

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 2

(Mark
One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 31, 2002

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 (I.R.S. Employer
incorporation or organization) Identification No.)

2160 Satellite Boulevard, Suite 200
Duluth, Georgia 30097

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (770) 495-5100

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

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
Common Stock, \$0.01 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights with respect to Common Stock, \$0.01 Par Value	New York Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. Aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of such stock, as of December 31, 2002: \$1,148,012,000.

Number of shares of Registrant's Common Stock outstanding as of December 31, 2002: 31,366,442.

DOCUMENTS INCORPORATED BY REFERENCE

EXPLANATORY NOTE

Roper Industries, Inc. filed Amendment No. 1 to its Annual Report on Form 10-K to correct a typographical error in footnote 14 to its consolidated financial statements as of October 31, 2002 and 2001 and for the three years ended October 31, 2002 (included in Item 8 of the Annual Report).

Roper Industries, Inc. is filing this amendment, Amendment No. 2 to its Annual Report on Form 10-K to restate its consolidated financial statements as of October 31, 2002 and 2001 and for the three years ended October 31, 2002 (included in Item 8 of the Annual Report) to reflect the discontinued operations of its Petrotech operation. In addition, during the quarter ended January 31, 2003, Roper realigned its operations into four market-focused segments to capture value-creating opportunities around common customers, market orientation, sales channels and common cost opportunities. The four new segments are: Instrumentation; Industrial Technology; Energy Systems and Controls; and Scientific and Industrial Imaging. All segment information has been restated to reflect these new categories.

PART I

ITEM 1. BUSINESS

GENERAL

Roper Industries, Inc. ("Roper," "we" or "us") is a diversified industrial company that designs, manufactures and distributes energy systems and controls, scientific and industrial imaging products and software, industrial technology products and instrumentation products and services. These products and services are marketed to selected segments of a broad range of markets including oil and gas, research, power generation, medical, semiconductor, refrigeration, automotive, water / wastewater and general industry.

Roper pursues consistent and sustainable growth in sales and earnings by emphasizing continuous improvement in the operating performance of our existing businesses, and by acquiring other carefully selected businesses, that offer to our customers high value-added, engineered industrial products and solutions and that are capable of achieving and maintaining high margins. This strategy continually emphasizes (i) increasing market share and market expansion, (ii) new product development, (iii) improving productivity and reducing costs and (iv) acquisition of similar new businesses. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — (i) Year Ended October 31, 2002 Compared to Year Ended October 31, 2001 and (ii) — Year Ended October 31, 2001 Compared to Year Ended October 31, 2000."

The company makes available free of charge on our website (www.roperind.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Market Share, Market Expansion and Product Development. We compete in many narrowly defined niche markets. Our position in these markets is typically as the market leader or as a competitive alternate to the market leader. In those markets where we are a regional leader we seek to sustain growth through geographic expansion of our marketing efforts and the development of new products for associated markets.

We continued our growth in fiscal 2002 principally through the full-year contributions from businesses acquired during fiscal 2001, in particular Struers and Logitech, and the partial year contributions from businesses acquired during fiscal 2002, principally Zetec. Other businesses acquired during fiscal 2002 were Duncan Technologies, Qualitek, QImaging, and Definitive Imaging. Our fiscal 2002 acquisitions were purchased for cash and financed through borrowings under existing credit agreements. Total acquisition costs during fiscal 2002 were \$82.8 million.

The outstanding debt under our primary credit agreement was \$186.4 million at October 31, 2002. Total outstanding debt at that date was \$332.1 million, or 47% of total capital (calculated as the sum of total debt and stockholders' equity), or 2.6 x fiscal 2002's EBITDA (calculated as earnings before change in accounting principle, interest, taxes, depreciation and amortization) unadjusted for acquisitions. We believe we are well positioned to further expand our businesses.

International Sales. Sales outside the United States continue to play an important part in our business. International sales include sales of products exported from the United States as well as products manufactured and sold abroad. In fiscal 2002, 2001 and 2000, our net sales outside the U.S. were 59%, 53% and 52%, respectively, of total net sales. Information regarding international operations is set forth in Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K ("Annual Report").

Research and Development. We conduct applied research and development to improve the quality and performance of our products, to develop new products and to enter new markets. Our research and development often includes extensive field testing of our products. We expensed \$29.6 million (4.8% of net sales), \$26.0 million (4.6% of net sales), and \$22.3 million (4.7% of net sales) in the years ended October 31, 2002, 2001 and 2000, respectively, on research and development activities.

INSTRUMENTATION

Our Instrumentation segment offers equipment and consumables for materials analysis, fluid properties testing, industrial leak testing, precision chemical dispensing and spectroscopy, and specialty lenses for scientific, medical and semiconductor applications. These products and solutions are provided through three U.S.-based, and two European-based operating units. Selected financial information for the instrumentation segment is set forth in Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

Materials Analysis Equipment and Consumables. We manufacture and sell semiconductor equipment and supply various types of equipment and consumables necessary to extract and shape certain materials for production and to prepare materials samples for testing and analysis. These products are used mostly within the academic, government research, electronics, biological and material science end-user markets.

Fluid Properties Testing Equipment. We manufacture and sell automated and manual test equipment to determine certain physical and elemental properties, such as sulfur and nitrogen content, flash point, viscosity, freeze point and distillation, of liquids and gasses for the petroleum and other industries.

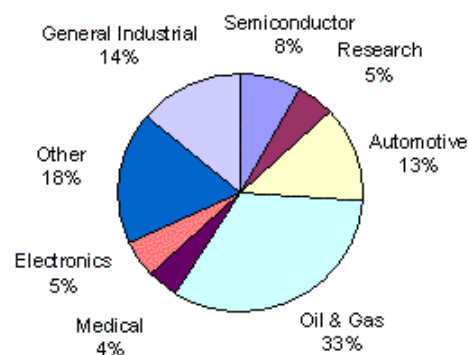
Industrial Leak Testing Equipment. We manufacture and sell products and systems to test for leaks and confirm the integrity of assemblies and sub-assemblies in automotive, medical, industrial and consumer products applications.

Semiconductor Production Equipment. We manufacture microprocessor-based integrated dispense systems that are used principally in the semiconductor industry to dispense chemicals in a precise and repeatable fashion during the wafer fabrication process.

The following table sets forth information regarding each class of products within the instrumentation segment that accounted for at least 10% of our total net sales in any of the periods presented (in thousands):

	Year ended October 31,		
	2002	2001	2000
Materials analysis equipment and consumables	\$ 75,640	\$ 13,805	\$ --
Fluid properties testing equipment	68,180	63,152	51,499

The following chart shows the breakdown of the instrumentation segment's sales by end market for fiscal 2002:



Backlog. Our Instrumentation companies have lead times of up to several months on many of their product sales, although standard products are often shipped within four weeks of receipt of order. Blanket purchase orders are placed by certain end-users, with continuing requirements for fulfillment over specified periods of time. The segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$17.8 million at October 31, 2002 compared to \$25.2 million at October 31, 2001. The decrease was attributed to successful efforts to reduce delivery times at Struers and Logitech along with weaker market conditions, particularly in the automotive, electronics and semiconductor end markets.

Distribution and Sales. Distribution and sales are achieved through a combination of manufacturers' representatives, agents, distributors and direct sales offices in both the U.S. and various other countries.

Customers. Each of the operating units in the Instrumentation segment sells to a variety of customers worldwide, with certain major customers in the automotive and medical diagnostics industries having operations globally. Some of the operating units have sales to one or a few customers that represent a significant portion of their respective sales and we expect the relative importance of such a concentrated customer base for these operating units to continue. However, none of this segment's customers accounted for as much as 10% of its net sales during fiscal 2002.

INDUSTRIAL TECHNOLOGY

Our Industrial Technology segment produces industrial pumps, flow measurement and metering equipment, and industrial valves and controls. These products and solutions are provided through six U.S.-based and two European-based operating units. Selected financial information for the industrial technology segment is set forth in Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

Industrial Pumps. We design, manufacture and distribute 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 liquids and solids including low and high viscosity liquids, high solids content slurries and chemicals. Our pumps are used in large and diverse sets of end markets such as oil and gas, agricultural, water/wastewater, medical, chemical and general industrial.

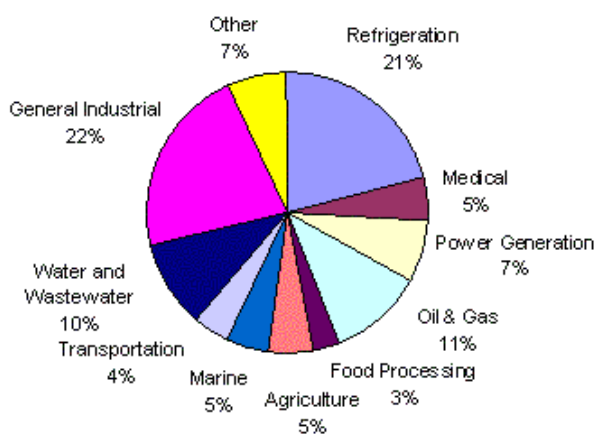
Industrial Valves and Controls. We manufacture a variety of valves, sensors, switches and control products used on engines, compressors, turbines and other powered equipment for the oil and gas, pipeline, power generation, refrigeration, marine engine and general industrial markets. Most of these products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

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

The following table sets forth information regarding each class of products within the industrial technology segment that accounted for at least 10% of our total net sales in any of the periods presented (in thousands):

	Year ended October 31,		
	2002	2001	2000
Industrial pumps	\$ 83,484	\$ 90,315	\$ 78,895
Industrial valves and controls	63,721	64,693	38,866

The following chart shows the breakdown of the Industrial Technology segment's sales by end market during fiscal 2002:



Backlog. The Industrial Technology operating units' sales also reflect a combination of standard products and specifically engineered, application-specific products. Standard products are typically shipped within two weeks of receipt of order. Application-specific products typically ship within six-to-twelve weeks following receipt of order, although larger project orders and blanket purchase orders for certain OEMs may extend for longer periods. This segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$24.1 million at October 31, 2002 compared to \$26.6 million at October 31, 2001.

Distribution and Sales. Distribution and sales occur through direct sales personnel, manufacturers' representatives and distributors.

Customers. Some of the Industrial Technology segment's operating units have sales to one or a few customers that represent a significant portion of that operating unit's sales and the relative importance of such a concentrated customer base for these operating units is expected to continue. However, no customer was responsible for as much as 10% of this segment's net sales during fiscal 2002.

ENERGY SYSTEMS AND CONTROLS

Our Energy Systems and Controls segment produces control systems, machinery vibration and other non-destructive inspection and measurement products and solutions, which are provided through three U.S.-based operating units. Selected financial information for the energy systems and controls segment is set forth in Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

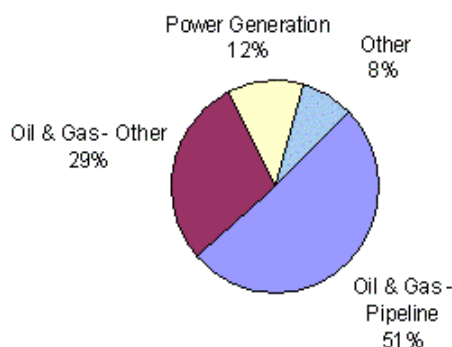
Control Systems. We manufacture control systems and panels and provide related engineering and commissioning services, for turbomachinery applications in the oil and gas, pipeline and power generation markets.

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

The following table sets forth information regarding each class of products within the Energy Systems and Controls segment that accounted for at least 10% of our total net sales in any of the periods presented below were as follows (in thousands):

	Year ended October 31,		
	2002	2001	2000
Control systems	\$ 97,889	\$ 90,600	\$ 72,015

The following chart shows the breakdown of sales by end market for the Energy Systems and Controls segment during fiscal 2002:



Backlog. The majority of this segment’s business consists of larger engineered projects with lead times of three to nine months. As such, backlog typically fluctuates significantly dependent upon the timing of large project awards. Standard products generally ship within two weeks of receipt of order. This segment’s backlog of firm unfilled orders totaled \$24.0 million at October 31, 2002 compared to \$21.9 million at October 31, 2001.

Distribution and Sales. Distribution and sales occur through direct sales offices, manufacturers’ representatives and industrial machinery distributors.

Customers. Each of the Energy Systems and Controls segment’s business units sell to a variety of customers worldwide. OAO Gazprom, a Russian enterprise that is the world’s largest gas provider, continued to be the biggest single customer in this segment for fiscal 2002, accounting for approximately 45% of its sales, compared to 46% in fiscal 2001. Gazprom has indicated its interest to continue purchases of control systems through 2007. However, we expect sales to Gazprom in fiscal 2003 to be reduced in amount and as a percentage of this segment’s sales compared to fiscal 2002 levels. The continuation of this business with Gazprom is subject to numerous risks, many of which are beyond our control, including, but not limited to, increased competition, availability of acceptable financing and customer delays in commissioning and start-up of installations. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — Forward Looking Information”.

SCIENTIFIC AND INDUSTRIAL IMAGING

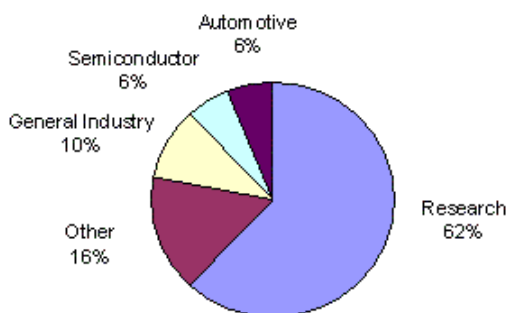
Our Scientific and Industrial Imaging segment offers high performance digital imaging products and software. These products and solutions are provided through four U.S.-based and one Canadian based operating units. Selected financial data for the scientific and industrial imaging segment is set forth in Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report.

Digital Imaging Products and Software. We manufacture and sell extremely sensitive, high-performance charge-coupled device cameras, detectors and related software for a variety of scientific and industrial uses, which require high resolution and/or high speed digital video, including transmission electron microscopy and spectroscopy applications. These products are principally sold for use within academic, government research, semiconductor, automotive, ballistic and biological and material science end-user markets. They are frequently incorporated into original equipment manufacturer (“OEM”) products.

The following table sets forth information regarding each class of products within the scientific and industrial imaging segment that accounted for at least 10% of our total net sales in any of the periods presented (in thousands):

	Year ended October 31,		
	2002	2001	2000
Digital imaging products and software	\$ 134,859	\$ 143,375	\$ 133,623

The following chart shows the breakdown of the Scientific and Industrial Imaging segment’s sales by end market for fiscal 2002:



Backlog. The Scientific and Industrial 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 OEMs and end-users, with continuing requirements for fulfillment over specified periods of time. The segment’s backlog of firm unfilled orders, including blanket purchase orders, totaled \$40.7 million at October 31, 2002 compared to \$38.1 million at October 31, 2001.

Distribution and Sales. Distribution and sales occur through direct sales personnel, manufacturers’ representatives and distributors.

Customers. One of the Scientific and Industrial Imaging segment’s operating units has sales to a few customers that represent a significant portion of that operating unit’s sales and the relative importance of such a concentrated customer base for this operating unit is expected to continue. However, no customer was responsible for as much as 10% of this segment’s net sales during fiscal 2002.

MATERIALS AND SUPPLIERS

We believe that most materials and supplies used by us are readily available from numerous sources and suppliers throughout the world which are adequate for our needs. 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 that these conditions equally affect our competitors and, thus far, it has not had a significant adverse effect on sales although delays in shipments have occurred following such supply interruptions.

ENVIRONMENTAL MATTERS AND OTHER GOVERNMENTAL REGULATION

Roper’s operations and properties are subject to increasingly stringent laws and regulations relating to environmental protection, including laws and regulations governing 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 costly 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 all countries as these requirements change. It is our policy to comply with all applicable regulatory requirements.

We use and generate hazardous substances and waste 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, operating costs to comply 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.

COMPETITION

Generally, the products and solutions we offer our business segments face significant competition, usually from a limited number of competitors. Although we believe that we are a leader in most of our markets, 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 life cycle and maturity of the technology employed. We compete primarily on product quality, performance, innovation, price, applications expertise and customer service capabilities.

PATENTS AND TRADEMARKS

We own the rights under a number of patents and trademarks relating to certain of our products and businesses. While Roper believes that none of our operating units are substantially dependent on any single, or group, of patents, trademarks or other items of intellectual property rights, the product development and market activities of Compressor Controls, Gatan, Integrated Designs, Redlake MASD and Roper Scientific, in particular, have been planned and conducted in conjunction with important and continuing patent strategies. Compressor Controls has been granted a series of U.S. and associated foreign patents and a significant portion of its fiscal 2002 sales was of equipment that incorporated innovations that are the subject of several such patents that will not begin to expire until 2004. Integrated Designs was granted a U.S. patent in 1994 related to methods and apparatus claims embodied in its integrated dispense systems that accounted for the majority of its fiscal 2002 sales. The U.S. patent will expire in 2011.

EMPLOYEES

As of October 31, 2002, we had approximately 3,100 total employees, of whom approximately 2,100 were located in the United States.

OTHER INFORMATION

Roper was incorporated in Delaware in 1981.

ITEM 2. PROPERTIES

In early January 2003, we relocated our corporate office from Bogart, Georgia where we leased approximately 10,000 square feet of office space to the Atlanta area where we lease approximately 13,800 square feet of office space. We have established sales and service locations around the world to support our operations. The following table sets forth our principal properties.

Location	Property	Square footage		Industry segment
		Owned	Leased	
Phoenix, AZ	Office / Mfg.	--	45,900	Industrial Technology
Tucson, AZ	Office / Mfg.	--	37,300	Scientific and Industrial Imaging
Burnaby, B.C., Canada	Office / Mfg.	--	8,200	Scientific and Industrial Imaging
Pleasanton, CA	Office	--	19,400	Scientific and Industrial Imaging
Richmond, CA	Office / Mfg.	67,400	--	Industrial Technology
San Diego, CA	Office / Mfg.	--	43,000	Scientific and Industrial Imaging
Rodovre, Denmark	Office / Mfg.	--	114,000	Instrumentation
Verson, France	Office / Mfg.	--	22,500	Instrumentation
Commerce, GA	Office / Mfg.	203,800	--	Industrial Technology
Büchen, Germany	Office / Mfg.	191,500	--	Industrial Technology
Lauda, Germany	Office / Mfg.	37,900	--	Instrumentation
Des Moines, IA	Office / Mfg.	--	88,000	Energy Systems and Controls
Belle Chasse, LA*	Office / Mfg.	--	33,200	
Burr Ridge, IL	Office / Mfg.	55,000	--	Industrial Technology
Acton, MA	Office / Mfg.	--	32,700	Instrumentation
Silver Spring, MD	Office	--	11,800	Scientific and Industrial Imaging
Trenton, NJ	Office / Mfg.	40,000	--	Scientific and Industrial Imaging
Syosset, NY	Office / Mfg.	--	27,500	Industrial Technology
Portland, OR	Office / Mfg.	--	128,000	Industrial Technology
Warrendale, PA	Mfg.	--	76,300	Scientific and Industrial Imaging
Carrollton, TX	Office / Mfg.	--	22,000	Instrumentation
Houston, TX	Office / Mfg.	16,200	--	Energy Systems and Controls
Houston, TX	Office / Mfg.	--	35,000	Instrumentation
Houston, TX	Office / Mfg.	--	27,500	Instrumentation
McKinney, TX	Office / Mfg.	--	25,000	Industrial Technology
Bury St. Edmunds, U.K	Office / Mfg.	90,000	--	Industrial Technology
Cambridge, U.K	Office / Mfg.	--	14,000	Instrumentation
Glasgow, U.K	Office / Mfg.	27,700	--	Instrumentation
Oxford, U.K	Office / Mfg.	--	5,500	Scientific and Industrial Imaging
Issaquah, WA	Office / Mfg.	--	86,400	Energy Systems and Controls

We consider each of the above facilities to be in good operating condition and adequate for its present use and believes that it has sufficient plant capacity to meet its current and anticipated operating requirements.

* Facility relates to the discontinued operation of Petrotech which was previously reported in our Industrial Controls segment prior to the segment realignment.

ITEM 3. LEGAL PROCEEDINGS

We are a defendant in various lawsuits involving product liability, employment practices and other matters, none of which we believe would have a material adverse effect on our consolidated financial position or results of operations. The majority of such claims are subject to insurance coverage. Since 2001, we and/or one of our subsidiaries have been named as defendants, along with many other companies, in asbestos-related personal injury or wrongful death actions. The allegations in these actions are vague, general and speculative, and the actions are in their early stages. Given the state of these claims it is not possible to determine the potential liability, if any.

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

No matter was submitted to a vote of our security-holders during the fourth quarter of fiscal 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Roper's common stock trades on the New York Stock Exchange ("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 paid during each of our fiscal 2002 and 2001 quarters.

		High	Low	Cash Dividends Paid
2002	4th Quarter	\$ 39.14	\$ 27.25	\$ 0.0825
	3rd Quarter	46.90	29.00	0.0825
	2nd Quarter	51.90	41.04	0.0825
	1st Quarter	52.91	35.90	0.0825
2001	4th Quarter	\$ 45.00	\$ 31.00	\$ 0.0750
	3rd Quarter	45.80	34.99	0.0750
	2nd Quarter	43.00	33.65	0.0750
	1st Quarter	38.50	29.94	0.0750

Based on information available to us and our transfer agent, we believe that as of December 31, 2002 there were 203 record holders of our common stock.

Dividends. Roper has declared a cash dividend in each fiscal quarter since our February 1992 initial public offering and we have also annually increased our dividend rate since our initial public offering. In November 2002, our board of directors increased the quarterly dividend to be paid in the first quarter of fiscal 2003 to \$0.0875 per share, an increase of 6% from the prior rate. However, 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. Therefore, there can be no assurance as to the amount, if any, of cash dividends that will be declared in the future.

Recent Sales of Unregistered Securities. None

ITEM 6. SELECTED FINANCIAL INFORMATION

The consolidated selected financial data presented below have been derived from Roper's audited consolidated financial statements and should be read in conjunction with "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and with Roper's Consolidated Financial Statements and related notes thereto included elsewhere in this Annual Report. During the first quarter of fiscal 2003, the Company decided to offer for sale the Petrotech operation. The accompanying financial statements have been restated to conform to discontinued operations treatment for all periods presented.

	2002 ⁽¹⁾	Year ended October 31,			1998 ⁽⁵⁾
		2001 ⁽²⁾	2000 ⁽³⁾	1999 ⁽⁴⁾	
		(in thousands, except per share data)			
Operations data:					
Net sales	\$617,462	\$562,955	\$469,999	\$360,553	\$340,843
Gross profit	333,755	304,750	252,522	198,316	179,428
Income from operations	115,545	100,866	88,662	73,649	61,971
Earnings before change in accounting principle	66,438	57,415	49,575	47,532	38,839
Per share data:					
Earnings before change in accounting principle:					
Basic	\$ 2.13	\$ 1.87	\$ 1.66	\$ 1.47	\$ 1.18
Diluted	2.09	1.82	1.59	1.44	1.15
Dividends	0.33	0.30	0.28	0.26	0.24

Balance sheet data:

Working capital	\$ 118,590	\$135,972	\$136,909	\$ 92,164	\$ 91,874
Total assets	828,973	762,122	596,902	420,163	381,533
Long-term debt, less current portion	311,590	323,830	234,603	109,659	120,307
Stockholders' equity	376,012	323,506	270,191	231,968	197,033

(1) Includes results of Zetec from August 2002 and several smaller businesses acquired during fiscal 2002.

(2) Includes results of Struers and Logitech from September 2001 and several smaller businesses acquired during fiscal 2001.

(3) Includes results of Redlake MASD from November 1999, Abel Pump from May 2000, Antek Instruments from August 2000, Hansen Technologies from September 2000 and several smaller businesses acquired during fiscal 2000.

(4) Includes results of Petroleum Analyzer companies acquired in June 1999.

(5) Includes results of Photometrics from April 1998 and several smaller businesses acquired during fiscal 1998.

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

You should read the following discussion in conjunction with "Selection Financial Information" and our consolidated financial statements and related notes included elsewhere in this Annual Report. During the first quarter of fiscal 2003, the Company decided to offer for sale the Petrotech operation. The accompanying financial statements have been restated to conform to discontinued operations treatment for all periods presented.

Application of Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States, or GAAP. A discussion of our significant accounting policies can be found in the notes to our consolidated financial statements for the year ended October 31, 2002 included elsewhere 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, recognizing revenues and issuing stock options to employees. 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, except for the adoption of Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets" as discussed below.

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.

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

Accounts receivable 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 current and near-term forecast economic conditions might have on collection efforts in general and with specific customers. The returns and other sales credits histories are analyzed to determine likely future rates for such credits. At October 31, 2002, our allowance for doubtful accounts receivable, sales returns and sales credits was \$3.6 million, or 3% of total gross accounts receivable excluding \$15.3 million of securitized Gazprom receivables from a vendor financing program. This percentage is influenced by the risk profile of the underlying receivables. During 2002, that profile improved with the acquisition of Zetec and other improvements in collections from core businesses, and the allowance was reduced as a percent of net sales by 50 basis points.

We regularly compare inventory quantities on hand against anticipated future usage, which we determine as a function of historical usage or forecasts related to specific items in order to evaluate obsolescence and excessive quantities. When we use historical usage, this information is also qualitatively compared to business trends to evaluate the reasonableness of using historical information as an estimate of future usage. Business trends can change rapidly and these events can affect the evaluation of inventory balances. At October 31, 2002, inventory reserves for excess and obsolete inventory were \$19.2 million, or 18% of gross first-in, first-out inventory cost. This percentage has increased by 390 basis points over the year as the relative age of inventory increased during the cyclical downturn.

Most of our sales are covered by warranty provisions that generally provide for the repair or replacement of qualifying defective items for a specified period after the time of sale, typically 12 months. Future warranty obligations are evaluated using, among other factors, historical cost experience, product evolution and customer feedback. At October 31, 2002, the accrual for future warranty obligations was \$3.4 million or 0.5% of annualized fourth quarter fiscal 2002 sales. Our expense for warranty obligations was less than 1% of net sales for each of the three years ended October 31, 2002.

Revenues related to the use of the percentage-of-completion method of accounting are dependent on a comparison of total costs incurred compared with total estimated costs for a project. During fiscal 2002, 2001 and 2000, we recognized revenue of approximately \$2.4 million, \$2.3 million and \$1.7 million, respectively using this method. In addition, approximately \$7.9 million of revenue related to unfinished percentage-of-completion contracts had yet to be recognized at October 31, 2002. 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 how and when cash is repatriated to the United States, 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 fiscal 2002, our effective income tax rate was reduced to 31% from 34%. Two of the key factors related to the reduced rate were our expected utilization of all available foreign income tax credits and the

accounting change related to goodwill amortization that was expensed for book purposes prior to the adoption of SFAS 142 but not deductible for income tax purposes.

We adopted SFAS No. 142 effective November 1, 2001 – the beginning of our fiscal 2002. SFAS 142, issued in June 2001, requires the adoption of its provisions by the beginning of our fiscal 2003, but the timing of our fiscal year end also allowed it to elect to adopt SFAS 142 at the beginning of fiscal 2002. Based primarily on investor interest to see results reflecting adoption of SFAS 142, we elected to adopt this new standard at the earlier date.

The evaluation of goodwill under SFAS 142 requires valuations of each applicable underlying business. These valuations can be significantly affected by estimates of future performance and discount rates over a relatively long period of time, market price valuation multiples and marketplace transactions in related markets. These estimates will likely change over time. Some of our businesses operate in cyclical industries and the valuation of these businesses can be expected to fluctuate as a result of this cyclicity. The transitional business valuation reviews required by SFAS 142 indicated a reduction of the carrying value of goodwill for three business units (Redlake, Petrotech and Dynamco). This goodwill reduction has been reported as a change in accounting principle retroactive to the beginning of fiscal 2002 and resulted in a transitional charge to earnings of approximately \$26 million. After the adoption of SFAS 142, goodwill is required to be evaluated annually. If this annual review indicates further impairment of goodwill balances, that entire impairment will be recorded immediately and reported as a component of current operations. Our acquisitions have generally included a large goodwill component and we expect this to continue with future acquisitions.

