ROPER INDUSTRIES INC
Form 10-K
February 21, 2014
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

¨ 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	51-0263969
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6901 Professional Parkway East, Suite 200
Sarasota, Florida 34240
(Address of principal executive offices) (Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $0.01 Par Value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
þ Yes ¨ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
¨ Yes þ No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 (§223.405) 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 (as defined in Rule 12b-2 of the Exchange Act).
þ Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ 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

Based on the closing sale price on the New York Stock Exchange on June 28, 2013, the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was: $12,365,836,908.

Number of shares of registrant's Common Stock outstanding as of February 14, 2014: 99,547,874.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant's Proxy Statement to be furnished to Stockholders in connection with its Annual Meeting of Stockholders to be held on May 21, 2014, are incorporated by reference into Part III of this Annual Report on Form 10-K.

ROPER INDUSTRIES, INC.

FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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Information About Forward-Looking Statements

This Annual Report on Form 10-K ("Annual Report") includes and incorporates by reference "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 U.S. Securities and Exchange Commission ("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." Forward-looking statements may be indicated by words or phrases such as "anticipate," "estimate," "plans," "expects," "projects," "should," "will," "believes" or "intends" and similar words and phrases. These statements reflect management's current beliefs and are not guarantees of future performance. They involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in any forward-looking statement.

Examples of forward-looking statements in this report include but are not limited to statements regarding operating results, the success of our internal operating plans, our expectations regarding our ability to generate operating cash flows and reduce debt and associated interest expense, profit and cash flow expectations, the prospects for newly acquired businesses to be integrated and contribute to future growth 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, expected outcomes of pending litigation, competitive conditions and general economic conditions. 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:

- 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 goodwill and other intangible assets;
- our ability to successfully develop new products;
- failure to protect our intellectual property;
- the effect of, or change in, government regulations (including tax);
- economic disruption caused by terrorist attacks, health crises or other unforeseen events; and
- the factors discussed in Item 1A to this Annual Report under the heading "Risk Factors."

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 them in light of new information or future events.

PART I

ITEM 1. BUSINESS

Our Business

Roper Industries, Inc. ("Roper" or the "Company") was incorporated on December 17, 1981 under the laws of the State of Delaware. We are a diversified growth company that designs, manufactures and distributes medical and scientific imaging products and software, radio frequency ("RF") products, services and application software, industrial technology products and energy systems and controls products and solutions. We market these products and services to 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 sales, earnings and cash flow by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses that offer high value-added services, engineered products and solutions and are capable of achieving growth in sales, earnings and cash flow. We compete in many niche markets and believe we are the market leader or a competitive alternative to the market leader in the majority of these markets.

Market Share, Market Expansion, and Product Development

Leadership with Engineered Content for Niche Markets - We maintain a leading position in many of our markets. We believe our market positions are attributable to the technical sophistication of our products and software, the applications expertise used to create our advanced products and systems, and our distribution and service capabilities. Our operating units grow their businesses through new product development and development of new applications and services to satisfy customer needs. In addition, our operating units grow our customer base by expanding our distribution, selling other products through our existing channels and entering adjacent markets.

Diversified End Markets and Geographic Reach - We have a global presence, with sales of products to customers outside the U.S. totaling $1.3 billion in 2013. Information regarding our international operations is set forth in Note 13 of the notes to Consolidated Financial Statements included in this Annual Report.

Research and Development - We conduct applied research and development to improve the quality and performance of our products and to develop new technologies and products. Our research and development spending was $145.7 million in 2013 as compared to $125.9 and $121.7 million in 2012 and 2011, respectively. Research and development expense as a percentage of sales increased to 4.5% in 2013 from 4.2% in 2012. The percentage has increased as the mix of our businesses shifts to higher technology, medical and software platforms.

Our Business Segments

Our operations are reported in four segments based upon common customers, markets, sales channels, technologies and common cost opportunities. The segments are: Medical and Scientific Imaging, RF Technology, Industrial Technology and Energy Systems and Controls. Financial information about our business segments is presented in Note 13 of the notes to Consolidated Financial Statements.

Medical and Scientific Imaging

Our Medical and Scientific Imaging segment principally offers products and software in medical applications, and high performance digital imaging products. These products and solutions are provided through nine reporting units. For 2013, this segment had net sales of $902.3 million, representing 27.9% of our total net sales.

Medical Products and Software - We manufacture and sell patient positioning devices and related software for use in radiation oncology, 3-D measurement technology in computer-assisted surgery and supply diagnostic and therapeutic disposable products used in ultrasound imaging for minimally invasive medical procedures. We design and manufacture a non-invasive instrument for portable ultrasound bladder volume measurement and a video laryngoscope designed to enable rapid intubation even in the most difficult settings. We also provide diagnostic and laboratory software solutions to healthcare providers and services and technologies to support the diverse and complex needs of alternate site health care providers who deliver services outside of an acute care hospital setting.

Digital Imaging Products and Software - We manufacture and sell extremely sensitive, high-performance electron filters, charged couple device ("CCD") and complementary metal oxide semiconductor ("CMOS") cameras, detectors and related software for a variety of scientific and industrial uses, which require high resolution and/or high speed digital video, including electron microscopy and spectroscopy applications. We principally sell these products for use within academic, government research, semiconductor, security and other end-user markets such as biological and material science. They are frequently incorporated into products by original equipment manufacturers ("OEMs").

Our Medical and Scientific Imaging segment companies have lead times of up to several months on many of their product sales, although standard products are often shipped within two weeks of receipt of order. Blanket purchase orders are placed by certain OEM and end-users, with continuing requirements for fulfillment over specified periods of time.

RF Technology

Our RF Technology segment provides radio frequency identification ("RFID") communication technology and software solutions that are used primarily in toll and traffic systems and processing, security and access control, campus card systems, software-as-a-service in the freight matching and food industries and metering and remote monitoring applications. These products and solutions are provided through six reporting units. This segment had sales of $904.4 million for the year ended December 31, 2013, representing 27.9% of our total net sales.

Toll and Traffic Systems - We manufacture and sell toll tags and monitoring systems as well as provide transaction and violation processing services for toll and traffic systems to both governmental and private sector entities. In addition, we provide intelligent traffic systems that assist customers in improving traffic flow and infrastructure utilization.

Card Systems/Integrated Security Solutions - We provide card systems and integrated security solutions primarily to education and health care markets. We also provide an integrated nutrition management solution used by food service customers.

Software-as-a-Service - We maintain electronic marketplaces that match 1) available capacity of trucking units with the available loads of freight to be moved from location to location throughout North America and 2) food suppliers, distributors and vendors, primarily in the perishable food sector.

Metering and Remote Monitoring - We manufacture and sell meter reading, data logging and pressure control products for use in water, gas and electricity applications. We also provide network monitoring, leakage reduction and pressure control services in water and gas distribution networks.

The RF Technology segment companies' sales reflect a combination of standard products, large engineered projects, and multi-year operations and maintenance contracts. Standard products generally ship within two weeks of receipt of order, and large engineered projects may have lead times of several months. As such, backlog may fluctuate depending upon the timing of large project awards.

Industrial Technology

Our Industrial Technology segment produces fluid handling pumps, equipment and consumables for materials analysis, leak testing equipment, flow measurement and metering equipment and water meter and automatic meter reading ("AMR") products and systems. These products and solutions are provided through seven reporting units. For 2013, this segment had net sales of $779.6 million, representing 24.1% of our total net sales.

Fluid Handling Pumps - We manufacture and sell a wide variety of pumps. These pumps vary significantly in complexity and in pumping method employed, which allows for the movement and application of a diverse range of low and high viscosity liquids, high solids content slurries and chemicals. Our pumps are used in end markets such as oil and gas, agricultural, water and wastewater, chemical and general industrial.

Materials Analysis Equipment and Consumables - We manufacture and sell equipment and supply consumables necessary to prepare materials samples for testing and analysis. These products are used mostly within the material science, steel, automotive, electronics, mining and research end-user markets.

Flow Measurement Equipment - We manufacture and distribute turbine and positive displacement flow meters, emissions measurement equipment and flow meter calibration products for aerospace, automotive, power generation and other industrial applications.

Water Meter and AMR Products and Systems - We manufacture and distribute water meter products serving the residential, commercial and industrial water management markets, and several lines of automatic meter reading products and systems serving these markets.

The Industrial Technology segment companies' sales reflect a combination of standard products and specially engineered, application-specific products. Standard products are typically shipped within two weeks of receipt of order. Application-specific products typically ship within 6 to 12 weeks following receipt of order. However, larger project orders and blanket purchase orders for certain OEMs may extend shipment for longer periods.

