to increased demand in industrial process end markets and growth in our diesel engine safety systems. Gross margins increased to 55.7% in the second quarter of 2012 compared to 55.2% in the second quarter of 2011 due to operating leverage on higher sales volume. SG&A expenses as a percentage of net sales were 29.7% in the second quarter of 2012, compared to 29.3% in the prior year quarter due to product mix. As a result, operating margins were 26.0% in the second quarter of 2012 as compared to 25.9% in the second quarter of 2011.

In our Medical & Scientific Imaging segment, net sales remained relatively unchanged at $151.0 million in the second quarter of 2012 as compared to $151.1 million in the second quarter of 2011. The change was comprised of negative organic growth of 4%, a 5% increase from acquisitions, and negative 1% from foreign exchange. We experienced continued growth in our medical businesses, which was more than offset by weakness in camera sales into research markets. Gross margins increased to 63.7% in the second quarter of 2012 from 62.9% in the second quarter of 2011 due primarily to product mix. SG&A as a percentage of net sales increased to 40.1% in the second quarter of 2012 as compared to 39.5% in the second quarter of 2011 due to negative operating leverage. As a result, operating margins were 23.6% in the second quarter of 2012 as compared to 23.4% in the second quarter of 2011.

In our RF Technology segment, net sales were $215.3 million in the second quarter of 2012 as compared to $219.6 million in the second quarter of 2011, representing a decrease of 2%. The decrease in sales was due primarily to a large installation project in water and gas network monitoring during the second quarter of 2011 that has since been completed. Gross margins increased to 52.3% in the second quarter of 2012, as compared to 49.9% in the prior year quarter due to product mix. SG&A as a percentage of sales in the second quarter of 2012 was 25.2% as compared to 25.8% in the prior year due to product mix. As a result, operating profit margins were 27.0% in the second quarter of 2012 as compared to 24.1% in the second quarter of 2011.

Corporate expenses were $17.3 million, or 2.4% of sales, in the second quarter of 2012 as compared to $13.7 million, or 2.0% of sales, in the second quarter of 2011. The increase was due to higher equity compensation (as a result of higher stock prices) and other compensation related costs.

Interest expense was $15.1 million in the second quarter of 2012 as compared to $16.2 million in the second quarter of 2011, due to lower average debt balances.

Other expense was $0.6 million in the second quarter of 2012, due primarily to foreign exchange losses at our non-U.S. based companies, as compared to other income in the second quarter of 2011 of $7.2 million, due primarily to a $6.9 million foreign currency remeasurement gain on an intercompany note.

Our second quarter effective income tax rate was 29.6% as compared to the prior year rate of 31.4%. The decrease is due to the benefit of certain tax planning initiatives offset partially by the decrease in the Section 199 qualifying production activities deduction.

At June 30, 2012, the functional currencies of our European and Canadian subsidiaries were weaker against the U.S. dollar compared to currency exchange rates at March 31, 2012. The currency changes resulted in a pretax decrease of $35 million in the foreign exchange component of comprehensive earnings for the current year quarter, $21 million of which was related to goodwill. Goodwill changes from currency exchange rate changes do not directly affect our reported earnings or cash flows. During the quarter ended June 30, 2012 the functional currencies of most of our European and Canadian subsidiaries were weaker against the U.S. dollar as compared to the quarter ended June 30, 2011. The difference between the operating profits for these companies for the second quarter of 2012 compared to the prior year quarter, translated into U.S. dollars, was approximately 1%.

Net orders were $763.5 million for the quarter, 8% higher than the second quarter 2011 net order intake of $707.7 million, due primarily to increased orders in our fluid handling and tolling and traffic management businesses. Acquisitions contributed 3% to the current quarter orders. Overall, our order backlog at June 30, 2012 was up 1% as compared to June 30, 2011.

	Net orders booked for the three months ended June 30,		Order backlog as of June 30,	
	2012	2011	2012	2011
Industrial Technology	$ 202,120	$ 189,322	$ 147,917	$ 154,044
Energy Systems & Controls	157,775	151,134	128,018	116,325
Medical & Scientific Imaging	148,386	150,047	120,329	122,084
RF Technology	255,195	217,182	486,051	479,743
	$ 763,476	$ 707,685	$ 882,315	$ 872,196

Six months ended June 30, 2012 compared to six months ended June 30, 2011

Net sales for the six months ended June 30, 2012 were $1.4 billion as compared to $1.3 billion in the prior year six month period, representing an increase of 7%. The increase is comprised of a 6% increase in organic sales, an increase of 2% from acquisitions, and a negative 1% impact from foreign currency.