Prior to adopting SFAS 142, goodwill was amortized over periods not exceeding 40 years. With the adoption of this standard, goodwill is not amortized. It is periodically reviewed for impairment as discussed above. SFAS 142 does not permit retroactive application to years prior to adoption. Therefore, earnings beginning in fiscal 2002 tend to be higher than earlier periods as a result of this accounting change, except for the effects of any impairment provision on current results. Note 5 to our consolidated financial statements includes a reconciliation comparing earnings of pre-adoption periods to earnings of current periods for those periods presented. Goodwill amortization prior to the adoption of SFAS 142 was largest in the Instrumentation segment and the amount of goodwill currently recorded is also largest for this segment. We believe it inappropriate to conclude whether the likelihood of any impairment charge resulting from subsequent annual reviews is more likely in any business segment compared to another segment.

At October 31, 2002, Roper's total assets included \$459.2 million of goodwill. Goodwill was allocated \$198.0 million to our Instrumentation segment, \$76.7 million to our Industrial Technology segment, \$78.9 million to our Energy Systems and Controls segment and \$105.6 million to our Scientific and Industrial Imaging segment. Total goodwill was allocated to 22 different business units with individual amounts ranging from less than \$1 million to approximately \$78 million.

Results of Operations

General

The following tables set forth selected information for the years indicated. Dollar amounts are in thousands and percentages are of net sales.

	Year ended October 31,		
	2002	2001	2000
Net sales			
Instrumentation ⁽¹⁾	\$ 175,490	\$ 125,354	\$ 111,789
Industrial Technology ⁽²⁾	164,160	170,822	131,251
Energy Systems and Controls ⁽³⁾	126,709	107,043	86,582
Scientific and Industrial Imaging	151,103	159,736	140,377
Total	\$ 617,462	\$ 562,955	\$ 469,999
Gross profit:			
Instrumentation	58.6%	58.4%	56.1%
Industrial Technology	46.2	46.8	47.7
Energy Systems and Controls	59.8	62.8	61.7
Scientific and Industrial Imaging	52.3	52.8	52.5
Total	54.1	54.1	53.7
Operating profit:			
Instrumentation	18.7%	20.8%	25.3%
Industrial Technology	22.8	24.0	24.1
Energy Systems and Controls	26.1	26.4	24.5
Scientific and Industrial Imaging	17.1	19.1	18.7
Total	20.9	22.4	22.9
Goodwill amortization	--	(2.7)%	(2.6)%
Corporate administrative expenses	(2.2)	(1.7)	(1.4)
Restructuring charges ⁽⁴⁾	--	(0.1)	--
Income from continuing operations	18.7	17.9	18.9
Interest expense	(3.0)	(2.8)	(2.9)
Euro debt currency exchange loss	(0.7)	--	--
Other income	0.5	0.7	0.3
Income from continuing operations before taxes and change			

in accounting principle	15.6	15.8	16.3
Income taxes	(4.8)	(5.6)	(5.7)
Loss on discontinued operations, net of taxes	(0.1)	(0.3)	(0.1)
Goodwill adjustment effective November 1, 2001, net of taxes	(4.2)	--	--
	<u> </u>	<u> </u>	<u> </u>
Net earnings	6.5%	9.9%	10.5%
	<u> </u>	<u> </u>	<u> </u>

- (1) Includes results of Antek Instruments from August 2000, Struers and Logitech from September 2001 and several smaller businesses acquired during the years presented.
- (2) Includes results of Abel Pump from May 2000, Hansen Technologies from September 2000 and several smaller businesses acquired during the years presented.
- (3) Includes results of Zetec from August 2002 and several smaller businesses acquired during the years presented.
- (4) Restructuring charges were \$180,000, \$279,000 and \$50,000 in Industrial Technology, Instrumentation, and Scientific and Industrial Imaging, respectively.

Year Ended October 31, 2002 Compared to Year Ended October 31, 2001

Net sales for fiscal 2002 were \$617.5 million as compared to sales of \$563.0 million in fiscal 2001, an increase of 9.7%. \$87.8 million of the sales increase was attributable to acquisitions during fiscal 2002 (Zetec, QImaging, Duncan Technologies, Definitive Imaging and AI Qualitek) and the full-year impact of acquisitions made during fiscal 2001 (Struers, Logitech, Media Cybernetics and Dynamco). Excluding this impact net sales declined by 2.7% (to \$529.7 million) primarily attributable to declines in the semiconductor market and the downturn in oil and gas exploration and certain industrial markets. The impact of these difficult market conditions was somewhat mitigated by a 15% increase in sales to Gazprom and an 8% increase in sales in our fluid properties testing businesses as their products help customers respond to stricter environmental controls regarding sulfur content in petroleum products.

In our Instrumentation segment, fiscal 2002 net sales increased by \$50.1 million or 40% over fiscal 2001. The increase was primarily attributable to a year-on-year sales increase of \$64.6 million from acquisitions (AI Qualitek acquired in fiscal 2002 and the full-year impact of our fiscal 2001 acquisitions Struers and Logitech). Excluding this impact of acquisitions, net sales declined 0.6% (to \$110.9 million) as a result of severely depressed business conditions in semiconductor markets.

Net sales for our Industrial Technology segment declined by \$6.7 million or 3.9% from fiscal 2001 to fiscal 2002, primarily from weakness in industrial pump and oil & gas exploration markets. The full-year impact of the fiscal 2001 acquisition of Dynamco slightly mitigated this decrease.

In our Energy Systems and Controls segment, net sales increased by \$19.7 million or 18.4% with \$13.1 million of the increase being attributable to the fiscal 2002 acquisition of Zetec. Excluding the impact of Zetec, net sales increased 6.1% (to \$113.6 million) due to gains in sales of oil & gas control system applications, including those sold to Gazprom.

Our Scientific and Industrial Imaging segment reported a decrease in net sales in fiscal 2002 as compared to fiscal 2001 of \$8.6 million or 5.4%. The decrease resulted principally from lower motion product sales due to the pending release of a new generation of products that we anticipate to begin shipping during the first half of fiscal 2003. Fiscal 2002 acquisitions (QImaging, Definitive Imaging and Duncan Technologies) and the full-year increase of a fiscal 2001 acquisition (Media Cybernetics) mitigated the decline by \$8.8 million. Excluding the impact of these acquisitions net sales declined by 11.1% (to \$139.2 million).

Our overall gross profit percentage was 54.1% in fiscal 2002 and the same as in fiscal 2001. Instrumentation segment gross margins were roughly flat in fiscal 2002 at 58.6% as compared to 58.4% in fiscal 2001. Industrial Technology gross margins decreased to 46.2% in fiscal 2002 as compared to 46.8% in fiscal 2001 as a result of adverse volume leverage in our industrial pumps businesses. Our Energy Systems and Controls segment reported margins of 59.8% in fiscal 2002 as compared to 62.8% in fiscal 2001, attributable to lower gross margins at Zetec as compared to the segment average. Our Scientific and Industrial Imaging segments gross margins were 52.3% in fiscal 2002 as compared to 52.8% in fiscal 2001 as margins declined for motion imaging equipment with the significant reduction in sales.

Excluding the effects from the accounting changes related to goodwill and the related amortization charges expensed in fiscal 2001 of \$15.3 million, selling, general & administrative ("SG&A") expenses increased to 35.2% of net sales in fiscal 2002 from 33.5% of net sales in fiscal 2001. This increase is attributable to higher SG&A expense levels at newly acquired businesses. SG&A expenses for companies included in all of both 2002 and 2001 declined 2% in 2002 despite significantly increased R&D and other engineering expenses in our Scientific and Industrial Imaging segment, most notably Redlake MASD. There was also an increase in corporate SG&A due primarily to an increase in medical insurance costs and salaries and related employee relocation costs. As a percentage of net sales, SG&A expenses also increased in 2002 compared to 2001 for each of our four business segments by between 1% and 2%.

Interest expense increased \$2.6 million, or 16%, for the year ended October 31, 2002 compared to the year ended October 31, 2001. Average borrowing levels were approximately 36% higher during fiscal 2002 compared to the prior year due to acquisitions and effective interest rates were approximately 14% lower during fiscal 2002 compared to fiscal 2001.

A euro debt foreign exchange loss of \$4.1 million arose from euro-denominated debt that was carried in the U.S. and the strengthening of the euro against the U.S. dollar during the third quarter of fiscal 2002. This debt matured near July 31, 2002 and was replaced with U.S. dollar denominated debt.

Income taxes were 31% of pretax earnings in fiscal 2002 compared to 35% in fiscal 2001. Two of the key factors related to the reduced rate were the change in accounting for goodwill amortization and our expected utilization of all available foreign income tax credits associated with European tax structures.

During fiscal 2002, we completed a transition review for goodwill impairment under SFAS 142 as of November 1, 2001. This review initially compared the fair value of each previously acquired reporting unit to its carrying value. If an impairment was indicated, the amount was then determined by comparing the implied fair value of goodwill to its carrying amount. This impairment was reported as a change in accounting principle, was a non-cash charge and was related to the Redlake, Petrotech and Dynamco units.

At October 31, 2002, the functional currencies of our European subsidiaries were stronger against the U.S. dollar compared to currency exchange rates at October 31, 2001. This strengthening resulted in a gain of \$13.7 million in the foreign exchange component of comprehensive earnings for fiscal 2002. Approximately \$11 million of this adjustment related to goodwill and is not expected to directly affect our expected future cash flows. Fiscal 2002's operating results also benefited slightly from the stronger non-U.S. currencies. The benefits were less than 2% of operating earnings. Foreign exchange differences related to our other non-U.S. subsidiaries were immaterial to fiscal 2002's financial information.

The following table summarizes our net sales order information for the years ended October 31 (dollar amounts in thousands).

	2002	2001	change
Instrumentation	\$ 168,350	\$ 118,481	42%
Industrial Technology	161,632	171,550	-6
Energy Systems and Controls	123,038	119,137	3
Scientific and Industrial Imaging	153,349	157,096	-2
Total	<u>\$ 606,369</u>	<u>\$ 566,264</u>	<u>7%</u>

Instrumentation segment net orders improved due largely to 2001 and 2002 acquisitions and higher orders for oil and gas desulfurization applications, offset somewhat by lower orders for semiconductor capital equipment markets. Industrial Technology segment net orders declined on weak industrial and oil and gas exploration markets. Energy Systems and Controls net orders rose because of higher demand for the Company's turbomachinery control systems, as well as the 2002 acquisition of Zetec, with the year-to-year comparison adversely affected by a \$20 million supplemental order from Gazprom in 2001. Scientific and Industrial Imaging net orders fell as the benefit from 2002 and 2001 acquisitions was more than offset by weak semiconductor markets and lower motion product activity.

The following table summarizes sales order backlog information at October 31 (dollar amounts in thousands).

	2002	2001	change
Instrumentation	\$ 17,751	\$ 25,155	-29%
Industrial Technology	24,122	26,608	-9
Energy Systems and Controls	23,985	21,928	9
Scientific and Industrial Imaging	40,732	38,100	7
Total	<u>\$ 106,590</u>	<u>\$ 111,791</u>	<u>-5%</u>

A significant impact on the decreased sales order backlog at October 31, 2002 compared to October 31, 2001 was the \$11.5 million residual one-time supplemental Gazprom order which is included in the prior year backlog for Energy Systems and Controls. Excluding this order, total Company backlog increased 6% from \$100.3 million to \$106.6 million. Declines in Instrumentation and Industrial Technology were attributable to weak semiconductor and oil exploration markets, respectively.

Year Ended October 31, 2001 Compared to Year Ended October 31, 2000

Net sales for fiscal 2001 were \$563.0 million, a \$93.0 million or 19.8% increase compared to fiscal 2000 net sales of \$470.0 million. Acquisitions made during fiscal 2001 and the full year contribution from fiscal 2000 acquisitions contributed \$66.3 million of the increase in net sales. Excluding the impact of acquisitions, net sales increased by \$26.7 million, or 6.8%, with \$15.6 million of the increase attributable to higher net sales to our largest customer, Gazprom. Part of this increase arose from a special vendor financing program instituted to fund exceptional sales levels.

Our Instrumentation segment reported net sales of \$125.4 million, a \$13.6 million or 12.1% increase over fiscal 2000 net sales of \$111.8 million. Acquisitions made during 2001 (Struers and Logitech) and the full year impact of fiscal 2000 acquisitions (Antek and Cybor) contributed \$25.6 million of this increase. Excluding the impact of acquisitions, net sales were 12.0% lower in fiscal 2001 than in fiscal 2000 (\$88.3 million in 2001 from \$100.3 million in 2000) as a result of the depressed business conditions in semiconductor markets that impacted our integrated dispense systems sales and weak automobile markets that impacted demand for our industrial leak test products.

In our Industrial Technology segment net sales of \$170.8 million in fiscal 2001 were \$39.6 million or 30.1% higher than in fiscal 2000 net sales of \$131.2 million. Acquisitions during fiscal 2001 (Dynamco) and the full year contribution from fiscal 2000 acquisitions (Abel Pump, Flow Data and Hansen Technologies) provided \$35.7 million of this increase. Excluding the effect of acquisitions, net sales increased by \$3.9 million or 3.3% (from \$116.2 million to \$120.1 million). The segment saw gains in most areas except certain industrial pump markets.

Our Energy Systems & Controls segment reported net sales of \$107.0 million in fiscal 2001, a \$20.5 million or 23.6% increase over fiscal 2000 net sales of \$86.6 million. Increased sales to Gazprom were the principal cause of this increase.

Net sales of our Scientific and Industrial Imaging segment increased to \$159.7 million in fiscal 2001, a \$19.4 million or 13.8% increase over fiscal 2000 net sales of \$140.4 million. Acquisitions made during 2001 (Media Cybernetics) and the full year impact of fiscal 2000 acquisitions (Redlake, MASD and Oxford EM) contributed \$1.3 million to this increase. Excluding the impact of acquisitions, net sales increased 20.3% from \$89.1 million to \$107.2 million as a result of strong demand in research markets, particularly for our Transmission Electron Microscopy products.

Our overall gross profit percentage increased to 54.1% in fiscal 2001 from 53.7% in fiscal 2000. Many of our businesses reported improved margins during the year, most significantly from those businesses with improved leverage from additional sales. Our Instrumentation segment reported an increase in gross profit margins from 56.1% in fiscal 2000 to 58.4% in fiscal 2001 as a result of incremental sales at Struers and Logitech that were at relatively high margins. Industrial Technology segment gross profit margins declined from 47.7% in fiscal 2000 to 46.8% in fiscal 2000. This decrease was caused mostly by increased sales from our lower gross margin refrigeration valves business that was acquired in September 2000. The Energy Systems & Controls segment gross profit margins increased from 61.7% to 62.8% primarily as a result of increased business levels with Gazprom. Scientific and Industrial Imaging gross profit margins increased from 52.5% in fiscal 2000 to 52.8% in fiscal 2001 primarily as a result of favorable leverage related to increased sales into certain research markets.

SG&A expenses, excluding goodwill amortization and corporate administrative expenses were 31.8% of net sales in fiscal 2001 as compared to 30.9% of net sales in fiscal 2000. The increase arose solely from increases in the Instrumentation segment which more than offset improvements in cost structures in the other three segments. The increases in SG&A expenses as a percentage of net sales for the Instrumentation segment increased from 30.9% in fiscal 2000 to 37.7% in

fiscal 2001 as a result of the quick and deep cyclical decline in the segment's semiconductor-related business, higher SG&A expense levels at the fiscal 2001 acquisitions (Struers and Logitech) and additional research and development expenditures.

Interest expense was \$15.9 million in fiscal 2001 compared to \$13.5 million in fiscal 2000. Interest expense was higher in fiscal 2001 mostly due to the borrowings associated with the acquisitions that occurred since the beginning of fiscal 2000. All of these acquisitions, representing total costs of over \$330 million during these two fiscal years, were paid for with cash provided by our then-existing credit facilities. Short-term interest rates started to decline dramatically early in calendar 2001. The effective interest rate was approximately 6.5% during fiscal 2001 compared to approximately 6.9% during fiscal 2000.

The provision for income taxes was 35.4% of pretax earnings in fiscal 2001 compared to 35.1% in fiscal 2000. This change was not considered significant.

The other components of comprehensive earnings in fiscal 2001 were currency translation adjustments resulting from net assets denominated in currencies other than the U.S. dollar. These net assets were primarily denominated in euros, British pounds, Danish krone or Japanese yen. During fiscal 2001, the U.S. dollar weakened against the euro, was relatively stable against the pound and strengthened against the yen and krone (after the acquisition of Danish assets in September 2001). During fiscal 2001, our consolidated net assets increased \$1.2 million due to foreign currency translation adjustments.

The following table summarizes net sales order information for the years ended October 31 (dollar amounts in thousands).

	2001	2000	change
Instrumentation	\$ 118,481	\$ 117,986	0%
Industrial Technology	171,550	137,712	25
Energy Systems and Controls	119,137	83,274	43
Scientific and Industrial Imaging	157,096	154,178	2
	<hr/>	<hr/>	<hr/>
Total	\$ 566,264	\$ 493,150	15%

Net order gains in the Instrumentation segment from 2001 and 2000 acquisitions were offset by the sudden, severe downturn in the semiconductor capital equipment markets. Acquisitions in 2001 and 2000 benefited the Industrial Technology segment, which also experienced a decline in orders for directional drilling relating to fiber-optic cable placements in North America. Strong demand for turbomachinery controls, including a large increase in orders from Gazprom, coupled with a small 2000 acquisition, drove the increase in net orders in the Energy Systems and Controls segment. In the Scientific and Industrial Imaging segment, a strong increase in demand for electron microscopy products and solutions was mostly countered by a slowdown in motion imaging.

The following table summarizes our sales order backlog information at October 31 (dollar amounts in thousands).

	2001	2000	change
Instrumentation	\$ 25,155	\$ 16,875	49%
Industrial Technology	26,608	27,589	-4
Energy Systems and Controls	21,928	9,796	124
Scientific and Industrial Imaging	38,100	44,359	-14
	<hr/>	<hr/>	<hr/>
Total	\$ 111,791	\$ 98,619	13%

Changes in sales order backlog were consistent with changes in net sales orders.

Financial Condition, Liquidity and Capital Resources

Net cash provided by operating activities was \$86.8 million in fiscal 2002, \$102.4 million in fiscal 2001 and \$67.8 million during fiscal 2000. Most of this decrease in fiscal 2002 compared to fiscal 2001 was attributed to the one-time supplemental order for Gazprom, partially offset by improved cash generation from assets. Cash flows from investing activities during each of fiscal 2002, 2001, and 2000 were mostly business acquisition costs. Cash flows from financing activities during each of these years were mostly the borrowing activities associated with the business acquisitions and the debt reductions from our other net positive cash flows. Financing activities in fiscal 2000 also included refinancing our then-existing \$200 million credit agreement with our current \$275 million credit facility and the issuance of \$125 million of senior notes.

Total current assets, excluding cash, exceeded total current liabilities, excluding debt, by \$126.7 million at October 31, 2002 compared to \$122.6 million at October 31, 2001. We acquired approximately \$10 million of net current assets through business acquisitions during fiscal 2002. We also financed a \$20 million one-time supplemental order for Gazprom. Working capital was otherwise reduced by approximately \$20 million during fiscal 2002 due to improved management of our accounts receivable, inventories and payables. Total debt was \$332.1 million at October 31, 2002 (47% of total capital) compared to \$326.8 million at October 31, 2001 (50% of total capital). Our increased debt at October 31, 2002 compared to a year ago was due to the borrowings incurred to fund fiscal 2002 business acquisitions in excess of cash generated by existing operations.

Our principal \$275 million credit facility with a group of banks provides most of our daily external financing requirements, consisting of revolving loans, swing line loans and letters of credit. At October 31, 2002, utilization of this facility included \$144.7 million of U.S. denominated borrowings, the equivalent of \$41.7 million of non-U.S. denominated borrowings and \$3.3 million of outstanding letters of credit. Total unused availability under this facility was \$85.3 million at October 31, 2002. We expect that our available additional borrowing capacity combined with the cash flows expected to be generated from existing business will be sufficient to fund normal operating requirements and finance some additional acquisitions. This facility matures May 2005. We also have several smaller facilities that allow for borrowings or the issuance of letters of credit in various foreign locations to support our non-U.S. businesses. In total, these smaller facilities do not represent a significant source of credit for us.

Our outstanding indebtedness at October 31, 2002 also included \$125 million of term notes maturing in May 2007 and May 2010 and do not require sinking fund payments. We may prepay the notes by paying the holders thereof the discounted present value of all remaining scheduled payments using a discount rate equal to the sum of 50 basis points plus the yield of the U.S. Treasury Notes corresponding to the then remaining average life of the notes being prepaid.

The company was in compliance with all debt covenants related to our credit facilities throughout the year ended October 31, 2002.

Capital expenditures of \$7.7 million, \$7.4 million and \$14.9 million were incurred during fiscal 2002, 2001 and 2000, respectively. We expect capital expenditures in fiscal 2003 to be comparable as a percentage of sales to the past two years.

In November 2002, Roper's Board of Directors increased the quarterly cash dividend paid on our outstanding common stock to \$0.0875 per share from \$0.0825 per share, an increase of 6%. This represents the tenth consecutive year in which the quarterly dividend has been increased since Roper's 1992 initial public offering. Our board of directors has declared a dividend payable on January 31, 2003. Payment of any additional dividends requires further action by the board of directors.

Contractual Cash Obligations and Other Commercial Commitments and Contingencies

The following table quantifies our contractual cash obligations and commercial commitments at October 31, 2002 (dollars in thousands).

Contractual Cash Obligations

	Total	Payments Due in Fiscal					Thereafter
		2003	2004	2005	2006	2007	
Long-term debt	\$332,105	\$ 20,515	\$ 135	\$186,455	\$ 0	\$ 40,000	\$ 85,000
Operating Leases	38,000	8,600	6,600	4,800	3,400	2,700	11,900
Total	<u>\$370,105</u>	<u>\$ 29,115</u>	<u>\$ 6,735</u>	<u>\$191,255</u>	<u>\$ 3,400</u>	<u>\$ 42,700</u>	<u>\$ 96,900</u>

Other Commercial Commitments

	Total Amount Committed	Amounts Expiring in Fiscal					Thereafter
		2003	2004	2005	2006	2007	
Standby letters of credit	\$ 3,075	\$ 3,075	--	--	--	--	--

At October 31, 2002 and 2001, 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 various credit facilities will be adequate to finance normal operating requirements and further acquisition activities. Although we maintain an active acquisition program, any further 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 recently acquired companies as well as our other companies will generate positive cash flows from operating activities, and that these cash flows will permit the reduction of currently outstanding debt at a pace consistent with that which has historically been experienced. However, the rate at which we can reduce our debt during fiscal 2003 (and reduce the associated interest expense) will be affected by, among other things, the financing and operating requirements of any new acquisitions and the financial performance of our existing companies; and none of these factors can be predicted with certainty.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") issued SFAS 143 – "Accounting for Asset Retirement Obligations" that Roper is required to adopt by November 1, 2002. Roper does not currently have, nor is it expected to have, any material asset retirement obligations subject to this new standard.

The FASB issued SFAS 144 – "Accounting for the Impairment or Disposal of Long-Lived Assets" that Roper is required to adopt by November 1, 2002. This new standard does not apply to goodwill. The adoption of this standard did not result in an impairment charge.

The FASB issued SFAS 145 that rescinded, amended or made technical corrections to several previously issued statements. None of these changes significantly affected Roper's accounting or financial reporting practices.

The FASB issued SFAS 146 – "Accounting for Costs Associated with Exit or Disposal Activities" that Roper is required to adopt for applicable transactions after December 31, 2002. This standard modifies the timing of when certain costs are reported.

The Company adopted FASB Interpretation No. 45 – "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" as of January 1, 2003. This Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company has no new guarantees after October 31, 2002 requiring the measurement provisions of this Interpretation.

The FASB issued Interpretation No. 46 – "Consolidation of Variable Interest Entities" ("VIE's") that is an Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements. This Interpretation addresses the consolidation requirements of business enterprises which have variable interest entities. IN 46 applies immediately to VIE's created after January 31, 2003, and to VIE's in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period ending after December 15, 2003 to VIE's in which an enterprise holds a variable interest that it acquired before February 1, 2003. Roper is in the process of assessing the implications of this new statement for the company.

The FASB issued SFAS 148 – “Accounting for Stock-Based Compensation – Transition and Disclosure” that amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends certain disclosure requirements of Statement 123. Currently, Roper has chosen not to adopt the accounting provisions of SFAS 123 and adopted the additional disclosure provisions of SFAS 148 during 2003.

The FASB deferred issuance of SFAS 150 – “Accounting for Financial Instruments with Characteristics of Liabilities, Equity, or Both,” on October 29, 2003, that clarifies liability or equity classification for different financial instruments including mandatorily redeemable shares, put options and forward purchase contracts, and obligations that can be settled with shares. The Company is assessing the impact of this new statement to its financial statements.

Outlook

We currently expect sales and net income for fiscal 2003 to be higher than for fiscal 2002. Fiscal 2003 is expected to benefit from the full-year contributions from the businesses acquired during fiscal 2002, especially Zetec, from additional efforts to make our companies more efficient, and from reduced interest expense resulting from paying down our debt. The conditions in the semiconductor industry are currently poor and we do not expect any meaningful recovery in this industry during fiscal 2003. The overall economic conditions of the U.S.A. and Europe are sluggish and both the Federal Reserve Board and the European Central Bank recently lowered discount rates yet again in an effort to stimulate the respective economies. A significant terrorist attack could cause changes in world economies that would adversely affect us. It is impossible to isolate each of these factor’s effects on current economic conditions. It is also impossible to predict with any reasonable degree of certainty what or when any additional events may occur that also will similarly disrupt the economy.

We expect to continue an active acquisition program. However, completion of future acquisitions and their impact on our results or financial condition cannot be accurately predicted.

Information About Forward Looking Statements

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

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management’s beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include:

- completion of the Neptune acquisition;
- if completed, our ability to integrate Neptune into our operations;
- the terms and conditions pursuant to which we are able to finance the Neptune acquisition;
- reductions in our business with Gazprom;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- difficulty making acquisitions and successfully integrating acquired businesses;
- increased product liability and insurance costs;
- increased directors and officers liability and other insurance costs;
- product liability and insurance risks;
- increased warranty exposure;
- future competition;
- changes in the supply of, or price for, parts and components;
- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our substantial intangible assets;
- terrorist attacks; and
- the factors discussed in Exhibit 99.1 to this Annual Report under the heading "Risk Factors."

We believe these forward-looking statements are reasonable; however, undue reliance should not be placed 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 update publicly any of them in light of new information or future events.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risks on our outstanding borrowings. We are exposed 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 October 31, 2002, we had a combination of fixed-rate borrowings (primarily \$125 million of term notes) and relatively variable-rate borrowings (primarily borrowings under the \$275 million credit facility). Although each borrowing under the \$275 million credit facility has a fixed rate, the terms of these individual borrowings are generally only 1-3 months.

At October 31, 2002, prevailing market interest rates were lower than the fixed rates on the term notes by 2-3 percentage points. This resulted in the estimated fair values of the term notes using a discounted cash flows model being greater than the face amounts of the notes by an estimated \$15.6 million and it represented an unrecorded decrease in our net assets at October 31, 2002. There was a comparable unrecorded decrease in our net assets of \$11.7 million at October 31, 2001. If interest rates had been 1% higher at October 31, 2002, the difference between the fair values of the term notes and their face values would have been approximately \$7.1 million smaller. These interest rate differences do not directly affect our reported earnings or cash flows.

At October 31, 2002, Roper's outstanding variable-rate borrowings under the \$275 million credit facility were \$186.4 million. An increase in interest rates of 1% would increase our annualized interest costs by \$1.9 million.

Several Roper companies have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in euros, British pounds, Danish krone or Japanese yen.

Sales by companies whose functional currency was not the U.S. dollar were 28% of our total sales and 80% of these sales were by companies with a European functional currency. The U.S. dollar weakened against these European currencies during fiscal 2002 and was relatively stable compared to other currencies. The difference between fiscal 2002's operating results for these companies translated into U.S. dollars at average currency exchange rates experienced during fiscal 2002 and these operating results translated into U.S. dollars at average currency exchange rates experienced during fiscal 2001 was not material. If these currency exchange rates had been 10% different throughout fiscal 2002 compared to currency exchange rates actually experienced, the impact on our expected net earnings would have been approximately \$2 million.