Energy Systems and Controls

Our Energy Systems and Controls segment principally produces control systems, fluid properties testing equipment, industrial valves and controls, vibration sensors and controls and non-destructive inspection and measurement products and solutions, which are provided through six reporting units. For 2013, this segment had net sales of $651.9 million, representing 20.1% of our total net sales.

Control Systems - We manufacture control systems and provide related engineering and commissioning services for turbomachinery applications, predominately in energy markets.

Fluid Properties Testing Equipment - We manufacture and sell test equipment to determine physical and elemental properties, such as sulfur and nitrogen content, flash point, viscosity, freeze point and distillation range of liquids and gases primarily for the petroleum industry.

Industrial Valves and Controls - We manufacture and distribute valves, sensors, switches and control products used on engines, compressors, turbines and other powered equipment for the oil and gas, pipeline, power generation, marine engine and general industrial markets. Many of these products are designed for use in hazardous environments.

Sensors and Controls - We manufacture sensors and control equipment including pressure sensors, temperature sensors, measurement instruments and control software for global rubber, plastics and process industries.

Non-destructive Inspection and Measurement Instrumentation - We manufacture non-destructive inspection and measurement solutions including measurement probes, robotics, vibration sensors, switches and transmitters. These solutions are applied principally in nuclear energy markets. Many of these products are designed for use in hazardous environments.

The Energy Systems and Controls segment companies' sales reflect a combination of standard products and large engineered projects. Standard products generally ship within two weeks of receipt of order, and large engineered projects may have lead times of several months. As such, backlog may fluctuate depending upon the timing of large project awards.

Materials and Suppliers

We believe most materials and supplies we use are readily available from numerous sources and suppliers throughout the world. However, some components and sub-assemblies are currently available from a limited number of suppliers. Some high-performance components for digital imaging products can be in short supply and/or suppliers have occasional difficulty manufacturing such components to our specifications. We regularly investigate and identify alternative sources where possible, and we believe these conditions equally affect our competitors. Supply shortages have not had a material adverse effect on our sales although delays in shipments have occurred following such supply interruptions.

Backlog

Our policy is to include only firm unfilled orders shippable within twelve months in backlog. Backlog was $1.1 billion at December 31, 2013, and $0.9 billion at December 31, 2012.

Distribution and Sales

Distribution and sales occur through direct sales offices, manufacturers' representatives and distributors. In addition, our Medical and Scientific Imaging segment also sells through value added resellers ("VARs") and OEMs.

Environmental Matters and Other Governmental Regulation

Our operations and properties are subject to laws and regulations relating to environmental protection, including those governing air emissions, water discharges, waste management and workplace safety. We use, generate and dispose of hazardous substances and waste in our operations and could be subject to material liabilities relating to the investigation and clean-up of contaminated properties and related claims. We are required to conform our operations and properties to these laws and adapt to regulatory requirements in all countries as these requirements change. In connection with our acquisitions, we may assume significant environmental liabilities, some of which we may not be aware of, or may not be quantifiable, at the time of acquisition. In addition, new laws and regulations, the discovery of previously unknown contamination or the imposition of new requirements could increase our costs or subject us to new or increased liabilities.

Customers

No customer accounted for 10% or more of net sales for 2013 for any of our segments or for our company as a whole.

Competition

Generally, our products and solutions face significant competition, usually from a limited number of competitors. We believe that we are a leader in most of our markets, and no single company competes with us over a significant number of product lines. Competitors might be large or small in size, often depending on the size of the niche market we serve. We compete primarily on product quality, performance, innovation, technology, price, applications expertise, distribution channel access and customer service capabilities.

Patents and Trademarks

In addition to trade secrets, unpatented know-how, and other intellectual property rights, we own or license the rights under a number of patents, trademarks and copyrights relating to certain of our products and businesses. We also employ various methods, including confidentiality and non-disclosure agreements with individuals and companies we do business with, employees, distributors, representatives and customers to protect our trade secrets and know-how. We believe our operating units are not substantially dependent on any single patent, trademark, copyright, or other item of intellectual property or group of patents, trademarks or copyrights.

Employees

As of December 31, 2013, we had 9,913 employees, with 6,959 located in the United States. We have 205 employees who are subject to collective bargaining agreements. We have not experienced any work stoppages and consider our relations with our employees to be good.

Available Information

All reports we file electronically with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and our annual proxy statements, as well as any amendments to those reports, are accessible at no cost on our website at www.roperind.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. These filings are also accessible on the SEC's website at www.sec.gov. You may also read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our Corporate Governance Guidelines; the charters of our Audit Committee, Compensation Committee, and Nominating and Governance Committee; and our Code of Business Conduct and Ethics are also available on our website. Any amendment to the Code of Business Conduct and Ethics and any waiver applicable to our directors, executive officers or senior financial officers will be posted on our website within the time period required by the SEC and the New York Stock Exchange (the "NYSE"). The information posted on our website is not incorporated into this Annual Report.

We have included the Chief Executive Officer and the Chief Financial Officer certifications regarding our public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 of this report.

Additionally, we filed with the NYSE the Chief Executive Officer certification regarding our compliance with the NYSE's Corporate Governance Listing Standards (the "Listing Standards") pursuant to Section 303A.12(a) of the Listing Standards. We filed the certification with the NYSE on June 24, 2013 and our Chief Executive Officer indicated that he was not aware of any violations of the Listing Standards by us.

ITEM 1A. RISK FACTORS

Risks Relating to Our Business

Our indebtedness may affect our business and may restrict our operating flexibility.

As of December 31, 2013, we had $2.46 billion in total consolidated indebtedness. In addition, we had $1.2 billion undrawn availability under our senior unsecured credit facility, as well as the ability to request additional term loans or revolving credit commitments under our credit facility not to exceed $350 million in aggregate. Our total consolidated debt could increase using this additional borrowing capacity. Subject to restrictions contained in our credit facility, we may incur additional indebtedness in the future, including indebtedness incurred to finance acquisitions.

Our level of indebtedness and the debt servicing costs associated with that indebtedness could have important effects on our operations and business strategy. For example, our indebtedness could:

- place us at a competitive disadvantage relative to our competitors, some of which have lower debt service obligations and greater financial resources;
- limit our ability to borrow additional funds;
- limit our ability to complete future acquisitions;
- limit our ability to pay dividends;
- limit our ability to make capital expenditures; and
- increase our vulnerability to general adverse economic and industry conditions.

Our ability to make scheduled principal payments of, to pay interest on, or to refinance our indebtedness and to satisfy our other debt obligations will depend upon our future operating performance, which may be affected by factors beyond our control. In addition, there can be no assurance that future borrowings or equity financing will be available to us on favorable terms for the payment or refinancing of our indebtedness. If we are unable to service our indebtedness, our business, financial condition and results of operations would be materially adversely affected.

Our credit facility contains covenants requiring us to achieve certain financial and operating results and maintain compliance with specified financial ratios. Our ability to meet the financial covenants or requirements in our credit facility may be affected by events beyond our control, and we may not be able to satisfy such covenants and requirements. A breach of these covenants or our inability to comply with the financial ratios, tests or other restrictions contained in our facility could result in an event of default under this facility. Upon the occurrence of an event of default under our credit facility, and the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under the facility, together with accrued interest, to be immediately due and payable. If this were to occur, our assets may not be sufficient to fully repay the amounts due under this facility or our other indebtedness.

Unfavorable changes in foreign exchange rates may significantly harm our business.

Several of our operating companies have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions and balances are denominated in euros, Canadian dollars, British pounds or Danish krone. Sales by our operating companies whose functional currency is not the U.S. dollar represented 24% of our total net sales for the year ended December 31, 2013 compared to 25% for the year ended December 31, 2012. Unfavorable changes in exchange rates between the U.S. dollar and those currencies could significantly reduce our reported sales and earnings.

We export a significant portion of our products. Difficulties associated with the export of our products could harm our business.

Sales to customers outside the U.S. by our businesses located in the U.S. account for a significant portion of our net sales. These sales accounted for 15% of our net sales for each of the years ended December 31, 2013 and December 31, 2012. We are subject to risks that could limit our ability to export our products or otherwise reduce the demand for these products in our foreign markets. Such risks include, without limitation, the following:

- unfavorable changes in or noncompliance with U.S. and other jurisdictions' export requirements;
- restrictions on the export of technology and related products;
- unfavorable changes in or noncompliance with U.S. and other jurisdictions' export policies to certain countries;
- unfavorable changes in the import policies of our foreign markets; and
- a general economic downturn in our foreign markets.

