ROPER INDUSTRIES INC
Form 10-Q
August 08, 2011

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, 2011.

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 ¨ Smaller reporting company
(do not check if 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 July 29, 2011 was approximately 96,072,598.

ROPER INDUSTRIES, INC.

REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

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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, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Net sales	$ 699,871	$ 567,104	$ 1,345,180	$ 1,101,545
Cost of sales	322,808	265,157	618,021	520,033
Gross profit	377,063	301,947	727,159	581,512
Selling, general and administrative expenses	213,093	182,760	421,189	361,609
Income from operations	163,970	119,187	305,970	219,903
Interest expense	16,196	16,293	32,892	32,474
Other income/(expense)	7,243	(1,657)	7,954	(1,210)
Earnings before income taxes	155,017	101,237	281,032	186,219
Income taxes	48,706	29,956	85,742	55,213
Net earnings	$ 106,311	$ 71,281	$ 195,290	$ 131,006
Net earnings per share:				
Basic	$ 1.11	$ 0.76	$ 2.04	$ 1.40
Diluted	1.08	0.74	1.99	1.36
Weighted average common shares outstanding:				
Basic	95,911	94,011	95,644	93,911
Diluted	98,412	96,449	98,282	96,235
Dividends declared per common share	$ 0.110	$ 0.095	$ 0.220	$ 0.190

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2011	December 31, 2010
ASSETS:		
Cash and cash equivalents	$ 196,027	$ 270,394
Accounts receivable, net	440,133	403,337
Inventories, net	211,687	178,559
Deferred taxes	33,339	32,894
Unbilled receivables	72,096	75,620
Other current assets	48,777	37,287
Total current assets	1,002,059	998,091
Property, plant and equipment, net	107,491	103,487
Goodwill	2,884,544	2,727,780
Other intangible assets, net	1,133,059	1,104,513
Deferred taxes	58,222	57,850
Other assets	78,617	77,803
Total assets	$ 5,263,992	$ 5,069,524
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable	$ 153,518	$ 137,778
Accrued liabilities	306,346	298,080
Deferred taxes	9,440	10,445
Current portion of long-term debt, net	72,319	93,342
Total current liabilities	541,623	539,645
Long-term debt, net of current portion	1,173,694	1,247,703
Deferred taxes	489,153	465,001
Other liabilities	75,968	66,268
Total liabilities	2,280,438	2,318,617
Commitments and contingencies		
Common stock	981	971
Additional paid-in capital	1,074,166	1,045,286
Retained earnings	1,855,025	1,680,849
Accumulated other comprehensive earnings	73,427	43,978
Treasury stock	(20,045)	(20,177)
Total stockholders' equity	2,983,554	2,750,907
Total liabilities and stockholders' equity	$ 5,263,992	$ 5,069,524

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, 2011	2010
Cash flows from operating activities:		
Net earnings	$ 195,290	$ 131,006
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization of property, plant and equipment	18,865	18,161
Amortization of intangible assets	50,266	38,289
Amortization of deferred financing costs	1,181	1,181
Non-cash stock compensation	15,808	13,118
Changes in operating assets and liabilities, net of acquired businesses:		
Accounts receivable	(26,735)	18,394
Unbilled receivables	3,988	(23,394)
Inventories	(25,312)	(998)
Accounts payable and accrued liabilities	17,446	15,626
Income taxes payable	2,175	1,910
Other, net	(10,455)	(7,938)
Cash provided by operating activities	242,517	205,355
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(204,612)	(14,651)
Capital expenditures	(19,390)	(14,113)
Proceeds from sale of assets	1,123	4,322
Other, net	(1,361)	(2,169)
Cash used in investing activities	(224,240)	(26,611)
Cash flows from financing activities:		
Payments under revolving line of credit, net	(75,000)	(40,000)
Principal payments on convertible notes	(23,536)	(3,013)
Cash dividends to stockholders	(21,002)	(17,793)
Proceeds from stock option exercises	12,914	8,489
Stock award tax excess windfall benefit	3,729	2,862
Treasury stock sales	1,059	775
Other	(107)	115
Cash used in financing activities	(101,943)	(48,565)
Effect of foreign currency exchange rate changes on cash	9,299	(7,147)
Net increase/(decrease) in cash and cash equivalents	(74,367)	123,032
Cash and cash equivalents, beginning of period	270,394	167,708