The changes of these currency exchange rates relative to the U.S. dollar during fiscal 2002 compared to currency exchange rates at October 31, 2001 resulted in an increase in net assets of \$13.7 million that was reported as a component of comprehensive earnings, \$10.9 million of which was attributed to goodwill. Goodwill changes from currency exchange rate changes do not directly affect our reported earnings or cash flows.

The trading price of Roper's common stock influences the valuation of stock option grants and the effects these grants have on pro forma earnings disclosed in our financial statements. The stock prices also influence the computation of the dilutive effect of outstanding stock options to determine diluted earnings per share. The stock price also affects our employees' perceptions of various programs that involve our common stock. We believe the quantification of the effects of these changing prices on our future earnings and cash flows is not readily determinable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item begin at page F-1 hereof.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Roper Industries, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, stockholders' equity and comprehensive earnings and cash flows present fairly, in all material respects, the financial position of Roper Industries, Inc. and its subsidiaries at October 31, 2002, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of

America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on November 1, 2001, Roper Industries, Inc. adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets".

PricewaterhouseCoopers LLP

Atlanta, Georgia
September 25, 2003
except for Note 18
which the date is October 22, 2003

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

October 31, 2002 and 2001
(in thousands, except per share data)

	<u>2002</u>	<u>2001</u>
Assets		
Cash and cash equivalents	\$ 12,422	\$ 16,419
Accounts receivable, net	138,290	116,510
Inventories	88,313	89,543
Other current assets	5,224	5,146
Assets held for sale	4,578	12,234
	<u>248,827</u>	<u>239,852</u>
Total current assets		
Property, plant and equipment, net	51,089	51,543
Goodwill	459,233	415,661
Other intangible assets, net	37,032	31,101
Other noncurrent assets	32,792	23,965
	<u>580,946</u>	<u>922,810</u>
Total assets	<u>\$ 828,973</u>	<u>\$ 762,122</u>
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable	\$ 35,253	\$ 32,995
Accrued liabilities	65,153	59,520
Liabilities related to assets held for sale	1,698	2,738
Income taxes payable	7,618	5,617
Current portion of long-term debt	20,515	3,010
	<u>130,237</u>	<u>103,880</u>
Total current liabilities		
Long-term debt	311,590	323,830
Other noncurrent liabilities	11,134	10,906
	<u>322,724</u>	<u>334,736</u>
Total liabilities	<u>452,961</u>	<u>438,616</u>
Stockholders' equity:		
Preferred stock, \$0.01 par value per share; 1,000 shares authorized; none outstanding	--	--
Common stock, \$0.01 par value per share; 80,000 shares authorized; 32,593 shares issued and 31,363 outstanding at October 31, 2002 and 32,131 shares issued and 30,879 outstanding at October 31, 2001	326	321
Additional paid-in capital	89,153	80,510
Retained earnings	304,995	275,259
Accumulated other comprehensive earnings	5,940	(7,757)
Treasury stock, 1,230 shares October 31, 2002 and 1,252 shares at October 31, 2001	(24,402)	(24,827)
	<u>376,012</u>	<u>323,506</u>
Total stockholders' equity		
Total liabilities and stockholders' equity	<u>\$ 828,973</u>	<u>\$ 762,122</u>

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 31, 2002, 2001 and 2000

(Dollar and share amounts in thousands, except per share data)

	2002	2001	2000
Net sales	\$ 617,462	\$ 562,955	\$ 469,999
Cost of sales	283,707	258,205	217,477
Gross profit	333,755	304,750	252,522
Selling, general and administrative expenses	218,210	203,884	163,860
Income from operations	115,545	100,866	88,662
Interest expense	18,506	15,917	13,483
Euro debt currency exchange loss	4,093	--	--
Other income	3,381	3,916	1,207
Earnings from continuing operations before income taxes and change in accounting principle	96,327	88,865	76,386
Income taxes	29,889	31,450	26,811
Earnings from continuing operations before change in accounting principle	66,438	57,415	49,575
Loss from discontinued operations, net of taxes	415	1,576	297
Goodwill impairment, net of taxes of \$11,130	(25,970)	--	--
Net earnings	\$ 40,053	\$ 55,839	\$ 49,278
Earnings per share:			
Basic:			
Earnings before change in accounting principle	\$ 2.13	\$ 1.87	\$ 1.63
Loss from discontinued operations	(0.01)	(0.05)	(0.01)
Goodwill adjustment effective November 1, 2001	(0.84)	--	--
Net earnings	\$ 1.28	\$ 1.82	\$ 1.62
Diluted:			
Earnings before change in accounting principle	\$ 2.09	\$ 1.82	\$ 1.59
Loss from discontinued operations	(0.01)	(0.05)	(0.01)
Goodwill adjustment effective November 1, 2001	(0.82)	--	--
Net earnings	\$ 1.26	\$ 1.77	\$ 1.58
Weighted average common shares outstanding:			
Basic	31,210	30,758	30,457
Diluted	31,815	31,493	31,182

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE EARNINGS

Years ended October 31, 2002, 2001 and 2000

(in thousands, except per share data)

	<u>Common stock</u>							
	Shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Treasury stock	Total stockholders' equity	Compre- hensive earnings
Balances at October 31, 1999	30,282	\$ 316	\$71,084	\$187,911	\$ (2,172)	\$(25,171)	\$231,968	\$ --
Net earnings	--	--	--	49,278	--	--	49,278	49,278
Stock option transactions	308	3	3,949	--	--	--	3,952	--
Currency translation adjustments	--	--	--	--	(6,741)	--	(6,741)	(6,741)
Cash dividends (\$0.28 per share)	--	--	--	(8,537)	--	--	(8,537)	--
Treasury stock sold	9	--	84	--	--	187	271	--

Balances at October 31, 2000	30,599	319	75,117	228,652	(8,913)	(24,984)	270,191	\$42,537
Net earnings	--	--	--	55,839	--	--	55,839	\$55,839
Stock option transactions	272	2	5,293	--	--	--	5,295	--
Currency translation adjustments	--	--	--	--	1,156	--	1,156	1,156
Cash dividends (\$0.30 per share)	--	--	--	(9,232)	--	--	(9,232)	--
Treasury stock sold	8	--	100	--	--	157	257	--
Balances at October 31, 2001	30,879	321	80,510	275,259	(7,757)	(24,827)	323,506	\$56,995
Net earnings	--	--	--	40,053	--	--	40,053	\$40,053
Stock option transactions	462	5	8,096	--	--	--	8,101	--
Incentive bonus plan transactions	11	--	325	--	--	210	535	--
Currency translation adjustments	--	--	--	--	13,697	--	13,697	13,697
Cash dividends (\$0.33 per share)	--	--	--	(10,317)	--	--	(10,317)	--
Treasury stock sold	11	--	222	--	--	215	437	--
Balances at October 31, 2002	31,363	\$ 326	\$89,153	\$304,995	\$ 5,940	\$(24,402)	\$376,012	\$53,750

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31, 2002, 2001 and 2000
(in thousands)

	2002	2001	2000
Cash flows from operating activities:			
Net earnings	\$ 40,053	\$ 55,839	\$ 49,278
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization of property, plant and equipment	11,600	9,838	8,260
Amortization of intangible assets	3,731	16,871	13,084
Goodwill transitional impairment, net of tax	25,970	--	--
Changes in operating assets and liabilities, net of acquired businesses:			
Accounts receivable	5,499	7,027	(13,158)
Inventories	10,557	4,466	(7,643)
Accounts payable and accrued liabilities	(4,407)	7,628	16,214
Income taxes payable	6,723	1,725	786
Note receivable - supplier financing	(11,710)	(8,451)	--
Other, net	(1,258)	7,496	978
Cash provided by operating activities	86,758	102,439	67,799
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(82,813)	(170,180)	(161,546)
Capital expenditures	(7,738)	(7,432)	(14,935)
Other, net	(1,871)	906	(1,531)
Cash used in investing activities	(92,422)	(176,706)	(178,012)
Cash flows from financing activities:			
Proceeds from notes payable and long-term debt	76,621	146,125	321,941
Principal payments on notes payable and long-term debt	(74,363)	(62,815)	(208,012)
Cash dividends to stockholders	(10,317)	(9,232)	(8,537)
Treasury stock sales	972	257	271
Proceeds from stock option exercises, net	7,867	4,531	3,952
Cash provided by financing activities	780	78,866	109,615
Effect of exchange rate changes on cash	887	239	(1,145)
Net increase (decrease) in cash and cash equivalents	(3,997)	4,838	(1,743)
Cash and cash equivalents, beginning of year	16,419	11,581	13,324
Cash and cash equivalents, end of year	\$ 12,422	\$ 16,419	\$ 11,581

Supplemental disclosures:

Cash paid for:			
Interest	\$ 18,695	\$ 16,102	\$ 9,018
	<u> </u>	<u> </u>	<u> </u>
Income taxes, net of refunds received	\$ 22,940	\$ 28,875	\$ 25,867
	<u> </u>	<u> </u>	<u> </u>
Noncash investing activities:			
Net assets of businesses acquired:			
Fair value of assets, including goodwill	\$ 92,660	\$ 184,158	\$ 177,230
Liabilities assumed	(9,847)	(13,978)	(15,684)
	<u> </u>	<u> </u>	<u> </u>
Cash paid, net of cash acquired	\$ 82,813	\$ 170,180	\$ 161,546
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(1) Summary of Accounting Policies

Basis of Presentation – These financial statements present consolidated information for Roper Industries, Inc. and its subsidiaries (“Roper” or the “Company”). All significant intercompany accounts and transactions have been eliminated.

Reclassifications– Certain reclassifications of prior year information were made to conform with the current presentation.

Nature of the Business – Roper is a diversified industrial company that designs, manufactures and distributes energy systems and controls, scientific and industrial imaging products and software, industrial technology products and instrumentation products and services. These products and services are marketed to selected segments of a broad range of markets including oil and gas, research, power generation, medical, semiconductor, refrigeration, automotive, water / wastewater and general industry.

Discontinued Operations – During the first quarter of fiscal 2003, the Company decided to offer for sale the Petrotech operation. The accompanying financial statements have been restated to conform to discontinued operations treatment for all periods presented. See footnote 16 for additional disclosure.

Accounts Receivable — Accounts receivable were stated net of an allowance for doubtful accounts of \$3,643,000 and \$4,072,000 at October 31, 2002 and 2001, respectively. Outstanding accounts receivable balances are reviewed periodically, and allowances are provided at such time that management believes reasonable doubt exists that such balances will be collected within a reasonable period of time.

Cash and Cash Equivalents — Roper considers highly liquid financial instruments with remaining maturities at acquisition of three months or less to be cash equivalents. At October 31, 2002 and 2001, Roper had no cash equivalents.

Earnings per Share – Basic earnings per share were calculated using net earnings and the weighted average number of shares of common stock outstanding during the respective year. Diluted earnings per share were calculated using net earnings and the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the respective year. Common stock equivalents consisted of stock options, and the effects of common stock equivalents were determined using the treasury stock method.

As of and for the years ended October 31, 2002, 2001 and 2000, there were 345,000, 107,000 and 9,000 outstanding stock options that were not included in the determination of diluted earnings per share because doing so would have been antidilutive.

Estimates– The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Fair Value of Financial Instruments — Roper’s long-term debt at October 31, 2002 included \$125 million of fixed-rate term notes. Roper has determined that current comparable interest rates at October 31, 2002 were lower than the stated rates of the term notes by approximately 2-3 percentage points. A discounted cash flow analysis of anticipated cash flows using October 31, 2002 interest rates indicated that the fair values of the term notes were greater than the face amounts of the term notes by \$15.6 million. This liability is not reflected in Roper’s basic financial statements. At October 31, 2001, Roper had a similar unrecorded liability of \$11.7 million. The change compared to October 31, 2001 was caused primarily from lower interest rates at October 31, 2002 compared to October 31, 2001.

Most of Roper’s other borrowings at October 31, 2002 were at various interest rates that adjust relatively frequently under its \$275 million credit facility. The fair value for each of these borrowings at October 31, 2002 was estimated to be the face value of these borrowings.

In May 2000, Roper entered into a 3-year interest rate swap agreement for a notional amount of \$25 million. Under this agreement, Roper received a fixed interest rate of 7.68% and paid a variable rate of 3-month LIBOR plus a margin. In November 2000, Roper entered into another agreement that effectively terminated this swap agreement for an insignificant gain.

In February 1998 and April 1998, Roper entered into five-year interest rate swap agreements for notional amounts of \$50 million and \$25 million, respectively. In both agreements, Roper paid a fixed interest rate, and the other party paid a variable interest rate. In May 2000, Roper effectively terminated these agreements and received \$1.8 million. This gain is being amortized over the original term of the agreements.

The fair values for all of Roper's other financial instruments at October 31, 2002 approximated their carrying values.

Foreign Currency Translation — Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar were translated at the exchange rate in effect at the balance sheet date, and revenues and expenses were translated at average exchange rates for the period in which those entities were included in Roper's financial results. Translation adjustments are reflected as a component of other comprehensive earnings.

Impairment of Long-Lived Assets — The company determines whether there has been an impairment of long-lived assets, excluding goodwill and identifiable intangible assets that are determined to have indefinite useful economic lives, when certain indicators of impairment are present. In the event that facts and circumstances indicate that the cost of any long-lived assets 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 market value is required. Future adverse changes in market conditions or poor operating results of underlying long-lived assets could result in losses or an inability to recover the carrying value of the long-lived assets that may not be reflected in the assets' current carrying value, thereby possibly requiring an impairment charge in the future.

Income Taxes — Roper is a U.S.-based multinational company and the calculation of its worldwide provision for income taxes requires analysis of many factors, including income tax structures that vary from country to country and the United States' treatment of non-U.S. earnings. Roper does not treat undistributed earnings of non-U.S. subsidiaries as being permanently reinvested. United States income taxes, net of foreign income taxes, have been provided on the undistributed earnings of non-U.S. subsidiaries.

Certain assets and liabilities have different bases for financial reporting and income tax purposes. Deferred income taxes have been provided for these differences.

Goodwill and Other Intangibles — Prior to Roper's adoption of Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill was amortized on a straight-line basis over periods that ranged from 5 to 40 years. Roper accounts for goodwill in a purchase business combination as the excess of the cost over the fair value of net assets acquired. Business combinations can also result in other intangible assets being recognized. Amortization of intangible assets, if applicable, occurs over their estimated useful lives. SFAS 142 requires companies to cease amortizing goodwill that existed at June 30, 2001 and establishes a new two-step method for testing goodwill for impairment on an annual basis (or an interim basis if an event occurs that might reduce the fair value of a reporting unit below its carrying value). Roper conducts this review for all of its reporting units during the fourth quarter of the fiscal year. The transitional impairment that resulted from Roper's adoption of this standard on November 1, 2002 has been reported as a change in accounting principle — see Note 5. No impairment resulted from the annual review performed in 2002. SFAS 142 also requires that an identifiable intangible asset that is determined to have an indefinite useful economic life not be amortized, but separately tested for impairment using a one-step fair value based approach.

Inventories — Inventories are valued at the lower of cost or market. Cost is determined using either the first-in, first-out method or the last-in, first-out method ("LIFO"). Inventories valued at LIFO cost comprised 9% and 10% of consolidated inventories at October 31, 2002 and 2001, respectively.

Any LIFO decrements recorded during any of the three years ended October 31, 2002 were immaterial to Roper's consolidated financial statements for that year.

Other Comprehensive Earnings — Comprehensive earnings includes net earnings and all other non-owner sources of changes in a company's net assets. The differences between net earnings and comprehensive earnings for Roper during fiscal 2002, 2001 and 2000 were currency translation adjustments. Income taxes have not been provided on currency translation adjustments.

Property, Plant and Equipment and Depreciation and Amortization — Property, plant and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for using principally the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20-30 years
Machinery	8-12 years
Other equipment	3-5 years

Capitalized Software — Effective January 1, 1999, the Company adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Among other provisions, SOP 98-1 requires that entities capitalize certain internal-use software costs once certain criteria are met. Under SOP 98-1, overhead, general and administrative and training costs are not capitalized.

Recently Released Accounting Pronouncements — The Financial Accounting Standards Board ("FASB") issued SFAS 143 — "Accounting for Asset Retirement Obligations" that Roper is required to adopt by November 1, 2002. Roper does not have, nor do we expect it to have, any material asset retirement obligations subject to this new standard.

The FASB issued SFAS 144 — "Accounting for the Impairment or Disposal of Long-Lived Assets" that Roper is required to adopt by November 1, 2002. This new standard does not apply to goodwill. The adoption of this standard did not result in an impairment charge.

The FASB issued SFAS 145 that rescinded, amended or made technical corrections to several previously issued statements. None of these changes significantly affected Roper's accounting or financial reporting practices.

The FASB issued SFAS 146 — "Accounting for Costs Associated with Exit or Disposal Activities" that Roper is required to adopt for applicable transactions after December 31, 2002. This standard modifies the timing of when certain costs are reported.

The Company adopted FASB Interpretation No. 45 — "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" as of January 1, 2003. This Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company has no new guarantees after October 31, 2002 requiring the measurement provisions of this Interpretation.

The FASB issued Interpretation No. 46 – “Consolidation of Variable Interest Entities” (“VIE’s”) that is an Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements. This Interpretation addresses the consolidation requirements of business enterprises which have variable interest entities. IN 46 applies immediately to VIE’s created after January 31, 2003, and to VIE’s in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period ending after December 15, 2003 to VIE’s in which an enterprise holds a variable interest that it acquired before February 1, 2003. Roper is in the process of assessing the implications of this new statement for the company.

The FASB issued SFAS 148 – “Accounting for Stock-Based Compensation –Transition and Disclosure” that amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends certain disclosure requirements of Statement 123. Currently, Roper has chosen not to adopt the accounting provisions of SFAS 123 and adopted the additional disclosure provisions of SFAS 148 during 2003.

The FASB deferred issuance of SFAS 150 – “Accounting for Financial Instruments with Characteristics of Liabilities, Equity, or Both,” on October 29, 2003, that clarifies liability or equity classification for different financial instruments including mandatorily redeemable shares, put options and forward purchase contracts, and obligations that can be settled with shares. The Company is assessing the impact of this new statement to its financial statements.

Research and Development — Research and development costs include salaries and benefits, rents, supplies, and other costs related to various products under development. Research and development costs are expensed in the period incurred and totaled \$29.6 million, \$26.0 million and \$22.3 million for the years ended October 31, 2002, 2001 and 2000, respectively.

Revenue Recognition – The Company recognizes revenue from the sale of products when title and risk of loss pass to the customer, which is generally when product is shipped. The Company recognizes revenue from services rendered upon customer acceptance. Revenues under certain relatively long-term and relatively large-value construction projects are recognized under the percentage-of-completion method using the ratio of costs incurred to total estimated costs as the measure of performance. During fiscal 2002, 2001 and 2000, we recognized revenue of approximately \$2.4 million, \$2.3 million and \$1.7 million, respectively using this method. Estimated losses on any projects are recognized as soon as such losses become known.

Stock Options – Roper accounts for stock-based compensation under the provisions of Accounting Principles Board Opinion 25 – “Accounting for Stock Issued to Employees.” Stock-based compensation is measured at its fair value at the grant date in accordance with an option-pricing model. SFAS 123 – “Accounting for Stock-Based Compensation,” provides that the related expense may be recorded in the basic financial statements or the pro forma effect on earnings may be disclosed in the financial statements. Roper provides the pro forma disclosures.

Non-employee directors of Roper are eligible to receive stock options for its common stock. These stock options are accounted for the same as stock options granted to employees. Roper has never issued stock options other than those issued to employees or its non-employee directors.

(2) Business Acquisitions

On July 31, 2002, the company acquired all the outstanding shares of Zetec, Inc. (“Zetec”). Zetec supplies non-destructive inspection solutions using eddy current technology and related consumables, primarily for use in power generating facilities and is included in the Energy Systems and Controls segment of the business. Zetec’s principal facility is located near Seattle, Washington. The results of Zetec’s operations have been included in the consolidated financial statements since the acquisition date.

The aggregate purchase price of the acquisition was \$57.2 million of cash and includes amounts paid to sellers, amounts incurred for due diligence and other direct external costs associated with the acquisition.

The following table (in thousands) summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The allocation includes estimates that were not finalized at October 31, 2002. Purchase price adjustments following the closing are also customary. The adjustments that were pending at October 31, 2002 were not significant.

	<u>July 31, 2002</u>
Current assets	\$ 12,448
Other assets	4,756
Intangible assets	7,060
Goodwill	40,574
	<hr/>
Total assets acquired	64,838
Current liabilities	(7,615)
	<hr/>
Net assets acquired	<u>\$ 57,223</u>

Of the \$7.1 million of acquired intangible assets, \$2.1 million was assigned to trade names that are not subject to amortization. The remaining \$5.0 million of acquired intangible assets have a weighted-average useful life of approximately 6 years. The intangible assets that make up that amount include trade secrets of \$3.0 million (6 year weighted-average useful life), technology of \$1.8 million (5-year weighted-average useful life), and patents of \$0.2 million (15-year weighted-average useful life).

The \$40.6 million of goodwill is not expected to be deductible for tax purposes.

In addition, in fiscal 2002, the company acquired the following four entities for a total cost of \$18.0 million, which was paid in cash:

- Acquired in August 2002, Quantitative Imaging Corporation, (QImaging), based in Vancouver, Canada provides innovative, high-performance digital cameras for scientific and industrial imaging applications, complementing Roper’s digital imaging business within the Scientific and Industrial Imaging segment.

- Acquired in July 2002, AiCambridge Ltd. (“Qualitek”), based in Cambridge, England, is a designer and manufacturer of leak detection equipment and systems for medical, pharmaceutical, food, packaging and automotive industries, primarily in Europe. It is reported in our Instrumentation segment.
- Acquired in July 2002, Duncan Technologies, based in Sacramento, California, is an innovative designer and manufacturer of high-quality digital cameras for a variety of markets including machine vision, remote sensing and traffic monitoring. It is reported in our Scientific and Industrial Imaging segment.
- Acquired in September 2002, Definitive Imaging, based in Cleveland, Ohio, provides image analysis software and specialized knowledge for metallographic and science quality control. It is reported in our Scientific and Industrial Imaging segment.

Goodwill recognized in those transactions amounted to \$12.9 million and of that amount approximately \$0.8 million is expected to be fully deductible for tax purposes. The intangible assets acquired in these transactions are being amortized over a life of 4 to 7 years.

On September 5, 2001, the company acquired all the outstanding shares of Struers and Logitech. Struers develops, manufactures and markets materials analysis preparation equipment and consumables used in quality inspection, failure analysis and research of solid materials. Logitech develops, manufactures and markets high-precision material-shaping equipment used primarily in the production of advanced materials for the semiconductor and opto-electronics markets. Struers is headquartered near Copenhagen, Denmark and Logitech is headquartered near Glasgow, Scotland. Both companies also share sales and service locations in the U.S., France, Germany and Japan. The results of these operations have been included in the consolidated financial statements since the acquisition date in our Instrumentation segment.

The aggregate purchase price of the acquisition was \$150.9 million of cash and includes amounts paid to sellers, amounts incurred for due diligence and other direct external costs associated with the acquisition.

The following table (in thousands) summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

	September 5, 2001
Current assets	\$ 30,482
Other assets	6,127
Intangible assets	20,680
Goodwill	106,964
	<hr/>
Total assets acquired	164,253
Current liabilities	12,401
Long-term liabilities	1,002
	<hr/>
Total liabilities	13,403
	<hr/>
Net assets acquired	\$ 150,850
	<hr/>

Of the \$20.7 million of acquired intangible assets, \$4.9 million was assigned to trade names that are not subject to amortization. The remaining \$15.8 million of acquired intangible assets have a weighted-average useful life of approximately 10 years. The intangible assets that make up that amount include an existing customer base of \$15.1 million (10-year useful life), and backlog of \$0.7 million (1-year useful life).

The \$107.0 million of goodwill is not expected to be deductible for tax purposes.

In addition, in fiscal 2001, the company acquired the following two entities for a total of cost of \$23.2 million, which was paid in cash:

- Acquired in July 2001, Media Cybernetics, L.P. (“Media”), located in Silver Springs, Maryland, is a leading image processing software developer for scientific and industrial applications and is included in the Scientific and Industrial Imaging segment.
- Acquired in May 2001, Dynamco, Inc. (“Dynamco”) manufactures high quality pneumatic valves, solenoids, relays and related products that are sold to the semiconductor, packing, HVAC and medical industries. Located in McKinney, Texas, Dynamco is included in the Industrial Technology segment.

Goodwill recognized in those transactions amounted to \$14.2 million and that amount is expected to be fully deductible for tax purposes. Goodwill was assigned to the Scientific and Industrial Imaging and Industrial Technology segments in the amounts of \$8.9 million and \$5.2 million, respectively,

In fiscal 2000, the company completed nine business acquisitions for a total cost of \$161.5 million, which was paid in cash. The following provides a summary of the significant acquisitions which represents 81% of the total aggregate purchase price paid for fiscal year 2000 acquisitions.

- Acquired in September 2000, Hansen Technologies distributes manufactured and outsourced shut-off and control valves, auto-purgers and hermetic pumps for the commercial refrigeration industry. Hansen Technologies’ principal facility is located near Chicago, Illinois and is included in the Industrial Technology segment.
- Acquired in August 2000, Antek Instruments manufactures and supplies spectrometers primarily used to detect sulfur, nitrogen and other chemical compounds in petroleum, food and beverage processing and other industries and is included in the Instrumentation segment. Antek Instruments’ principal facilities are located in Houston, Texas.

- Acquired in May 2000, Abel Pump manufactures and supplies specialty positive displacement pumps for a variety of industrial applications, primarily involving abrasive or corrosive fluids or those with high solids content and is included in the Industrial Technology segment of the business. Abel Pump's principal facility is located near Hamburg, Germany.
- Acquired in November 1999, MASD designs, manufacturers and markets high-speed digital cameras used in automotive, industrial, military and research markets. MASD also manufactures and markets high-resolution digital cameras for the machine vision and image conversion markets. MASD's principal facility is located in San Diego, California. This business was subsequently merged with a complementary business and currently operates as Redlake MASD and is included in the Scientific and Industrial Imaging segment.

The following unaudited pro forma summary presents Roper's consolidated results of operations as if the acquisitions that occurred during fiscal 2002 and 2001 had occurred at the beginning of fiscal 2001. Goodwill associated with acquisitions completed subsequent to June 30, 2001 has not been amortized for purposes of this pro forma presentation to be consistent with current practice. Also, actual results may have been different had the acquisitions occurred at an earlier date and this pro forma information provides no assurance as to future results. Data in the following table is in thousands, except per share data.

	Unaudited Year ended October 31,	
	2002	2001
Net sales	\$ 664,683	\$ 694,693
Earnings before income taxes, discontinued operations and change in accounting principle	\$ 101,535	\$ 103,098
Earnings before discontinued operations and change in accounting principle	\$ 69,823	\$ 66,703
Earnings before change in accounting principle	\$ 66,023	\$ 65,127
Earnings before change in accounting principle per share:		
Basic	\$ 2.11	\$ 2.12
Diluted	\$ 2.08	\$ 2.07

(3) Inventories

The components of inventories at October 31 were as follows (in thousands):

	2002	2001
Raw materials and supplies	\$ 45,836	\$ 47,424
Work in process	11,557	12,684
Finished products	32,073	30,758
LIFO reserve	(1,153)	(1,323)
	\$ 88,313	\$ 89,543

(4) Property, Plant and Equipment

The components of property, plant and equipment at October 31 were as follows (in thousands):

	2002	2001
Land	\$ 2,372	\$ 2,944
Buildings	25,639	24,955
Machinery, tooling and other equipment	92,651	82,222
	120,662	110,121
Accumulated depreciation and amortization	(69,573)	(58,578)
	\$ 51,089	\$ 51,543

Depreciation expense was \$11,600, \$9,838 and \$8,260 for the three years ended October 31, 2002, October 31, 2001 and October 31, 2000, respectively.

(5) Goodwill

Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Total
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	(in thousands)				
Balances at October 31, 2001	\$ 175,481	\$ 79,160	\$ 38,004	\$ 123,016	\$ 415,661
Goodwill acquired	10,570	(204)	40,574	9,975	60,915
Impairment	--	(3,900)	--	(27,900)	(31,800)
Currency translation adjustments	9,012	1,397	338	199	10,946
Reclassifications and other	3,022	250	--	239	3,511
Balances at October 31, 2002	\$ 198,085	\$ 76,703	\$ 78,916	\$ 105,529	\$ 459,233

Goodwill acquired during the year ended October 31, 2002 included a \$7.6 million purchase price adjustment from the prior year's acquisition of the Struers and Logitech businesses.