The occurrence of any of these events could reduce the foreign demand for our products or could limit our ability to export our products and, therefore, could have a material negative effect on our future sales and earnings.

Economic, political and other risks associated with our international operations could adversely affect our business.

As of and for the year ended December 31, 2013, 26% of our net sales and 21% of our long-lived assets, excluding goodwill and intangibles, were attributable to operations outside the U.S. We expect our international operations to contribute materially to our business for the foreseeable future. Our international operations are subject to varying degrees of risk inherent in doing business outside the U.S. including, without limitation, the following:

- adverse changes in a specific country's or region's political or economic conditions, particularly in emerging markets;
- trade protection measures and import or export requirements;
- subsidies or increased access to capital for firms that are currently, or may emerge as, competitors in countries in which we have operations;
- partial or total expropriation;
- potentially negative consequences from changes in tax laws;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- differing protection of intellectual property; and
- unexpected changes in regulatory requirements.

The occurrence of any of these events could materially harm our business.

Our growth strategy includes acquisitions. We may not be able to identify suitable acquisition candidates, complete acquisitions or integrate acquisitions successfully.

Our future growth is likely to depend to some degree on our ability to acquire and successfully integrate new businesses. We intend to seek additional acquisition opportunities, both to expand into new markets and to enhance our position in existing markets. There are no assurances, however, that we will be able to successfully identify suitable candidates, negotiate appropriate terms, obtain financing on acceptable terms, complete proposed acquisitions, successfully integrate acquired businesses or expand into new markets. Once acquired, operations may not achieve anticipated levels of revenues or profitability.

Acquisitions involve risks, including difficulties in the integration of the operations, technologies, services and products of the acquired companies and the diversion of management's attention from other business concerns. Although our management will endeavor to evaluate the risks inherent in any particular transaction, there are no assurances that we will properly ascertain all such risks. In addition, prior acquisitions have resulted, and future acquisitions could result, in the incurrence of substantial additional indebtedness and other expenses. Future acquisitions may also result in potentially dilutive issuances of equity securities. Difficulties encountered with acquisitions may have a material adverse effect on our business, financial condition and results of operations.

Product liability, insurance risks and increased insurance costs could harm our operating results.

Our business exposes us to product liability risks in the design, manufacturing and distribution of our products. In addition, certain of our products are used in hazardous environments. We currently have product liability insurance; however, we may not be able to maintain our insurance at a reasonable cost or in sufficient amounts to protect us against losses. We also maintain other insurance policies, including directors' and officers' liability insurance. We believe we have adequately accrued estimated losses, principally related to deductible amounts under our insurance policies, with respect to all product liability and other claims, based upon our past experience and available facts. However, a successful product liability or other claim or series of claims brought against us could have a material adverse effect on our business, financial condition and results of operations. In addition, a significant increase in our insurance costs could have an adverse impact on our operating results.

Our operating results could be adversely affected by a reduction of business with our large customers.

In some of our businesses, we derive a significant amount of revenue from large customers. The loss or reduction of any significant contracts with any of these customers could materially reduce our revenue and cash flows. Additionally, many of our customers are government entities. In many situations, government entities can unilaterally terminate or modify our existing contracts without cause and without penalty to the government agency.

We face intense competition. If we do not compete effectively, our business may suffer.

We face intense competition from numerous competitors. Our products compete primarily on the basis of product quality, performance, innovation, technology, price, applications expertise, system and service flexibility and established customer service capabilities. We may not be able to compete effectively on all of these fronts or with all of our competitors. In addition, new competitors may emerge, and product lines may be threatened by new technologies or market trends that reduce the value of these product lines. To remain competitive, we must develop new products, respond to new technologies and enhance our existing products in a timely manner. We anticipate that we may have to adjust prices to stay competitive.

Changes in the supply of, or price for, raw materials, parts and components used in our products could affect our business.

The availability and prices of raw materials, parts and components are subject to curtailment or change due to, among other things, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. Some high-performance components for digital imaging products may be in short supply and/or suppliers may have occasional difficulty manufacturing these components to meet our specifications. In addition, some of our products are provided by sole source suppliers. Any change in the supply of, or price for, these parts and components, as well as any increases in commodity prices, particularly copper, could affect our business, financial condition and results of operations.

Environmental compliance costs and liabilities could increase our expenses and adversely affect our financial condition.

Our operations and properties are subject to laws and regulations relating to environmental protection, including air emissions, water discharges, waste management and workplace safety. These laws and regulations can result in the imposition of substantial fines and sanctions for violations and could require the installation of pollution control equipment or operational changes to limit pollution emissions and/or decrease the likelihood of accidental hazardous substance releases. We must conform our operations and properties to these laws and adapt to regulatory requirements in the countries in which we operate as these requirements change.

We use and generate hazardous substances and wastes in our operations and, as a result, could be subject to potentially material liabilities relating to the investigation and clean-up of contaminated properties and to claims alleging personal injury. We have experienced, and expect to continue to experience, costs relating to compliance with environmental laws and regulations. In connection with our acquisitions, we may assume significant environmental liabilities, some of which we may not be aware of at the time of acquisition. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business, financial condition and results of operations.

Some of the industries in which we operate are cyclical, and, accordingly, our business is subject to changes in the economy.

Some of the business areas in which we operate are subject to specific industry and general economic cycles. Certain businesses are subject to industry cycles, including but not limited to, the industrial and energy markets. Accordingly, a downturn in these or other markets in which we participate could materially adversely affect us. If demand changes and we fail to respond accordingly, our results of operations could be materially adversely affected. The business cycles of our different operations may occur contemporaneously. Consequently, the effect of an economic downturn may have a magnified negative effect on our business.

Our goodwill and intangible assets are valued at an amount that is high relative to our total assets, and a write-off of our intangible assets would negatively affect our results of operations and total capitalization.

Our total assets reflect substantial intangible assets, primarily goodwill. At December 31, 2013, goodwill totaled $4.55 billion compared to $4.21 billion of stockholders' equity, and represented 56% of our total assets of $8.18 billion. The goodwill results from our acquisitions, representing the excess of cost over the fair value of the net assets we have acquired. We assess at least annually whether there has been an impairment in the value of our goodwill and indefinite economic life intangible assets. If future operating performance at one or more of our business units were to fall significantly below current levels, if competing or alternative technologies emerge, if interest rates rise or if business valuations decline, we could incur a non-cash charge to operating earnings. Any determination requiring the write-off of a significant portion of goodwill or unamortized intangible assets would negatively affect our results of operations and total capitalization, the effect of which could be material.

We depend on our ability to develop new products, and any failure to develop or market new products could adversely affect our business.

The future success of our business will depend, in part, on our ability to design and manufacture new competitive products and to enhance existing products so that our products can be sold with high margins. This product development may require substantial internal investment. There can be no assurance that unforeseen problems will not occur with respect to the development, performance or market acceptance of new technologies or products or that we will otherwise be able to successfully develop and market new products. Failure of our products to gain market acceptance or our failure to successfully develop and market new products could reduce our margins, which would have an adverse effect on our business, financial condition and results of operations.

Our technology is important to our success and our failure to protect this technology could put us at a competitive disadvantage.

Many of our products rely on proprietary technology; therefore we believe that the development and protection of intellectual property rights through patents, copyrights, trade secrets, trademarks, confidentiality agreements and other contractual provisions are important to the future success of our business. Despite our efforts to protect proprietary rights, unauthorized parties or competitors may copy or otherwise obtain and use our products or technology. Actions to enforce these rights may result in substantial costs and diversion of resources and we make no assurances that any such actions will be successful.

We rely on information and technology for many of our business operations which could fail and cause disruption to our business operations.

Our business operations are dependent upon information technology networks and systems to securely transmit, process and store electronic information and to communicate among our locations around the world and with clients and vendors. A shutdown of, or inability to access, one or more of our facilities, a power outage or a failure of one or more of our information technology, telecommunications or other systems could significantly impair our ability to perform such functions on a timely basis. Computer viruses, cyberattacks, other external hazards and human error could result in the misappropriation of assets or sensitive information, corruption of data or operational disruption. If sustained or repeated, such a business interruption, system failure, service denial or data loss and damage could result in a deterioration of our ability to write and process business, provide customer service or perform other necessary business functions.

Any business disruptions due to political instability, armed hostilities, incidents of terrorism or natural disasters could adversely impact our financial performance.