In our Industrial Technology segment, net sales increased by 13% to $399.1 million in the first six months of 2012 as compared to $353.4 million in the first six months of 2011. The increase was due primarily to growth in our materials testing and fluid handling businesses. Gross margins were relatively unchanged at 50.5% for the first six months of 2012 as compared to 50.3% in the first six months of 2011. SG&A expenses as a percentage of net sales were 20.5%, as compared to 22.6% in the prior year six month period, due to operating leverage on higher sales volume. The resulting operating profit margins were 30.0% in the first six months of 2012 as compared to 27.7% in the first six months of 2011.

Net sales in our Energy Systems & Controls segment increased by 10% to $303.3 million during the first six months of 2012 compared to $275.4 million in the first six months of 2011, due to increased demand in industrial process end markets and growth in our diesel engine safety systems. Gross margins were relatively unchanged at 54.9% in the first six months of 2012, compared to 54.7% in the first six months of 2011. SG&A expenses as a percentage of net sales were 29.9% as compared to 30.4% in the prior year six month period due to operating leverage from higher sales volume. Operating margins were 25.0% in the first six months of 2012 as compared to 24.2% in first six months of 2011.

In our Medical & Scientific Imaging segment net sales increased 6% to $313.7 million in the first six months of 2012 as compared to $296.4 million in the first six months of 2011. The change was comprised of a 7% increase from acquisitions and negative 1% from foreign exchange. We experienced continued growth in our medical businesses which was offset by weakness in our camera businesses. Gross margins increased to 64.5% in the first six months of 2012 from 62.8% in the first six months of 2011, due primarily to product mix. SG&A as a percentage of net sales was relatively unchanged at 39.3% in the six month period ended June 30, 2012 as compared to 39.1% in the prior year period. Operating margins were 25.2% in the first six months of 2012 as compared to 23.8% in the first six months of 2011.

In our RF Technology segment, net sales were $419.8 million in the first six months of 2012 compared to $420.0 million in the first six months of 2011. The decrease was due to a negative foreign exchange impact of 0.4%, offset partially by organic growth of 0.3%. Gross margins were 52.0% as compared to 50.6% in the prior year six month period due to a more favorable mix in tolling and traffic management products and services. SG&A as a percentage of sales in the first six months of 2012 was 26.2%, a decrease from 27.3% in the prior year due to product mix. Operating profit margins were 25.8% in 2012 as compared to 23.3% in 2011.

Corporate expenses increased by $7.0 million to $33.9 million, or 2.4% of sales, in the first half of 2012 as compared to $26.9 million, or 2.0% of sales, in the first half of 2011. The increase was due to higher equity compensation (as a result of higher stock prices) and other compensation related costs.

Interest expense of $30.6 million for the first half of 2012 was $2.3 million lower as compared to $32.9 million in the first half of 2011, due to lower average debt balances.

Other expense was $1.1 million in the first half of 2012, due primarily to foreign exchange losses at our non-U.S. based companies, as compared to other income in the first half of 2011 of $8.0 million, due primarily to a $6.9 million foreign currency remeasurement gain on an intercompany note.

Income taxes were 29.7% of pretax earnings in the first six months of 2012, as compared to 30.5% in the first six months of 2011. The decrease is due to the benefit of certain tax planning initiatives offset partially by the decrease in the Section 199 qualifying production activities deduction.

Financial Condition, Liquidity and Capital Resources

Selected cash flows for the three and six month periods ended June 30, 2012 and 2011 were as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Cash provided by/(used in):				
Operating activities	$ 119.3	$ 155.9	$ 260.8	$ 242.5
Investing activities	(28.1)	(215.2)	(56.9)	(224.2)
Financing activities	(17.4)	(5.9)	(19.6)	(101.9)

Operating activities - Net cash provided by operating activities in the second quarter of 2012 was $36.6 million lower than the second quarter of 2011, due primarily to the timing of income tax payments. In the six month period ending June 30, 2012, operating cash flow increased by $18.3 million, or 7.5% over the prior year six month period, due primarily to higher net income.

Investing activities - Cash used in investing activities during the second quarters of 2012 and 2011 was primarily business acquisitions and capital expenditures. Cash used in investing activities in the six months ended June 30, 2012 and 2011 was for business acquisitions and capital expenditures.