The impairment resulted from the transitional provisions of Roper's adoption of SFAS 142. Impairment was recognized on the Redlake, Petrotech and Dynamco units. The reported change in accounting principle for this impairment was net of income taxes.

SFAS 142, which Roper adopted at the beginning of fiscal 2002, does not permit retroactive application of its method of accounting for goodwill and other intangible assets. However, SFAS 142 does provide for the following analysis comparing the current to the previous accounting practice.

	Year ended October 31,		
	2002	2001	2000
Earnings before change in accounting principle, as reported	\$ 66,023	\$ 55,839	\$ 49,278
Add back: goodwill amortization, net of income taxes	--	11,696	9,539
Earnings before change in accounting principle, adjusted	\$ 66,023	\$ 67,535	\$ 58,817
Basic earnings per share:			
Earnings before change in accounting principle, as reported	\$ 2.12	\$ 1.82	\$ 1.62
Add back: goodwill amortization, net of income taxes	--	0.38	0.31
Earnings before change in accounting principle, adjusted	\$ 2.12	\$ 2.20	\$ 1.93
Diluted earnings per share:			
Earnings before change in accounting principle, as reported	\$ 2.08	\$ 1.77	\$ 1.58
Add back: goodwill amortization, net of income taxes	--	0.37	0.31
Earnings before change in accounting principle, adjusted	\$ 2.08	\$ 2.14	\$ 1.89

(6) Other intangible assets, net

	Cost	Accum. amort.	Net book value
	(in thousands)		
Assets subject to amortization:			
Existing customer base	\$ 14,723	\$ (1,704)	\$ 13,019
Unpatented technology	7,623	(1,459)	6,164
Patents and other protective rights	7,056	(3,371)	3,685
Trade secrets	3,010	(125)	2,885
Assets not subject to amortization:			
Trade names	11,279	--	11,279
Balances at October 31, 2002	\$ 43,691	\$ (6,659)	\$ 37,032

Amortization expense of other intangible assets was \$3,455, \$1,754 and \$825 during fiscal 2002, 2001 and 2000, respectively. Estimated amortization expense for the five years subsequent to fiscal 2002 is \$4,120, \$4,120, \$4,100, \$3,327 and \$2,458 for fiscal 2003, 2004, 2005, 2006 and 2007, respectively.

(7) Accrued Liabilities

Accrued liabilities at October 31 were as follows (in thousands):

	2002	2001
Wages and other compensation	\$ 24,860	\$ 26,795
Commissions	8,419	8,223
Interest	5,515	5,705
Other	26,286	18,797
Total	\$ 65,080	\$ 59,520

(8) Income Taxes

Earnings before income taxes and change in accounting principle for the years ended October 31 consisted of the following components (in thousands):

	<u>2002</u>	<u>2001</u>	<u>2000</u>
United States	\$ 68,043	\$ 67,305	\$ 61,529
Other	28,284	21,560	14,857
	<u>\$ 96,327</u>	<u>\$ 88,865</u>	<u>\$ 76,386</u>

Components of income tax expense before any change in accounting principle for the years ended October 31 were as follows (in thousands):

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Current:			
Federal	\$ 17,968	\$ 22,603	\$ 19,955
State	982	1,171	844
Foreign	9,200	6,883	5,450
Deferred expense	1,739	793	562
	<u>\$ 29,889</u>	<u>\$ 31,450</u>	<u>\$ 26,811</u>

Reconciliations between the statutory federal income tax rate and the effective income tax rate for the years ended October 31 were as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Federal statutory rate	35.0%	35.0%	35.0%
Extraterritorial Income Exclusion	(5.1)	--	--
Exempt income of Foreign Sales Corporation	--	(4.3)	(3.7)
Goodwill amortization	1.9	2.6	2.3
Other, net	(0.8)	2.1	1.5
	<u>31.0%</u>	<u>35.4%</u>	<u>35.1%</u>

Components of the deferred tax assets and liabilities at October 31 were as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Deferred tax assets:		
Reserves and accrued expenses	\$ 7,504	\$ 7,735
Inventories	4,447	3,617
Postretirement medical benefits	714	631
Foreign taxes	--	575
Amortizable intangible assets	4,499	--
Total deferred tax assets	<u>17,164</u>	<u>12,558</u>
Deferred tax liabilities:		
Amortizable intangible assets	--	2,629
Plant and equipment	1,584	1,599
Former IC-DISC recapture	462	577
Total deferred tax liabilities	<u>2,046</u>	<u>4,805</u>
Net deferred tax asset	<u>\$ 15,118</u>	<u>\$ 7,753</u>

Roper has not recognized a valuation allowance since management has determined that it is more likely than not that the results of future operations will generate sufficient taxable income to realize all deferred tax assets.

(9) Long-Term Debt

Total debt at October 31 consisted of the following (table amounts in thousands):

	<u>2002</u>	<u>2001</u>
\$275 million credit facility	\$ 186,358	\$ 178,114
7.58% Senior Secured Notes	40,000	40,000
7.68% Senior Secured Notes	85,000	85,000

Supplier financing agreement	20,377	20,377
Other	370	3,349
	<hr/>	<hr/>
Total debt	332,105	326,840
Less current portion	20,515	3,010
	<hr/>	<hr/>
Long-term debt	\$ 311,590	\$ 323,830
	<hr/>	<hr/>

The \$275 million credit facility is with a group of banks and provides for revolving loans, swing line loans and letters of credit. Interest on outstanding borrowings is influenced by the type and currency of the borrowings. Interest on outstanding borrowings under this facility is a base rate plus a margin. The margin is influenced by certain financial ratios of Roper and can range from 0.625% to 1.125%. This facility also provides that Roper will maintain certain financial ratios addressing, among other things, coverage of fixed charges, total debt under other agreements, consolidated net worth and capital expenditures. Other costs and provisions of this facility are believed to be customary. Repayment of Roper's obligations under this facility is guaranteed by its U.S. subsidiaries and the pledge of some of the stock of some of Roper's non-U.S. subsidiaries. This agreement matures on May 18, 2005.

At October 31, 2002, utilization of the credit facility included \$144.7 million of U.S. denominated borrowings, \$41.7 million of borrowings denominated in euros and \$3.3 million of outstanding letters of credit. The weighted average interest rate on these outstanding borrowings at October 31, 2002 was 3.3%.

The Senior Secured Notes are with a group of insurance companies that consist of \$40 million of term notes due May 18, 2007 and \$85 million of term notes due May 18, 2010. The guarantees, pledges and financial covenants associated with these notes are similar, but slightly less restrictive, than those in the \$275 million credit facility.

On September 28, 2001, Roper entered into a supplier financing credit agreement (the "credit agreement") with a foreign financial institution. Under the terms of the credit agreement, the maximum borrowing capacity available to Roper was \$20,377, which was fully drawn on October 1, 2001. Roper is required to repay the principal amount of the borrowing in four equal, consecutive quarterly installments beginning December 30, 2002 with a scheduled maturity date of October 1, 2003 and was paid on September 30, 2003. Under the terms of the credit agreement, on October 1, 2001, the interest rate was fixed at 5.76% through the maturity date. Interest is payable in arrears on October 1, 2002, January 1, 2003, April 1, 2003, July 1, 2003 and October 1, 2003. The restrictive covenants associated with the credit agreement are similarly restrictive to those in the \$275 million credit facility.

At October 31, 2002, the Company was in compliance with its restrictive covenants.

Future maturities of long-term debt during each of the next five years ending October 31 and thereafter were as follows (in thousands):

2003	\$ 20,515
2004	135
2005	186,455
2006	--
2007	40,000
Thereafter	85,000
	<hr/>
	\$332,105
	<hr/>

(10) Retirement and Other Benefit Plans

Roper maintains two defined contribution retirement plans under the provisions of Section 401(k) of the Internal Revenue Code covering substantially all U.S. employees not subject to collective bargaining agreements. Roper partially matches employee contributions. Its costs related to these two plans were \$4,549,000, \$4,126,000 and \$3,956,000 in fiscal 2002, 2001 and 2000, respectively.

Roper also maintains various defined benefit retirement plans covering employees of non-U.S. subsidiaries and a plan that supplements certain employees for the contribution ceiling applicable to the Section 401(k) plans. The costs and accumulated benefit obligations associated with each of these plans were not material.

Pursuant to the fiscal 1999 Petroleum Analyzer acquisition, Roper agreed to assume a defined benefit pension plan covering certain U.S. employees subject to a collective bargaining agreement. Roper obtained the necessary regulatory approvals to terminate this plan during fiscal 2002 and all plan assets were distributed during fiscal 2002.

All U.S. employees are eligible to participate in Roper's stock purchase plan whereby they may designate up to 10% of eligible earnings to purchase Roper's common stock at a 10% discount to the average closing price of its common stock at the beginning and end of a quarterly offering period. The common stock sold to the employees may be either treasury stock, stock purchased on the open market, or newly issued shares. During the years ended October 31, 2002, 2001 and 2000, participants of the employee stock purchase plan purchased 11,000, 8,000 and 9,000 shares, respectively, of Roper's common stock for total consideration of \$437,000, \$257,000 and \$271,000, respectively. All of these shares were purchased from Roper's treasury shares.

(11) Common Stock Transactions

Roper's restated Certificate of Incorporation provides that each outstanding share of Roper's common stock entitles the holder thereof to five votes per share, except that holders of outstanding shares with respect to which there has been a change in beneficial ownership during the four years immediately preceding the applicable record date will be entitled to one vote per share.

Roper has a Shareholder Rights Plan whereby one Preferred Stock Purchase Right (a "Right") accompanies each outstanding share of common stock. Such Rights only become exercisable, or transferable apart from the common stock, ten business days after a person or group acquires various specified levels of beneficial ownership, with or without the Board's consent. Each Right may be exercised to acquire one one-thousandth of a newly issued share

of Roper's Series A Preferred Stock, at an exercise price of \$170, subject to adjustment. Alternatively, upon the occurrence of certain specified events, the Rights allow holders to purchase Roper's common stock having a market value at such time of twice the Right's exercise price. The Rights may be redeemed by Roper at a redemption price of \$0.01 per Right at any time until the tenth business day following public announcement that a 20% position has been acquired or 10 business days after commencement of a tender or exchange offer. The Rights expire on January 8, 2006.

Roper periodically enters into agreements with the management of newly-acquired companies for the issuance of Roper's common stock based on the achievement of specified goals. A similar agreement was made with a corporate executive during fiscal 1996 that matured during fiscal 2002. During fiscal 2002, 20,000 shares of common stock were issued under such agreements. At October 31, 2002, there were no such agreements outstanding.

(12) Stock Options

Roper has two stock incentive plans (the "1991 Plan" and the "2000 Plan") which authorize the issuance of shares of common stock to certain directors, key employees, and consultants of Roper as incentive and/or nonqualified stock options, stock appreciation rights or equivalent instruments. Stock options under both plans must be granted at prices not less than 100% of market value of the underlying stock at the date of grant. All stock options granted under these plans vest annually and ratably over a five-year period from the date of the grant. Stock options expire ten years from the date of grant. Options may no longer be granted under the 1991 Plan. The 2000 Plan has no expiration date for the granting of options and had the capacity to grant an additional 682,000 options or equivalent instruments at October 31, 2002.

Roper also has a stock option plan for non-employee directors (the "Non-employee Director Plan"). The Non-employee Director Plan provides for each non-employee director appointed or elected to the Board initial options to purchase 4,000 shares of Roper's common stock and thereafter options to purchase an additional 4,000 shares each year under terms and conditions similar to the above-mentioned stock option plans, except that following their grant, all options become fully vested at the time of the Annual Meeting of Shareholders following the grant date and are exercisable ratably over five years following the date of grant. Stock options expire ten years from the date of grant. At October 31, 2002, the Non-Employee Director Plan had the capacity to grant an additional 92,000 options.

A summary of stock option transactions under these plans and information about stock options outstanding at October 31, 2002 are shown below:

	Outstanding options		Exercisable options	
	Number	Average exercise price	Number	Average exercise price
October 31, 1999	2,117,000	\$ 17.67	1,226,000	\$ 14.67
Granted	365,000	33.18		
Exercised	(320,000)	13.68		
Canceled	(79,000)	25.76		
October 31, 2000	2,083,000	20.69	1,199,000	16.45
Granted	515,000	34.85		
Exercised	(292,000)	18.34		
Canceled	(75,000)	25.39		
October 31, 2001	2,231,000	24.11	1,171,000	17.91
Granted	651,000	41.11		
Exercised	(469,000)	17.12		
Canceled	(118,000)	31.89		
October 31, 2002	2,295,000	\$ 29.97	1,034,000	\$ 22.59

Exercise price	Outstanding options			Exercisable options	
	Number	Average exercise price	Average remaining life (years)	Number	Average exercise price
\$ 3.75-15.00	169,000	\$ 10.95	1.7	169,000	\$ 10.95
15.01-25.00	583,000	18.76	3.6	488,000	18.79
25.01-35.00	735,000	31.48	7.0	287,000	30.38
35.01-48.76	808,000	40.65	9.0	90,000	40.32
\$ 3.75-48.76	2,295,000	\$ 29.97	6.4	1,034,000	\$ 22.59

For pro forma disclosure purposes, the following fair values and the primary assumptions used to determine these fair values were used. All stock options granted during each of the years ended October 31, 2002, 2001 and 2000 were at exercise prices equal to the market price of Roper's common stock when granted.

	2002	2001	2000
Weighted average fair value per share (\$)	16.77	16.86	15.37
Risk-free interest rate (%)	4.00-5.00	5.00-6.00	6.75
Average expected option life (years)	7.0	7.0	7.0
Expected volatility (%)	33-37	31-45	35-49
Expected dividend yield (%)	0.75	0.75	1.00

Had Roper recognized compensation expense during fiscal 2002, 2001 and 2000 for the fair value of stock options granted in accordance with the provisions of SFAS 123, pro forma earnings and pro forma earnings per share would have been approximately as presented below.

	2002	2001	2000
Net earnings, as reported (in thousands)	\$ 40,053	\$ 55,839	\$ 49,278
Net earnings, pro forma (in thousands)	32,589	50,859	45,385
Net earnings per share, as reported:			
Basic	1.28	1.82	1.62
Diluted	1.26	1.77	1.58
Net earnings per share, pro forma:			
Basic	1.04	1.65	1.49
Diluted	1.02	1.61	1.46

The disclosed pro forma effects on earnings do not include the effects of stock options granted prior to fiscal 1996 (affecting fiscal 2000) since the provisions of SFAS 123 are not applicable to stock options for this purpose. The pro forma effects of applying SFAS 123 to fiscal 2002, 2001 and 2000 may not be representative of the pro forma effects in future years. Based on the vesting schedule of Roper's stock option grants, the pro forma effects on earnings are most pronounced in the early years following each grant. The timing and magnitude of any future grants is at the discretion of Roper's Board of Directors and cannot be assured.

(13) Contingencies

Roper, in the ordinary course of business, is the subject of, or a party to, various pending or threatened legal actions, including those pertaining to product liability and employment practices. It is vigorously contesting all lawsuits that, in general, are based upon claims of the kind that have been customary over the past several years. Based upon Roper's past experience with resolution of its product liability and employment practices claims and the limits of the primary, excess, and umbrella liability insurance coverages that are available with respect to pending claims, management believes that adequate provision has been made to cover any potential liability not covered by insurance, and that the ultimate liability, if any, arising from these actions should not have a material adverse effect on the consolidated financial position, results of operations or cash flows of Roper. Included in other noncurrent assets at October 31, 2002 are estimated insurable settlements receivable from insurance companies of \$2.6 million. At October 31, 2001, the estimated insurable settlements receivable from insurance companies was \$1.7 million.

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

Roper's rent expense was approximately \$10.7 million, \$9.3 million and \$8.5 million for fiscal 2002, 2001 and 2000, respectively. Roper's future minimum lease commitments totaled \$38.0 million at October 31, 2002. These commitments included \$8.6 million in fiscal 2003, \$6.6 million in fiscal 2004, \$4.8 million in fiscal 2005, \$3.4 million in fiscal 2006, \$2.7 million in fiscal 2007 and \$11.9 million thereafter.

(14) Segment and Geographic Area Information

During the quarter ended January 31, 2003, Roper realigned its operations into four market-focused segments to capture value-creating opportunities around common customers, market orientation, sales channels and common cost opportunities. The four new segments are: Instrumentation; Industrial Technology; Energy Systems and Controls; and Scientific and Industrial Imaging. Our Instrumentation segment offers equipment and consumables for materials analysis, fluid properties testing equipment, industrial leak testing equipment, and semiconductor production equipment. Products included within the Industrial Technology segment are industrial pumps, flow measurement and metering equipment, and industrial valves and controls. The Energy Systems and Controls segment's products include control systems, machinery vibration and other non-destructive inspection and measurement instrumentation. Our Scientific and Industrial Imaging offers high performance digital imaging products and software. Roper's management structure and internal reporting are also aligned consistent with these three segments.

There were no material transactions between Roper's business segments during any of the three years ended October 31, 2002. Sales between geographic areas are primarily of finished products and are accounted for at prices intended to represent third-party prices. Operating profit by business segment and by geographic area is defined as sales less operating costs and expenses. These costs and expenses do not include unallocated corporate administrative expenses. Items below income from operations on Roper's statement of earnings are not allocated to business segments.

Identifiable assets are those assets used primarily in the operations of each business segment or geographic area. Corporate assets were principally comprised of cash, recoverable insurance claims, deferred compensation assets, unamortized deferred financing costs and property and equipment.

Selected financial information by business segment for the years ended October 31 follows (in thousands):

	2002					
	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Corporate	Total
Net sales	\$ 175,490	\$ 164,160	\$ 126,709	\$ 151,103	\$ --	\$ 617,462
Operating profit	32,801	37,447	33,029	25,795	(13,527)	115,545
Total assets:						
Operating assets	74,046	69,857	75,199	68,763	--	287,865
Intangible assets, net	219,082	77,709	85,758	113,716	--	496,265
Other	10,256	(346)	(1,599)	12,823	23,709	44,843

Total						828,973
Capital expenditures	2,508	2,281	1,063	1,673	213	7,738
Goodwill amortization	--	--	--	--	--	--
Depreciation and other amortization	5,353	4,013	1,846	3,736	383	15,331
2001						
	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Corporate	Total
Net sales	\$ 125,354	\$ 170,822	\$ 107,043	\$ 159,736	\$ --	\$ 562,955
Operating profit	21,580	37,886	25,513	25,575	(9,688)	100,866
Total assets:						
Operating assets	80,483	73,768	42,676	74,775	--	271,702
Intangible assets, net	196,211	80,354	38,004	131,072	--	445,641
Other	12,010	(515)	3,546	4,139	25,599	44,779
Total						762,122
Capital expenditures	1,695	2,192	1,652	1,782	111	7,432
Goodwill amortization	4,489	3,128	2,700	4,981	--	15,298
Depreciation and other amortization	2,154	3,883	1,471	3,534	372	11,411

2000						
	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Corporate	Total
Net sales	\$ 111,789	\$ 131,251	\$ 86,582	\$ 140,377	\$ --	\$ 469,999
Operating profit	24,525	29,748	19,321	21,441	(6,373)	88,662
Total assets:						
Operating assets	53,177	76,469	34,467	75,668	--	239,781
Intangible assets, net	80,202	74,567	40,172	120,127	--	315,068
Other	1,772	(259)	1,842	5,824	32,874	42,053
Total						596,902
Capital expenditures	1,398	6,656	3,094	3,726	61	14,935
Goodwill amortization	3,969	1,887	1,895	4,851	--	12,602
Depreciation and other amortization	1,579	3,136	1,176	2,630	221	8,742

Summarized data for Roper's U.S. and foreign operations (principally in Europe and Japan) for the years ended October 31 were as follows (in thousands):

	United States	Non-U.S.	Corporate and eliminations	Total
2002				
Sales to unaffiliated customers	\$ 438,201	\$ 179,261	\$ --	\$ 617,462
Sales between geographic areas	35,629	17,534	(53,163)	--
Net sales	\$ 473,830	\$ 196,795	\$ (53,163)	\$ 617,462
Long-lived assets	\$ 380,655	\$ 188,279	\$ 11,212	\$ 580,146
2001				
Sales to unaffiliated customers	\$ 427,638	\$ 135,317	\$ --	\$ 562,955
Sales between geographic areas	41,752	9,394	(51,146)	--
Net sales	\$ 469,390	\$ 144,711	\$ (51,146)	\$ 562,955
Long-lived assets	\$ 360,705	\$ 154,230	\$ 7,335	\$ 522,270
2000				
Sales to unaffiliated customers	\$ 336,537	\$ 133,462	\$ --	\$ 469,999
Sales between geographic areas	29,435	6,958	(36,393)	--

Net sales	\$ 365,972	\$ 140,420	\$ (36,393)	\$ 469,999
Long-lived assets	\$ 319,918	\$ 49,251	\$ 6,385	\$ 375,554

Export sales from the United States during the years ended October 31, 2002, 2001 and 2000 were \$223 million, \$238 million and \$195 million, respectively. In the year ended October 31, 2002 these exports were shipped primarily to Russia (27%), elsewhere in Europe (28%), Japan (10%), elsewhere in Asia excluding the Middle East (14%), Latin America (9%) and other (12%).

Sales to customers outside the United States accounted for a significant portion of Roper's revenues. Sales are attributed to geographic areas based upon the location where the product is ultimately shipped. Foreign countries that accounted for at least 5% of Roper's net sales in any of the past three years have been individually identified in the following table (in thousands). Other countries have been grouped by region.

	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Total
2002					
Russia	\$ 2,572	\$ 34	\$ 59,996	\$ 18	\$ 62,620
Germany	14,971	10,597	2,574	11,327	39,469
Elsewhere in Europe	34,650	25,776	15,981	29,743	106,150
Japan	13,015	2,263	1,171	27,840	44,289
Elsewhere in Asia excluding the Middle East	17,248	5,844	7,786	17,653	48,231
Latin America	13,132	3,110	5,791	1,287	23,320
Rest of the world	12,312	11,523	4,357	37,360	9,168
Total	\$107,900	\$ 59,147	\$102,167	\$ 92,225	\$361,439
2001					
Russia	\$ 1,083	\$ 15	\$ 58,344	\$ 306	\$ 59,748
Germany	7,295	9,651	2,134	14,524	33,604
Elsewhere in Europe	16,661	27,894	12,196	34,185	90,936
Japan	5,535	1,699	892	29,127	37,253
Elsewhere in Asia excluding the Middle East	12,597	4,386	4,155	15,119	36,257
Latin America	9,763	2,791	3,120	656	16,330
Rest of the world	8,663	7,767	5,478	3,944	25,852
Total	\$ 61,597	\$ 54,203	\$ 86,319	\$ 97,861	\$299,980
2000					
Russia	\$ 992	\$ 40	\$ 39,928	\$ --	\$ 40,960
Germany	3,970	4,720	2,389	11,423	22,502
Elsewhere in Europe	15,005	20,949	12,376	27,260	75,590
Japan	6,021	2,390	790	27,171	36,372
Elsewhere in Asia excluding the Middle East	10,565	3,688	2,722	9,615	26,590
Latin America	7,865	1,226	2,435	1,220	12,746
Rest of the world	7,754	10,836	6,483	2,831	27,904
Total	\$ 52,172	\$ 43,849	\$ 67,123	\$ 79,520	\$242,664

(15) Restructuring Activities

During the three months ended April 30, 2001, Roper recorded \$509,000 of expenses, reported as part of selling, general and administrative expenses, related to activities to consolidate certain operating facilities. All significant restructuring activities were completed by October 31, 2001. In addition, \$2,050,000 of restructuring activities were incurred in fiscal 2001 at our Petrotech unit which has been restated to discontinued operations.

(16) Discontinued Operations

In connection with the realignment of our businesses during the first quarter of fiscal 2003, the company formalized its decision to offer for sale the Petrotech operation. Accordingly, related operating results reported as discontinued operations for the years ended October 31 are outlined as follows (amounts in thousands):

	2002	2001	2000
Net sales	\$ 9,568	\$ 23,551	\$ 33,814
Loss before income taxes	\$ (641)	\$ (2,426)	\$ (455)
Income tax benefit/(expense)	226	850	158
Loss on discontinued operations	\$ (415)	\$ (1,576)	\$ (297)

In addition, related assets and liabilities of Petrotech are recorded in the captions "Assets held for sale" and "Liabilities related to assets held for sale",

respectively, in the Condensed Consolidated Balance Sheets at October 31, 2002 and 2001. The assets held for at October 31 are outlined as follows:

	2002	2001
Current assets	\$ 3,373	\$ 5,435
Property, plant and equipment, net	250	344
Other assets	--	200
Goodwill	955	6,255
Assets held for sale	<u>\$ 4,578</u>	<u>\$ 12,234</u>

Liabilities related to assets held for sale are comprised of accounts payables and other accrued liabilities.

The Petrotech operation was previously reported in the Company's Industrial Controls segment prior to the segment realignment. The accompanying financial statements have been restated to conform to discontinued operations treatment for all historical periods presented. Petrotech was sold on August 31, 2003.

(17) Concentration of Risk

Financial Instruments which potentially subject the Company to credit risk consist primarily of cash, cash equivalents and trade receivables.

The Company maintains cash and cash equivalents with various major financial institutions. Cash equivalents include investments in commercial paper of companies with high credit ratings, investments in money market securities and securities backed by the U.S. Government. At times such amounts may exceed the F.D.I.C. limits. The Company limits the amount of credit exposure with any one financial institution and believes that no significant concentration of credit risk exists with respect to cash investments.

Trade receivables subject the company to the potential for credit risk with customers. To reduce credit risk, the Company performs ongoing evaluations of its customers' financial condition.

(18) Subsequent Event

On October 21, 2003, the Company entered into a stock purchase agreement pursuant to which it agreed to acquire all of the outstanding capital stock of Neptune Technology Group Holdings Inc. ("Neptune") from the selling shareholders named in the agreement for a cash purchase price of approximately \$475 million, which is net of cash acquired, and includes debt assumed. Consummation of the acquisition is subject to customary closing conditions, including the receipt of regulatory approvals. The acquisition is expected to close in the first fiscal quarter of 2004.

In connection with the Neptune acquisition, the Company entered into a definitive commitment letter with Merrill Lynch Capital Corporation, JPMorgan Chase Bank, Wachovia Bank, National Association, and Wachovia Capital Investments, Inc. for a new \$625 million senior secured credit facility consisting of five-year \$450 million term loans and a three-year, \$175 million revolving credit facility. In addition, the Company plans to issue approximately \$150 to \$200 million of convertible subordinated notes and approximately \$150 to \$200 million of common stock to the public for cash in registered or private offerings, depending on prevailing market conditions. Merrill Lynch, JPMorgan, and Wachovia have also agreed pursuant to the commitment letter to provide, subject to certain conditions, up to \$300 million of acquisition bridge financing if necessary. Roper would use the new credit facility and the proceeds from the other financing transactions to fund the Neptune acquisition, retire its existing senior notes and repay all amounts outstanding under the Company's existing credit facility. Roper expects to incur debt extinguishment costs of approximately \$13 to \$17 million, net of taxes, in connection with the early retirement of its existing senior notes due in 2007 and 2010.

Consummation of the new credit facility, and, if necessary, the bridge financing, are conditioned upon the completion of the acquisition and are subject to the negotiation and execution of definitive loan documentation and customary closing conditions. Roper expects that consummation of the other financings for the acquisition will be conditioned upon the closing of the acquisition. The actual components of the financing plan and the terms of the financings are subject to certain conditions in the commitment letter and prevailing market conditions at the time of the closing and may, as a result, be different from described above.

(19) Quarterly Financial Data (unaudited)

	First quarter	Second quarter	Third quarter	Fourth quarter
	(in thousands, except per share data)			
2002				
Net sales	\$ 146,517	\$ 150,827	\$ 152,830	\$ 167,288
Gross profit	78,547	82,016	82,409	90,783
Income from operations	24,940	30,236	28,219	32,150
Earnings from continuing operations before change in accounting principle	14,697	17,313	15,200	19,228
Net earnings	(11,460)	17,456	15,033	19,024
Earnings from continuing operations before change in accounting principle per common share				
Basic*	0.47	0.55	0.49	0.61
Diluted	0.46	0.54	0.48	0.61
2001				
Net sales	\$ 129,756	\$ 139,097	\$ 134,528	\$ 159,574

Gross profit	68,770	74,501	73,042	88,473
Income from operations	22,271	26,327	23,599	28,669
Earnings from continuing operations before change in accounting principle	12,024	15,288	13,325	16,780
Net earnings	11,760	13,861	13,133	17,085
Earnings from continuing operations before change in accounting principle per common share				
Basic*	0.38	0.45	0.43	0.55
Diluted	0.38	0.44	0.41	0.54

* The sum of the four quarters does not agree with the total for the year due to rounding.