If terrorist activity, armed conflict, political instability or natural disasters occur in the U.S. or other locations, such events may negatively impact our operations, cause general economic conditions to deteriorate or cause demand for our products to decline. A prolonged economic slowdown or recession could reduce the demand for our products, and therefore, negatively affect our future sales and profits. Any of these events could have a significant impact on our business, financial condition or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our corporate offices, consisting of 24,000 square feet of leased space, are located at 6901 Professional Parkway East, Sarasota, Florida. We have established 112 principal locations around the world to support our operations, of which 51 are manufacturing, assembly and testing facilities, and the remaining 61 locations provide sales, service and administrative support functions. We consider our facilities to be in good operating condition and adequate for their present use and believe we have sufficient capacity to meet our anticipated operating requirements.

The following table summarizes the size, location and usage of our principal properties as of December 31, 2013.

Segment	Region	Office	Office & Manufacturing	
		Leased	Leased	Owned
		(amounts in thousands of square feet)		
Industrial Technology				
	US	57	264	478
	Canada	36	-	-
	Europe	92	94	167
	Asia	23	-	-
	Mexico	-	60	-
Energy Systems & Controls				
	US	51	353	-
	Canada	-	56	-
	Europe	43	20	128
	Asia	14	61	33
Medical & Scientific Imaging				
	US	224	234	127
	Canada	-	108	-
	Europe	25	28	-
	Asia	27	-	-
RF Technology				
	US	622	94	-
	Canada	11	-	-
	Europe	9	7	16

ITEM 3. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found in Note 12 to the Consolidated Financial Statements included in this Annual Report, and is incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on the NYSE under the symbol "ROP". The table below sets forth the range of high and low sales prices for our common stock as reported by the NYSE as well as cash dividends declared during each of our 2013 and 2012 quarters.

		High	Low	Cash Dividends Declared
2013	4th Quarter	$ 138.68	$ 123.57	$ 0.200
	3rd Quarter	135.01	123.15	0.165
	2nd Quarter	126.33	118.12	0.165
	1st Quarter	127.31	114.14	0.165
2012	4th Quarter	$ 113.14	$ 106.31	$ 0.1650
	3rd Quarter	111.08	93.73	0.1375
	2nd Quarter	102.99	95.24	0.1375
	1st Quarter	100.71	88.02	0.1375

Based on information available to us and our transfer agent, we believe that as of February 14, 2014 there were 172 record holders of our common stock.

Dividends – We have declared a cash dividend in each quarter since our February 1992 initial public offering and we have annually increased our dividend rate since our initial public offering. In December 2013, our Board of Directors increased the quarterly dividend paid January 24, 2014 to $0.20 per share from $0.165 per share, an increase of 21%. The timing, declaration and payment of future dividends will be at the sole discretion of our Board of Directors and will depend upon our profitability, financial condition, capital needs, future prospects and other factors deemed relevant by our Board of Directors.

Recent Sales of Unregistered Securities - In 2013, there were no sales of unregistered securities.

Performance Graph - This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares, for the five year period ended December 31, 2013, the cumulative total stockholder return for our common stock, the Standard and Poor's 500 Stock Index (the "S&P 500") and the Standard and Poor's 500 Industrials Index (the "S&P 500 Industrials"). Measurement points are the last trading day of each of our fiscal years ended December 31, 2008, 2009, 2010, 2011, 2012 and 2013. The graph assumes that $100 was invested on December 31, 2008 in our common stock, the S&P 500 and the S&P 500 Industrials and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
Roper Industries, Inc.	100.00	121.54	178.54	204.06	263.76	329.40
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
S&P 500 Industrials	100.00	120.93	153.26	152.35	175.73	247.22

The information set forth in Item 12 under the heading "Securities Authorized for Issuance under Equity Compensation Plans" is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

You should read the table below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes included in this Annual Report (amounts in thousands, except per share data).

	As of and for the Years ended December 31,				
	2013(1)	2012(2)	2011(3)	2010(4)	2009(5)
Operations data:					
Net sales	$3,238,128	$2,993,489	$2,797,089	$2,386,112	$2,049,668
Gross profit	1,882,928	1,671,717	1,515,564	1,275,126	1,043,138
Income from operations	842,361	757,587	660,539	514,294	395,396
Net earnings	538,293	483,360	427,247	322,580	239,481
Per share data:					
Basic earnings per share	$5.43	$4.95	$4.45	$3.42	$2.64
Diluted earnings per share	5.37	4.86	4.34	3.34	2.58
Dividends declared	0.6950	0.5775	0.4675	0.3950	0.3425
Balance sheet data:					
Working capital (6)	$730,246	$159,332	$561,277	$458,446	$392,734
Total assets	8,184,981	7,071,104	5,319,417	5,069,524	4,327,736
Long-term debt, less current portion	2,453,836	1,503,107	1,015,110	1,247,703	1,040,962
Stockholders' equity	4,213,050	3,687,726	3,195,096	2,750,907	2,421,490

(1) Includes results from the acquisitions of Managed Health Care Associates, Inc. from May 1, 2013 and Advanced Sensors, Ltd. from October 4, 2013.

(2) Includes results from the acquisition of Sunquest Information Systems, Inc. from August 22, 2012.

(3) Includes results from the acquisitions of NDI Holding Corp. from June 3, 2011, United Controls Group, Inc. from September 26, 2011 and Trinity Integrated Systems Ltd. from December 1, 2011.

(4) Includes results from the acquisitions of Heartscape, Inc. from February 22, 2010 and iTradeNetwork, Inc. from July 27, 2010.

(5) Includes results from the acquisitions of United Toll Systems, LLC from October 30, 2009 and Verathon, Inc. from December 3, 2009.

(6) At December 31, 2012, there were $500 million of senior notes outstanding that matured on August 15, 2013, thus requiring a classification as short-term debt, included in working capital.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with "Selected Financial Data" and our Consolidated Financial Statements and related notes included in this Annual Report.

Overview

We are a diversified growth company that designs, manufactures and distributes medical and scientific imaging products and software, radio frequency ("RF") products, services and application software, industrial technology products and energy systems and controls products and solutions. We market these products and services to 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 and cash flow by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses. Our acquisitions have represented both bolt-ons and new strategic platforms.

On May 1, 2013, we purchased the shares of Managed Health Care Associates, Inc. ("MHA"), a leading provider of services and technologies to support the diverse and complex needs of alternate site health care providers who deliver services outside of an acute care hospital setting. The acquisition of MHA complements and expands our medical software and services platform. On October 4, 2013, we acquired the shares of Advanced Sensors, Ltd. ("Advanced Sensors"), which manufactures oil-in-water analyzers for the oil and gas industries.

Application of Critical Accounting Policies

Our Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United States ("GAAP"). A discussion of our significant accounting policies can also be found in the notes to our Consolidated Financial Statements for the year ended December 31, 2013 included in this 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 has reviewed all financial disclosures in our annual 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, future warranty obligations, revenue recognition (percentage-of-completion), income taxes and goodwill and indefinite-lived asset analyses. These issues affect each of our business segments and are evaluated using a combination of historical experience, current conditions and relatively short-term forecasting.

Accounts receivable collectibility 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 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 credits histories are analyzed to determine likely future rates for such credits. At December 31, 2013, our allowance for doubtful accounts receivable was $11.4 million and our allowance for sales returns and sales credits was $3.6 million, for a total of $15.0 million, or 2.8% of total gross accounts receivable. This percentage is influenced by the risk profile of the underlying receivables, and the timing of write-offs of accounts deemed uncollectible. The total allowance at December 31, 2013 was $1.0 million lower than at December 31, 2012. The allowance will continue to fluctuate as a percentage of sales based on specific identification of allowances needed due to changes in our business, the write-off of uncollectible receivables, and the addition of reserve balances at acquired businesses.

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. At December 31, 2013, inventory reserves for excess and obsolete inventory were $43.5 million, or 17.5% of gross inventory cost, as compared to $42.0 million, or 18.0% of gross inventory cost, at December 31, 2012. The inventory reserve as a percent of gross inventory cost will continue to 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. Our expense for warranty obligations was less than 1% of net sales for each of the years ended December 31, 2013, 2012, and 2011.

Revenues related to the use of the percentage-of-completion method of accounting are dependent on total costs incurred compared with total estimated costs for a project. During the year ended December 31, 2013, we recognized revenue of $205.0 million using this method, primarily for major turn-key, longer term toll and traffic and energy projects and installations of large software application products. We recognized $145.5 million and $151.5 million of revenue using this method during the years ended December 31, 2012 and December 31, 2011, respectively. At December 31, 2013, $222.1 million of revenue related to unfinished percentage-of-completion contracts had yet to be recognized. 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. Accounting rules require 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. During 2013, our effective income tax rate was 28.6%, which was slightly lower than the 2012 rate of 29.6% due in part to the enactment of the American Taxpayer Relief Act of 2012 ("ATRA") on January 2, 2013 which retroactively reinstated and extended certain tax provisions to January 1, 2012. As a result, our income tax provision for the first quarter of 2013 included discrete tax benefits totaling $6 million. We expect the effective tax rate to increase in 2014 due to a continued increase in revenues and resulting pretax income in higher tax jurisdictions as well as the non-recurrence of the $6 million tax benefit taken in 2013.

