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 UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549  
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FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
 OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1999, or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
 OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10235

INDEX CORPORATION  
 (Exact name of registrant as specified in its charter)

DELAWARE  
 (State or other jurisdiction of  
 Incorporation or organization)

36-3555336  
 (I.R.S. Employer  
 Identification No.)

630 DUNDEE ROAD, NORTHBROOK, ILLINOIS  
 (Address of principal executive offices)

60062  
 (Zip Code)

Registrant's telephone number: (847) 498-7070

Indicate by check mark whether the registrant (1) has filed all reports  
 required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
 1934 during the preceding 12 months (or for such shorter period that the  
 registrant was required to file such reports), and (2) has been subject to such  
 filing requirements for the past 90 days.

Yes  No

Number of shares of common stock of IDEX Corporation ("IDEX" or the  
 "Company") outstanding as of April 30, 1999: 29,464,110.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## IDEX CORPORATION AND SUBSIDIARIES

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

	MARCH 31, 1999	DECEMBER 31, 1998
	----- (UNAUDITED)	-----
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 3,865	\$ 2,721
Receivables -- net.....	91,461	86,006
Inventories.....	97,484	101,201
Other current assets.....	7,318	5,972
	-----	-----
Total current assets.....	200,128	195,900
Property, plant and equipment -- net.....	122,468	125,422
Intangible assets -- net.....	354,251	360,810
Other noncurrent assets.....	13,490	13,679
	-----	-----
Total assets.....	\$690,337	\$695,811
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable.....	\$ 38,270	\$ 39,521
Dividends payable.....	4,125	4,125
Accrued expenses.....	37,172	36,619
	-----	-----
Total current liabilities.....	79,567	80,265
Long-term debt.....	269,908	283,410
Other noncurrent liabilities.....	46,482	46,099
	-----	-----
Total liabilities.....	395,957	409,774
	-----	-----
Shareholders' equity		
Common stock, par value \$.01 per share		
Shares authorized: 1999 and 1998 -- 75,000,000		
Shares issued and outstanding: 1999 -- 29,463,390;		
1998 -- 29,466,416.....		
	295	295
Additional paid-in capital.....	96,110	96,064
Retained earnings.....	203,260	195,465
Minimum pension liability adjustment.....	(1,489)	(1,489)
Accumulated translation adjustment.....	(3,698)	(4,298)
Treasury stock.....	(98)	-----
	-----	-----
Total shareholders' equity.....	294,380	286,037
	-----	-----
Total liabilities and shareholders' equity.....	\$690,337	\$695,811
	=====	=====

See Notes to Consolidated Financial Statements.

## IDEX CORPORATION AND SUBSIDIARIES

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

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1999	1998
	(UNAUDITED)	
Net sales.....	\$156,488	\$159,084
Cost of sales.....	95,168	94,687
Gross profit.....	61,320	64,397
Selling, general and administrative expenses.....	34,981	33,425
Goodwill amortization.....	2,714	2,580
Operating income.....	23,625	28,392
Other income -- net.....	120	82
Income before interest expense and income taxes.....	23,745	28,474
Interest expense.....	4,518	6,073
Income before income taxes.....	19,227	22,401
Provision for income taxes.....	7,306	8,512
Income from continuing operations before extraordinary item.....	11,921	13,889
Income from discontinued operations, net of taxes.....		818
Extraordinary loss from early extinguishment of debt, net of taxes.....		(2,514)
Net income.....	\$ 11,921	\$ 12,193
Earnings Per Common Share -- Basic:		
Continuing operations.....	\$ .40	\$ .47
Discontinued operations.....		.04
Extraordinary loss from early extinguishment of debt.....		(.09)
Net income.....	\$ .40	\$ .42
Earnings Per Common Share -- Diluted:		
Continuing operations.....	\$ .40	\$ .46
Discontinued operations.....		.02
Extraordinary loss from early extinguishment of debt.....		(.08)
Net income.....	\$ .40	\$ .40
Share Data:		
Weighted average common shares outstanding.....	29,464	29,267
Weighted average common shares outstanding assuming full dilution.....	29,880	30,207

See Notes to Consolidated Financial Statements.

## IDEX CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY  
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

	COMMON STOCK & ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	MINIMUM PENSION LIABILITY ADJUSTMENT	ACCUMULATED TRANSLATION ADJUSTMENT	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1998.....	\$96,359	\$195,465	\$ (1,489)	\$ (4,298)	\$ --	\$286,037
Net income.....		11,921				11,921
Unrealized translation adjustment.....				600		600
Comprehensive income.....						12,521
Issuance of 1,474 shares of common stock from exercise of stock options.....	46					46
Purchase of common stock.....					(98)	(98)
Cash dividends declared on common stock (\$.14 per share).....		(4,126)				(4,126)
Balance, March 31, 1999 (unaudited).....	\$96,405	\$203,260	\$ (1,489)	\$ (3,698)	\$ (98)	\$294,380
	=====	=====	=====	=====	=====	=====

See Notes to Consolidated Financial Statements.