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
Of Roper Industries, Inc:

Our audit of the consolidated financial statements referred to in our report dated September 25, 2003 except for Note 18, which the date is October 22, 2003, also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements

PricewaterhouseCoopers LLP

Atlanta, Georgia
September 25, 2003
Except for Note 18
which the date is October 22, 2003

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

Schedule II – Consolidated Valuation and Qualifying Accounts for the Years ended October 31, 2002, 2001 and 2000

	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Other	Balance at end of year
(in thousands)					
Allowance for doubtful accounts and sales allowances:					
2002	\$ 4,072	\$ 1,401	\$ (2,279)	\$ 449	\$ 3,643
2001	3,400	1,410	(1,479)	741	4,072
2000	2,748	1,805	(1,540)	387	3,400
Reserve for inventory obsolescence:					
2002	\$ 14,894	\$ 4,532	\$ (3,633)	\$ 3,771	\$ 19,564
2001	10,704	4,511	(4,044)	3,723	14,894
2000	6,769	2,636	(1,644)	2,943	10,704

Deductions from the allowance for doubtful accounts represented the net write-off of uncollectible accounts receivable. Deductions from the inventory obsolescence reserve represented the disposal of obsolete items.

Other included the allowance for doubtful accounts and reserve for inventory obsolescence of acquired businesses at the dates of acquisition, the effects of foreign currency translation adjustments for those companies whose functional currency was not the U.S. dollar, reclassifications and other.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On May 14, 2002, Roper terminated its relationship with Arthur Andersen LLP (“Arthur Andersen”) as our independent public accountants and engaged PricewaterhouseCoopers LLP as our independent public accountants. The decision to change independent public accountants was recommended by the audit committee and approved by our board of directors.

In connection with the audits of our consolidated financial statements as of and for the two fiscal years ended October 31, 2001, and with respect to the subsequent period through January 31, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to Arthur Andersen’s satisfaction, would have caused them to make reference in connection with their report on our consolidated financial statements to the subject matter of the disagreement.

Arthur Andersen’s reports on our consolidated financial statements for the past two years ended October 31, 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

We provided Arthur Andersen with a copy of the foregoing disclosure. Attached as Exhibit 16 is a copy of Arthur Andersen's letter, dated May 31, 2002, stating its agreement with such statements.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Reference is made to the information to be included under the captions "BOARD OF DIRECTORS AND EXECUTIVE OFFICERS — Proposal 1: Election of Three (3) Directors" and " — Executive Officers", and — "COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934" in our definitive Proxy Statement which relates to our 2003 Annual Meeting of Shareholders to be held on March 21, 2003 to be filed within 120 days after the close of our 2002 fiscal year, which information is incorporated herein by this reference.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information to be included under the captions "BOARD OF DIRECTORS AND EXECUTIVE OFFICERS — Compensation of Directors" and " — Compensation Committee Interlocks and Insider Participation in Compensation Decisions"; and "EXECUTIVE COMPENSATION" contained in the Proxy Statement, which information is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATERS

Reference is made to the information included under the captions "COMMON STOCK OWNERSHIP BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS" and "EQUITY COMPENSATION PLAN INFORMATION" in the Proxy Statement, which information is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. CONTROLS AND PROCEDURES

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. As of October 31, 2002, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective.

Subsequent to the date of their evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a)(1) The Consolidated Financial Statements listed in Item 8 of Part II are filed as a part of this Annual Report.
- (a)(2) The following consolidated financial statement schedule on page S-2 is filed in response to this Item. All other schedules are omitted or the required information is either inapplicable or is presented in the consolidated financial statements or related notes:

II. Valuation and Qualifying Accounts for the Years ended October 31, 2002, 2001 and 2000.

(b) Reports on Form 8-K

We filed the following reports on Form 8-K during the fourth quarter of fiscal 2002.

On August 1, 2002, we reported under Item 5 the acquisition of three businesses, provided guidance on third quarter results, and announced our participation at an upcoming investor conference. No financial statements were required to be filed with this report and no financial statements were filed.

On September 13, 2002, we reported under Item 9 the filing of our Form 10-Q for the quarterly period ended July 31, 2002 and the accompanying certifications of our Chief Executive Officer and our Chief Financial Officer.

(c) Exhibits

The following exhibits are separately filed with this Annual Report.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
2.1	Agreement and Plan of Merger by and among RPR Acquisition Subsidiary, Inc., Roper Industries,

- Inc. and Zetec, Inc., dated as of July 31, 2002.
- (a)2.2 Share Sale and Purchase Agreement dated July 9, 2001, regarding Struers Holding A/S.
 - (b)3.1 Amended and Restated Certificate of Incorporation, including Form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock
 - (c)3.2 Amended and Restated By-Laws
 - (d)4.01 Rights Agreement between Roper Industries, Inc. and SunTrust Bank, Atlanta, Inc. as Rights Agent, dated as of January 8, 1996, including Certificate of Designation, Preferences and Rights of Series A Preferred Stock (Exhibit A), Form of Rights Certificate (Exhibit B) and Summary of Rights (Exhibit C)
 - (c)4.02 Credit Agreement dated as of May 18, 2000
 - (c)4.03 Note Purchase Agreement dated as of May 18, 2000
 - (b)10.01 1991 Stock Option Plan, as amended [†]
 - 10.02 Non-employee Director Stock Option Plan, as amended [†]
 - (e)10.03 Form of Amended and Restated Indemnification Agreement [†]
 - (f)10.04 Employee Stock Purchase Plan [†]
 - (f)10.05 2000 Stock Incentive Plan [†]
 - 10.06 Roper Industries, Inc. Non-Qualified Retirement Plan, as amended [†]
 - (g)10.07 Brian D. Jellison Employment Agreement dated as of November 6, 2001 [†]
 - (g)10.08 C. Thomas O'Grady offer letter dated February 19, 2001 [†]
 - 10.09 Timothy J. Winfrey offer letter dated May 20, 2002 [†]
 - (h)16 Letter from Arthur Andersen LLP to the Securities and Exchange Commission dated May 31, 2002
 - 21 List of Subsidiaries
 - 23.1 Consent of Independent Public Accountants
 - 23.2 Notice Regarding Consent of Arthur Andersen LLP
 - 31.1 Certification of Chief Executive Officer (302)
 - 31.2 Certification of Chief Financial Officer (302)
 - 32.1 Certification of Chief Executive Officer (906)
 - 32.2 Certification of Chief Financial Officer (906)
 - 99.1 Risk Factors

- (a) Incorporated herein by reference to Exhibit 99.1 to the Roper Industries, Inc. Current Report on Form 8-K filed December 13, 2001 (file no. 1-12273).
- (b) Incorporated herein by reference to Exhibits 3.1 and 10.2 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 21, 1998 (file no. 1-12273).
- (c) Incorporated herein by reference to Exhibits 3.2, 4.02, 4.03 and 10.06 to the Roper Industries, Inc. Form 10-Q filed September 13, 2000 (file no. 1-12273).
- (d) Incorporated herein by reference to Exhibit 4.02 to the Roper Industries, Inc. Current Report on Form 8-K filed January 18, 1996 (file no. 0-19818).
- (e) Incorporated herein by reference to Exhibit 10.04 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed August 31, 1999 (file no. 1-12273).
- (f) Incorporated herein by reference to Exhibits 10.04 and 10.05 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 12, 2000 (file no. 1-12273).
- (g) Incorporated herein by reference to Exhibits 10.07 and 10.09 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 22, 2002 (file no. 1-12273).
- (h) Incorporated herein by reference to Exhibit 16 to the Roper Industries, Inc. Amended Current Report on Form 8-K/A filed June 3, 2002 (file no. 1-2273).

[†] Management contract or compensatory plan or arrangement.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Roper has duly caused this Amended Report to be signed on its behalf by the undersigned, therewith duly authorized.

ROPER INDUSTRIES, INC.

(Registrant)

By: /S/ BRIAN D. JELLISON

October 31, 2003

Brian D. Jellison
President and Chief Executive Officer

ROPER INDUSTRIES, INC.
1993 STOCK OPTION PLAN FOR NONEMPLOYEE DIRECTORS

1. PURPOSE

The purpose of the Roper Industries, Inc. 1993 Stock Option Plan for Nonemployee Directors (the "Plan") is to promote the interests of Roper Industries, Inc. (the "Company") and its shareholders by strengthening the Company's ability to attract and retain the services of experienced and knowledgeable nonemployee directors and by encouraging such directors to acquire an increased proprietary interest in the Company.

2. SHARES SUBJECT TO THE PLAN

The shares of common stock (the "Common Stock") of the Company for which options under the Plan may be granted (the "Shares") shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions. If any option granted under the Plan expires or terminates for any reason without having been exercised in full, the Shares subject to, but not delivered under, such option may become available for the grant of other options under the Plan. No shares delivered to the Company in full or partial payment of an option price payable pursuant to Paragraph 6.3 shall become available for the grant of other options under the Plan.

3. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the "Committee"). Subject to the terms of the Plan, the Committee shall have the power to construe the provisions of the Plan, to determine all questions arising thereunder, and to adopt and amend such rules and regulations for administering the Plan as the Committee deems desirable.

4. PARTICIPATION IN THE PLAN

Each member of the Company's Board of Directors (a "Director") who is not otherwise an employee of the Company or any subsidiary of the Company (an "Eligible Director") shall be eligible to participate in the Plan.

5. NONSTATUTORY STOCK OPTIONS

All options granted under the Plan shall be nonstatutory options not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended.

6. OPTION TERMS

Each option granted to an Eligible Director under the Plan and the issuance of Shares thereunder shall be subject to the following terms:

6.1 Option Agreements

Each option granted under the Plan shall be evidenced by an option agreement (an "Agreement") duly executed on behalf of the Company and by the Eligible Director to whom such option is granted and dated as of the applicable date of grant. Each Agreement shall be signed on behalf of the Company by an officer or officers delegated such authority by the Committee using either manual or facsimile signature. Each Agreement shall comply with and be subject to the terms and conditions of the Plan. Any Agreement may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Committee.

6.2 Option Share Authority, Grant Size and Grant Dates

Options for a total number of Shares (as adjusted pursuant to Article 7) approved for listing on the New York Stock Exchange prior to January 1, 2001 (460,000) may be granted under the Plan. Following his or her initial appointment or election as a Director, each Eligible Director shall receive annually a grant (a "Grant") of options to purchase 4,000 Shares (subject to adjustment pursuant to Article 7). A Grant for any year shall be made following the Annual Meeting of Shareholders (as described in the Company's By-Laws) held in that year, provided that such Eligible Director is serving as a Director at the time of such Annual Meeting of Shareholders. Such Grants to an Eligible Director first elected at an Annual Meeting of Shareholders will commence therewith.

6.3 Option Exercise Price

The option exercise price per share for an Initial or Annual Grant shall be the average of the Fair Market Values (as hereinafter defined) for the fifth through the ninth business days (days on which the NASDAQ National Market System, or such other exchange on which the Shares shall be traded, is open for trading) following the date of grant. For purposes of the Plan, "Fair Market Value" equals the mean of the high and low per share trading prices for the Common Stock as reported in THE WALL STREET JOURNAL.

6.4 Vesting; Exercise

An option shall vest and become nonforfeitable on the day of the Annual Meeting of Shareholders following the fiscal year in which the option was granted, if the optionee has continued to serve as a Director until that meeting. An option shall thereafter become exercisable, subject to Section 6.7, according to the following schedule.

Portion of Option
Grant
that Becomes
Exercisable

Day on Which
Portion Becomes Exercisable

20%	Date of the first Annual Meeting after the option grant
additional 20%	Date of the second Annual Meeting after the option grant
additional 20%	Date of the third Annual Meeting after the option grant
additional 20%	Date of the fourth Annual Meeting after the option grant
final 20%	Date of the fifth Annual Meeting after the option grant

6.5 Time and Manner of Option Exercise

Any vested and exercisable option is exercisable in whole or in part at any time or from time to time during the option period by giving written notice, signed by the person exercising the option, to the Company stating the number of Shares with respect to which the option is being exercised and accompanied by payment in full of the option exercise price for the number of Shares to be purchased. The date both such notice and payment are received by the office of the Secretary of the Company shall be the date of exercise of the stock option as to such number of Shares. No option may at any time be exercised with respect to a fractional share.

6.6 Payment of Exercise Price

Payment of the option exercise price may be in cash or by bank-certified, cashier's, or personal check or, to the extent permitted by the Committee, payment may be in whole or part by:

- a. transfer to the Company of shares of Common Stock having a Fair Market Value equal to the option exercise price at the time of such exercise, or
- b. delivery of instructions to the Company to withhold from the Shares that would otherwise be issued on the exercise that number of Shares having a Fair Market Value equal to the option exercise price at the time of such exercise.

If the Fair Market Value of the number of whole shares of Common Stock transferred or the number of whole option Shares surrendered is less than the total exercise price of the option, the shortfall must be made up in cash.

6.7 Term of Options

Each option shall expire ten years from its date of grant, but shall be subject to earlier termination as follows:

- a. In the event of the termination of an optionee's service as a Director, other than by reason of retirement, total and permanent disability or death, the then-outstanding options of such optionee shall automatically expire on the effective date of such termination. For purposes of the Plan, the term "by reason of retirement" means (i) mandatory retirement pursuant to Board policy or (ii) termination of service voluntarily at a time when the optionee would be entitled to a retirement benefit under the Company's "Retirement Savings Plan", as then in effect, if the Eligible Director were an employee of the Company.
- b. In the event of the termination of an optionee's service as a Director by reason of retirement or total and permanent disability, the then-outstanding options of such optionee that have vested pursuant to Section 6.4 shall become exercisable, to the full extent of the number of Shares remaining covered by such options, regardless of whether such options were previously exercisable, and each such option shall expire four years after the date of such termination or on the stated grant expiration date, whichever is earlier.
- c. In the event of the death of an optionee while the optionee is a Director, the then outstanding options of such optionee that have vested pursuant to Section 6.4 shall become exercisable, to the full extent of the number of Shares remaining covered by such options, regardless of whether such options were previously exercisable, and each such option shall expire four years after the date of death of such optionee or on the stated expiration date, whichever is earlier.

Exercise of a deceased optionee's options that are still exercisable shall be by the estate of such optionee or by a person or persons whom the optionee has designated in writing filed with the Company, or, if no such designation has been made, by the person or persons to whom the optionee's rights have passed by will or the laws of descent and distribution.

6.8 Transferability

The right of an optionee to exercise an option granted under the Plan shall, during the lifetime of such optionee, be exercisable only by such optionee or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act, or the rules thereunder (a "QDRO"), and shall not be assignable or transferable by such optionee other than by will or the laws of descent and distribution or a QDRO.

6.9. Limitation of Rights

6.9.1 Limitation as to Shares. Neither the recipient of an option under the Plan nor an optionee's successor or successors in interest shall have any rights as a shareholder of the Company with respect to any Shares subject to an option granted to such person until the date of issuance of a stock certificate for such Shares.

6.9.2 Limitation as to Directorship. Neither the Plan, nor the granting of an option, nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that an Eligible Director has a right to continue as a Director for any period of time or at any particular rate of compensation.

6.10 Regulatory Approval and Compliance

The Company shall not be required to issue any certificate or certificates for Shares upon the exercise of an option granted under the Plan or to record as a holder of record of Shares the name of the individual exercising an option under the Plan, without obtaining to the complete satisfaction of the

Committee, the approval of all regulatory bodies deemed necessary by the Committee and without complying, to the Committee's complete satisfaction, with all rules and regulations under federal, state, or local law deemed applicable by the Committee.

7. CAPITAL ADJUSTMENTS

The number and class of Shares with respect to which an option may be granted to an Eligible Director under the Plan as provided in Article 6, the number and class of Shares subject to each outstanding option, and the exercise price per Share specified in each such option shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any like capital adjustment, or the payment of any stock dividend, or other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

8. EXPENSES OF THE PLAN

All costs and expenses of the adoption and administration of the Plan shall be borne by the Company, and none of such expenses shall be charged to any optionee.

9. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall be effective immediately following approval by the Company's shareholders. The Plan shall continue in effect until it is terminated by action of the Board of Directors or the Company's shareholders, but such termination shall not affect the terms of any then-outstanding options.

10. TERMINATION AND AMENDMENT OF THE PLAN

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, that, if required to qualify the Plan under Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, no amendment shall be made more than once every six months that would change the amount, price or timing of the Initial and Annual Grants, other than to comport with changes in the Internal Revenue Code of 1986, as amended, or the rules and regulations promulgated thereunder; and provided, further, that if required to qualify the Plan under Rule 16b-3, no amendment that would:

- a. materially increase the number of Shares that may be issued under the Plan,
- b. materially modify the requirements as to eligibility for participation in the Plan, or,
- c. otherwise materially increase the benefits accruing to participants under the Plan shall be made without the approval of the Company's shareholders.

ROPER INDUSTRIES, INC.

NON-QUALIFIED RETIREMENT PLAN

THIS INDENTURE is amended and restated effective this 1st day of March, 2002, by Roper Industries, Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Primary Sponsor").

WITNESSETH:

WHEREAS, the Primary Sponsor and certain of its affiliates maintain the Roper Industries, Inc. Employees' Retirement Savings 003 Plan (the "003 Plan") and/or the Roper Industries, Inc. Employees' Retirement Savings 004 Plan (the "004 Plan"), both of which are defined contribution plans under which participating employees may contribute on a pre-tax basis pursuant to a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Internal Revenue Code of 1986.

WHEREAS, the limitations of Sections 401(a)(17), 401(k)(3), 401(m), 402(g) and 415 of the Internal Revenue Code of 1986 as amended from time to time, may, separately or in combination, limit the amount of pre-tax employee contributions and employer matching contributions that otherwise could be made under the 003 Plan and the 004 Plan on behalf of certain participants.

WHEREAS, effective January 1, 1995, the Primary Sponsor established the Roper Industries, Inc. Non-Qualified Retirement Plan (the "Plan") for the benefit of those 003 Plan participants whose benefits under those plans may be limited by one or more of those Internal Revenue Code limitations described above for the purpose of providing, to the extent possible on a non-qualified and unfunded basis, an opportunity for such participants to continue to accumulate retirement savings as if such persons had been able to continue to participate in the 003 Plan without regard to such limitations in addition to an opportunity to accumulate retirement savings separate and apart from participation in the 003 Plan.

WHEREAS, effective November 1, 1997, the Primary Sponsor amended and restated the Plan, among other reasons, to clarify that its provisions extend to eligible participants under the 004 Plan.

WHEREAS, the Primary Sponsor further amended the Plan, effective November 1, 1997, to clarify its provisions with regard to the percentage of Annual Compensation that might be deferred under the Plan and to the contributions of the Plan Sponsor on behalf of a Member who is a Disabled Employee.

WHEREAS, effective March 1, 2002, the Primary Sponsor desires to again amend and restate the Plan, among other reasons, to include provisions applicable to in-service distributions to Part-Time Members and to set out the methods by which Plan benefits can be distributed upon the retirement or death of a Member.

NOW, THEREFORE, the Primary Sponsor does hereby amend and restate the Plan in its entirety, effective as of the date first above written, to read as follows:

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ROPER INDUSTRIES, INC.

NON-QUALIFIED RETIREMENT PLAN

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SECTION 1

DEFINITIONS

Whenever used herein, the masculine pronoun shall be deemed to include the feminine, and the singular to include the plural, unless the context clearly indicates otherwise, and the following words and phrases shall, when used herein, have the meanings set forth below:

1.1 "Account" means the bookkeeping accounts established and maintained by the Plan Administrator to reflect the interest of a Member under the Plan and

shall include the following:

(a) "Employee Deferral Account" which shall reflect credits to a Member's Account made on his or her behalf pursuant to Section 3.1, as adjusted to reflect other credits or charges.

(b) "Employer Base Account" which shall reflect credits to a Member's Account made on his or her behalf pursuant to Section 3.2 and, if applicable Section 3.5, as adjusted to reflect other credits or charges.

(c) "Employer Matching Account" which shall reflect credits to a Member's Account made on his or her behalf pursuant to Section 3.3 and, if applicable, Section 3.5, as adjusted to reflect other credits or charges.

(d) "Profit Sharing Account" which shall reflect credits to a Member's Account made on his or her behalf pursuant to Section 3.4, as adjusted to reflect other credits or charges.

1.2 "Accrued Benefit" means the balance of a Member's Account.

1.3 "Affiliate" means (a) any corporation which is a member of the same controlled group of corporations (within the meaning of Code Section 414(b)) as is a Plan Sponsor and (b) any other trade or business (whether or not incorporated) under common control (within the meaning of Code Section 414(c)) with a Plan Sponsor.

1.4 "Annual Compensation" means "Compensation," as that term is defined under the 003 Plan or 004 Plan, as applicable, for purposes of making contributions pursuant to a salary deferral election, as the same may be amended from time to time, but without regard to the limit on compensation that may be recognized under Code Section 401(a)(17), plus any Deferral Amounts credited to a Member during the Plan Year.

1.5 "Beneficiary" means the person or persons designated by the Member (and in the absence of any such designation, the Member's estate) to receive the Member's Account in the event of the Member's death.

1.6 "Board of Directors" means the Board of Directors of the Primary Sponsor.

1.7 "Code" means the Internal Revenue Code of 1986, as amended.

1.8 "Deferral Amounts" means amounts credited to the Employee Deferral Account of a Member at the election of a Member pursuant to Section 3.1.

1.9 "Disability" means a condition determined to exist pursuant to the definition of the term "Disability" under the 003 Plan or 004 Plan, as applicable.

1.10 "Disabled Employee" means each former Eligible Employee who terminates active employment as a result of a Disability.

1.11 "Early Retirement Date" means the date on which a Member terminates employment on or after attaining age 55, but prior to his Retirement Date or death, with the approval of the Plan Administrator designating such date as the Member's Early Retirement Date.

1.12 "Eligible Employee" means a member of a select group of management or highly compensated employees of a Plan Sponsor who is designated as being eligible to participate in the Plan pursuant to Section 2. Notwithstanding the preceding, upon becoming a Part-Time Member, such employee shall immediately cease to be an Eligible Employee.

1.13 "Employee" means any person who is classified by a Plan Sponsor or an Affiliate as a common law employee.

1.14 "Member" means any Eligible Employee or former Eligible Employee who has become a participant in the Plan, for so long as his or her benefits hereunder have not been paid out.

1.15 "Part-Time Member" means a Member who (a) has attained age 55, and (b) has entered into an employment agreement with the Plan Sponsor by which he agrees to continue to be employed by the Plan Sponsor on a part-time basis.

1.16 "Plan Administrator" means the organization or person designated by the Primary Sponsor to administer the Plan or, in the absence of any such designation, the Primary Sponsor.

1.17 "Plan Sponsor" means individually the Primary Sponsor and any other Affiliate or other entity which has adopted the Plan pursuant to Section 14.

1.18 "Plan Year" means each calendar year.

1.19 "Retirement Date" means the date on which the Member retires on or after (a) attaining age 65, or (b) becoming subject to a Disability.

1.20 "Valuation Date" means each business day or any other day which the Plan Administrator declares to be a Valuation Date.

1.21 "Withdrawal Circumstance" means a circumstance permitting a hardship withdrawal under the 003 Plan or 004 Plan, as applicable. The Plan Administrator retains the sole discretion to approve or deny any request for an in-service withdrawal based upon a Withdrawal Circumstance. In no event, however, will a request be approved to the extent a Withdrawal Circumstance is or may be relieved (a) through reimbursement or compensation by insurance or otherwise, (b) by liquidation of the Member's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or (c) by cessation of active participation in the Plan.

SECTION 2

ELIGIBILITY

- 2.1 Eligibility. An Eligible Employee shall become a Member after (a) being designated for membership in the Plan by appropriate action of the Director of Human Resources of the Primary Sponsor; and (b) completing an enrollment form prescribed by the Plan Administrator in which the Eligible Employee elects to participate in the Plan. A Member's election to participate shall be effective until the Member notifies the Plan Administrator, in such manner and form as the Plan Administrator shall from time to time prescribe, that the Member wishes to suspend active participation. A Member who suspends active participation under the Plan may resume active participation in the Plan by delivering a new enrollment form to the Plan Administrator. A Member may modify his or her election or, if applicable, resume active participation in the Plan effective as of the beginning of the payroll period immediately following the date such enrollment is processed and made effective pursuant to the Plan Administrator's normal administrative procedures then in effect.
- 2.2 Effective Date of Participation. Eligible Employees shall be eligible to participate in the Plan as of the date the Eligible Employee is designated for participation in the Plan pursuant to Section 2.1.
- 2.3 Cessation of Participation. A Member who ceases to be an Eligible Employee will no longer be eligible to make further deferrals under the Plan pursuant to Section 3, but shall continue to be subject to all other terms of the Plan so long as he or she remains a Member of the Plan.
- 2.4 Coordination with 401(k) Arrangements. In the event the Member participates in a plan of a Plan Sponsor or Affiliate intended to qualify under Code Section 401(a) and containing a tax-qualified cash or deferred arrangement qualified under Code Section 401(k), the Member shall be suspended from continued participation under this Plan to the extent required by such other plan as a result of a hardship withdrawal made by such Member under such other plan.

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SECTION 3

CONTRIBUTIONS

- 3.1 Deferral Amounts.
- (a) Each Plan Year a Member who is an Eligible Employee for all or any portion of the Plan Year and who has an effective enrollment form on file with the Plan Administrator shall be deemed to have elected to defer under the Plan that portion of the Annual Compensation otherwise payable to him or her for the Plan Year which the Member has elected to defer under the 003 Plan or 004 Plan, as applicable, but which can not be deferred under that plan because of one or more of the following limitations: (i) the provisions relating to the annual limit on salary deferrals set forth in Code Section 402(g); (ii) the provisions relating to the limit on includable compensation as set forth in Code Section 401(a)(17); (iii) the provisions relating to the non-discrimination testing limitations under Code Sections 401(k)(3) or 401(m); or (iv) the provisions relating to the limit on "annual additions," within the meaning of Code Section 415.
- (b) Each Plan Year a Member (i) who is an Eligible Employee for all or any portion of the Plan Year; (ii) who has an effective enrollment form on file with the Plan Administrator; and (iii) (A) who has in effect an election to make the maximum elective deferrals under the 003 Plan or 004 Plan, as applicable, for which matching contributions may be made under that plan or (B) who has not met the eligibility requirements to participate in the 003 Plan or 004 Plan, as applicable, may also elect to defer under the Plan a separate percentage of Annual Compensation otherwise payable to him or her for the Plan Year; provided, however, any such election may not apply above a specified percentage of the Member's Annual Compensation, as such limitation may be determined from time to time by the Plan Administrator in its sole discretion.
- 3.2 Base Contributions. Each Plan Sponsor which also sponsors the 003 Plan proposes to credit on behalf of each Member employed by that Plan Sponsor (other than Members to whose Employer Base Accounts amounts are not to be credited) for the Plan Year an amount equal to three percent (3%) of the Member's Annual Compensation in excess of the dollar limitation then in effect pursuant to Code Section 401(a)(17).
- 3.3 Matching Contributions. Each Plan Sponsor proposes to credit on behalf of each Member employed by that Plan Sponsor (other than Members to whose Employer Matching Accounts amounts are not to be credited) for allocation to that Member's Employer Matching Account an amount equal to (X) reduced by (Y) where:
- (a) (X) is an amount determined by applying the matching contribution provisions of the 003 Plan or 004 Plan, as adopted by the Plan Sponsor, (including that part of each of those provisions expressing, as a percentage of compensation, a cap on elective deferrals against which matching contributions are to be made, but without regard to any direct or indirect limitation described under Section 3.1(a)) to the aggregate elective deferrals made on behalf of the Member under the 003 Plan or 004 Plan, as applicable,
- and the Deferral Amounts made on behalf of the Member under the Plan for the applicable period; and
- (b) (Y) is the matching contribution actually credited to the Member for the same period under the 003 Plan or 004 Plan, as applicable.
- 3.4 Profit Sharing Contributions. Each Plan Sponsor which also sponsors the 003 Plan and makes a discretionary profit sharing contribution under that plan for the Plan Year proposes to credit on behalf of each Member employed by that Plan Sponsor (other than Members to whose Profit Sharing Accounts amounts are not to be credited) for allocation to that Member's Profit Sharing Account an amount equal to (X) reduced by (Y) where:
- (a) (X) is the amount which would have been credited to the Member under the 003 Plan determined by applying the discretionary profit sharing contribution provisions of the 003 Plan (but without regard to any applicable limitation described under Section 3.1(a)) for the period; and

(b) (Y) is the discretionary profit sharing contribution actually credited to the Member for the same period under the 003 Plan.