We account for goodwill in a purchase business combination as the excess of the cost over the estimated fair value of net assets acquired. Goodwill, which is not amortized, is tested for impairment on an annual basis (or 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) using a two-step process. The first step utilizes both an income approach (discounted cash flows) and a market approach consisting of a comparable company earnings multiples methodology to estimate the fair value of a reporting unit. To determine the reasonableness of the estimated fair values, we review the assumptions to ensure that neither the income approach nor the market approach provides significantly different valuations. If the estimated fair value exceeds the carrying value, no further work is required and no impairment loss is recognized. If the carrying value exceeds the estimated fair value, the goodwill of the reporting unit is potentially impaired and then the second step would be completed to measure the impairment loss by calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets (including unrecognized intangible assets) of the reporting unit from the fair value of the reporting unit. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss would be recognized.

Key assumptions used in the income and market approaches are updated when the analysis is performed for each reporting unit. Various assumptions are utilized including forecasted operating results, strategic plans, economic projections, anticipated future cash flows, the weighted-average cost of capital, comparable transactions, market data and earnings multiples. While we use reasonable and timely information to prepare our cash flow and discount rate assumptions, actual future cash flows or market conditions could differ significantly and could result in future non-cash impairment charges related to recorded goodwill balances.

We have 28 reporting units with individual goodwill amounts ranging from zero to $988 million. We concluded that the fair value of each of our reporting units was in excess of its carrying value, with no impairment indicated as of December 31, 2013. However, the fair value of one of our reporting units in the RF Technology segment was less than 5% above its carrying value at December 31, 2013 using the discounted cash flow methodology. The decrease from the prior year's results was due to lower growth assumptions in the current year's testing. The weighted average cost of capital utilized in 2013 was consistent with the prior year's testing. We believe the market value of this unit to be significantly in excess of its carrying value based upon observed market data. Negative industry or economic trends, disruptions to our business, actual results significantly below projections, unexpected significant changes or planned changes in the use of the assets, divestitures and market capitalization declines may have a negative effect on the fair value of our reporting units.

Business combinations can also result in other intangible assets being recognized. Amortization of intangible assets, if applicable, occurs over their estimated useful lives. Trade names that are determined to have an indefinite useful economic life are not amortized, but separately tested for impairment during the fourth quarter of the fiscal year or on an interim basis if an event occurs that indicates the fair value is more likely than not below the carrying value. We conduct these reviews for all of our reporting units using the relief-from-royalty method, which we believe to be an acceptable methodology due to its common use by valuations specialists in determining the fair value of intangible assets. This methodology assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these assets. The fair value of each trade name is determined by applying a royalty rate to a projection of net sales discounted using a risk adjusted rate of capital. Each royalty rate is determined based on the profitability of the reporting unit to which it relates and observed market royalty rates. Sales growth rates are determined after considering current and future economic conditions, recent sales trends, discussions with customers, planned timing of new product launches or other variables. Reporting units resulting from recent acquisitions generally represent the highest risk of impairment, which typically decreases as the businesses are integrated into our enterprise and positioned for improved future sales growth.

The assessment of fair value for impairment purposes requires significant judgments to be made by management. Although our forecasts are based on assumptions that are considered reasonable by management and consistent with the plans and estimates management is using to operate the underlying businesses, there is significant judgment in determining the expected results attributable to the reporting units. Changes in estimates or the application of alternative assumptions could produce significantly different results. No impairment resulted from the annual reviews performed in 2013; however, the fair value of the trade names of one of our reporting units in the RF Technology segment could have fallen below the carrying value at December 31, 2013, had the assumed sales growth been less than that used in the assessment. We do not believe that impairment is probable; however, it is possible that the trade name could become impaired in the future, at which point we would be required to record a non-cash impairment charge to reduce the carrying level of the trade name at the reporting unit.

We evaluate whether there has been an impairment of identifiable intangible assets with definite useful economic lives, or of the remaining life of such assets, when certain indicators of impairment are present. In the event that facts and circumstances indicate that the cost or remaining period of amortization of any asset may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future gross, undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to fair value or a revision in the remaining amortization period is required.

Results of Operations

The following table sets forth selected information for the years indicated. Dollar amounts are in thousands and percentages are of net sales. Amounts may not foot due to rounding.

	Years ended December 31,		
	2013	2012	2011
Net sales			
Industrial Technology	$779,564	$ 795,240	$737,356
Energy Systems and Controls[1]	651,920	646,116	597,802
Medical and Scientific Imaging[2]	902,281	703,835	610,617
RF Technology	904,363	848,298	851,314
Total	$3,238,128	$ 2,993,489	$2,797,089
Gross profit:			
Industrial Technology	51.1 %	51.6 %	49.8 %
Energy Systems and Controls	57.4	56.3	55.5
Medical and Scientific Imaging	69.3	64.4	63.3
RF Technology	53.7	52.4	50.6
Total	58.1	55.8	54.2
Operating profit:			
Industrial Technology	28.6 %	30.8 %	28.2 %
Energy Systems and Controls	28.2	27.8	26.4
Medical and Scientific Imaging	29.7	26.6	24.3
RF Technology	28.0	26.3	23.8
Total	28.7	27.9	25.6
Corporate administrative expenses	(2.7)%	(2.6)%	(2.0)%
Income from continuing operations	26.0	25.3	23.6
Interest expense, net	(2.7)	(2.3)	(2.3)
Other income/(expense)	-	(0.1)	0.3
Income from continuing operations before taxes	23.3	22.9	21.6
Income taxes	(6.7)	(6.8)	(6.4)
Net earnings	16.6 %	16.1 %	15.3 %

(1) Includes results from the acquisition of United Controls Group, Inc. from September 26, 2011 and Advanced Sensors from October 4, 2013.

(2) Includes results from the acquisitions of NDI Holding Corp. from June 3, 2011, Sunquest Information Systems, Inc. from August 22, 2012 and MHA from May 1, 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net sales for the year ended December 31, 2013 were $3.24 billion as compared to sales of $2.99 billion for the year ended December 31, 2012, an increase of 8%. The increase was the result of contributions from acquisitions of 7% and organic sales growth of 1%.

Our Medical and Scientific Imaging segment reported a $198 million or 28% increase in net sales for the year ended December 31, 2013 over the year ended December 31, 2012. Acquisitions added $208 million in sales, while organic sales decreased 1% due to a $20 million decrease in camera sales which was offset in part by increased sales in our medical businesses of $15 million. Gross margin increased to 69.3% in the year ended December 31, 2013 from 64.4% in the year ended December 31, 2012, due primarily to additional sales from medical products which have a higher gross margin. Selling, general and administrative ("SG&A") expenses as a percentage of net sales increased to 39.5% in the year ended December 31, 2013 as compared to 37.8% in the year ended December 31, 2012 due to higher SG&A expense structures at our medical businesses as well as SG&A expenses at MHA in which the corresponding revenues were not recognizable under GAAP (See Note 2 of the notes to Consolidated Financial Statements included in this Annual Report). Operating margin was 29.7% in the year ended December 31, 2013 as compared to 26.6% in the year ended December 31, 2012.

In our RF Technology segment, net sales for the year ended December 31, 2013 increased by $56 million or 7% over the year ended December 31, 2012. The increase was due primarily to growth in our toll and traffic, university card systems and security solutions businesses. Gross margin was 53.7% in 2013 as compared to 52.4% in the prior year due to operating leverage on higher sales volume. SG&A expenses as a percentage of sales in the year ended December 31, 2013 were 25.6%, a decrease from 26.1% in the prior year due to operating leverage on higher sales volume. Operating profit margin was 28.0% in 2013 as compared to 26.3% in 2012.

Net sales for our Industrial Technology segment decreased by $16 million or 2% for the year ended December 31, 2013 over the year ended December 31, 2012. The decrease was due primarily to the loss of a customer at our water metering business and lower sales at our materials testing business. Gross margin was 51.1% for the year ended December 31, 2013 as compared to 51.6% in the year ended December 31, 2012 due to negative operating leverage on lower sales volume as well as the inclusion in 2012 of a one-time $5.5 million reduction to cost of goods sold at one of our businesses. SG&A expenses as a percentage of net sales were 22.5%, as compared to 20.8% in the prior year, due primarily to a $9.1 million pretax charge for warranty expense at one of our subsidiaries, Hansen Technologies, to provide its customers with replacements for refrigeration valves that included a vendor-supplied component that did not meet Roper quality standards. The resulting operating profit margin was 28.6% in the year ended December 31, 2013 as compared to 30.8% in the year ended December 31, 2012.