IDEX CORPORATION AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED CASH FLOWS  
(IN THOUSANDS)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1999	1998
	(UNAUDITED)	
Cash flows from operating activities:		
Income from continuing operations.....	\$ 11,921	\$ 13,889
Adjustments to reconcile to net cash provided by continuing operations:		
Depreciation and amortization.....	5,352	5,013
Amortization of intangibles.....	3,063	2,950
Amortization of debt issuance expenses.....	139	162
Deferred income taxes.....	(141)	(85)
Increase in receivables.....	(5,455)	(3,423)
Decrease (increase) in inventories.....	3,717	(1,190)
(Decrease) increase in trade accounts payable.....	(1,251)	230
Increase (decrease) in accrued expenses.....	553	(7,544)
Other transactions -- net.....	(1,016)	717
Net cash provided by continuing operations.....	16,882	10,719
Net cash provided by discontinued operations.....		475
Net cash flows from operating activities.....	16,882	11,194
Cash flows from investing activities:		
Additions to property, plant and equipment.....	(4,104)	(7,096)
Acquisition of business (net of cash acquired).....		(118,088)
Net cash flows from investing activities.....	(4,104)	(125,184)
Cash flows from financing activities:		
Net repayments under the credit agreements.....	(4,758)	(75,088)
Borrowing under credit agreements for acquisition.....		118,088
Proceeds from issuance of 6.875% Senior Notes.....		150,000
Repayment of 9.75% Senior Subordinated Notes.....		(75,000)
Financing payments.....		(4,375)
Decrease in accrued interest.....	(2,689)	(1,097)
Dividends paid.....	(4,126)	(3,949)
Proceeds from stock option exercises.....	37	397
Purchase of common stock.....	(98)	
Net cash flows from financing activities.....	(11,634)	108,976
Net increase (decrease) in cash.....	1,144	(5,014)
Cash and cash equivalents at beginning of year.....	2,721	11,771
Cash and cash equivalents at end of period.....	\$ 3,865	\$ 6,757

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for:		
Interest.....	\$ 7,136	\$ 7,079
Income taxes.....	2,793	7,018

See Notes to Consolidated Financial Statements.

## IDEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. BUSINESS

IDEX Corporation ("IDEX" or the "Company") is a manufacturer of a broad range of proprietary pump products, dispensing equipment and other engineered products sold to a diverse customer base in a variety of industries in the U.S. and internationally. The Company believes that each of its principal business units holds the number-one or number-two market share position in that unit's niche market. IDEX believes that its consistent financial performance has been attributable to the manufacture of quality proprietary products designed and engineered by the Company and sold to a wide range of customers, coupled with its ability to identify and successfully integrate strategic acquisitions. IDEX consists of three reportable business segments: Pump Products, Dispensing Equipment and Other Engineered Products.

The Pump Products Group manufactures engineered industrial pumps and related controls. The Group's complementary lines of specialized positive displacement pumps and related products include rotary gear, vane and lobe pumps, vacuum pumps, air-operated diaphragm pumps, miniature magnetically and electromagnetically driven pumps, and diaphragm and peristaltic metering pumps. These products are used for a wide range of process applications, including moving chemicals, paints, inks, foods, lubricants and fuels, as well as in medical applications, water treatment and industrial production operations.

The Dispensing Equipment Group manufactures highly engineered equipment for dispensing, metering and mixing tints, colorants, paints, inks and dyes, and centralized lubrication systems. This equipment is used in a wide array of industries around the world, such as paints and coatings, machinery and transportation equipment.

The Other Engineered Products Group manufactures proprietary equipment, including engineered banding and clamping devices, fire fighting pumps and rescue tools. These products are used in a broad range of industrial and commercial markets, including fire and rescue, transportation equipment, oil and gas, electronics, communications, traffic and commercial signs.

Information about to the operations of IDEX in different business segments follows based on the nature of products and services offered. The Company's basis of segmentation and basis of segment profit measurement during the quarter ended March 31, 1999, are the same as those set forth under "Business Segments and Geographic Information" on pages 30 and 31 of the 1998 Annual Report. Intersegment sales are accounted for at fair value as if the sales were to third parties.

## IDEX CORPORATION AND SUBSIDIARIES

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

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1999	1998
	(IN THOUSANDS - UNAUDITED)	
Net sales		
Pump Products		
From external customers.....	\$ 93,661	\$ 93,738
Intersegment sales.....	647	733
Total group sales.....	94,308	94,471
Dispensing Equipment		
From external customers.....	26,259	29,954
Intersegment sales.....		19
Total group sales.....	26,259	29,973
Other Engineered Products		
From external customers.....	36,568	35,392
Intersegment sales.....	1	
Total group sales.....	36,569	35,392
Intersegment elimination.....	(648)	(752)
Total net sales.....	\$156,488	\$159,084
Operating income		
Pump Products.....	\$ 17,253	\$ 20,625
Dispensing Equipment.....	3,676	5,333
Other Engineered Products.....	6,315	5,770
Corporate Office and Other.....	(3,619)	(3,336)
Total operating income.....	\$ 23,625	\$ 28,392

## 2. ACQUISITION

On January 21, 1998, IDEX completed the acquisition of Gast Manufacturing Corporation (Gast) for a cash purchase price of \$118 million, with financing provided by borrowings under the Company's U.S. bank credit facilities. Gast, headquartered in Benton Harbor, Michigan, is one of the world's leading manufacturers of its type of air-moving equipment.

The acquisition, which was an addition to the Pump Products Group, was accounted for as a purchase, and operating results include the acquisition from the date of purchase. The excess of the acquisition purchase price over the fair market value of net assets acquired is being amortized on a straight-line basis over a period not exceeding 40 years. The unaudited pro forma consolidated results of operations for the three months ended March 31, 1998, reflecting the allocation of the purchase price and the related financing of the transaction are as follows, assuming that the acquisition had occurred at the beginning of the period (in thousands except per share amounts):

## IDEX CORPORATION AND SUBSIDIARIES

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

	1998
	-----
	(UNAUDITED)
Net sales.....	\$165,278
Income from continuing operations before extraordinary item.....	13,787
Net income.....	12,091
Basic EPS	
Continuing operations.....	.47
Net income.....	.41
Diluted EPS	
Continuing operations.....	.46
Net income.....	.40

## 3. DISCONTINUED OPERATIONS

In December 1997 IDEX announced its intention to divest its Strippit and Vibratech businesses. The Company completed the sale of Vibratech on June 9, 1998, for \$23.0 million in cash, and the sale of Strippit on August 25, 1998, for \$19.5 million in cash and notes. Revenues from discontinued operations for the first quarter of 1998 amounted to \$19.9 million. Interest expense of \$0.1 million for the first quarter of 1998 was allocated to these operations based on their acquisition debt, less repayments generated from operating cash flows that could be specifically attributed to these operations.