- 3.5 Contributions on Behalf of Disabled Employees. In lieu of any contributions pursuant to Section 3.2 and 3.3 for a Plan Year, each Plan Sponsor which also sponsors the 003 Plan proposes to credit on behalf of each Member who is a Disabled Employee of that Plan Sponsor (other than Disabled Employees who are Normal Retirement Age or older or who recover and are no longer a Disabled Employee) contributions equal to the amounts (but without regard to any direct or indirect limitation described under Section 3.1(a)) described under Sections 4.1 and 4.3 of the 003 Plan for allocation to that Member's appropriate subaccounts, reduced by the amounts, if any, allocated to such Member under Sections 4.1 and 4.3 of the 003 Plan for the same period.
- 3.6 Contributions on Behalf of Part-Time Members. Notwithstanding anything to the contrary in the Plan, a Member who becomes a Part-Time Member will no longer be eligible to make further deferrals under the Plan pursuant to Section 3.1 or to receive further contributions under the Plan pursuant to Sections 3.2, 3.3 or 3.4.

SECTION 4

CREDITING ACCOUNTS

- 4.1 As soon as reasonably practicable following the date of withholding by the Plan Sponsor, Deferral Amounts previously elected by a Member shall be credited to the Member's Employee Deferral Account.
- 4.2 No later than as of the last day of each Plan Year or at such earlier times as the Plan Administrator shall determine, the amounts to be credited for the applicable period pursuant to Sections 3.2, and 3.3 (and, to the extent applicable, Sections 3.4 and 3.5) on behalf of a Member shall be credited to the Member's Employer Base Account; Employer Matching Account or Profit Sharing Account, as applicable.

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- 4.3 As of each Valuation Date, each Member's Account (other than any Member who has received a distribution of his or her Accrued Benefit prior to that Valuation Date) shall be credited with rate(s) of return in a manner prescribed by the Plan Administrator.

SECTION 5

EMERGENCY WITHDRAWALS

- 5.1 The Plan Administrator may pay all or a portion of a Member's Account prior to the time such amounts otherwise become payable in accordance with the provisions of the Plan; provided, however, that the Member demonstrates that he or she has a Withdrawal Circumstance.
- 5.2 Distributions in the event of a Withdrawal Circumstance shall be made to a Member only in accordance with such rules, policies, procedures, restrictions, and conditions as the Plan Administrator may from time to time adopt. Any determination of the amount to be distributed on account of a Withdrawal Circumstance shall be made by the Plan Administrator in accordance with rules applied in a uniform and nondiscriminatory manner. A payment under this Section shall be made in a lump sum in cash to the Member and shall be charged against the Member's Account as of the Valuation Date coinciding with or immediately preceding the date of the payment.
- 5.3 Notwithstanding the foregoing, a Member who receives a payment of all or any portion of his or her Account pursuant to this Section 5 shall be suspended from making deferrals under Section 3 for a period of six (6) months immediately following the date the Member receives a payment under this Section 5.

SECTION 6

IN-SERVICE DISTRIBUTIONS TO PART-TIME MEMBERS

- 6.1 A Member who is eligible to become a Part-Time Member may make a one-time irrevocable election to receive a distribution of all or a portion of his Account, provided that such election is made prior to becoming a Part-Time Member. Such election must be in the manner and form required by the Plan Administrator, must be approved by the Plan Administrator, and must be made during a period determined by the Plan Administrator but not later than one month prior to the date on which the Member enters into the employment agreement with the Plan Sponsor by which he becomes a Part-Time Member.
- 6.2 Payment under this Section 6 shall normally be made to the Part-Time Member in a lump sum in cash and shall be charged against the Part-Time Member's Account as of the Valuation Date coinciding with or immediately preceding the date of the payment. Payment in a lump sum shall begin as soon as practicable following the date on which the Member becomes a Part-Time Member.

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In lieu of the normal form of payment (lump sum), a Part-Time Member may also select, on the election form described in Section 6.1, from one of the following optional forms of payment:

- (a) payment in three (3) annual installments; or
- (b) payment in seven (7) annual installments.

If an installment form of payment is selected, the Part-Time Employee's benefit shall be paid in either three (3) or seven (7) annual installments, as the Member has selected, with the first installment payable on the first day of the third month following the date on which the Member becomes a Part-Time Member, and subsequent annual installments shall be paid on the next succeeding two (2), or six (6), anniversaries of such initial payment date ("annual payment date"). Each annual payment shall equal the Part-Time Member's Account adjusted as of the Valuation Date coinciding with or preceding the next annual payment date divided by the number of remaining annual installments. If the Part-Time Member's Account is paid in installments, the Member's Account will continue to be credited with a rate or rates of return in accordance with Section 4.3 until the Account is fully distributed.

6.3 Notwithstanding the other provisions of this Section 6, the Plan Administrator, in the exercise of its sole and absolute discretion, may accelerate payment of a Part-Time Member's Account, or any portion thereof, including, without limitation, the optional form of payment selected by a Part-Time Member, if any, under Section 6.2 above.

SECTION 7

DEATH BENEFITS

7.1 Except as otherwise provided in this Section 7, any benefit payable under this Section 7 shall be paid in accordance with and subject to the provisions of Section 8 after receipt by the Plan Administrator of notice of the death of the Member.

7.2 Upon the death of a Member prior to the commencement of payments of his or her Account, the Member's Beneficiary shall be entitled to the full value of the Member's Account. Payment to the Beneficiary shall be made according to the Member's prior election under Section 6 or Section 8, if any. If the Member has not made an election prior to death, the Member's Beneficiary may make an election regarding the method of payment of the Member's Account.

7.3 Upon the death of a Member after payments of his or her Account have commenced according to the Member's prior election under Section 6 or Section 8, but prior to the complete payment of such Account, the Member's Beneficiary shall continue to receive the unpaid balance of the Member's Account in the form of payment previously elected by the Member.

7.4 Upon the death of a Member who terminated employment with the Plan Sponsor for reasons other than those specified in Sections 7 or 8, the Member's Beneficiary shall receive the entire unpaid balance of the Member's Account in a lump sum in cash.

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7.5 If, subsequent to the death of a Member, the Member's Beneficiary dies while entitled to receive benefits under the Plan, the successor Beneficiary, if any, or, if none, the Member's estate shall generally be entitled to receive benefits under the Plan.

SECTION 8

PAYMENT OF BENEFITS ON RETIREMENT, EARLY RETIREMENT, OR DEATH

8.1 Upon the retirement (including early retirement) or death of a Member, the Accrued Benefit of the Member shall be determined as of the Valuation Date coinciding with or immediately preceding the Member's Retirement Date, Early Retirement Date, or death increased by Deferral Amounts and matching contributions credited pursuant to Section 3.3 (or Section 3.5, as applicable) and adjusted for earnings or losses credited pursuant to Section 4.3 through the Valuation Date immediately preceding the date the Accrued Benefit is paid.

8.2 The Plan Administrator shall have the sole and absolute discretion to allow, from time to time, the payment of a Member's Accrued Benefit upon the Member's Early Retirement Date. A Member's Accrued Benefit upon his Early Retirement Date shall be determined and paid as otherwise described in this Section 8.

8.3 The method of payment of the Accrued Benefit of a Member pursuant to this Section 8 shall normally be in a lump sum in cash. Payment of the Member's Accrued Benefit in a lump sum shall commence as soon as practicable after the Retirement Date, Early Retirement Date, or death of the Member.

In lieu of the normal form of payment (lump sum), the Member may elect prior to his or her Retirement Date, Early Retirement Date, or death, in the manner and form required by the Plan Administrator, to receive one of the following optional forms of payment.

- (a) payment in three (3) annual installments; or
- (b) payment in seven (7) annual installments.

Such election must be approved by the Plan Administrator and shall be made during a period determined by the Plan Administrator but not later than three months prior to the Member's Retirement Date, Early Retirement Date, or death.

If an installment form of payment is selected, the Member's Accrued Benefit shall be paid in either three (3) or seven (7) annual installments, as the Member selects, with the first installment payable on the first day of the third month following the month of the Member's retirement or death, and subsequent annual installments shall be paid on the next succeeding two (2), or six (6), anniversaries of such initial payment date ("annual payment date"). Each annual payment shall equal the Member's Account adjusted as of the Valuation Date coinciding with or preceding the next annual payment date divided by the number of remaining annual installments. If the Member's Account is paid in installments, the Member's Account will continue to be credited with a rate or rates of return in accordance with Section 4.3 until the Account is fully distributed.

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8.4 Notwithstanding the other provisions of this Section 8, the Plan Administrator, in the exercise of its sole and absolute discretion, may accelerate payment of the Member's Account, or any portion thereof, including, without limitation, the optional form of payment selected by the Member or Beneficiary, if any, elected under Section 8.3 above.

SECTION 9

PAYMENT OF BENEFITS ON OTHER TERMINATIONS OF EMPLOYMENT

- 9.1 A Member shall be considered to have terminated employment with the Plan Sponsor or any Affiliate on the date determined by the Plan Administrator. Transfer of a Member from one Plan Sponsor to another Plan Sponsor shall not be deemed for any purpose under the Plan to be a termination of employment by the Member.
- 9.2 In the event of the termination of employment of a Member for reasons other than those specified in Sections 7 and 8 above, the Accrued Benefit of the Member shall be determined as of the Valuation Date coinciding with or immediately preceding the date of the termination of employment and shall be increased by any Deferral Amounts credited to the Employee Deferral Account of the Member since that Valuation Date. While no further amounts credited pursuant to any other provision of Section 3 shall be made to the Member's Account after that Valuation Date, the Member's Account shall be adjusted for a rate or rates of return credited pursuant to Section 4.3 through the Valuation Date immediately preceding the date the Accrued Benefit is paid.
- 9.3 A Member shall be entitled to payment of his or her Accrued Benefit in cash in a lump sum. Payment shall be made as soon as practicable following the Member's termination of employment.

SECTION 10

ADMINISTRATION OF THE PLAN

- 10.1 Operation of the Plan Administrator. The Primary Sponsor shall be the Plan Administrator, unless it appoints another Plan Administrator. If an organization is appointed to serve as the Plan Administrator, then the Plan Administrator may designate in writing a person who may act on behalf of the Plan Administrator. The Primary Sponsor shall have the right to remove the Plan Administrator at any time by notice in writing. The Plan Administrator may resign at any time by written notice or resignation to the Primary Sponsor. Upon removal or resignation, or in the event of the dissolution of the Plan Administrator, the Primary Sponsor shall appoint a successor.

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- 10.2 Duties of the Plan Administrator.

(a) The Plan Administrator shall perform any act which the Plan authorizes or requires of the Plan Administrator by action taken in compliance with the Plan and may designate in writing other persons to carry out its duties under the Plan. The Plan Administrator may employ persons to render advice with regard to any of the Plan Administrator's duties.

(b) The Plan Administrator shall from time to time establish rules, not contrary to the provisions of the Plan, for the administration of the Plan and the transaction of its business. All elections and designations under the Plan by a Member or Beneficiary shall be made on forms prescribed by the Plan Administrator. The Plan Administrator shall have discretionary authority to construe the terms of the Plan and shall determine all questions arising in the administration, interpretation and application of the Plan, including, but not limited to, those concerning eligibility for benefits and it shall not act so as to discriminate in favor of any person. All determinations of the Plan Administrator shall be conclusive and binding on all persons, subject to the provisions of the Plan and subject to applicable law.

(c) The Plan Administrator shall furnish Members and Beneficiaries with all disclosures now or hereafter required by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan Administrator shall file, as required, the various reports and disclosures concerning the Plan and its operations as required by ERISA and by the Code, and shall be solely responsible for establishing and maintaining all records of the Plan.

(d) The statement of specific duties for a Plan Administrator in this Section is not in derogation of any other duties which a Plan Administrator has under the provisions of the Plan or under applicable law.

(e) Each Plan Sponsor shall indemnify and hold harmless each person constituting the Plan Administrator from and against any and all claims and expenses (including, without limitation, attorney's fees and related costs) arising in connection with the performance by the person of his or her duties in that capacity, other than any of the foregoing arising in connection with the willful neglect or willful misconduct of the person acting.

- 10.3 Action by the Primary Sponsor or a Plan Sponsor. Any action to be taken by the Primary Sponsor or a Plan Sponsor shall be taken by resolution or written direction duly adopted by its board of directors or appropriate governing body, as the case may be; provided, however, that by such resolution or written direction, the board of directors or appropriate governing body, as the case may be, may delegate to any officer or other appropriate person of a Plan Sponsor the authority to take any such actions as may be specified in such resolution or written direction, other than the power to amend, modify or terminate the Plan or to determine the basis of any payment obligations of any Plan Sponsor.

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SECTION 11

CLAIM REVIEW PROCEDURE

- 11.1 In the event that a Member or Beneficiary is denied a claim for benefits under a Plan, the Plan Administrator shall provide to such claimant written notice

of the denial which shall set forth:

- (a) the specific reasons for the denial;
- (b) specific references to the pertinent provisions of the Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the Plan's claim review procedure.

11.2 After receiving written notice of the denial of a claim, a claimant may:

- (a) request a full and fair review of such denial by written application to the Plan Administrator;
- (b) review pertinent documents; and
- (c) submit issues and comments in writing to the Plan Administrator.

11.3 If the claimant wishes such a review of the decision denying his or her claim to benefits under the Plan, he or she must submit such written applications to the Plan Administrator within sixty (60) days after receiving written notice of the denial.

11.4 Upon receiving such written application for review, the Plan Administrator may schedule a hearing for purposes of reviewing the claimant's claim, which hearing shall take place not more than thirty (30) days from the date on which the Plan Administrator received such written application for review.

11.5 At least ten (10) days prior to the scheduled hearing, the claimant shall receive written notice of the date, time, and place of such scheduled hearing. The claimant may request that the hearing be rescheduled, for his or her convenience, on another reasonable date or at another reasonable time or place.

11.6 No later than sixty (60) days following the receipt of the written application for review, the Plan Administrator shall submit its decision on the review in writing to the claimant involved; provided, however, a decision on the written application for review may be extended, in

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the event special circumstances such as the need to hold a hearing require an extension of time, to a day no later than one hundred twenty (120) days after the date of receipt of the written application for review. The decision shall include specific reasons for the decision and specific references to the pertinent provisions of the Plan on which the decision is based.

SECTION 12

LIMITATION OF ASSIGNMENT, PAYMENTS TO LEGALLY INCOMPETENT DISTRIBUTE AND UNCLAIMED PAYMENTS

12.1 No benefit which shall be payable under the Plan to any person shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; and no such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachment or legal process for, or against, such person, and the same shall not be recognized under the Plan, except to such extent as may be required by law.

12.2 If any person who shall be entitled to any benefit under the Plan shall become bankrupt or shall attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge such benefit under the Plan, then the payment of any such benefit in the event a Member or Beneficiary is entitled to payment shall, in the discretion of the Plan Administrator, cease and terminate and in that event the Plan Administrator shall apply the same for the benefit of such person, his or her spouse, children, other dependents or any of them in such manner and in such proportion as the Plan Administrator shall determine.

12.3 Whenever any benefit which shall be payable under the Plan is to be paid to or for the benefit of any person who is then a minor or determined to be incompetent by qualified medical advice, the Plan Administrator need not require the appointment of a guardian or custodian, but shall be authorized to cause the same to be paid over to the person having custody of such minor or incompetent, or to cause the same to be paid to such minor or incompetent without the intervention of a guardian or custodian, or to cause the same to be paid to a legal guardian or custodian of such minor or incompetent if one has been appointed or to cause the same to be used for the benefit of such minor or incompetent.

12.4 Whenever the Plan Administrator cannot, within a reasonable time after payments are to commence, locate any person to or for the benefit of whom such payments are to be made, after making a reasonable effort to locate such person, the Plan Administrator may direct that the payment and any remaining payments otherwise due to the Member be cancelled on the records of the Plan, except that in the event the Member later notifies the Plan Administrator of his or her whereabouts and requests the payments due to him or her under the Plan, the Plan Sponsor shall re-credit the Member's account and provide for payment of the re-credited amount to the Member as soon as administratively feasible.

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SECTION 13

LIMITATION OF RIGHTS

Membership in the Plan shall not give any Employee any right or claim except to the extent that such right is specifically fixed under the terms of the Plan. The adoption of the Plan by any Plan Sponsor shall not be construed to give any Employee a right to be continued in the employ of a Plan Sponsor or as

interfering with the right of a Plan Sponsor to terminate the employment of any Employee at any time.

SECTION 14

AMENDMENT TO OR TERMINATION OF THE PLAN

- 14.1 The Primary Sponsor reserves the right at any time to modify or amend or terminate the Plan. No such modifications or amendments shall have the effect of retroactively changing or depriving Members or Beneficiaries of benefits already accrued under the Plan. No Plan Sponsor other than the Primary Sponsor shall have the right to so modify, amend or terminate the Plan. Notwithstanding the foregoing, each Plan Sponsor may terminate its own participation in the Plan.
- 14.2 Each Plan Sponsor other than the Primary Sponsor shall have the right to terminate its participation in the Plan by resolution of its board of directors or other appropriate governing body and notice in writing to the Primary Sponsor. Any termination by a Plan Sponsor shall not be a termination as to any other Plan Sponsor.
- 14.3 If the Plan is terminated by the Primary Sponsor, it shall terminate as to all Plan Sponsors.

SECTION 15

ADOPTION OF PLAN BY AFFILIATES

Any corporation or other business entity related to the Primary Sponsor by function or operation and any Affiliate, if the corporation, business entity or Affiliate is authorized to do so by written direction adopted by the Board of Directors, may adopt the Plan by action of the board of directors or other appropriate governing body of such corporation, business entity or Affiliate. Any adoption shall be evidenced by certified copies of the resolutions of the foregoing board of directors or governing body indicating the adoption by the adopting corporation, or business entity or Affiliate.

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SECTION 16

MISCELLANEOUS

- 16.1 All payments provided under the Plan shall be paid from the general assets of the applicable Plan Sponsor and no separate fund shall be established to secure payment. Notwithstanding the foregoing, the Primary Sponsor may establish a grantor trust to assist it and other Plan Sponsors in funding Plan obligations, and any payments made to a Member or Beneficiary from such trust shall relieve the Plan Sponsor from any further obligations under the Plan only to the extent of such payment. Nothing herein shall constitute the creation of a trust or other fiduciary relationship between a Plan Sponsor and any other person.
- 16.2 Each Plan Sponsor shall withhold from any benefits payable under the Plan all federal, state and local income taxes or other taxes required to be withheld pursuant to applicable law.
- 16.3 To the extent not preempted by applicable federal law, the Plan shall be governed by and construed in accordance with the laws of the State of Georgia.

IN WITNESS WHEREOF, the Primary Sponsor has caused this indenture to be executed as of the date first above written.

ROPER INDUSTRIES, INC.

By: _____
 Title: _____

ATTEST:

 Title: _____

[CORPORATE SEAL]

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AGREEMENT AND PLAN OF MERGER

BY AND AMONG

RPR ACQUISITION SUBSIDIARY, INC.,

ROPER INDUSTRIES, INC.,

and

ZETEC, INC.

dated as of July 31, 2002

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Exhibit B — Required Consents

Exhibit C — Clyde Denton Consent, Termination, and Release Agreement

Exhibit D--Form of Noncompetition and Assignment of Inventions Agreement

Exhibit E — Form of Opinion of Riddell Williams P.S.

Exhibit F--Form of Opinion of Powell, Goldstein, Frazer & Murphy LLP

This Agreement and Plan of Merger (this “Agreement”) is entered into on _____, 2002, by and among RPR ACQUISITION SUBSIDIARY, INC., a Delaware corporation (the “Buyer”), ROPER INDUSTRIES, INC., a Delaware corporation and parent of Buyer (“Parent”), and ZETEC, INC., a Washington corporation (the “Company”). The Buyer, Parent, and the Company are referred to collectively herein as the “Parties”. As a condition to closing, the Stockholders shall approve this Agreement pursuant to the provisions of the Escrow, Release, and Indemnification Agreement.

The Company, through itself and its wholly-owned subsidiary, Zetec Foreign Sales Corporation, is in the business of the design, manufacture, and assembly of eddy current instruments, software, probes, and accessories, and providing field, application, product support, and training services in eddy current testing and technology.

This Agreement contemplates a transaction in which the Buyer shall merge with the Company, with the Company being the surviving corporation, and in connection therewith, the Stockholders will receive consideration in the form of cash.

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. DEFINITIONS.

“Adverse Consequences” means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys’ fees and expenses.

“Affiliated Group” means any affiliated group within the meaning of Code Section 1504(a) (or any similar group defined under a similar provision of state, local, or foreign law).

“Aggregate Consideration” has the meaning set forth in Section 2(d)(i) below.

“Applicable Rate” means the corporate base rate of interest announced from time to time by Bank One, NA.

“Business” means the business conducted by the Company and its Subsidiary prior to and as of the Closing Date, which is the business of the design, manufacture, and assembly of eddy current instruments, software, probes, and accessories, and providing field, application, product support, and training services in eddy current testing and technology.

“Buyer” has the meaning set forth in the preface above.

“Buyer’s Advisors” has the meaning set forth in Section 6(a)(i) below.

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“Capital Expenditures Budget” has the meaning set forth in Section 3.B(b)(v) below.

“Certificates” has the meaning set forth in Section 2(f) below.

“Closing” has the meaning set forth in Section 2(g) below.

“Closing Date” has the meaning set forth in Section 2(g) below.

“Closing Date Balance Sheet” has the meaning set forth in Section 2(j)(iii) below.

“COBRA” has the meaning set forth in Section 3.B(t)(x) below.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” has the meaning set forth in the preface above.

“Company Disclosure Schedule” has the meaning set forth in Section 3.A below.

“Company Plans” has the meaning set forth in Section 3.B(t)(ii) below.

“Company Shares” means the shares of the common stock, par value \$0.01 per share, of the Company.

“Compensation Memo” has the meaning set forth in Section 3.B(b)(xv) below.

“Confidential Information” means: (a) confidential data and confidential information relating to the business of any Party (the “Protected Party”) which is or has been disclosed to another Party (the “Recipient”) or of which the Recipient became aware as a consequence of or through its relationship with the Protected Party and which has value to the Protected Party and is not generally known to its competitors and which is designated by the Protected Party as confidential or otherwise restricted; and (b) information of the Protected Party, without regard to form, including, but not limited to, Intellectual Property, technical or nontechnical data, algorithms, formulas, patents, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product or service plans or lists of customers or suppliers which is not commonly known or available to the public and which information (i) derives economic value from not being generally known to, and not being readily ascertainable by proper means by, other Persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Notwithstanding anything to the contrary contained herein, Confidential Information shall not include any data or information that (v) has been voluntarily disclosed to the public by the Protected Party, (w) has been independently developed and disclosed to the public by others, (x) otherwise enters the public domain through lawful means, (y) was already known by Recipient prior to such disclosure (as evidenced by written documentation) or was lawfully and rightfully disclosed to Recipient by another Person, or (z) that is required to be disclosed by law or order without the availability of applicable protective orders or treatment.

“Delaware Act” means the General Corporation Law of the State of Delaware, as amended.

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“Denton Agreements” means each of (i) that certain Stock Redemption Agreement by and among Clyde Denton, the Company, and the then-existing stockholders of the Company and their respective spouses, dated as of January 29, 1997; (ii) that certain Promissory Note in the original principal amount of thirty nine million two hundred sixty thousand and six hundred thirty five dollars (\$39,260,635.00), dated as of January 29, 1997, by the Company in favor of Clyde Denton; (iii) that certain Guaranty Agreement by the then-existing stockholders of the Company and their respective spouses, in favor of Clyde Denton, dated as of January 29, 1997; (iv) that certain Pledge Agreement by the Company and the then-existing stockholders of the Company and their respective spouses, in favor of Clyde Denton, dated as of January 29, 1997; (v) that certain Notice and Instructions to Pledgeholder, by and among the Company, the then-existing stockholders of the Company and their respective spouses, Clyde Denton, and Garvey, Schubert & Barer, dated as of January 29, 1997; (vi) that certain Release and Indemnification Agreement by the Company, the then-existing stockholders of the Company and their respective Spouses, in favor of Clyde Denton, dated as of January 29, 1997; and (vii) the Shareholder Agreement.

“Denton Note” means that certain Promissory Note in the original principal amount of thirty nine million two hundred sixty thousand and six hundred thirty five dollars (\$39,260,635.00), dated as of January 29, 1997, by the Company in favor of Clyde Denton, as secured pursuant to (i) that certain Guaranty Agreement by the then-existing stockholders of the Company and their respective spouses, in favor of Clyde Denton, dated as of January 29, 1997, and (ii) that certain Pledge Agreement by the Company and the then-existing stockholders of the Company and their respective spouses in favor of Clyde Denton, dated as of January 29, 1997.

“Denton Payoff” has the meaning set forth in Section 2(i) below.

“Effective Date” means the date specified in the Articles of Merger as the effective date of the consummation of the Merger, as set forth in Section 2.

“Employee Benefit Plan” means any (i) nonqualified deferred compensation or retirement plan or arrangement, including any Employee Pension Benefit Plan (as defined in ERISA Section 3(2)), (ii) qualified defined contribution retirement plan or arrangement, including any Employee Pension Benefit Plan, (iii) qualified defined benefit retirement plan or arrangement, including any Employee Pension Benefit Plan (including any Multiemployer Plan), (iv) employee welfare benefit plan, including any Employee Welfare Benefit Plan (as defined in ERISA Section 3(1)), (v) fringe benefit plan or program, and (vi) each employment, severance, salary continuation or other contract, incentive plan, insurance plan arrangement, bonus plan and any equity plan or arrangement without regard to whether such plan, arrangement, program or contract exists under US or any similar non-US law, rule or regulation.

“Environmental, Health, and Safety Laws” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, and the Occupational Safety and Health Act of 1970, each as amended, together with all other US and non-US laws (including rules, regulations, state law rulings, codes, plans, permits, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local and foreign governments (and all agencies thereof) concerning pollution or protection of the environment, natural resources, public health and safety, or employee health and safety,

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including, but not limited to, laws relating to emissions, discharges, releases, or threatened releases of Hazardous Substances in ambient air, surface water, drinking water, wetlands, ground water, or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, recycling, transport, or handling of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Escrow Fund” shall have the meaning defined in the Escrow Agreement.

“Escrow Agent” means SunTrust Bank, N.A.

“Escrow Agreement” means the Escrow, Release, and Indemnification Agreement dated the Closing Date, entered into among the Parent, the Buyer, the Company, the Stockholders, the respective spouses of the Stockholders, and the Escrow Agent with respect to the indemnification obligations of the Stockholders and the Company under Section 8 of this Agreement, and pursuant to which the Stockholders and their respective spouses will agree to be bound by the terms of this Agreement, the form of which is set forth as Exhibit A.

“Extremely Hazardous Substance” has the meaning set forth in Section 302 of the Emergency Planning and Community Right-to-Know Act of 1986, as amended, and any counterpart or similar non-US law.

“Fiduciary” has the meaning set forth in ERISA Section 3(21).

“Final Adjustment Schedule” has the meaning set forth in Section 2(j)(iii) below.

“Financial Statements” has the meaning set forth in Section 3.B(a) below.

“Founders” shall mean each of Edward McKee, Alfred Lucero and Lloyd Lamb.

“GAAP” means United States generally accepted accounting principles as in effect as of the date hereof.

“Hazardous Substance” means any substance regulated under or defined by Environmental, Health, and Safety Laws, including, but not limited to, any pollutant, contaminant, hazardous substance, hazardous constituent, hazardous waste, special waste, solid waste, industrial waste, petroleum derived substance or waste, or toxic substance.