Financing activities - Cash used in financing activities in the second quarter of 2012 was primarily for principal debt payments, dividends and cash redemption premiums on convertible debt, offset partially by stock option proceeds. Cash used in financing activities in the second quarter of 2011 was for principal debt payments and dividends, offset partially by revolver borrowings and stock option proceeds. Cash used in financing activities in the six month period ended June 30, 2012 was primarily for principal debt payments, dividends and cash redemption premiums on convertible debt. Cash used in financing activities in the six month period ended 2011 was primarily for principal debt payments and dividends.

Total debt at June 30, 2012 consisted of the following (amounts in thousands):

Senior Notes due 2013*	$ 509,061
Senior Notes due 2019	500,000
Senior Subordinated Convertible Notes	55,138
Other	5,042
Total debt	1,069,241
Less current portion	57,424
Long-term debt	$ 1,011,817

* Shown including fair value swap adjustment of $9,061.

Our principal unsecured credit facility, $500 million senior notes due 2013, $500 million senior notes due 2019 and senior subordinated convertible notes provide substantially all of our daily external financing requirements. The interest rate on the borrowings under the credit facility is calculated based upon various recognized indices plus a margin as defined in the credit agreement. At June 30, 2012, there were no outstanding borrowings under the facility and we had $5.0 million of other debt in the form of capital leases, several smaller facilities that allow for borrowings or the issuance of letters of credit in various foreign locations to support our non-U.S. businesses and $43 million of outstanding letters of credit.

On July 27, 2012, we entered into a new $1.5 billion senior unsecured revolving credit facility which replaced our existing $750 million senior unsecured revolving credit facility. See Note 12 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the new facility.

The cash and short-term investments at our foreign subsidiaries at June 30, 2012 totaled $194 million. Repatriation of these funds for use in domestic operations would expose us to a potential additional tax impact. We consider this cash to be permanently reinvested and have no plans to repatriate these funds. We expect that our available borrowing capacity combined with cash flows expected from existing business will be sufficient to fund operating requirements in the U.S.

We were in compliance with all debt covenants related to our credit facilities throughout the six months ended June 30, 2012.

Net working capital (total current assets, excluding cash, less total current liabilities, excluding debt) was $351.3 million at June 30, 2012 compared to $293.1 million at December 31, 2011 reflecting increases in working capital due primarily to the timing of payments related to accrued compensation as well as a decrease in accrued income taxes. Total debt decreased to $1.07 billion at June 30, 2012 compared to $1.09 billion at December 31, 2011 due to the use of operating cash flows to reduce outstanding debt. Our leverage is shown in the following table:

	June 30, 2012	December 31, 2011
Total debt	$ 1,069,241	$ 1,085,016
Cash	(518,898)	(338,101)
Net debt	550,343	746,915
Stockholders' equity	3,414,011	3,195,096
Total net capital	$ 3,964,354	$ 3,942,011
Net debt / Total net capital	13.9%	18.9%

At June 30, 2012, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Capital expenditures of $20.5 million and $19.4 million were incurred during the six months ended June 30, 2012 and 2011, respectively. We expect capital expenditures for the balance of the year to be comparable to prior years as a percentage of sales.

Recently Issued Accounting Standards

Information regarding new accounting pronouncements is included in Note 2 of the Notes to Condensed Consolidated Financial Statements.

Outlook

Current geopolitical uncertainties could adversely affect our business prospects. A significant terrorist attack or other global conflict could cause changes in world economies that would adversely affect us. It is impossible to isolate each of these factor's effects on current economic conditions. It is also impossible to predict with any reasonable degree of certainty what or when any additional events may occur that also will similarly disrupt the economy.

We maintain an active acquisition program; however, future acquisitions will be dependent on numerous factors and it is not feasible to reasonably estimate if or when any such acquisitions will occur and what the impact will be on our business, financial condition and results of operations. Such acquisitions may be financed by the use of existing credit lines, future cash flows from operations, the proceeds from the issuance of new debt or equity securities or some combination of these methods.

We anticipate that our recently acquired companies as well as our other companies will generate positive cash flows from operating activities, and that these cash flows will permit the reduction of currently outstanding debt. However, the rate at which we can reduce our debt during 2012 (and reduce the associated interest expense) will be affected by, among other things, the financing and operating requirements of any new acquisitions and the financial performance of our existing companies; and none of these factors can be predicted with certainty.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risks on our outstanding borrowings, and to foreign currency exchange risks on our transactions denominated in currencies other than the U.S. dollar. We are also exposed to equity market risks pertaining to the traded price of our common stock.