## 4. EXTRAORDINARY ITEM

During the first quarter of 1998, the Company retired, at a premium, its 9 3/4% \$75 million Senior Subordinated Notes due in 2002. The transaction resulted in an extraordinary loss of \$2.5 million, net of an income tax benefit of \$1.5 million.

## 5. EARNINGS PER COMMON SHARE

Earnings per common share (EPS) are computed by dividing net income by the weighted average number of shares of common stock (basic) plus common stock equivalents outstanding (diluted) during the year. Common stock equivalents consist of stock options and have been included in the calculation of weighted average shares outstanding using the treasury stock method. Basic weighted average shares reconciles to fully diluted weighted average shares as follows (in thousands):

	FOR THE THREE MONTHS ENDED MARCH 31,	
	-----	-----
	1999	1998
	-----	-----
	(UNAUDITED)	
Basic weighted average common shares outstanding.....	29,464	29,267
Dilutive effect of stock options.....	416	940
	-----	-----
Weighted average common shares outstanding assuming full dilution.....	29,880	30,207
	=====	=====



## IDEX CORPORATION AND SUBSIDIARIES

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

## 6. INVENTORIES

The components of inventories as of March 31, 1999, and December 31, 1998, were (in thousands):

	MARCH 31, 1999	DECEMBER 31, 1998
	----- (UNAUDITED)	-----
Raw materials and supplies.....	\$25,504	\$ 27,361
Work in process.....	14,565	13,904
Finished goods.....	57,415	59,936
	-----	-----
Total.....	\$97,484	\$101,201
	=====	=====

Those inventories which were carried on a LIFO basis amounted to \$77,949 and \$81,317 at March 31, 1999, and December 31, 1998, respectively. The excess of current cost over LIFO inventory value and the impact of using the LIFO method on earnings are not material.

## 7. COMMON AND PREFERRED STOCK

The Company had five million shares of preferred stock authorized but unissued at March 31, 1999, and December 31, 1998.

## 8. RECLASSIFICATIONS

Certain 1998 amounts have been reclassified to conform with the 1999 presentation.

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

## Historical Overview and Outlook

IDEX sells a broad range of proprietary pump products, dispensing equipment and other engineered products to a diverse customer base in the United States and internationally. Accordingly, IDEX's businesses are affected by levels of industrial activity and economic conditions in the U.S. and in other countries where its products are sold and by the relationship of the U.S. dollar to other currencies. Among the factors that influence the demand for IDEX's products are interest rates, levels of capacity utilization and capital spending in certain industries, and overall industrial activity.

IDEX has a history of above-average operating margins. The Company's operating margins are affected by, among other things, utilization of facilities as sales volumes change, and inclusion of newly acquired businesses, which may have lower margins and whose margins are normally further reduced by purchase accounting adjustments.

IDEX's orders, sales, income from continuing operations and earnings per share from continuing operations for the three months ended March 31, 1999, were below last year's levels by 1%, 2%, 14% and 13%, respectively. New orders totaled \$165.9 million in the first quarter of 1999, a 13% improvement from the fourth quarter of 1998 and within 1% of the record order level achieved in the first quarter of last year. As a result, order backlog rose more than \$9 million during the three months ended March 31, 1999, the first increase in the last year. IDEX continues to operate with a relatively low backlog of unfilled orders of about 1 1/3 months' sales. This customarily low level of backlog allows the Company to provide excellent customer service but also means that changes in orders are felt quickly in operating results.

The following forward-looking statements are qualified by the cautionary statement under the Private Securities Litigation Reform Act set forth below. The slow rate of growth in 1998 in the U.S. economy and many other economies in which IDEX sells its products continued into 1999. While the Company has strong market positions, and emphasizes new product development and sales opportunities worldwide, it is not able to escape the soft economic conditions that affect most manufacturing companies. However, the Company does not sell the more cyclical, higher-ticket capital goods, has high margins and strong cash flow, and thus should not face severe financial pressure in an economic downturn. At the beginning of 1999, IDEX recognized that uncertainties existed in the economies of the world and in some of the markets it serves. IDEX anticipated a slow start to the year and knew comparisons for the first half of 1999 would be difficult. The Company currently is seeing a general improvement in the industrial economy, but lingering weakness in some of the process industries that it serves. Backlogs were up from December 31, 1998, in all business segments, with the largest increases occurring in the Dispensing Equipment and Pump Products Groups. IDEX continues to believe the situation will improve as the year progresses and, barring unforeseen circumstances, expects that orders, sales, income from continuing operations and earnings per share in 1999 will exceed comparable 1998 levels. Several factors should contribute to our 1999 earnings growth: the increased order pace; reducing our backlog build with added sales in the second and third quarters; continuing to emphasize new product development, stringent cost controls and margin improvements at recently acquired businesses; and using the Company's strong cash flow to cut debt and interest expense.