In our Energy Systems and Controls segment, net sales for the year ended December 31, 2013 increased by $6 million or 1% over the year ended December 31, 2012, due primarily to acquisitions. Organic sales were impacted by lower sales of non-destructive testing systems for nuclear plants and pressure sensors for industrial applications, offset by increased demand for control systems for oil and gas applications. Gross margin was 57.4% in the year ended December 31, 2013, compared to 56.3% in the year ended December 31, 2012, due to product mix. SG&A expenses as a percentage of net sales were 29.2% as compared to 28.4% in the prior year due to product mix. Operating profit margin was 28.2% in the year ended December 31, 2013 as compared to 27.8% in the year ended December 31, 2012.

Corporate expenses increased by $8.6 million to $86.1 million, or 2.7% of sales, in 2013 as compared to $77.5 million, or 2.6% of sales, in 2012. The increase was due to higher equity compensation (primarily as a result of higher stock prices), offset in part by a decrease in acquisition-related expenses.

Interest expense increased $20.5 million, or 30.4%, for the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase is due primarily to higher average debt balances offset in part by lower average interest rates throughout 2013.

Other expense of $0.2 million for the year ended December 31, 2013 was composed of foreign exchange losses at our non-U.S. based companies, offset in part by proceeds from a legal settlement. Other expense for the year ended December 31, 2012 was $2.3 million, primarily due to foreign exchange losses at our non-U.S. based companies.

During 2013, our effective income tax rate was 28.6% versus 29.6% in 2012. The reduction was due to $6 million in discrete tax benefits related to the enactment of the American Taxpayer Relief Act of 2012 ("ATRA"), as well as a $6 million benefit from the correction of an out of period adjustment of tax balances which were immaterial to any covered period, offset in part by increased revenues and resulting pretax income in higher tax jurisdictions, primarily the United States. We expect the effective tax rate to increase in 2014 due to a continued increase in revenues and resulting pretax income in higher tax jurisdictions as well as the non-recurrence of the $6 million tax benefit taken in 2013.

At December 31, 2013, the functional currencies of most of our European subsidiaries were stronger and our Canadian and United Kingdom subsidiaries were weaker against the U.S. dollar compared to currency exchange rates at December 31, 2012. The net result of these changes led to a pre-tax decrease in the foreign exchange component of comprehensive earnings of $17.9 million in the year ended December 31, 2013. Approximately $9.5 million of this amount related to goodwill and is not expected to directly affect our projected future cash flows. For the entire year of 2013, operating profit decreased by less than 1% due to fluctuations in non-U.S. currencies.

The following table summarizes our net order information for the years ended December 31, 2013 and 2012 (dollar amounts in thousands).

	2013	2012	change
Industrial Technology	$772,337	$783,362	(1.4)%
Energy Systems and Controls	673,569	634,051	6.2
Medical and Scientific Imaging	958,830	703,034	36.4
RF Technology	943,757	871,225	8.3
Total	$3,348,493	$2,991,672	11.9 %

The increase in orders was due to internal growth of 4%, as well as orders from acquisitions which added 8%. Our Energy Systems and Controls and RF Technology segments experienced strong internal growth throughout 2013. Our Medical and Scientific Imaging segment experienced internal growth of 3%, as well as orders from recent acquisitions.

The following table summarizes order backlog information at December 31, 2013 and 2012 (dollar amounts in thousands). We include in backlog only orders that are expected to be recognized as revenue within twelve months.

	2013	2012	change
Industrial Technology	$121,943	$131,621	(7.4)%
Energy Systems and Controls	131,799	109,885	19.9
Medical and Scientific Imaging	290,435	234,526	23.8
RF Technology	510,553	471,185	8.4
Total	$1,054,730	$947,217	11.4 %

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net sales for the year ended December 31, 2012 were $2.99 billion as compared to sales of $2.80 billion for the year ended December 31, 2011, an increase of 7%. The increase was the result of organic sales growth of 4%, contributions from acquisitions of 4% and an unfavorable effect from foreign exchange of 1%.

Our Medical and Scientific Imaging segment reported a $93 million or 15% increase in net sales for the year ended December 31, 2012 over the year ended December 31, 2011. Acquisitions added $94 million in sales, while organic sales increased 1% due to increased sales in our medical and electron microscopy businesses, offset by declines in sales of scientific imaging products. The impact from foreign exchange was a negative 1%. Gross margin increased to 64.4% in the year ended December 31, 2012 from 63.3% in the year ended December 31, 2011, due primarily to additional sales from medical products which have a higher gross margin. Selling, general and administrative expenses ("SG&A") as a percentage of net sales decreased to 37.8% in the year ended December 31, 2012 as compared to 39.0% in the year ended December 31, 2011 due to investments in new products in the medical businesses in 2011 that did not recur in 2012. Operating margin was 26.6% in the year ended December 31, 2012 as compared to 24.3% in the year ended December 31, 2011.

In our Energy Systems and Controls segment, net sales for the year ended December 31, 2012 increased by $48 million or 8% over the year ended December 31, 2011. Organic sales increased 7% while acquisitions added $19 million, or 3%. The increase in organic sales was primarily due to increased demand in industrial process and nuclear plant inspection end markets. The impact from foreign exchange was a negative 2%. Gross margin was 56.3% in the year ended December 31, 2012, compared to 55.5% in the year ended December 31, 2011, due to operating leverage from higher sales volume. SG&A expenses as a percentage of net sales were 28.4% as compared to 29.1% in the prior year due to operating leverage from higher sales volume. Operating margin was 27.8% in the year ended December 31, 2012 as compared to 26.4% in the year ended December 31, 2011.

Net sales for our Industrial Technology segment increased by $58 million or 8% for the year ended December 31, 2012 over the year ended December 31, 2011. The increase was due to broad-based growth in nearly all businesses in the segment, with particular strength in our materials testing business and fluid handling businesses, offset in part by a negative 2% impact from foreign exchange. Gross margin was 51.6% for the year ended December 31, 2012 as compared to 49.8% in the year ended December 31, 2011 due to operating leverage on higher sales volume as well as a $5.5 million one-time reduction to cost of goods sold at one of our businesses. This reduction is due to the cumulative effect of an accounting system error which caused the cost of goods sold to be overstated for several years by quarterly and annually immaterial amounts. SG&A expenses as a percentage of net sales were 20.8%, as compared to 21.5% in the prior year, due primarily to operating leverage on higher sales volume. The resulting operating profit margin was 30.8% in the year ended December 31, 2012 as compared to 28.2% in the year ended December 31, 2011.

In our RF Technology segment, net sales for the year ended December 31, 2012 decreased by $3 million over the year ended December 31, 2011. Organic sales were flat as growth in toll and traffic systems was offset by a large installation project in gas network monitoring during 2011 that has since been completed. Gross margin was 52.4% in 2012 as compared to 50.6% in the prior year due to product mix. SG&A expenses as a percentage of sales in the year ended December 31, 2012 were 26.1%, a decrease from 26.8% in the prior year due to lower spending, particularly in selling expense related to toll projects. Operating profit margin was 26.3% in 2012 as compared to 23.8% in 2011.

Corporate expenses increased by $20.6 million to $77.5 million, or 2.6% of sales, in 2012 as compared to $56.9 million, or 2.0% of sales, in 2011. The increase was due to $6.5 million of acquisition expense related to the Sunquest acquisition, higher equity compensation (as a result of higher stock prices) and other compensation related costs.

Interest expense increased $3.9 million, or 6.1%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase is due primarily to higher average debt balances offset in part by lower average interest rates throughout 2012.

Other expense for the year ended December 31, 2012 was $2.3 million, primarily due to foreign exchange losses at our non-U.S. based companies. Other income for the year ended December 31, 2011 was $8.1 million, which was primarily due to a currency remeasurement gain on an intercompany note.

During 2012, our effective income tax rate was 29.6% versus 29.4% in 2011. This increase was due to a decrease in R&D credits.

At December 31, 2012, the functional currencies of our Canadian and most of our European subsidiaries were stronger against the U.S. dollar compared to currency exchange rates at December 31, 2011. The net result of these changes led to a pre-tax increase in the foreign exchange component of comprehensive earnings of $24.5 million in the year ended December 31, 2012. Approximately $12.7 million of this amount related to goodwill and is not expected to directly affect our projected future cash flows. For the entire year of 2012, operating profit decreased by 1.3% due to fluctuations in non-U.S. currencies.