“Indebtedness” means (i) all indebtedness for borrowed money or for the deferred purchase price of property, including the current portion of such indebtedness, and (ii) all obligations evidenced by notes, bonds, debentures or similar instruments.

“Indemnified Party” has the meaning set forth in Section 8(f)(i) below.

“Indemnifying Party” has the meaning set forth in Section 8(f)(i) below.

“Intellectual Property” means, with respect to the Company and the Business:

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- (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all US and non-US patents, patent applications, and patent disclosures, together with all reissues, continuations, divisionals, continuations-in-part, revisions, extensions, and reexaminations thereof;
- (b) all US and non-US trademarks, service marks, trade dress, logos, trade names and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith;
- (c) all copyrightable works, all US and non-US copyrights, and all applications, registrations, and renewals in connection therewith;
- (d) all mask works and all applications, registrations, and renewals in connection therewith;
- (e) all trade secrets and confidential business information (including without limitation ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals);
- (f) all other proprietary rights;
- (g) all Owned Software and all Licensed Software;
- (h) all right, title, and interest in and to the name “Zetec”;
- (i) all right, title, and interest in and to the world wide web internet domain name “www.zetec.com”, and each other world wide web internet domain name owned by the Company, and each other world wide web internet domain name used in the Business; and
- (j) with respect to each of the foregoing, all copies and tangible embodiments thereof (in whatever form or medium).

“Inventory Count” has the meaning set forth in Section 2(a) below.

“Knowledge of the Company” means the actual knowledge as of the date of this Agreement of the Stockholders listed in Section 3.B(z) of the Company Disclosure Schedule, together with such knowledge as they would reasonably be expected to have as a result of their positions with the Company.

“Leased Real Property” has the meaning set forth in Section 3.B(f)(ii) below.

“Liability” means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

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“Licensed Software” has the meaning set forth in Section 3.B(h)(i) below.

“Lucero Compensation Agreement” means that certain Compensation Agreement by and between the Company and Alfred Lucero dated as of January 29, 1997.

“Marlow Agreement” means that certain Consulting Agreement between Zetec, Inc. and Richard E. Marlow dated October 1, 1998.

“McKee Compensation Agreement” means that certain Compensation Agreement by and between the Company and Edward McKee dated as of January 29, 1997.

“Merger” has the meaning set forth in Section 2(b) below.

“Merger Consideration” has the meaning set forth in Section 2(d)(i) below.

“Multiemployer Plan” has the meaning set forth in ERISA Section 3(37).

“Net Working Capital” means the excess of total current assets, including without limitation cash, accounts receivable, net inventories (calculated in a first-in, first-out basis), prepaid expenses, and other current assets, less total current liabilities (including without limitation accounts payable), year-to-date accruals of the type included in the Company’s 2001 audited financial statements (including but not limited to Liability for claims under the Company’s self-insurance arrangements, accrued employee bonus payments, accrued benefits and accrued profit sharing payments), accrued liabilities, and deferred rent expense (but excluding liabilities to the extent reflected in amounts payable under Section 2(e)(ii) of this Agreement), in each case determined in accordance with GAAP. To the extent that the Denton Payoff exceeds thirty million three hundred thousand dollars (\$30,300,000.00), such excess shall be a reduction in Net Working Capital, and to the extent that the Denton Payoff is less than thirty million three hundred thousand dollars (\$30,300,000.00), such amount shall be an increase in Net Working Capital. All accounting entries will be made regardless of their amount and all detected errors and omissions will be corrected regardless of their materiality.

“Noncompetition and Assignment of Inventions Agreement” shall mean those Noncompetition and Assignment of Inventions Agreements, the form of which is attached hereto as Exhibit D.

“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

“Owned Software” has the meaning set forth in Section 3.B(h)(i) below.

“Party” has the meaning set forth in the preface above.

“Person” means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

“Process Agent” has the meaning set forth in Section 10(o) below.

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“Product Warranty Claims” means claims of the customers of the Company and its Subsidiary and/or users made at any time following Closing in the Ordinary Course of Business with respect to products sold, manufactured, leased or delivered by the Company and its Subsidiary on or prior to the Closing Date, which (i) are based solely on the Company’s written product warranties disclosed to Buyer, or with respect to Probes, consistent with the Ordinary Course of Business, and (ii) are only for repair or replacement remedies.

“Prohibited Transaction” has the meaning set forth in Section 3.B(t)(ix)(B) below.

“Purchase Price Adjustment” has the meaning set forth in Section 2(j)(i) below.

“Redemptions” has the meaning set forth in Section 3.A(f) below.

“Related Person” means with respect to a particular individual: (a) each other member of such individual’s Family; (b) any Person that is directly or indirectly controlled by such individual or one or more members of such individual’s Family; (c) any Person in which such individual or members of such individual’s Family hold (individually or in the aggregate) a Material Interest; and (d) any Person with respect to which such individual or one or more members of such individual’s Family serves as a director, manager, officer, partner, executor, or trustee (or in a similar capacity). With respect to a specified Person other than an individual: (A) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person; (B) any Person that holds a Material Interest in such specified Person; (C) each Person that serves as a director, manager, officer, partner, executor, or trustee of such specified Person (or in a similar capacity); (D) any Person in which such specified Person holds a Material Interest; (E) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity); and (F) any Related Person of any individual described in clause (B) or (C).

For purposes of this definition, (a) the “Family” of an individual includes (i) the individual, (ii) the individual’s spouse, (iii) any other natural person who is related to the individual or the individual’s spouse within the second degree, and (iv) any other natural person who resides with such individual, and (b) “Material Interest” means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of voting securities or other voting interests representing at least 10% of the outstanding voting power of a Person or equity securities or other equity interests representing at least 10% of the outstanding equity securities or equity interests in a Person.

“Requisite Shareholder Vote” has the meaning set forth in Section 3.A(b) below.

“R&W Insurance Policy” means that certain Representations and Warranties Insurance Policy by Gulf Underwriters Insurance Company in the form previously approved by the Parties, to be issued at Closing in favor of the Parent, the subsidiaries and affiliates of the Parent, the Company, the Surviving Corporation, and each of their respective current and former officers and directors.

“Security Interest” means any mortgage, pledge, lien, encumbrance, charge, or other security interest, other than (a) mechanic’s, materialmen’s, and similar liens incurred in the Ordinary Course of Business not yet due and payable, (b) liens for Taxes not yet due and

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payable, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

“Severally” means each Stockholder is liable alone for his or her own share of a claim, proportionate to that Stockholder’s percentage ownership of the Company Shares as reflected in Section 3.A(e) of the Company Disclosure Schedule.

“Shareholder Agreement” means that certain Shareholder Agreement by and among the Company and the then-existing stockholders of the Company and their respective spouses, dated as of January 29, 1997, as amended.

“Software” has the meaning set forth in Section 3.B(h)(i) below.

“Stockholder Representatives” means the individuals (and their successors) specified in the Escrow, Release, and Indemnification Agreement as the Stockholder Representatives, who have been appointed by the Stockholders for the purpose of acting on behalf of the Stockholders with respect to the transactions contemplated by this Agreement, including without limitation acting as transfer agent for the Company Shares, administering the Aggregate Consideration, as adjusted, as set forth in Section 2 below, and making decisions with respect to indemnity claims and amendments to this Agreement, the Escrow, Release, and Indemnification Agreement, or any ancillary agreements.

“Stockholders” means each of Michael Collins, an individual resident of the State of Washington; Gregory Colvin, an individual resident of the State of Washington; James Cox, an individual resident of the State of Washington; Dan Dahl, an individual resident of the State of Washington; Neal Farenbaugh, an individual resident of the State of Washington; Charles Handy, an individual resident of the State of Washington; Douglas Handy, an individual resident of the State of Washington; Howard E. Houserman, an individual resident of the State of Washington; Scott Hower, an individual resident of the State of Washington; Robert Jones, an individual resident of the State of Washington; Becky Lichtenhagen, an individual resident of the State of Washington; Alfred L. Lucero, an individual resident of the State of Washington; Edward Owens McKee, an individual resident of the State of Washington; Thomas O’Dell, an individual resident of the State of Washington; Beth A. Taylor, an individual resident of the State of Washington; Michael Trask, an individual resident of the State of Washington; Robert Vollmer, an individual resident of the State of Washington; Stephen H. Von Fuchs, an individual resident of the State of Washington; and Richard Warlick, an individual resident of the State of Washington.

“Subsidiary” means any corporation, limited partnership, limited liability company, or other entity with respect to which a specified Person (or a Subsidiary thereof) owns a majority of the common stock, units or other equity interests or has the power to vote or direct the voting of sufficient securities to elect a majority of the directors, and means specifically, with respect to the Company, Zetec Foreign Sales Corporation, a corporation organized under the laws of Barbados.

“Surviving Corporation” has the meaning set forth in Section 2(b) below.

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“Takeover Proposal” means any written inquiry, proposal or offer from any Person relating to (A) any direct or indirect acquisition or purchase of (i) the assets of the Company or its Subsidiary outside of the Ordinary Course of Business, or (ii) any securities of the Company or its Subsidiary, or (B) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company or its Subsidiary (other than the transactions contemplated by this Agreement).

“Tax” means any federal, state, local, or foreign income, built-in gains (within the meaning of Code Section 1374 or any comparable foreign, state or local provisions), gross receipts, excess net passive income (within the meaning of Code Section 1375 or any comparable foreign, state or local provisions), license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, retailer’s occupation taxes and other taxes commonly understood to be sales or use taxes, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Third Party Claim” has the meaning set forth in Section 8(f)(i) below.

“Undisclosed Liabilities” has the meaning set forth in Section 3.B(c) below.

“Washington Act” means the Washington Business Corporation Act, as amended.

2. MERGER.

(a) Inventory Count.

Not earlier than three (3) days prior to the Closing Date, the Company, at its expense, shall conduct a physical inventory count of the inventory of the Company and its Subsidiary (the “Inventory Count”), which Inventory Count shall be completed prior to the Closing. The Parent and the Buyer shall have the right to observe the Inventory Count.

(b) Merger.

At the Effective Date and subject to the terms and conditions of this Agreement, Buyer shall be merged with and into the Company (the “Merger”), in accordance with the relevant provisions of the Washington Act and the Delaware Act, the separate corporate existence of the Buyer shall cease and the Company shall continue as the surviving corporation (the “Surviving Corporation”). The Merger shall otherwise have the effect set forth in the Washington Act.

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(c) Execution of Merger.

At the Closing, the Parties shall cause articles of merger to be delivered to the Secretary of State of Washington and the Secretary of State of Delaware executed in accordance with relevant provisions of the Washington Act and the Delaware Act for filing thereby. Each such articles of merger shall specify that the merger shall be effective as of the Effective Date, and that the Articles of Incorporation of the Company shall be amended and restated in its entirety to effect the replacement of the terms of the Articles of Incorporation of the Company with those of the Certificate of Incorporation of the Buyer, and such Amended and Restated Articles of Incorporation of the Company shall be the Articles of Incorporation of the Surviving Corporation; provided, however, that the name of the Surviving Corporation shall be Zetec, Inc. The bylaws of the Buyer as in effect immediately prior to the Closing Date, shall be the bylaws of the Surviving Corporation. As of Closing, the officers and directors of the Surviving Corporation shall be as set forth on Section 2(c) of the Company Disclosure Schedule, in each case, until their respective successors are duly elected and qualified. Upon request of the Surviving Corporation, the directors and officers of the Zetec Foreign Sales Corporation will resign.

(d) Effect of Merger.

At the Closing, by virtue of the Merger and without any action on the part of the holders thereof:

(i) all of the Company Shares shall be canceled and converted into, and represent the right to receive in the manner provided in Section 2(e) below, the aggregate of Twenty Five Million Eight Hundred Ninety-Four Thousand Three Hundred Forty-Five Dollars (\$25,894,345.00) (the “Aggregate Consideration, subject to post-Closing adjustment as provided in Section 2(j) below (the net amount referred to as the “Merger Consideration”);

(ii) each share of capital stock of the Company that is held in the treasury of the Company, if any, shall be cancelled and retired and cease to exist and no consideration shall be issued in exchange therefor; and

(iii) each issued and outstanding share of capital stock of Buyer shall be converted into and become one fully paid and non-assessable share of capital stock of the Surviving Corporation.

(e) Payment of Aggregate Consideration.

At the Closing Date, the Aggregate Consideration shall be paid and allocated as follows:

(i) Five Million Eight Hundred Thousand Dollars (\$5,800,000.00) shall be paid to the Escrow Agent, to be held and disbursed as provided in Section 8 below and the Escrow Agreement;

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(ii) Six Hundred Thousand Dollars (\$600,000.00), which represents the fees and expenses of the Stockholders' advisors, as contemplated in Section 10(k) of this Agreement, shall be paid as directed by the Stockholder Representatives;

(iii) the balance of the Aggregate Consideration shall be paid to such accounts as may be designated in writing to the Buyer by the Stockholder Representatives at least two business days prior to the Closing Date, by wire transfer or other immediately available funds, which amount shall be paid to the Stockholders pro rata based upon the number of Company Shares held by each Stockholder as set forth in Section 3.A(e) of the Company Disclosure Schedule.

(f) Surrender of Certificates.

Pursuant to the Escrow Agreement, the Stockholders shall appoint the Stockholder Representatives as transfer agent for the purpose of surrendering certificates representing the Company Shares for each Stockholder's portion of the Aggregate Consideration, as set forth in Section 2(e) above. At the Closing, each Stockholder shall deliver an executed assignment separate from certificate, in a form reasonably satisfactory to the Parent, together with those original certificates that immediately prior to the Closing represented the Company Shares held by the Stockholders, or a duly executed affidavit of lost certificate and indemnity for any Certificate which has been lost, stolen, seized or destroyed (the "Certificates"), to Parent. Upon the surrender of Certificates to Parent, the Stockholders shall be entitled to receive in exchange therefor the Aggregate Consideration in accordance with Section 2(e)(iii) and the Certificates so surrendered shall be forthwith cancelled.

(g) The Closing.

The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Riddell Williams P.S. at 10:00 a.m., on July 31, 2002, to be effective as of the commencement of business on August 1, 2002, or such other date and time, or in such other manner, as the Parties may agree (the "Closing Date").

(h) Deliveries at the Closing.

At the Closing, the Company and the Stockholders will deliver to the Parent and the Buyer the various certificates, instruments, and documents referred to in Section 5(a) below; (ii) the Parent and the Buyer will deliver to the Company and the Stockholder Representatives the various certificates, instruments, and documents referred to in Section 5(b) below; (iii) the Company and the Stockholders will execute, acknowledge (if appropriate), and deliver to the Parent and the Buyer such documents as the Parent, the Buyer and their counsel may reasonably request; (iv) the Buyer will execute, acknowledge (if appropriate), and deliver to the Company such documents as the Company and the Stockholder Representatives and their counsel reasonably may request; and (v) the Buyer will deliver to the Stockholders, and others specified in Section 2(e), the Aggregate Consideration.

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(i) Satisfaction of Denton Note.

Prior to the Closing, the Company shall obtain from Clyde Denton a payoff letter, indicating the amount of principal and accrued interest unpaid as of the Closing Date in respect to the Denton Note, which payoff letter shall indicate that upon wire transfer of such amount to an account designated by Denton, the Denton Note shall be paid and satisfied fully and all obligations under the Denton Agreements shall be terminated and satisfied (the "Denton Payoff"). During the Closing: the Parties shall deliver the documents and instruments described in Paragraph (b) above; the Parent shall make a capital contribution to the Surviving Corporation in an amount equal to the Denton Payoff; and the Surviving Corporation shall pay the amount of the Denton Payoff to Clyde Denton.

(j) Minimum Net Working Capital Adjustment.

(i) The Aggregate Consideration shall be increased or reduced, as the case may be, on a dollar-for-dollar basis to the extent that the Net Working Capital of the Company as of the close of business on the Closing Date is greater or less than Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00). Any decrease or increase in the Aggregate Consideration pursuant to this Section 2(j) shall be referred to as a "Purchase Price Adjustment".

(ii) As part of the calculation of Net Working Capital, the Company shall be credited with any funds received as a result of any refund from the purchase or extension of any insurance policies that are terminated on or after Closing. The Company will endeavor in good faith to complete an inventory count and valuation as of June 30, 2002 and the Parent will reasonably cooperate in an effort to agree with the Company prior to the Closing with respect to a valuation methodology and range in accordance with GAAP that would be applicable to the inventory count and valuation as of June 30, 2002, and to the inventory count and valuation that will occur as of the Closing Date in connection with the Closing Date Balance Sheet and the Final Adjustment Schedule. Failure to agree on a valuation methodology and range prior to Closing shall in no event delay the Closing or give rise to a claim of breach of this Agreement.

(iii) No later than forty five (45) days after the Closing Date, the Parent shall deliver to the Stockholder Representatives (i) a balance sheet and a statement of operations of the Company for the period ended as of the close of business on the Closing Date, prepared in accordance with GAAP (the "Closing Date Balance Sheet"), and (ii) a separate statement calculating Net Working Capital of the Company as of the close of business on the Closing Date, based on the Closing Date Balance Sheet, showing any calculations with respect to any necessary Purchase Price Adjustment, prepared in accordance with GAAP (the "Final Adjustment Schedule"). The Stockholder Representatives shall have the right to examine and make copies of the work papers and such other documents that are generated or reviewed by the Parent in connection with the preparation of the Closing Date Balance Sheet and the Final Adjustment Schedule.

(iv) The Stockholder Representatives shall, within forty-five (45) days following their receipt of the Closing Date Balance Sheet and the Final Adjustment Schedule, accept or reject the Purchase Price Adjustment submitted by the Parent. If the Stockholder Representatives disagree with such calculation, they shall give written notice to the Parent of such disagreement and any reason therefor within such forty-five (45) day period. Should the Stockholder Representatives fail to notify the Parent of a disagreement within such forty-five (45) day period, the Stockholders shall be deemed to agree with the Parent's calculation. Any disagreement with respect to the determination of any Purchase Price Adjustment shall be resolved in the manner set forth in Section 10(p) below, except that the arbitrator shall be a certified public accountant at Ernst & Young, selected by the manager of the Seattle office of that firm. The arbitrator shall issue its report as to the Net Working Capital as of the close of business on the Closing Date, and the determination of the Purchase Price Adjustment reflected in the Final Adjustment Schedule within sixty (60) days after such dispute is referred to such arbitrator. The Stockholder Representatives (on behalf of the Stockholders) on the one hand, and the Parent on the other hand, shall bear all costs and expenses incurred by it in connection with such arbitration, except that (1) the costs and expenses of the Stockholder Representatives shall be paid from the Escrow Fund, and (2) the fees and expenses of the arbitrator hereunder shall be borne by the Stockholder Representatives (on behalf of the Stockholders) and the Parent in such proportion as such arbitrator shall determine based on the relative merit of the position of the parties. This provision for arbitration shall be specifically enforceable by the Parties and the decision of such arbitrator in accordance with the provisions hereof shall be final and binding with respect to the matters so arbitrated and there shall be no right of appeal therefrom.

(v) If, based on the Final Adjustment Schedule as finally determined pursuant to this Section 2(j), (i) the Net Working Capital of the Company as of the close of business on the Closing Date is less than Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00), the Stockholders Severally, coordinated by the Stockholder Representatives, shall pay and deliver to the Parent an amount equal to such deficit, or (ii) the Net Working Capital of the Company as of the close of business on the Closing Date is greater than Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00), the Parent shall pay to the Stockholders, by and through the Stockholder Representatives, an amount equal to such excess for distribution to the Stockholders in accordance with the percentages specified in Section 3.A(e) of the Company Disclosure Schedule, after payment or reserves for payment of fees and expenses of Stockholder Advisors. Final amounts due hereunder shall be paid no later than five (5) business days following the Stockholder Representatives' agreement with the Parent's calculation of the Purchase Price Adjustment, or in the event of a disagreement, following the resolution of such disagreement by written agreement of the Parent and the Stockholder Representatives, or the determination of the Arbitrator pursuant to Section 2(j)(iii) above.

3. REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS AND THE COMPANY.

A. Fundamental Representations of the Stockholders. The Stockholders Severally represent and warrant to the Parent and the Buyer that the statements contained in this Section 3.A (the "Section 3.A Representations") are true, correct and complete as of the date hereof, and will be true, correct and complete as of the Closing Date, except: as specified to the contrary in the corresponding paragraph of the disclosure schedule prepared by the Company accompanying this Agreement and initialed by the Stockholder Representatives and the Buyer (the "Company Disclosure Schedule"). The Company Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Section 3.A.

(a) Organization of the Company and its Subsidiary.

(i) The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Washington and is duly qualified to conduct business in the jurisdictions set forth on Section 3.A(a)(i) of the Company Disclosure Schedule.

(ii) Zetec Foreign Sales Corporation is a Subsidiary of the Company, and is a corporation duly organized, validly existing, and in good standing under the laws of Barbados. The Company is the sole record and beneficial owner of the capital stock of Zetec Foreign Sales Corporation. Zetec Foreign Sales Corporation has nominal assets, no liabilities and has not engaged in any business activity since January of 2001.

(b) Authorization of Transaction.

The Board of Directors of the Company has approved this Agreement and recommended its approval by the Stockholders. The Company has the full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, subject to obtaining the approval of the stockholders by the affirmative vote of at least two-thirds (66 2/3%) of the issued and outstanding shares of the Company's stock at a shareholders meeting to be held prior to the Closing (the "Requisite Stockholder Vote"), and the satisfaction of or waiver of each of the Conditions to Closing, including the execution of the Escrow Agreement by each of the Stockholders prior to Closing. Each Stockholder has the full legal capacity and authority to enter into and carry out the transactions contemplated by this Agreement. This Agreement constitutes the valid and legally binding obligation of the Company, enforceable in accordance with its terms and conditions.

(c) Noncontravention.

(i) Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any constitution, statute, law, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Company, its Subsidiary, or the Stockholders is subject or any

provision of the articles of incorporation or the bylaws of the Company or its Subsidiary.

(ii) No Stockholder or other Person has notified any member of the Board of Directors of the Company of any intention to exercise any of his or her right to dissent to the Merger or any of the other transactions contemplated by this Agreement under the Washington Act.

(iii) Neither the Company, its Subsidiary, nor the Stockholders need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement or the merger to be effective, except that the parties have mutually agreed that no filing under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended (15 USC ss.18a) is required in this transaction.

(d) Title to Company Shares.

The Stockholders have good title to the Company Shares. Upon the payment of the Denton Note pursuant to Section 2(i) and the termination of the Shareholder Agreement pursuant to the Escrow Agreement, both of which will occur as a condition to Closing, the Stockholders will have the right to convey the Company Shares to the Buyer. Upon the transfer of the Company Shares to the Buyer, the Stockholders will have conveyed, good title and interest in and to the Company Shares free and clear of all Security Interests.

(e) Capitalization; Company Shares.

Section 3.A(e) of the Company Disclosure Schedule sets forth the number of authorized, issued, and outstanding equity securities of each of the Company and its Subsidiary, and indicates the record legal owners of such securities. The equity securities of each of the Company and its Subsidiary set forth on Section 3.A(e) of the Company Disclosure Schedule constitute all of the issued and outstanding capital stock of the Company and its Subsidiary, are validly issued, fully paid and non-assessable and owned, legally and of record, by the stockholders set forth on Section 3.A(e) of the Company Disclosure Schedule, and none of such equity securities are subject to, nor have any been issued in violation of, pre-emptive, rights of first offer, or similar rights, whether arising under the articles of incorporation or bylaws of the Company, or by contract.

(f) Redemption.

The Company has previously redeemed shares from certain of its former shareholders listed on the Company Disclosure Schedule (the "Redemptions"). Each of those Redemptions was valid and effective to fully redeem the Company Shares previously held by the former shareholders, none of whom currently hold any Company Shares.

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(g) Shareholder Debt.

Except for the Denton Note, neither the Company nor its Subsidiary is the maker or obligor in respect to any Indebtedness owed to any current or former stockholder or other equity interest holder of the Company or its Subsidiary. Except for amounts due under the Denton Note, none of the Company, or any of the current officers or directors of the Company, have any Liabilities or obligations to Clyde Denton relating to the business of the Company.

(h) Company Equity Securities.

All issuances, sales and repurchases by the Company of equity interests in the Company and its Subsidiary have been effected in compliance with all applicable laws, including, without limitation, applicable federal and state securities laws. The Stock Ledgers and other corporate records of the Company dated January 29, 1997 or later contain a complete and correct record of all issuances and transfers of equity interests in the Company. No options, warrants, conversion or other rights, agreements, commitments, arrangements or understandings of any kind obligating the Company and its Subsidiary, contingent or otherwise, to issue or sell any shares of its common stock or any securities convertible into or exchangeable for any such shares or any other securities, are outstanding, and no authorizations therefor have been given. The Company has no Liability arising out of the issuance, sale, transfer or redemption of shares of capital stock of the Company.

B. Representations of the Company. The Company hereby represents and warrants that the statements contained in this Section 3.B (the "Section 3.B Representations") are true, correct and complete as of the date hereof, and will be true, correct, and complete as of the Closing Date, except (1) as specified to the contrary in the corresponding paragraph of the Company Disclosure Schedule, or (2) as specified in any Updated Disclosure provided in accordance with Section 3.C below.

(a) Financial Statements.

Attached as Section 3.B(a) of the Company Disclosure Schedule are audited consolidated balance sheets and related consolidated statements of income and retained earnings, comprehensive income and cash flow of the Company and its Subsidiary as of December 31, 2001, and unaudited interim consolidated balance sheets and related consolidated statements of income and retained earnings, comprehensive income and cash flow of the Company and its Subsidiary through May 31, 2002 (the "Financial Statements").

(i) Each of the Financial Statements is true, correct, complete and consistent with the books and records of the Company. Each of the Financial Statements has been prepared in conformity with GAAP and, to the extent in compliance with GAAP, on a consistent basis throughout the periods covered thereby and presents fairly the financial condition and results of operations and cash flows of the Company and its Subsidiary at the dates and for the periods specified, subject, in the case of unaudited financial statements, to the absence of notes and the absence of normal recurring year-end adjustments and procedures (none of which are inconsistent with past practice). At closing, the Company will

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have no Indebtedness, except: the Denton Note, and the obligations reflected in Section 3.B(a)(i) of the Company Disclosure Schedule.

(ii) Neither the Company nor its Subsidiary have any debt, liability or obligation of the type required by GAAP to be reflected on the Financial Statements that is not reflected or reserved against in the Financial Statements. Accounts payable reflected in the Financial Statements have arisen from bona fide transactions. All debts, liabilities and obligations of the Company and its Subsidiary incurred after the date of the Financial Statements were incurred in the Ordinary Course of Business, arose from bona fide transactions, and are usual and normal in amount both individually and in the aggregate. Neither the Company nor its Subsidiary are directly or indirectly liable to or obligated to provide funds in respect of or to guaranty or assume any obligation of any person except to the extent reflected and fully reserved against in the Financial Statements.

(b) Events Subsequent to December 31, 2001.

Since December 31, 2001, there has not been any material adverse change in the business, financial condition, operations, or results of operations of the Company. Without limiting the generality of the foregoing, since that date, the Company:

(i) has not sold, leased, transferred, or assigned any of its assets, tangible or intangible, except for sales of inventory in the Ordinary Course of Business;

(ii) has not entered into any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) either involving more than \$500,000, or outside the Ordinary Course of Business, or modified any such agreement, contract, lease or license, the modification of which involves more than \$500,000 or is outside the Ordinary Course of Business;

(iii) has not and, to the Knowledge of the Company, no party has accelerated, terminated or canceled any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) involving more than \$250,000 to which the Company is a party or by which it is bound;

(iv) has not imposed or permitted any Security Interest upon any of its assets, tangible or intangible;

(v) has not made any capital expenditure in excess of the Company's "Capital Expenditures Budget", which is attached to the Company Disclosure Schedule;

(vi) has not made any capital investment in, any loan to, or any acquisition of the securities of, any other Person;

(vii) has not issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any Indebtedness;

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(viii) has not delayed or postponed the payment of accounts payable or other Liabilities outside of the Ordinary Course of Business;

(ix) has not canceled, compromised, waived, or released any right or claim (or series of related rights and claims) outside the Ordinary Course of Business;

(x) has not granted any license or sublicense of any rights under or with respect to any Intellectual Property outside the Ordinary Course of Business;

(xi) has not changed or authorized any change in its articles of incorporation, bylaws, or similar charter documents;

(xii) has not experienced any material damage, destruction, or loss (whether or not covered by insurance) to its property;

(xiii) has not made any loan to, or entered into any other transaction with, any of its directors, officers, and employees;

(xiv) has not entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any existing such contract or agreement;

(xv) has not granted any increase in the compensation of any of its directors, officers, and employees, except as described in that certain Memorandum from Howard Houserman to Thomas O'Grady dated July 8, 2002 (the "Compensation Memo");

(xvi) has not adopted, amended, modified or terminated any bonus, profit-sharing incentive, severance, or other plan, contract, or commitment for the benefit of any of its directors, officers, and employees (or taken any such action with respect to any other Employee Benefit Plan), except as described in the Compensation Memo;

(xvii) has not made any other change in employment terms for any of its directors, officers, and employees, except as described in the Compensation Memo;

(xviii) has not made or pledged to make any charitable or other capital contribution outside the Ordinary Course of Business;

(xix) has not declared or paid any dividend or other distribution, whether in cash or other property; and

(xx) has not entered into a commitment to do any of the foregoing.