## Cautionary Statement Under the Private Securities Litigation Reform Act

The preceding paragraph and the "Liquidity and Capital Resources" and "Year 2000" sections of this management's discussion and analysis of IDEX's operations contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. Such statements relate to, among other things, capital expenditures, cost reduction, cash flow and operating improvements, and are indicated by words such as "anticipate," "estimate," "expects," "plans," "projects," "should," "will," "management believes," "the Company intends" and similar words or phrases. Such statements are subject to inherent uncertainties and risks that could cause actual results to vary materially from suggested results, including but not limited to the following: levels of industrial activity and economic conditions in the U.S. and other countries around the world; pricing pressures and other competitive factors, and levels of capital spending in certain industries, all of which could have a material impact on order rates

and the Company's results, particularly in light of the low levels of order backlogs typically maintained by the Company; IDEX's ability to integrate and operate acquired businesses on a profitable basis; the relationship of the U.S. dollar to other currencies and its impact on pricing and cost competitiveness; interest rates; utilization of IDEX's capacity and the effect of capacity utilization on costs; labor market conditions and raw material costs; developments with respect to contingencies, such as environmental matters and litigation; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

#### RESULTS OF OPERATIONS

For purposes of this discussion and analysis section, reference is made to the table on page 11 and the Company's Statements of Consolidated Operations included in the Financial Statements section. IDEX consists of three reportable business segments: Pump Products, Dispensing Equipment and Other Engineered Products.

#### PERFORMANCE IN THE THREE MONTHS ENDED MARCH 31, 1999 COMPARED TO THE SAME PERIOD OF 1998

Net sales for the three months ended March 31, 1999, were \$156.5 million, a decrease of 2% from the sales of \$159.1 million for the first quarter of 1998. Net income from continuing operations for the quarter amounted to \$11.9 million, 14% lower than the \$13.9 million earned in last year's first quarter. Diluted earnings per share from continuing operations were 40 cents versus 46 cents in the same quarter last year.

New orders from continuing operations totaled \$165.9 million and exceeded shipments by more than \$9 million in the first quarter of 1999. The Company ended the first quarter with a typical unfilled orders backlog of about 1 1/3 months' sales.

In the first quarter of 1999, the Pump Products Group contributed 60% of sales and 63% of operating income, the Dispensing Equipment Group accounted for 17% of sales and 14% of operating income, and the Other Engineered Products Group represented 23% of both sales and operating income. The inclusion of Gast, acquired on January 21, 1998, for a full quarter of 1999 added 4% to the quarterly sales growth but was offset by a 6% decline in base business activity. International sales were 37% of total sales in the first quarter of 1999, down from 40% in last year's first quarter. A portion of this reduction came from including Gast for a full quarter in 1999, which only has about 20% of its sales outside of the United States. Certain international markets, particularly Europe and Latin America, experienced softer economic conditions this quarter compared to the first quarter of last year, which also contributed to the reduction in the international sales. Partially offsetting this international decline were shipments to Asia, which were about 5% higher than either the first or fourth quarters of 1998. Compared to the first quarter of last year, total domestic sales increased 2%, while international sales declined 8%.

Pump Products Group sales of \$94.3 million for the three months ended March 31, 1999, were essentially equal to the sales of \$94.5 million in same period of 1998. The inclusion of Gast for a full quarter of 1999 added 8% to the quarterly sales growth but was offset by a decline in base business activity of the Pump Products Group. Sales to customers outside the U.S. declined to 30% of total sales in the first quarter of 1999 from 32% in 1998, principally due to the inclusion of Gast for the full first quarter of 1999.

Dispensing Equipment Group sales of \$26.3 million decreased by \$3.7 million, or 12%, in the first quarter of 1999 compared with last year's first quarter principally due to lower sales volume in certain international markets, particularly Europe and Latin America. As a result of the decrease in international sales, shipments to customers outside the U.S. decreased to 40% of total Dispensing Equipment Group sales in the first quarter of 1999, down from 44% in the first quarter of 1998.

Other Engineered Products Group sales of \$36.6 million increased by \$1.2 million, or 3%, in the first quarter of 1999 compared with 1998. The increase principally reflected higher sales in the U.S. fire and rescue markets. As a result of the strengthening in U.S. sales, international sales were 52% of total group sales in the first quarter of 1999, down from 54% in same quarter of 1998.

IDEX CORPORATION AND SUBSIDIARIES  
 COMPANY AND BUSINESS GROUP FINANCIAL INFORMATION  
 (IN THOUSANDS)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1999	1998 (1)
	(UNAUDITED)	
Pump Products Group		
Net sales (2).....	\$ 94,308	\$ 94,471
Operating income (3).....	17,253	20,625
Operating margin.....	18.3%	21.8%
Depreciation and amortization.....	\$ 4,909	\$ 4,597
Capital expenditures.....	1,863	2,236
Dispensing Equipment Group		
Net sales (2).....	\$ 26,259	\$ 29,973
Operating income (3).....	3,676	5,333
Operating margin.....	14.0%	17.8%
Depreciation and amortization.....	\$ 1,699	\$ 1,732
Capital expenditures.....	1,197	629
Other Engineered Products Group		
Net sales (2).....	\$ 36,569	\$ 35,392
Operating income (3).....	6,315	5,770
Operating margin.....	17.3%	16.3%
Depreciation and amortization.....	\$ 1,729	\$ 1,569
Capital expenditures.....	1,017	1,463
Company		
Net sales.....	\$156,488	\$159,084
Operating income.....	23,625	28,392
Operating margin.....	15.1%	17.8%
Depreciation and amortization (4).....	\$ 8,415	\$ 7,963
Capital expenditures.....	4,104	7,096

- 
- 1) Includes acquisition of Gast Manufacturing (January 21, 1998) from date of purchase.
  - 2) Group net sales include intersegment sales.
  - 3) Group operating income excludes net unallocated corporate operating expenses.
  - 4) Excludes amortization of debt issuance expenses.