The following table summarizes our net order information for the years ended December 31, 2012 and 2011 (dollar amounts in thousands).

	2012	2011	change
Industrial Technology	$783,362	$767,020	2.1 %
Energy Systems and Controls	634,051	608,538	4.2
Medical and Scientific Imaging	703,034	612,787	14.7
RF Technology	871,225	834,903	4.4
Total	$2,991,672	$2,823,248	6.0 %

The increase in orders was due to internal growth of 2%, as well as orders from acquisitions which added $124 million. Our Industrial Technology, Energy Systems and Controls and RF Technology segments experienced strong internal growth throughout 2012. Our Medical and Scientific Imaging segment experienced negative internal growth, offset by bookings from recent acquisitions.

The following table summarizes order backlog information at December 31, 2012 and 2011 (dollar amounts in thousands). We include in backlog only orders that are expected to be recognized as revenue within twelve months.

	2012	2011	change
Industrial Technology	$131,621	$141,836	(7.2)%
Energy Systems and Controls	109,885	120,497	(8.8)
Medical and Scientific Imaging	234,526	118,609	97.7
RF Technology	471,185	447,355	5.3
Total	$947,217	$828,297	14.4 %

Financial Condition, Liquidity and Capital Resources

Selected cash flows for the years ended December 31, 2013, 2012, and 2011 are as follows (in millions):

	2013	2012	2011
Cash provided by/(used in):			
Operating activities	$802.6	$677.9	$601.6
Investing activities	(1,115.9)	(1,505.6)	(275.7)
Financing activities	403.6	853.9	(256.7)

Operating activities - The increase in cash provided by operating activities in 2013 was primarily due to increased earnings net of intangible amortization related to acquisitions and improved receivables collection.

Investing activities - Cash used in investing activities during 2013, 2012, and 2011 was primarily for business acquisitions.

Financing activities - Cash used in financing activities in all periods presented was primarily debt repayments as well as dividends paid to stockholders. Cash provided by financing activities during all periods presented was primarily debt borrowings for acquisitions partially offset by debt payments made using cash from operations.

Net working capital (current assets, excluding cash, less total current liabilities, excluding debt) was $282 million at December 31, 2013 compared to $308 million at December 31, 2012. We acquired net working capital of $12 million through business acquisitions during 2013.

Total debt was $2.5 billion at December 31, 2013 (36.9% of total capital) compared to $2.0 billion at December 31, 2012 (35.4% of total capital). Our increased debt at December 31, 2013 compared to December 31, 2012 was due to debt borrowings for acquisitions, partially offset by debt payments made using cash from operations.

At December 31, 2013, we had $250 million of outstanding borrowings under our $1.5 billion revolving credit facility, $400 million of senior notes due 2017, $800 million of senior notes due 2018, $500 million of senior notes due 2019, $500 million of senior notes due 2022 and $8 million of senior subordinated convertible notes due 2034. In addition, we had $6.5 million of other debt in the form of capital leases and several smaller facilities that allow for borrowings or the issuance of letters of credit in foreign locations to support our non-U.S. businesses. We had $41.0 million of outstanding letters of credit at December 31, 2013, of which $36.0 million was covered by our lending group, thereby reducing our remaining revolving credit capacity commensurately.

On June 6, 2013, we completed a public offering of $800 million aggregate principal amount of 2.050% senior unsecured notes due October 1, 2018. The notes were issued at 99.791% of their principal amount. The terms of the notes are described below under the heading "Description of Certain Indebtedness-Senior Notes due 2018." The net proceeds were used to pay a portion of the outstanding revolver balance under our revolving credit facility.

On August 15, 2013, our $500 million of senior notes due 2013 matured, and were repaid using borrowings from our revolving credit facility.

Cash and short-term investments at our foreign subsidiaries at December 31, 2013 totaled $386 million. Repatriation of these funds under current regulatory and tax law for use in domestic operations would expose us to additional taxes. We consider this cash to be permanently reinvested. We expect existing cash and cash equivalents, cash generated by our U.S. operations, our unsecured credit facility, as well as our expected ability to access the capital markets, will be sufficient to fund operating requirements in the U.S. for the foreseeable future.

We were in compliance with all debt covenants related to our credit facilities throughout the year ended December 31, 2013.

Capital expenditures of $42.5 million, $38.4 million and $40.7 million were incurred during 2013, 2012, and 2011, respectively. In the future, we expect capital expenditures as a percentage of sales to be between 1.0% and 1.5% of annual net sales.

Description of Certain Indebtedness

Senior Unsecured Credit Facility - On July 27, 2012, we entered into a new unsecured credit facility (the "2012 Facility"), composed of a five-year $1.5 billion revolving credit facility, with JPMorgan Chase Bank, N.A., as administrative agent, and a syndicate of lenders. We may also, subject to compliance with specified conditions, request term loans or additional revolving credit commitments in an aggregate amount not to exceed $350 million. The 2012 Facility replaced our previous unsecured credit facility dated as of July 7, 2008 (the "2008 Facility"). Due to the early termination of the 2008 Facility, we recorded a $1.0 million non-cash debt extinguishment charge, reported as other expense, in the third quarter of 2012 reflecting the unamortized fees associated with the 2008 Facility. At December 31, 2013, there were $250 million of outstanding borrowings under the 2012 Facility.

The 2012 Facility contains various affirmative and negative covenants which, among other things, limit our ability to incur new debt, prepay subordinated debt, make certain investments and acquisitions, sell assets and grant liens, make restricted payments (including the payment of dividends on our common stock) and capital expenditures, or change our line of business. We also are subject to financial covenants which require us to limit our consolidated total leverage ratio and to maintain a consolidated interest coverage ratio. The most restrictive covenant is the consolidated total leverage ratio which is limited to 3.5.

Senior Notes – Our senior notes are unsecured senior obligations of the Company and rank senior in right of payment with all of our existing and future subordinated indebtedness and rank equally in right of payment with all of our existing and future unsecured senior indebtedness. The notes are effectively subordinated to any of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness. The notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

Senior Notes due 2018 – On June 6, 2013, we completed a public offering of $800 million aggregate principal amount of 2.050% senior unsecured notes due October 1, 2018. The notes were issued at 99.791% of their principal amount. Net proceeds of $793.5 million were used to pay off a portion of the outstanding revolver balance under the 2012 Facility.

The notes bear interest at a fixed rate of 2.050% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning October 1, 2013.

We may redeem some of all of these notes at any time or from time to time, at 100% of their principal amount, plus a make-whole premium based on a spread to U.S. Treasury securities.

Senior Notes due 2017 - In November 2012, we completed a public offering of $400 million aggregate principal amount of 1.850% senior unsecured notes due November 2017. Net proceeds of $397.2 million were used to pay off a portion of the outstanding revolver balance under the 2012 Facility.

The notes bear interest at a fixed rate of 1.850% per year, payable semi-annually in arrears on May 15 and November 15 of each year, beginning May 15, 2013.

We may redeem some of all of these notes at any time or from time to time, at 100% of their principal amount, plus a make-whole premium based on a spread to U.S. Treasury securities.

Senior Notes due 2022 - In November 2012, we completed a public offering of $500 million aggregate principal amount of 3.125% senior unsecured notes due November 2022. Net proceeds of $496.4 million were used to pay off a portion of the outstanding revolver balance under the 2012 Facility.

The notes bear interest at a fixed rate of 3.125% per year, payable semi-annually in arrears on May 15 and November 15 of each year, beginning May 15, 2013.

We may redeem some of all of these notes at any time or from time to time, at 100% of their principal amount, plus a make-whole premium based on a spread to U.S. Treasury securities.

Senior Notes due 2019 - In September 2009, we completed a public offering of $500 million aggregate principal amount of 6.25% senior unsecured notes due September 2019. Net proceeds of $496 million were used to pay off our $350 million term loan originally due July 2010 and the outstanding revolver balance under the 2008 Facility.

The notes bear interest at a fixed rate of 6.25% per year, payable semi-annually in arrears on March 1 and September 1 of each year, beginning March 1, 2010.

We may redeem some of all of these notes at any time or from time to time, at 100% of their principal amount, plus a make-whole premium based on a spread to U.S. Treasury securities.

Senior Notes due 2013 - On August 15, 2013, our $500 million of senior notes due 2013 matured, and were repaid using revolver borrowings from the 2012 Facility.