Cash and cash equivalents, end of period	$	196,027	$	290,740

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Statements 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, 2010	$ 971	$ 1,045,286	$ 1,680,849	$ 43,978	$ (20,177)	$ 2,750,907
Net earnings	-	-	195,290	-	-	195,290
Stock option exercises	3	12,911	-	-	-	12,914
Treasury stock sold	-	927	-	-	132	1,059
Currency translation adjustments, net of $1,627 tax	-	-	-	29,449	-	29,449
Stock based compensation	-	15,262	-	-	-	15,262
Restricted stock activity	3	(4,947)	-	-	-	(4,944)
Stock option tax benefit, net of shortfalls	-	3,627	-	-	-	3,627
Conversion of senior subordinated convertible notes	4	1,100	-	-	-	1,104
Dividends declared	-	-	(21,114)	-	-	(21,114)
Balances at June 30, 2011	$ 981	$ 1,074,166	$ 1,855,025	$ 73,427	$ (20,045)	$ 2,983,554

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
June 30, 2011

1. Basis of Presentation

The accompanying condensed consolidated financial statements for the three and six month periods ended June 30, 2011 and 2010 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.

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 accounting principles generally accepted in the United States of America ("GAAP"). Actual results could differ from those estimates.

The results of operations for the three and six month periods ended June 30, 2011 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 2010 Annual Report on Form 10-K ("Annual Report") filed on February 25, 2011 with the Securities and Exchange Commission ("SEC").

2. Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board ("FASB") issued amendments to the accounting and disclosure for revenue recognition. These amendments, effective for fiscal years beginning on or after June 15, 2010, modify the criteria for recognizing revenue in multiple element arrangements and the scope of what constitutes a non-software deliverable. The Company implemented the amendments on January 1, 2011, and the impact on its results of operations, financial condition and cash flows was immaterial.

In May 2011, the FASB issued an amendment to accounting and disclosures related to fair value measurement. This amendment, effective for interim and annual periods beginning after December 15, 2011, results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. The adoption of this guidance is not expected to have a material impact on our results of operations, financial position or cash flows.

In June 2011, the FASB issued an amendment to the disclosure of Comprehensive Income. This amendment, effective for interim and annual periods beginning after December 15, 2011, 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. The adoption of this guidance will not have an impact on our results of operations, financial position or cash flows as it is disclosure only in nature.

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,	
	2011	2010	2011	2010
Basic shares outstanding	95,911	94,011	95,644	93,911
Effect of potential common stock:				
Common stock awards	1,282	983	1,293	940
Senior subordinated convertible notes	1,219	1,455	1,345	1,384
Diluted shares outstanding	98,412	96,449	98,282	96,235

For the three and six month periods ended June 30, 2011 there were 662,000 outstanding stock options that were not included in the determination of diluted earnings per share because doing so would have been antidilutive; this compares to 1,141,350 and 1,574,100 outstanding stock options, respectively, that would have been antidilutive for the three and six month periods ended June 30, 2010.

4. Business Acquisitions

On June 3, 2011, Roper acquired 100% of the shares of Northern Digital, Inc. ("NDI"), a leading provider of 3-D measurement technology for medical applications in computer-assisted surgery and computer-assisted therapy. Roper acquired NDI as an addition to its medical platform, and is reported in the Medical and Scientific Imaging segment. The purchase price was $200 million Canadian dollars, which translated to $205 million U.S. dollars. Roper recorded $135 million in goodwill and $74 million in other identifiable intangible assets in connection with the acquisition.