We manage interest rate risk by maintaining a combination of fixed- and variable-rate debt, which may include interest rate swaps to convert fixed-rate debt to variable-rate debt, or to convert variable-rate debt to fixed-rate debt. At June 30, 2012, an aggregate notional amount of $500 million in interest rate swaps effectively converted our $500 million senior notes due 2013 with a fixed interest rate of 6.625% to a variable-rate obligation at a weighted average spread of 4.377% plus 3 month LIBOR.

At June 30, 2012, we had $555 million of fixed-rate borrowings. Our $500 million senior notes due 2019 have a fixed interest rate of 6.25%, and our senior unsecured convertible notes due 2034 have a fixed interest rate of 3.75%. At June 30, 2012, the prevailing market rates for long-term notes similarly rated to our $500 million senior notes due 2013 and $500 million senior notes due 2019 were 4.3% to 2.7% lower, respectively, than the fixed rates on our senior notes. At June 30, 2012, outstanding variable-rate borrowings consisted of the $500 million in interest rate swaps. An increase in interest rates of 1% would increase our annualized pretax interest costs by approximately $5.0 million.

Several of our companies have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in Euros, Canadian dollars, British pounds, or Danish krone. Sales by companies whose functional currency was not the U.S. dollar were 25% of our total sales in the second quarter of 2012 and 58% of these sales were by companies with European functional currencies. The U.S. dollar strengthened against most European currencies and the Canadian dollar during the second quarter of 2012 versus the second quarter of 2011. If these currency exchange rates had been 10% different throughout the second quarter of 2012 compared to currency exchange rates actually experienced, the impact on our net earnings would have been approximately $3.0 million.

The U.S. dollar was stronger against most European currencies and the Canadian dollar at June 30, 2012 versus December 31, 2011. The changes in these currency exchange rates resulted in a pretax decrease in net assets of $15 million that was reported as a component of comprehensive earnings, $9 million of which was attributed to goodwill. Goodwill changes from currency exchange rate changes do not directly affect our reported earnings or cash flows.

The trading price of our common stock influences the valuation of stock option grants and the effects these grants have on net income. The stock price also influences the computation of potentially dilutive common stock which includes both stock awards and the premium over the conversion price on our senior subordinated convertible notes to determine diluted earnings per share. The stock price also affects our employees' perceptions of various programs that involve our common stock. We believe the quantification of the effects of these changing prices on our future earnings and cash flows is not readily determinable.

ITEM 4. CONTROLS AND PROCEDURES

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report ("Evaluation Date"). This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation as of the Evaluation Date, these officers have concluded that the design and operation of our disclosure controls and procedures are effective.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes to our internal controls during the period covered by this quarterly report that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Information pertaining to legal proceedings can be found in Note 10 of the Notes to Condensed Consolidated Financial Statements included elsewhere in this report, and is incorporated by reference herein.

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition and liquidity, see the risk factors discussion in Item 1A of our Annual Report on Form 10-K for the year ended December31, 2011 as filed on February 24, 2012 with the SEC. See also, "Information about Forward-Looking Statements" included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

Item 6. Exhibits

31.1	Rule 13a-14(a)/15d-14(a), Certification of the Chief Executive Officer, filed herewith.
31.2	Rule 13a-14(a)/15d-14(a), Certification of the Chief Financial Officer, filed herewith.
32.1	Section 1350 Certification of the Chief Executive and Chief Financial Officers, filed herewith.
101.INS	XBRL Instance Document, furnished herewith.
101.SCH	XBRL Taxonomy Extension Schema Document, furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, furnished herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, furnished herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, furnished herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, furnished herewith.

Signatures

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

Roper Industries, Inc.

/s/ Brian D. Jellison Brian D. Jellison	Chairman of the Board, President, and Chief Executive Officer (Principal Executive Officer)	August 8, 2012
/s/ John Humphrey John Humphrey	Chief Financial Officer and Vice President (Principal Financial Officer)	August 8, 2012
/s/ Paul J. Soni Paul J. Soni	Vice President and Controller (Principal Accounting Officer)	August 8, 2012

EXHIBIT INDEX
TO REPORT ON FORM 10-Q

Number	Exhibit
31.1	Rule 13a-14(a)/15d-14(a), Certification of the Chief Executive Officer, filed herewith.
31.2	Rule 13a-14(a)/15d-14(a), Certification of the Chief Financial Officer, filed herewith.
32.1	Section 1350 Certification of the Chief Executive and Chief Financial Officers, filed herewith.
101.INS	XBRL Instance Document, furnished herewith.
101.SCH	XBRL Taxonomy Extension Schema Document, furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, furnished herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, furnished herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, furnished herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, furnished herewith.