On August 15, 2013 an aggregate notional amount of $500 million in interest rate swaps we had entered into during 2009 expired. The swaps had been designated as fair value hedges which had effectively changed our $500 million senior notes due 2013 to a variable-rate obligation at a weighted average spread of 4.377% plus the 3 month London Interbank Offered Rate ("LIBOR").

Senior Subordinated Convertible Notes - In December 2003, we issued $230 million of senior subordinated convertible notes at an original issue discount of 60.498%, resulting in an effective yield of 3.75% per year to maturity. Interest on the notes was payable semi-annually, beginning July 15, 2004, until January 15, 2009, after which cash interest is not paid on the notes prior to maturity unless contingent cash interest becomes payable. As of January 15, 2009, interest is recognized at the effective rate of 3.75% and represents accrual of original issue discount, excluding any contingent cash interest that may become payable. We will pay contingent cash interest to the holders of the notes during any six month period commencing after January 15, 2009 if the average trading price of a note for a five trading day measurement period preceding the applicable six month period equals 120% or more of the sum of the issue price, accrued original issue discount and accrued cash interest, if any, for such note. The contingent cash interest payable per note in respect of any six month period will equal the annual rate of 0.25%. In accordance with this criterion, contingent interest has been paid for each six month period since January 15, 2009.

The notes are unsecured senior subordinated obligations, rank junior to our existing and future senior secured indebtedness and rank equally with our existing and future senior subordinated indebtedness.

As originally issued, each $1,000 principal amount of the notes will be convertible at the option of the holder into 12.422 shares of our common stock (giving effect to the 2-for-1 stock split effective August 26, 2005 and subject to further adjustment), if (i) the sale price of our common stock reaches, or the trading price of the notes falls below, specified thresholds, (ii) if the notes are called for redemption or (iii) if specified corporate transactions have occurred. Upon conversion, we would have the right to deliver, in lieu of common stock, cash or a combination of cash and common stock. On November 19, 2004, we began a consent solicitation to amend the notes such that we would pay the same conversion value upon conversion of the notes, but would change how the conversion value is paid. In lieu of receiving exclusively shares of common stock or cash upon conversion, noteholders would receive cash up to the value of the accreted principal amount of the notes converted and, at our option, any remainder of the conversion value would be paid in cash or shares of common stock. The consent solicitation was successfully completed on December 6, 2004 and the amended conversion provisions were adopted.

As of September 30, 2005, the senior subordinated convertible notes were reclassified from long-term to short-term debt as the notes became convertible on October 1, 2005 based upon our common stock trading above the trigger price for at least 20 trading days during the 30 consecutive trading-day period ending on September 30, 2005.

Holders may require us to purchase all or a portion of their notes on January 15, 2014, January 15, 2019, January 15, 2024, and January 15, 2029, at stated prices plus accrued cash interest, if any, including contingent cash interest, if any. We may only pay the purchase price of such notes in cash and not in common stock.

We may redeem for cash all or a portion of the notes at any time at redemption prices equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, including contingent cash interest, if any, on such notes to the applicable redemption date.

We include in our diluted weighted-average common share calculation an increase in shares based upon the difference between our average closing stock price for the period and the conversion price of $31.80, plus accretion. This is calculated using the treasury stock method.

Contractual Cash Obligations and Other Commercial Commitments and Contingencies

The following tables quantify our contractual cash obligations and commercial commitments at December 31, 2013 (in thousands).

Contractual Cash Obligations[1]	Total	Payments Due in Fiscal Year 2014	2015	2016	2017	2018	Thereafter
Long-term debt	$2,458,321	$8,321	$-	$-	$650,000	$800,000	$1,000,000
Senior note interest	417,547	70,675	70,675	70,675	69,750	54,392	81,380
Capital leases	6,531	2,695	2,262	1,234	335	5	-
Operating leases	124,910	38,978	32,092	25,008	16,452	7,520	4,860
Total	$3,007,309	$120,669	$105,029	$96,917	$736,537	$861,917	$1,086,240

Other Commercial Commitments	Total Amount Committed	Amounts Expiring in Fiscal Year 2014	2015	2016	2017	2018	Thereafter
Standby letters of credit and bank guarantees	$ 40,980	$30,279	$5,813	$932	$419	$114	$ 3,423

1. We have excluded $26.9 million related to the liability for uncertain tax positions from the tables as the current portion is not material, and we are not able to reasonably estimate the timing of the long-term portion of the liability. See Note 7 of the notes to Consolidated Financial Statements.

At December 31, 2013, we had outstanding surety bonds of $410 million.

At December 31, 2013 and 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.

We believe that internally generated cash flows and the remaining availability under our credit facilities will be adequate to finance normal operating requirements and future acquisition activities. Although we maintain an active acquisition program, any 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 activities, financial condition and results of operations. We may also explore alternatives to attract additional capital resources.

We anticipate that our businesses will generate positive cash flows from operating activities, and that these cash flows will permit the reduction of currently outstanding debt in accordance with the repayment schedule. However, the rate at which we can reduce our debt during 2014 (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. None of these factors can be predicted with certainty.

Recently Issued Accounting Standards

See Note 1 of our notes to Consolidated Financial Statements for information regarding the effect of new accounting pronouncements on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risks on our outstanding revolving credit 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.

At December 31, 2013, we had a combination of fixed and floating rate borrowings. Our credit facility contains a $1.5 billion variable-rate revolver with outstanding borrowings of $250 million at December 31, 2013. Our $400 million senior notes due 2017, $800 million senior notes due 2018, $500 million senior notes due 2019 and $500 million senior notes due 2022 have fixed interest rates of 1.850%, 2.050%, 3.125% and 6.250%, respectively, and our $8 million senior unsecured convertible notes have a fixed interest rate of 3.75%. At December 31, 2013, the prevailing market rates for our long-term notes were between 1.5% higher and 1.6% lower than the fixed rates on our debt instruments.

At December 31, 2013, our outstanding variable-rate borrowings were $250 million of outstanding revolver borrowings; an increase in interest rates of 1% would increase our annualized interest costs by $2.5 million.

Several of our businesses 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 24% of our total sales in 2013 and 61% of these sales were by companies with a European functional currency. The U.S. dollar was stronger against most of our non-U.S. subsidiary currencies throughout most of 2013 as compared to 2012, which resulted in a decrease in sales of less than 1.0% due to foreign currency exchange. If these currency exchange rates had been 10% different throughout 2013 compared to currency exchange rates actually experienced, the impact on our net earnings would have been approximately 2.1%.

The changes in these currency exchange rates relative to the U.S. dollar at December 31, 2013 compared to currency exchange rates at December 31, 2012 resulted in a pre-tax decrease in net assets of $17.9 million that was reported as a component of comprehensive earnings, $9.5 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 award grants and the effects these grants have on our results of operations. 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 senior subordinated convertible notes to determine diluted earnings per share. The stock price also affects our employees' perceptions of 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Certified Public Accountants

To the Stockholders of Roper Industries, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of stockholders' equity and comprehensive earnings and of cash flows, present fairly, in all material respects, the financial position of Roper Industries, Inc. and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework 1992 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded acquisitions completed during 2013 from its assessment of internal control over financial reporting as of December 31, 2013 because they were acquired by the Company in purchase business combinations during 2013. We have also excluded acquisitions completed during 2013 from our audit of internal control over financial reporting. These acquisitions are wholly-owned subsidiaries whose total assets and total revenues represent 1.3%, and 2.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2013.

/s/ PricewaterhouseCoopers LLP
Tampa, Florida
February 21, 2014

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012
(in thousands, except per share data)

	2013	2012
Assets		
Cash and cash equivalents	$ 459,720	$370,590
Accounts receivable, net	519,075	526,408
Inventories, net	204,923	190,867
Deferred taxes	64,464	41,992
Unbilled receivables	86,945	72,193
Other current assets	38,210	43,492
Total current assets	1,373,337	1,245,542
Property, plant and equipment, net	117,310	110,397
Goodwill	4,549,998	3,868,857
Other intangible assets, net	2,039,136	1,698,867
Deferred taxes	28,773	78,644
Other assets	76,427	68,797
Total assets	$8,184,981	$7,071,104
Liabilities and Stockholders' Equity		
Accounts payable	$ 150,313	$138,340
Accrued compensation	107,953	110,724
Deferred revenue	209,332	185,912
Other accrued liabilities	153,712	128,351
Income taxes payable	4,275	-
Deferred taxes	6,490	3,868
Current portion of long-term debt, net	11,016	519,015
Total current liabilities	643,091	1,086,210
Long-term debt, net of current portion	2,453,836	1,503,107