Gross profit of \$61.3 million in the first quarter of 1999 decreased by \$3.1 million, or 5%, from 1998. Gross profit as a percent of sales was 39.2% in 1999, down from 40.5% in 1998. The year-over-year decrease in gross profit primarily reflects lower sales volume. The decrease in gross profit margins was caused primarily by sales mix with a greater portion of sales in the first quarter of 1999 coming from recent acquisitions whose gross margins are lower than the existing base businesses. Selling, general and administrative expenses increased to \$35.0 million in 1999 from \$33.4 million in 1998, and as a percent of net sales, increased to 22.4% from 21.0% in 1998 principally due to lower sales volume of the base businesses and including a full quarter of Gast expenses in the current year. Goodwill amortization expense increased by 5% to \$2.7 million in the first quarter of 1999 primarily due to the inclusion of Gast for the full quarter in 1999. As a percent of sales, goodwill amortization expense remained flat at about 2% for both periods.

Operating income decreased by \$4.8 million, or 17%, to \$23.6 million in 1999 from \$28.4 million in 1998. Operating income as a percent of sales decreased to 15.1% in 1999 from 17.8% in 1998. In the Pump Products Group, operating income of \$17.3 million and operating margin of 18.3% in 1999 compared to the \$20.6 million and 21.8% in 1998. The declines in operating income and margins for the Company and the Pump Products Group were primarily caused by having a greater portion of sales in the first quarter of 1999 coming from Gast, whose operating margin is lower than the base businesses. Lower sales volume was also a factor in the operating margin decline. The Dispensing Equipment Group operating income of \$3.7 million and operating margin of 14.0% compared to \$5.3 million and 17.8% achieved in 1998. The decrease in operating income and margin resulted from lower sales volume. Operating income in the Other Engineered Products Group of \$6.3 million and operating margin of 17.3% in 1999 increased from \$5.8 million and 16.3% achieved in 1998, principally due to higher sales volume.

Interest expense decreased to \$4.5 million in the first quarter of 1999 from \$6.1 million in 1998 because of debt reductions from operating cash flow, the proceeds from the sale of discontinued businesses during 1998, and lower interest rates.

The provision for income taxes decreased to \$7.3 million in 1999 from \$8.5 million in 1998. The effective tax rate was 38.0% in the first quarters of 1999 and 1998.

Income from continuing operations of \$11.9 million in 1999 was 14% lower than income of \$13.9 million in 1998. Diluted earnings per share from continuing operations amounted to 40 cents per share in 1999, a decrease of 6 cents per share, or 13%, from the 46 cents achieved in 1998.

During the first quarter of 1998, the Company recorded income of \$0.8 million, or 2 cents per share, from discontinued operations. The Company completed the sale of Vibratex on June 9, 1998, and the sale of Stripit on August 25, 1998.

In the first quarter of 1998, the Company retired, at a premium, its 9 3/4% \$75 million Senior Subordinated Notes due in 2002. The transaction resulted in an extraordinary charge of \$2.5 million, net of an income tax benefit.

Total net income of \$11.9 million in the first quarter of 1999 was 2% lower than net income of \$12.2 million in 1998. Diluted earnings per share on a net income basis were 40 cents per share in the first quarter of 1999 and 1998.

#### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1999, IDEX's working capital was \$120.6 million and its current ratio was 2.5 to 1. The Company's cash flow from continuing operations increased by \$6.2 million in 1999 to \$16.9 million. The improvement in cash flow principally resulted from lower working capital requirements partially offset by lower income from continuing operations. Cash from discontinued operations decreased \$0.5 million as a result of selling the discontinued operations during 1998.

Cash flow provided by operations was more than adequate to fund capital expenditures of \$4.1 million and \$7.1 million in 1999 and 1998, respectively. The majority of capital expenditures was for machinery and equipment that improved productivity, although a portion was for repair and replacement of equipment and

facilities. Management believes that IDEX has ample production capacity to meet expected needs for future growth.

At March 31, 1999, the maximum amount available under the U.S. Credit Agreement was \$235 million, of which \$80.1 million was borrowed, including an 82 million Netherlands guilder borrowing (\$40.1 million), which provides an economic hedge against the net investment in Fluid Management's Netherlands operation. The availability under this facility declines in stages commencing July 1, 1999, to \$185 million on July 1, 2000. Any amount outstanding at July 1, 2001, becomes due at that date. Interest is payable quarterly on the outstanding balance at the agent bank's reference rate or at LIBOR plus an applicable margin. At March 31, 1999, the applicable margin was 35 basis points. The Company also pays a facility fee of 15 basis points on the total facility. The Company also has a \$15 million demand line of credit available for short-term borrowing requirements at the bank's reference rate or at an optional rate based on the bank's cost of funds. At March 31, 1999, the Company had \$3 million borrowed under this short-term line of credit at an interest rate of 5.1% per annum.

At March 31, 1999, the maximum amount available under the Company's German credit agreement was 52.5 million marks (\$28.9 million), of which 52 million marks (\$28.6 million) was being used, which provides an economic hedge against the net investment in the Company's Lukas subsidiary. The availability under this agreement declines to 37 million marks at November 1, 2000. Any amount outstanding at November 1, 2001, becomes due at that date. Interest is payable quarterly on the outstanding balance at LIBOR plus an applicable margin. At March 31, 1999, the applicable margin was 62.5 basis points.

On October 20, 1998, IDEX's Board of Directors authorized the repurchase of up to 1.5 million shares of common stock either at market prices or on a negotiated basis as market conditions warrant, which will be funded with borrowings under the Company's existing lines of credit. During the first quarter of 1999, 4,500 shares had been repurchased under the program.