The Company recorded $1.1 million in transaction costs related to the acquisition, which were expensed as incurred. Supplemental pro forma data has not been supplied as the acquisition did not have a material impact on Roper's consolidated results of operations.

5. 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 our stock based compensation expense (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Stock based compensation	$ 7.7	$ 6.1	$ 15.8	$ 13.1
Tax effect recognized in net income	2.7	2.1	5.5	4.6
Windfall tax benefit/(shortfall), net	0.9	1.8	3.7	2.9

Stock Options - In the six month period ended June 30, 2011, 652,000 options were granted with a weighted average fair value of $24.86 per option. During the same period in 2010, 573,350 options were granted with a weighted average fair value per share of $16.84. All options were issued at grant date fair value, which is defined by the Plan as the closing price of Roper 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,	
	2011	2010
Fair value per share ($)	24.86	16.84
Risk-free interest rate (%)	2.07	2.36
Expected option life (years)	5.33	5.38
Expected volatility (%)	35.17	34.54
Expected dividend yield (%)	0.59	0.72

Cash received from option exercises for the six months ended June 30, 2011 and 2010 was approximately $12.9 million and $8.5 million, respectively.

Restricted Stock Awards - During the six months ended June 30, 2011, 310,580 restricted stock awards were granted with a weighted average fair value per share of $74.76. During the same period in 2010, 250,243 awards were granted with a weighted average fair value per share of $52.55. All grants were issued at grant date fair value.

During the six months ended June 30, 2011, 211,101 restricted awards vested with a weighted average grant date fair value per share of $51.85, at a weighted average vest date fair value per share of $76.54.

Employee Stock Purchase Plan - During the six month periods ended June 30, 2011 and 2010, participants of the employee stock purchase plan purchased 13,356 and 14,538 shares, respectively, of Roper’s common stock for total consideration of $1.06 million and $0.78 million, respectively. All shares were purchased from Roper’s treasury shares.

6. Comprehensive Earnings

Comprehensive earnings include net earnings and all other non-owner sources of changes in net assets and are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net earnings	$ 106,311	$ 71,281	$ 195,290	$ 131,006
Currency translation adjustments	(7,761)	(17,017)	29,449	(48,268)
Comprehensive earnings	$ 98,550	$ 54,264	$ 224,739	$ 82,738

7. Inventories

	June 30, 2011	December 31, 2010
	(in thousands)	
Raw materials and supplies	$ 121,701	$ 113,415
Work in process	32,932	26,358
Finished products	93,458	71,302
Inventory reserves	(36,404)	(32,516)
	$ 211,687	$ 178,559

8. Goodwill

	Industrial Technology	Energy Systems & Controls	Medical & Scientific Imaging	RF Technology	Total
			(in thousands)		
Balances at December 31, 2010	$ 420,002	$ 380,595	$ 637,991	$ 1,289,192	$ 2,727,780
Additions	-	-	135,379	-	135,379
Currency translation adjustments	10,765	3,687	2,950	3,983	21,385
Balances at June 30, 2011	$ 430,767	$ 384,282	$ 776,320	$ 1,293,175	$ 2,884,544

9. Other Intangible Assets, net

	Cost	Accumulated amortization	Net book value
		(in thousands)	
Assets subject to amortization:			
Customer related intangibles	$ 960,013	$ (235,885)	$ 724,128
Unpatented technology	175,819	(54,376)	121,443
Software	49,095	(30,182)	18,913
Patents and other protective rights	25,505	(15,292)	10,213
Trade secrets	1,604	(1,174)	430

Assets not subject to amortization:						
Trade names		229,386		-		229,386
Balances at December 31, 2010	$	1,441,422	$	(336,909)	$	1,104,513
Assets subject to amortization:						
Customer related intangibles	$	1,014,863	$	(269,668)	$	745,195
Unpatented technology		195,347		(65,424)		129,923
Software		49,097		(33,603)		15,494
Patents and other protective rights		26,272		(17,045)		9,227
Trade secrets		1,604		(1,365)		239
Assets not subject to amortization:						
Trade names		232,981		-		232,981
Balances at June 30, 2011	$	1,520,164	$	(387,105)	$	1,133,059

Amortization expense of other intangible assets was $48,376 and $37,013 during the six months ended June 30, 2011 and 2010, respectively.