IDEX believes it will generate sufficient cash flow from operations in 1999 to meet its operating requirements, interest and scheduled amortization payments under the U.S. Credit Agreement, demand line and the German credit agreement, interest and principal payments on the Senior Notes, any share repurchases, approximately \$25 million of planned capital expenditures, and approximately \$17 million of annual dividend payments to holders of common stock. From commencement of operations in January 1988 until March 31, 1999, IDEX has borrowed \$578 million under its various credit agreements to complete 13 acquisitions. During this same period IDEX generated, principally from operations, cash flow of \$477 million to reduce its indebtedness. In the event that suitable businesses are available for acquisition by IDEX upon terms acceptable to the Board of Directors, IDEX may obtain all or a portion of the financing for the acquisitions through the incurrence of additional long-term indebtedness.

#### YEAR 2000

IDEX initiated a Year 2000 compliance program in late 1996 to ensure that its information systems and other date-sensitive equipment continue an uninterrupted transition into the Year 2000. The Company is currently in the final phases of correcting systems with identified deficiencies and is performing the final validation testing of its Year 2000 compliance program. IDEX currently believes all essential processes, systems and business functions will comply with the Year 2000 requirements by the middle of 1999. While IDEX does not expect that the consequences of any unsuccessful modifications would significantly affect the financial position, liquidity or results of operations, there can be no assurance that failure to be fully compliant by 2000 would not have an impact on the Company.

The Company is also surveying critical suppliers and customers to ensure that their systems will be Year 2000 compliant and anticipates this survey will be complete by mid-1999. While the failure of a single third party to timely achieve Year 2000 compliance should not have a material adverse effect on IDEX's results of operations in a particular period, the failure of several key third parties to achieve such compliance could have such an effect. IDEX will develop contingency plans by mid-1999 to alter business relationships in the event certain third parties fail to become Year 2000 compliant.

The cost of IDEX's Year 2000 transition program is being funded with cash flows from operations. Some of the cost relates solely to the modification of existing systems, while some is for new systems, that will improve business functionality. In total, the cost is not expected to be substantially different from the normal recurring cost incurred for system development and implementation, in part due to the reallocation of internal resources to implement the new business systems. Expenditures related to this program are projected to total \$6 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is subject to market risk associated with changes in interest rates and foreign currency exchange rates. Interest rate exposure is limited to the \$269.9 million of long-term debt of the Company outstanding at March 31, 1999. Approximately one-quarter of the debt is priced at interest rates that float with the market. A 50 basis point movement in the interest rate on the floating rate debt would result in an approximate \$325,000 annualized increase or decrease in interest expense and cash flows. The remaining debt is either fixed rate debt or debt that has been essentially fixed through the use of interest rate swaps. The Company will from time to time enter into interest rate swaps on its debt when it believes there is a clear financial advantage for doing so. A formalized treasury risk management policy adopted by the Board of Directors exists that describes the procedures and controls over derivative financial and commodity instruments, including interest rate swaps. Under the policy, the Company does not use derivative financial or commodity instruments for trading purposes, and the use of such instruments is subject to strict approval levels by senior officers. Typically, the use of such derivative instruments is limited to interest rate swaps on the Company's outstanding long-term debt. The Company's exposure related to such derivative instruments is, in the aggregate, not material to the Company's financial position, results of operations and cash flows.

The Company's foreign currency exchange rate risk is limited principally to the British Pound, German Mark, Dutch Guilder, Euro and other Western European currencies. The Company manages its foreign exchange risk principally through the invoicing of its customers in the same currency as the source of the products.

## PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS. None.

ITEM 2. CHANGES IN SECURITIES. Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its Annual Shareholders' Meeting on Tuesday, March 23, 1999. At the Annual Meeting, shareholders elected three directors to serve three-year terms on the Board of Directors of IDEX Corporation. The following persons received a majority of votes cast for Class I directors:

DIRECTOR -----	FOR -----	WITHHELD -----
Donald N. Boyce.....	27,016,980	149,403
Richard E. Heath.....	27,016,980	149,403
Henry R. Kravis.....	26,767,299	399,084

Additionally, shareholders voted on the following matter:

A proposal to appoint Deloitte & Touche LLP as auditors of IDEX Corporation received a majority of the votes cast, specifically as stated:

Affirmative Votes.....	27,142,354
Negative Votes.....	15,053
Abstentions.....	8,975
Broker Nonvotes.....	0

ITEM 5. OTHER INFORMATION. None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

The exhibits listed in the accompanying "Exhibit Index" are filed as part of this report.

(b) Reports on Form 8-K:

There have been no reports on Form 8-K filed during the quarter for which this report is filed.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized in the capacity and on the date indicated.

IDEX CORPORATION

/s/ WAYNE P. SAYATOVIC

-----  
Wayne P. Sayatovic  
Senior Vice President -- Finance and  
Chief Financial Officer  
(Duly Authorized and Principal  
Financial Officer)

May 7, 1999

## EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----	PAGE -----
3.1	Restated Certificate of Incorporation of IDEX (formerly HI, Inc.) (incorporated by reference to Exhibit No. 3.1 to the Registration Statement on Form S-1 of IDEX Corporation, et al., Registration No. 33-21205, as filed on April 21, 1988).....	
3.1(a)	Amendment to Restated Certificate of Incorporation of IDEX (formerly HI, Inc.), as amended (incorporated by reference to Exhibit No. 3.1(a) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended March 31, 1996, commission File No. 1-10235).....	
3.2	Amended and Restated By-Laws of IDEX (incorporated by reference to Exhibit No. 3.2 to Post-Effective Amendment No. 2 to the Registration Statement on Form S-1 of IDEX Corporation, et al., Registration No. 33-21205, as filed on July 17, 1989).....	
3.2(a)	Amended and Restated Article III, Section 13 of the Amended and Restated By-Laws of IDEX (incorporated by reference to Exhibit No. 3.2(a) to Post-Effective Amendment No. 3 to the Registration Statement on Form S-1 of IDEX Corporation, et al., Registration No. 33-21205, as filed on February 12, 1990).....	
4.1	Restated Certificate of Incorporation and By-Laws of IDEX (filed as Exhibits No. 3.1 through 3.2(a)).....	
4.2	Indenture, dated as of February 23, 1998, between IDEX, and Norwest Bank Minnesota, National Association, as Trustee, relating to the 6 7/8% of Senior Notes of IDEX due February 15, 2008 (incorporated by reference to Exhibit No. 4.1 to the Current Report of IDEX on Form 8-K dated February 23, 1998, Commission File No. 1-10235).....	
4.3	Specimen Senior Note of IDEX (incorporated by reference to Exhibit No. 4.1 to the Current Report of IDEX on Form 8-K dated February 23, 1998, Commission File No. 1-10235).....	
4.4	Specimen Certificate of Common Stock (incorporated by reference to Exhibit No. 4.3 to the Registration Statement on Form S-2 of IDEX Corporation, et al., Registration No. 33-42208, as filed on September 16, 1991).....	
4.5	Third Amended and Restated Credit Agreement dated as of July 17, 1996, among IDEX, Bank of America NT&SA, as Agent, and other financial institutions named therein (the "Banks") (incorporated by reference to Exhibit No. 4.5 to the Quarterly Report of IDEX on Form 10-Q for the quarter ended June 30, 1996, Commission File No. 1-10235).....	
4.5(a)	First Amendment to the Third Amended and Restated Credit Agreement dated as of April 11, 1997 (incorporated by reference to Exhibit 4.5(a) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended June 30, 1998, Commission file No. 1-10235).....	
4.5(b)	Second Amendment to the Third Amended and Restated Credit Agreement dated as of January 20, 1998 (incorporated by reference to Exhibit 4.5(b) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-10235).....	
4.5(c)	Third Amendment to the Third Amended and Restated Credit Agreement dated as of February 9, 1998 (incorporated by reference to Exhibit 4.5(c) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended June 30, 1998, Commission file No. 1-10235).....	
4.5(d)	Fourth Amendment to the Third Amended and Restated Credit Agreement dated as of April 3, 1998 (incorporated by reference to Exhibit 4.5(d) to the Quarterly Report of IDEX on Form 10-Q for the quarter ended June 30, 1998, Commission File No. 1-10235).....	
*10.1	Consulting Agreement between IDEX Corporation and Donald N. Boyce, dated March 31, 1999.....	
*27	Financial Data Schedule.....	

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\* Filed herewith

## CONSULTING AGREEMENT

THIS AGREEMENT is made as of the 31st day of March, 1999, by and between IDEX CORPORATION, a Delaware corporation having its executive offices at 630 Dundee Road, Suite 400, Northbrook, Illinois 60062 ("Company") and DONALD N. BOYCE, an individual residing at 1251 N. Sheridan Road, Lake Forest, Illinois 60045 (the "Consultant").

## INTRODUCTORY STATEMENT.

Prior to April 1, 1999, the Consultant is serving as Chairman and Chief Executive Officer of the Company. Effective as of April 1, 1999 Consultant will no longer serve as Chief Executive Officer of the Company. Consultant has acquired during his employment valuable knowledge regarding the business, management and operations of the Company, including skills related to major transactions engaged in by the Company, and the Company desires to have Consultant provide consulting services subsequent to his retirement from employment with the Company. Company has agreed to engage the Consultant to provide certain services to the Company, and the Consultant has agreed to be so engaged by Company, upon the terms and conditions set forth in this Agreement. Therefore, in consideration of the mutual covenants and agreements contained in this Agreement, Company and the Consultant agree as follows:

1. ENGAGEMENT; TERM.

Subject to the terms and conditions set forth in this Agreement, Company hereby agrees to engage the Consultant, and the Consultant hereby accepts such engagement, for the period beginning on April 1, 1999, and continuing for a period ending on March 31, 2001. Company and Consultant do hereby acknowledge that the relationship between Company and Consultant shall be that of an independent contractor and that Consultant shall not be treated as an employee for any purpose.

2. DUTIES.

The Consultant shall provide consulting services to Company concerning the operations and business of the Company as may be reasonably requested from time to time by the Company's Chief Executive Officer or Board of Directors. The Consultant's work schedule and location to perform such duties shall be established by mutual agreement of the parties, provided, however, that Consultant shall not be required to perform the services exclusively at the Company's executive offices and he may, at his discretion, perform the services from any personal residence that he may from time to time maintain. If there shall be a change of control, as defined in the Employment Agreement by and between Company and Consultant as in effect on March 31, 1999, then Consultant shall not be required to perform services under this Agreement

more frequently than one day per month.

3. COMPENSATION. In consideration of the performance of the consulting services hereunder, the Consultant shall receive the following:

(a) Company shall pay to the Consultant the sum of \$700,000.00 to be paid in twenty-four (24) monthly payments in the amount of \$29,166.67 commencing on the first day of April, 1999 with the final payment to be made on the first day of March, 2001. If Consultant becomes disabled or is otherwise unable to perform the services under this Agreement, all payments as due under this Agreement will be paid to Consultant or to the guardian of him or his property, if one is appointed. If Consultant dies prior to receipt of all payments under this Agreement, the amount remaining to be paid will be paid in a single lump sum payment, within 30 days of his death, to his spouse, if surviving, or to his estate if she does not survive him.

(b) During the term of this Agreement, Company shall provide and make available to the Consultant reasonable office space and secretarial and other related support services for the Consultant's use at the Company's principal offices.