10. 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, 2011, 54,925 notes were converted for $23.5 million in cash and 408,171 shares of common stock at a weighted average share price of $83.82. No gain or loss was recorded upon these conversions. In addition, a related $1.1 million deferred tax liability associated with excess deductions recorded for tax purposes was relieved to additional paid-in capital upon the conversions.

At June 30, 2011, the conversion price on the outstanding notes was $432.74. If converted at June 30, 2011, the value would exceed the $69 million principal amount of the notes by approximately $95 million and would result in the issuance of 1,158,060 shares of Roper’s common stock.

11. Fair Value of Financial Instruments

Roper’s long-term debt at June 30, 2011 included $500 million of fixed-rate senior notes due 2019, with a fair value of approximately $568 million, and $500 million of fixed-rate senior notes due 2013, with a fair value of approximately $555 million, based on the trading prices of the notes. Short-term debt included $69 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, 2011 an aggregate notional amount of $500 million in interest rate swaps designated as fair value hedges effectively changed 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 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, 2011, the fair value of the swap was an asset balance of $15.00 million and was reported in other assets, with a corresponding increase of $15.05 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, 2011 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.

12. 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, 2011 is presented below (in thousands):

Balance at December 31, 2010	$ 7,038
Additions charged to costs and expenses	4,151
Deductions	(3,657)
Other	507
Balance at June 30, 2011	$ 8,039

13. 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,		
	2011	2010	Change	2011	2010	Change
Net sales:						
Industrial Technology	$ 183,455	$ 145,490	26.1%	$ 353,437	$ 280,802	25.9%
	145,750	119,387	22.1	275,383	225,065	22.4

Energy Systems & Controls									
Medical & Scientific Imaging		151,078		128,514	17.6		296,365		258,758	14.5
RF Technology		219,588		173,713	26.4		419,995		336,920	24.7
Total	$	699,871	$	567,104	23.4%	$	1,345,180	$	1,101,545	22.1%
Gross profit:										
Industrial Technology	$	92,068	$	73,930	24.5%	$	177,782	$	141,442	25.7%
Energy Systems & Controls		80,412		64,803	24.1		150,558		118,294	27.3
Medical & Scientific Imaging		95,006		78,307	21.3		186,260		155,817	19.5
RF Technology		109,577		84,907	29.1		212,559		165,959	28.1
Total	$	377,063	$	301,947	24.9%	$	727,159	$	581,512	25.0%
Operating profit*:										
Industrial Technology	$	51,729	$	38,742	33.5%	$	97,918	$	70,508	38.9%
Energy Systems & Controls		37,704		29,072	29.7		66,748		47,995	39.1
Medical & Scientific Imaging		35,352		27,796	27.2		70,389		57,130	23.2
RF Technology		52,911		34,704	52.5		97,861		66,905	46.3
Total	$	177,696	$	130,314	36.4%	$	332,916	$	242,538	37.3%
Long-lived assets:										
Industrial Technology	$	41,343	$	41,033	0.8%					
Energy Systems & Controls		17,868		19,311	(7.5)					
Medical & Scientific Imaging		48,261		35,670	35.3					
RF Technology		31,047		31,154	(0.3)					
Total	$	138,519	$	127,168	8.9%					

*Segment operating profit is before unallocated corporate general and administrative expenses. These expenses were $13,726 and $11,127 for the three months ended June 30, 2011 and 2010, respectively, and $26,946 and $22,635 for the six months ended June 30, 2011 and 2010, respectively.

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, 2010 as filed on February 25, 2011 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:

- 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;
-