4. REIMBURSEMENT FOR EXPENSES.

The Company shall reimburse the Consultant for expenses (including, without

limitation, travel, including without limitation, travel from any personal residence Consultant may maintain to the Company's executive offices in Northbrook, Illinois, or other agreed upon worksite, and accommodations, at the level, class and manner provided to him immediately prior to his retirement as Chief Executive Officer) which the Consultant may from time to time reasonably incur on behalf of, and at the request of, the Company in the performance of his responsibilities and duties under this Agreement; provided, however, that the Consultant shall be required to account to Company for such expenses in the manner prescribed by Company. In determining expenses reasonably incurred in the performance of his duties, the Consultant shall be reimbursed consistent with the Company's policy on reimbursement as it applied to him at the time immediately prior to the time he retired from employment as Chief Executive Officer of the Company.

#### 5. POST-CONSULTING RESTRICTIONS.

During the term of this Agreement, Consultant agrees that he will not, directly or indirectly, individually or on behalf of any other person, (a) sell or attempt to sell any products or services competitive with the products or services of any member of the IDEX Companies, as hereafter defined, to any customer to whom such member of the IDEX Companies sold or attempted to sell products or services at any time during the previous two (2) years or (b) suggest, advise or attempt to persuade any such customer to limit or discontinue its business with any member of the IDEX Companies.

Consultant further agrees that during the term of this Agreement, he will not, directly or indirectly, individually or on behalf of any other person, (a) solicit for employment any employee of the IDEX Companies, (b) influence or seek to influence any employee of the IDEX Companies to leave such employment, (c) contact any employee of the IDEX Companies to leave such employment or (d) contact any employee of the IDEX Companies for any purpose which violates or would violate any of the terms of this Agreement.

For purposes of this Section 5, the term "IDEX Companies" means (i) IDEX Corporation (ii) each of its affiliates (as defined under the Securities Act of 1933, as amended) determined as of April 1, 1999 and (iii) any other entity which becomes an affiliate of IDEX Corporation after April 1, 1999 and with respect to which Consultant provides services such that he obtains information as to the operations or business of such entity which would be deemed confidential or proprietary.

Notwithstanding any other provision of this Section 5, Consultant is expressly permitted to continue to hold all positions as a member of all boards of directors which he holds as of March 31, 1999, or to become a member of any other board of directors (provided that the additional board memberships would not violate the preceding paragraphs of this section 5).

If any provision of this Section 5 is found to be unreasonable by a court of competent jurisdiction, such court may modify the provision so as to make it reasonable and

enforceable. Consultant acknowledges that any breach of this Section 5 could result in irreparable injury for which there would be no adequate remedy at law. Therefore, Consultant acknowledges and consents that the IDEX Companies shall have the right to seek and obtain, in addition to other remedies available under law, an injunction to enforce the obligations under this Section 5.

6. FAILURE, DELAY OR WAIVER.

No course of action or failure to act by Company or the Consultant shall constitute a waiver by such party of any right or remedy under this Agreement, and no waiver by either party of any right or remedy under this Agreement shall be effective unless made in writing.

7. SEVERABILITY.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be enforceable under applicable law. However, if any provision of this Agreement shall be deemed unenforceable under applicable law by a court having jurisdiction, such provision shall be unenforceable only to the extent necessary to make it enforceable without invalidating the remainder thereof or any of the remaining provisions of this Agreement.



## 8. NOTICE.

All notices and other communications given pursuant to this Agreement shall be deemed to have been properly given if hand delivered or mailed, addressed to the appropriate party at the address of such party as shown at the beginning of this Agreement, postage prepaid, by certified or registered mail, return receipt requested. A copy of any notice sent to the Consultant pursuant to this Section shall also be sent to Hodgson, Russ, Andrews, Woods & Goodyear, LLP, 1800 One M & T Plaza, Buffalo, New York 14203, Attention: Richard E. Heath, Esq. and Richard W. Kaiser, Esq., and a copy of any notices sent to the Company shall also be sent to IDEX Corporation, Attention: President Any party may from time to time designate by written notice given in accordance with the provisions of this Section any other address or party to which such notice or communication or copies thereof shall be sent.

## 9. MISCELLANEOUS.

This Agreement (a) may not be amended, modified or terminated orally or by any course of conduct pursued by Company or the Consultant, but may be amended, modified or terminated only by a written agreement duly executed by Company and the Consultant, (b) is binding upon and shall inure to the benefit of Company and the Consultant and each of their respective heirs, representatives, successors and assignees, and, except for an assignment to an entity which is wholly owned by Consultant, the Consultant may not assign any of his obligations

pursuant to this Agreement without the prior written consent of Company, (c) constitutes the entire agreement between Company and the Consultant with respect to the subject matter of this Agreement, and supersedes all oral and written proposals, representations, understandings and agreements previously made or existing with respect to such subject matter, (d) except as otherwise provided, shall be governed by, and interpreted and construed in accordance with, the laws of the State of Illinois without regard to principles of conflicts of law and (e) any action to enforce or interpret the terms of this Agreement shall take place within the State of Illinois.

The payments under this Agreement are in addition to, and shall not reduce or set off, any amounts or benefits to be provided to Consultant with respect to his prior employment with the Company. The payment of any payment or benefit under this Agreement will not be reduced by offset against any amount claimed to be owed by consultant to Company.

In the event the Consultant and the Company shall disagree as to their respective rights and obligations under this Agreement, and the Consultant is successful in establishing, privately or otherwise, that his position is substantially correct, or that the Company's position is substantially incorrect or unreasonable, or in the event the disagreement is resolved by settlement, the Company shall pay to Consultant (or directly to Consultant's counsel, as Consultant may direct) all costs and expenses, including counsel fees and disbursements, which the Consultant may incur in connection therewith.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

IDEX CORPORATION

By

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Frank J. Hansen, President

-----

Donald N. Boyce

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JAN-01-1999  
MAR-31-1999  
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