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(c) Undisclosed Liabilities.

Neither the Company nor its Subsidiary have any Liability arising from a fact or circumstance that is not the subject of a representation or warranty contained in Section 3.B of this Agreement, except for: (i) Liabilities set forth on the face of the Financial Statements; (ii) Liabilities which have arisen after the date of the Financial Statements in the Ordinary Course of Business; and (iii) Liabilities set forth on Section 3.B(c) of the Company Disclosure Schedule ("Undisclosed Liabilities").

(d) Legal Compliance.

The Company and its Subsidiary have complied with all applicable laws (including rules, regulations, codes, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local, and foreign governments (and all agencies or instrumentality thereof), the failure to comply with which, individually or in the aggregate, will result in Adverse Consequences in excess of Two Hundred Thousand Dollars (\$200,000). To the Knowledge of the Company, no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, audit or notice has been filed or commenced against the Company and its Subsidiary alleging or relating to any failure so to comply. The Company and its Subsidiary have duly filed all reports and returns required to be filed by it with governmental authorities and obtained all governmental permits and licenses and other governmental consents which are required in connection with the businesses and operations of the Company and its Subsidiary; all of such permits, licenses and consents are in full force and effect, and no proceedings for the suspension or cancellation of any of them are pending or threatened, except where any of the above would not have a material adverse effect on the Company and its Subsidiary. The Company and its Subsidiary is not and has not been threatened with being suspended or debarred from contracting with any federal, state, or local government.

(e) Tax Matters.

(i) From its inception until April 1, 1988, the Company was a C Corporation within the meaning of the Code for tax purposes. From that date until January 29, 1997, the Company had in effect a valid and binding election to be treated either as an “S Corporation” or a “qualified subchapter S subsidiary”, as the case may be, within the meaning of Code Sections 1361 et seq. for federal income tax purposes. From January 30, 1997, to the present, the Company has been treated as a “C Corporation.”

(ii) The Company and its Subsidiary have filed all Tax Returns that they were required to file. All such Tax Returns were true, correct and complete in all material respects. All Taxes owed by the Company and its Subsidiary which are required to be paid prior to Closing, except as otherwise set forth on Section 3B(e)(ii) of the Company Disclosure Schedule and except for sales or use Taxes reflected on the Closing Date Balance Sheet, have been paid. The reserves set forth on the Financial Statements and on the Closing Date Balance Sheet are adequate to satisfy in full any and all Tax Liabilities arising in respect to those matters set forth on Section 3B(e)(ii) of the Company Disclosure Schedule. All

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Taxes owing but not yet due as a result of operations of the Company prior to Closing will be accrued on the Financial Statements of the Company. There are no Security Interests on any of the assets of the Company or its Subsidiary that arose in connection with any failure (or alleged failure) to pay any Tax. Neither the Company nor its Subsidiary have been a member of an Affiliated Group (other than a group the common parent of which was the Company) that has filed a “consolidated return” within the meaning of Code Section 1501, or has filed a combined or consolidated return with any entity other than its Subsidiary with any other taxing authority.

(iii) The Company and its Subsidiary withheld the Taxes as required in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder, or other third party and such withheld amounts have either been paid to the appropriate governmental agency or set aside in appropriate accounts for such purpose.

(iv) Neither the Company nor its Subsidiary are currently under audit with respect to Taxes by any authority, and have not received any notice or other indication that any authority is considering assessing any additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax Liability of the Company or its Subsidiary either to the Company’s Knowledge has been claimed or raised by any authority in writing or based upon personal contact with any agent or representative of such authority. The Company has previously disclosed to the Parent true and accurate copies of all federal income tax returns filed with respect to the Company and its Subsidiary for taxable periods ended on or after December 31, 1997. State tax returns filed by the Company for that period have also been made available to the Parent, and the Company has disclosed to the Parent the existence of disputes relating to state and local tax issues.

(v) Neither the Company nor its Subsidiary have waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(vi) Neither the Company nor its Subsidiary have made any payments, are obligated to make any payments, or is a party to any agreement that could obligate any of them to make any payments that will not be deductible under Code Section 280G. Neither the Company nor its Subsidiary is a party to any Tax allocation or sharing agreement. Neither the Company nor its Subsidiary (A) have been a member of an Affiliated Group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or (B) have any Liability for the Taxes of any Person (other than the Company) under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

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(f) Real Property.

(i) Neither the Company nor its Subsidiary own any real property.

(ii) Section 3.B(f)(ii) of the Company Disclosure Schedule lists all real property leased to the Company and its Subsidiary (the “Leased Real Property”). The Company has delivered to the Buyer true, correct and complete copies of the leases for the Leased Real Property (as amended to date). With respect to each lease for Leased Real Property:

(A) the lease or sublease is legal, valid, binding, enforceable, and in full force and effect;

(B) neither the Company nor its Subsidiary are, and to the Knowledge of the Company and its Subsidiary, no party to the lease or sublease is, in breach or default, and no event has occurred which, with notice or lapse of time, would constitute a breach or default on the part of the Company or permit termination, modification or acceleration thereunder;

(C) neither the Company nor its Subsidiary have, and to the Knowledge of the Company and its Subsidiary, no party to the lease or sublease has, repudiated any provision thereof;

(D) the Company has not received any notice of disputes or forbearance programs in effect as to the lease;

(E) neither the Company nor its Subsidiary have assigned, transferred, conveyed, mortgaged, deeded in trust, or encumbered any interest in the leasehold; or

(F) During the period the premises have been occupied by the Company, all facilities leased thereunder have received all approvals of governmental authorities (including licenses and permits) required in connection with the operation thereof and have been operated and maintained by the Company in all material respects in accordance with applicable laws, rules, and regulations.

(g) Intellectual Property.

(i) The Company owns, or has the right to use pursuant to license, sublicense, agreement, or permission, all of the Intellectual Property necessary or used in the operation of the Business as presently conducted or as proposed to be conducted. No present or former employee of the Company licenses to the Company any Intellectual Property which is used in the Business. Each item of Intellectual Property owned or used by the Company or its Subsidiary immediately prior to the Closing hereunder will be owned or available for use by the Surviving Corporation on identical terms and conditions immediately

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subsequent to the Closing hereunder. Except with respect to those Liabilities arising under those licenses, sublicenses, agreements, or permissions for Intellectual Property to which the Company or its Subsidiary is a party and which Intellectual Property is owned by a third party, as set forth on Section 3.B(g)(iv) of the Company Disclosure Schedule, neither the Company nor its Subsidiary has any Liability to any Person with respect to the Intellectual Property, or with respect to the creation, development, design, implementation, or adaptation of the Intellectual Property to the Business. Neither the Company nor its Subsidiary have granted or permitted any government agency or instrumentality, foreign or domestic, to obtain unlimited or government purpose license rights or any ownership interest in any technical data or invention belonging to the Company or its Subsidiary.

(ii) To the Knowledge of the Company, neither the Company nor its Subsidiary have interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, and neither the Company nor its Subsidiary have ever received within the past five (5) years any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that the Company or its Subsidiary must license or refrain from using any Intellectual Property rights of any third party). To the Knowledge of the Company, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of the Company or its Subsidiary.

(iii) Section 3.B(g)(iii) of the Company Disclosure Schedule identifies each patent or registration which has been issued or transferred to the Company or its Subsidiary with respect to any of its Intellectual Property, identifies each pending patent application for registration which the Company or its Subsidiary has made with respect to any of its Intellectual Property, and identifies each license, agreement, or other permission which the Company or its Subsidiary has granted to any third party with respect to any of its Intellectual Property. The Company and its Subsidiary have made available to the Buyer true, correct and complete copies of all such patent, trademark and copyright registrations, applications, licenses, agreements, and permissions (as amended to date) and has made available to the Buyer true, correct and complete copies of all other written documentation evidencing ownership and prosecution (if applicable) of each such item. Section 3.B(g)(iii) of the Company Disclosure Schedule also identifies each trade name or unregistered trademark used by the Company and its Subsidiary in connection with the Business. With respect to each item of Intellectual Property required to be identified in Section 3.B(g)(iii) of the Company Disclosure Schedule:

(A) the Company and its Subsidiary possess all right, title, and interest in and to the item, free and clear of any Security Interest or other restriction;

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(B) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge; and

(C) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of the Company, threatened, which challenges the legality, validity, enforceability, use, or ownership of the item.

(iv) Except for non-custom, off the shelf software, Section 3.B(g)(iv) of the Company Disclosure Schedule identifies each item of Intellectual Property that any third party owns and that the Company and its Subsidiary uses pursuant to license, sublicense, agreement, or permission. The Company has delivered to the Buyer true, correct and complete copies of all such licenses, sublicenses, agreements, and permissions (as amended to date). With respect to each item of Intellectual Property required to be identified in Section 3.B(g)(iv) of the Company Disclosure Schedule, to the Knowledge of the Company:

(A) the license, sublicense, agreement, or permission covering the item is legal, valid, binding, enforceable, and in full force and effect;

(B) the license, sublicense, agreement, or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the Merger referred to in Section 2 above);

(C) neither the Company, its Subsidiary, nor to the Knowledge of the Company, any other party to the license, sublicense, agreement, or permission, is in breach or default thereunder;

(D) neither the Company nor its Subsidiary have, and to the Knowledge of the Company, no other party to the license, sublicense,

agreement, or permission has, repudiated any provision thereof;

(E) with respect to each sublicense, the representations and warranties set forth in subsections (A) through (D) above are true and correct with respect to the underlying license;

(F) the underlying item of Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(G) no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand is pending or, to the Knowledge of the Company, threatened, which challenges the legality, validity, or enforceability of the underlying item of Intellectual Property; and

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(H) neither the Company nor its Subsidiary has granted any sublicense or similar right with respect to the license, sublicense, agreement, or permission.

(h) Software.

(i) The "Owned Software" shall mean all computer programs (source code or object code) which were developed for or on behalf of, or have been purchased by, the Company and its Subsidiary and which are currently used internally by the Company and its Subsidiary or which have been distributed by the Company and its Subsidiary and all computer programs under development by the Company and its Subsidiary but not currently distributed. Section 3.B(h)(i) of the Company Disclosure Schedule sets forth under the caption "Licensed Software" a true, correct and complete list of all computer programs (source code or object code) licensed to the Company and its Subsidiary by another person which are currently used internally by the Company and its Subsidiary or which have been distributed by the Company and its Subsidiary, whether as integrated or bundled with any Owned Software or as a separate stand-alone product (specifically excluding any non-custom, off-the-shelf computer program) (collectively, the "Licensed Software" and, together with the Owned Software, the "Software").

(ii) The Company and its Subsidiary have good, marketable and exclusive title to, and the valid and enforceable power and the right to sell, license, lease, transfer, use, create derivative works of, or otherwise exploit, all versions and releases of the Owned Software and all copyrights thereof, free and clear of all Security Interests. The Company and its Subsidiary are in actual possession of the source code and object code for the Owned Software, and the Company and its Subsidiary are in possession of all other documentation, including without limitation all related engineering specifications, program flow charts, installation and user manuals, and know-how necessary for the effective use of the Software as currently used in the Business. The Software constitutes all of the computer programs necessary to conduct the Business as now conducted, and includes all of the computer programs licensed or offered for license to the Company's and its Subsidiary's customers and potential customers or otherwise used in the development, marketing, licensing, sale or support of the products and the services presently offered by the Company and its Subsidiary. No person other than the Company and its Subsidiary has any right or interest of any kind or nature in or with respect to the Owned Software or any portion thereof or any rights to sell, license, lease, transfer, use or otherwise exploit the Owned Software or any portion thereof. Except with respect to those Liabilities arising under those licenses, sublicenses, agreements, or permissions for Licensed Software to which the Company is a party, as set forth on Section 3.B(h)(i) of the Company Disclosure Schedule, neither the Company nor its Subsidiary has any Liability to any Person with respect to the Software, or with respect to the creation, development, design, implementation, or adaptation of the Software to the Business.

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(iii) Section 3.B(h)(iii) of the Company Disclosure Schedule sets forth a true, correct and complete list, of (A) all persons other than the Company and its Subsidiary that have been provided with the source code or have a right to be provided with the source code (including any such right that may arise after the occurrence of any specified event or circumstance, either with or without the giving of notice or passage of time or both) for any of the Owned Software, and (B) all source code escrow agreements relating to any of the Owned Software (setting forth as to any such escrow agreement the source code subject thereto and the names of the escrow agent and all other persons who are actual or potential beneficiaries of such escrow agreement), and identifies with specificity all agreements and arrangements pursuant to which the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby would entitle any third party or parties to receive possession of the source code for any of the Owned Software or any related technical documentation.

(iv) None of the sale, license, lease, transfer, use, reproduction, distribution, modification or other exploitation by the Company and its Subsidiary of any version or release of any computer program included in the Owned Software obligates or will obligate the Company or its Subsidiary to pay any royalty, fee, or other compensation to any other person.

(v) Except as specified in Section 3.B(h)(v) of the Company Disclosure Schedule, no agreement, license or other arrangement pertaining to any of the Software (including, without limitation, any development, distribution, marketing, use or maintenance agreement, license or arrangement) to which the Company and its Subsidiary is a party will become terminable by any party thereto as a result of the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby.

(i) No Infringement.

To the Knowledge of the Company, the existence, sale, license, lease, transfer, use, reproduction, distribution, modification or other exploitation by Company or its Subsidiary or any of its successors or assigns of any Owned Software or Intellectual Property, as such Software or Intellectual Property, as the case may be, is or was, or is currently contemplated to be sold, licensed, leased, transferred, used or otherwise exploited by such persons in connection with the Business, does not (A) infringe on any patent, trademark, copyright or other right of any other person, (B) constitute a misuse or misappropriation of any trade secret, know-how, process, proprietary information or other right of any other person or a violation of any relevant agreement governing the license of the Licensed Software to Company, or (C) entitle any other person to any interest therein, or right to compensation from Company, its Subsidiary, or any of its respective successors or assigns, by reason thereof. Neither the Company nor its Subsidiary has not received any complaint, assertion, threat or allegation or otherwise has notice of any

could reasonably be expected to give rise to any such lawsuit, claim, demand, proceeding or investigation.

(j) Tangible Assets.

The Company and its Subsidiary own or lease all buildings, machinery, equipment, and other tangible assets necessary for the conduct of the Business as presently conducted. At Closing, the Company will have good title to all of the assets of the Company free and clear of any Security Interest. The assets are in sufficient operating condition to enable the Company to operate its business.

(k) Inventory.

The inventory of the Company and its Subsidiary consists of raw materials and supplies, manufactured and purchased parts, goods in process, and finished goods, all of which is accurately reflected on the Financial Statements in accordance with GAAP.

(l) Contracts.

Section 3.B(l) of the Company Disclosure Schedule lists the following contracts and other agreements, written or oral, to which the Company or any of its Subsidiary is a party:

- (i) all customer orders accepted by the Company or its Subsidiary which constitute commitments in excess of \$500,000 and in order backlog as of May 31, 2002;
- (ii) any agreement (or group of related agreements) for the lease of personal property to or from any Person providing for lease payments in excess of \$100,000 per annum;
- (iii) any agreement for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which involves consideration, in excess of \$500,000;
- (iv) any agreement that constitutes a partnership or joint venture;
- (v) any agreement (or group of related agreements) under which any of them have created, incurred, assumed, or guaranteed any Indebtedness, under which any of them have imposed a Security Interest on any of their assets, tangible or intangible;
- (vi) any agreement limiting the Company's right to compete or to enter into a line of business;
- (vii) except the Denton Agreements, any agreement involving the Stockholders to which the Company or its Subsidiary is a party;

- (viii) any profit sharing, stock option, stock purchase, stock appreciation, deferred compensation, severance, or other plan or arrangement for the benefit of any of its current directors, officers, and employees or those that remain in effect with respect to any former directors, officers or employees;
- (ix) any agreement for the employment of any individual on a full-time, part-time, consulting, or other basis, which cannot be terminated by the Company on thirty (30) days' notice or less without penalty;
- (x) any agreement under which any of them have advanced or loaned any amount to any of their directors, officers, and employees; and
- (xi) any agreement which requires the consent or approval of any governmental agency in connection with the transactions contemplated by this Agreement.

The Company has made available to the Buyer a true, correct and complete copy of each written agreement listed in Section 3.B(l) of the Company Disclosure Schedule (as amended to date) and a written summary setting forth the terms and conditions of each oral agreement referred to in Section 3.B(l) of the Company Disclosure Schedule. To the Company's Knowledge, the Customer Orders listed in Section 3.B(l) were all priced at amounts consistent with past practices and in excess of the cost to the Company of purchasing and manufacturing such goods. To the Company's Knowledge, there is no basis for the termination or cancellation of any of those orders. With respect to each such agreement: (A) the agreement is legal, valid, binding, enforceable, and in full force and effect, subject to applicable bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, arrangement, moratorium or other similar laws from time to time affecting creditor's rights generally; (B) to the Knowledge of the Company and its Subsidiary, the agreement will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby, subject to applicable bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, arrangement, moratorium or other similar laws from time to time affecting creditor's rights generally; (C) neither the Company nor its Subsidiary are, and to the Knowledge of the Company and its Subsidiary, no other party, is in material breach or default, and no event has occurred which with notice or lapse of time would constitute a material breach or default, or permit termination, modification, or acceleration, under the agreements; (D) no party has repudiated any provision of the agreement; (E) such agreement does not prohibit or require consent in the event of a change of control of the Company or its Subsidiary; and (F) to the Knowledge of the Company and its Subsidiary, no claim or setoff has been asserted under or against such agreement. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any of the contracts listed or required to be listed in Section 3.B(l) of

the Company Disclosure Schedule (or result in the imposition of any Security Interest upon any of its assets).

(m) Notes and Accounts Receivable.

The loans, notes and accounts receivable reflected in the Financial Statements, and all such loans, notes and accounts receivable arising after the applicable dates of the Financial Statements, arose and have arisen, from bona fide transactions and are not subject to any setoffs or counterclaims, and the bad debt reserves established in connection with such loans, notes, and accounts receivable are reflected on the Financial Statements in conformity with GAAP, and to the extent in compliance with GAAP, on a consistent basis throughout the periods covered thereby.

(n) Powers of Attorney.

There are no outstanding powers of attorney executed on behalf of the Company or its Subsidiary.

(o) Insurance.

The Company has provided to the Parent a summary of the Company's current insurance coverages, which is attached to the Company Disclosure Schedule. With respect to each such insurance policy: (A) all policy premiums due to date have been paid in full, and to the Knowledge of the Company and its Subsidiary, the policy is legal, valid, binding, enforceable, and in full force and effect with respect to the periods for which it purports to provide coverage subject to applicable bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, arrangement or moratorium or other similar laws from time to time affecting creditor's rights generally; (B) neither the Company nor its Subsidiary or, to the Knowledge of the Company and its Subsidiary, any other party to the policy, is in breach or default (including with respect to the payment of premiums or the giving of notices), and, to the Knowledge of the Company, no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy, other than provisions which may be triggered by a change of control of the Company; and (C) no party to the policy has repudiated any provision thereof. Section 3.B(o) of the Company Disclosure Schedule describes any self-insurance arrangements affecting the Company and its Subsidiary.

(p) Litigation.

Neither the Company nor its Subsidiary (i) are subject to any outstanding injunction, judgment, order, decree, ruling, or charge and (ii) are a party nor, to the Knowledge of the Company and its Subsidiary, have been threatened to be made a party to any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator.

(q) Product Warranty.

To the Knowledge of the Company, each product manufactured, sold, leased, or delivered by the Company and its Subsidiary or service provided by the Company and its Subsidiary has been in conformity with all applicable contractual commitments and all express warranties. The Company does not have any Liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against it giving rise to any Liability) for replacement or repair thereof or other damages in connection therewith, except for Product Warranty Claims in the Ordinary Course of Business. To the Knowledge of the Company, the Company does not have any Liability for any material returns of products. No reserves for product warranty claims are set forth on the Financial Statements. No product manufactured, sold, leased, or delivered by the Company and its Subsidiary is subject to any guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions of sale or lease. The Company has provided to the Parent copies of the standard terms and conditions of sale or lease for the Company and its Subsidiary (containing applicable guaranty, warranty, and indemnity provisions).

(r) Product Liability.

There are no existing or, to the Knowledge of the Company and its Subsidiary, threatened, claims against the Company and its Subsidiary arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, sold, leased, or delivered by the Company and its Subsidiary which could result in Liability to the Company and its Subsidiary. To the Company's Knowledge, no events have occurred which would result in such claims.

(s) Employees.

The Company has provided to the Buyer a schedule entitled "Employee Census" dated June 8, 2002, which accurately reflects: (A) the name, (B) the current annual salary (or hourly wage), including any bonus or commitment to pay any other amount or benefit in connection with a termination of employment, if applicable, and (C) the specific identity of the employing entity, of all present employees, consultants, and independent contractors employed by the Company and its Subsidiary. To the Knowledge of the Company, no executive, key employee, or group of employees has any immediate plans to terminate employment with the Company or its Subsidiary. Neither the Company nor its Subsidiary are a party to or bound by any collective bargaining agreement, nor has it experienced any strikes, grievances, claims of unfair labor practice. The Company has no Knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to its employees. There is no claim outstanding or, to the Knowledge of the Company, threatened or claims respecting employment of any past or present employee of the Company and its Subsidiary including, without limitation, claims of personal injury (unless fully covered by worker's compensation, liability or indemnity insurance) discrimination, wage, hours or similar laws or regulations. There are no written employment or similar agreements for a fixed term between any employee of the Company and its Subsidiary and the Company and its Subsidiary; each employee of the Company and its Subsidiary is an at-will employee.

(t) Employee Benefits.

(i) No other corporation, trade, business, or other entity, would, together with the Company and its Subsidiary constitute a single employer within the meaning of Code Section 414.

(ii) Section 3.B(t) of the Company Disclosure Schedule contains a true and complete list of all of the Employee Benefit Plans which are

presently in effect for the benefit of current or former employees, officers, directors or consultants of the Company and its Subsidiary, together with any plans formerly in effect for which the Company still has any Liability (the "Company Plans"). There are no Company Plans established or maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens.

(iii) Each Company Plan has been administered in all material respects in accordance with its terms and is in compliance in all material respects with the applicable provisions of law. All reports, returns and similar documents required to be filed with any governmental agency or distributed to any participant of each Company Plan have been duly and timely filed or distributed in all material respects.

(iv) No actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the Knowledge of the Company and its Subsidiary, threatened, with respect to any Company Plan, and, to the Knowledge of the Company, no event or condition exists which would result in Liability to the Company, except as reflected on the Financial Statements and except for the Zetec, Inc. Pension Plan.

(v) The Company and its Subsidiary have made all contributions or payments to or under each Company Plan required by law, or by the terms of such Company Plan.

(vi) There is no lien outstanding upon any assets of the Company or its Subsidiary pursuant to Code Section 412(n) in favor of any Company Plan.

(vii) The Company does not have any past, present or future obligation or liability to contribute to any multiemployer plan as defined in ERISA Section 3(37).

(viii) Neither the Company nor its Subsidiary are obligated, contingently or otherwise, under any agreement to pay any amount which would be treated as a "parachute payment," as defined in Code Section 280G(b) (determined without regard to Code Section 280G(b)(2)(A)(ii)).

(ix) With respect to each of the Company Plans:

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(A) each of the Company Plans has been established, maintained, funded and administered in all material respects in accordance with its governing documents, and any applicable provisions of ERISA, the Code, other applicable law, and all regulations promulgated thereunder;

(B) none of the Company Plans nor any Fiduciary has engaged in a "Prohibited Transaction" as defined in ERISA Section 406 or Code Section 4975 (for which no individual or class exemption exist under ERISA Section 408 or Code Section 4975, respectively);

(C) all filings and reports as to each of the Company Plans required to have been made on or before the Closing Date to the Internal Revenue Service, or to the United States Department of Labor or to the Pension Benefit Guaranty Corporation, have been or will be duly made by that date;

(D) each of the Company Plans which is intended to qualify as a tax-qualified retirement plan under Code Section 401(a) has received a favorable determination letter(s) from the Internal Revenue Service as to qualification of such Company Plan for the period from its adoption through the Closing Date; nothing has occurred, whether by action or failure to act, which has resulted in or would cause the loss of such qualification; and each trust thereunder is exempt from tax pursuant to Code Section 501(a);

(E) each of the Company Plans which is required to satisfy Code Sections 401(k)(3) or 401(m)(2) has been tested for compliance with, and has satisfied the requirements of, Code Sections 401(k)(3) and 401(m)(2) for each plan year ending prior to the Closing Date;

(F) no event has occurred and no condition exists relating to any of the Company Plans that would subject the Company and its Subsidiary to any Tax or Liability under IRS Sections 4971, 4972 or 4979, or to any Liability under ERISA Sections 502 or 4071; and

(G) to the extent applicable, each of the Company Plans has been funded in accordance with its governing documents, ERISA and the Code or other applicable law, has not experienced any accumulated funding deficiency (whether or not waived) and has not exceeded its full funding limitation (within the meaning of Code Section 412) at any time.

(x) With respect to the Company Plans which provide group health benefits to employees of the Company and its Subsidiary and are subject to the requirements of Code Section 4980B and Part 6, Subtitle B of Title I of ERISA ("COBRA"), such group health plan has been administered in every material respect in accordance with its governing documents and COBRA and with the

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group health plan requirements of Subtitle K, Chapter 100 of the Code and ERISA Sections 701 et seq.

(xi) With respect to employee benefit matters generally:

(A) neither the Company, its Subsidiary, nor any person, firm or corporation which is or has been under common control of the Company and its Subsidiary within the meaning of Section 4001(b) of ERISA, maintains or contributes to or has ever maintained or contributed to any Employee Benefit Plan subject to Title IV of ERISA;

(B) the consummation of the transactions contemplated hereby will not accelerate or increase any Liability under any of the Company Plans because of an acceleration or increase of any of the rights or benefits to which Company Plan participants or beneficiaries may be entitled thereunder;

(C) the Company does not have any obligation to any retired or former employee or any current employee of the Company and its Subsidiary upon retirement or termination of employment under any Company Plans, other than such obligations imposed by COBRA; and

(D) any of the Company Plans which is an “employee welfare benefit plan,” within the meaning of ERISA Section 3(1), may be terminated prospectively without Liability to the Company, Parent, Buyer, or Surviving Corporation, including, without limitation, Liability for unreported (e.g., run-off) benefit claims, premium adjustments or termination charges of any kind.

(xii) If any Employee Benefit Plan subject to Title IV of ERISA were terminated by the Company or any Subsidiary, the fair market value of the assets of such plan as of the plan termination date would equal or exceed the plan’s “benefit liabilities,” as such term is defined in Section 4001(a)(16) of ERISA, assuming such funding status is determined using actuarial factors and applying such other principles that are legally required to be given effect in the context of the termination of a plan subject to Title IV of ERISA.

(xiii) Notwithstanding any other provision of this Section 3.B(t), the Buyer and Parent are aware of the funding that would be required to terminate the Zetec, Inc. Pension Plan, and the parties have adjusted the Aggregate Consideration on an agreed amount to affect that liability and the potential costs of terminating that Plan.

(u) Guaranties.

Neither the Company nor its Subsidiary are a guarantor or otherwise liable for any Liability or obligation (including Indebtedness) of any other Person.

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(v) Environment, Health, and Safety.

(i) The Company and its Subsidiary have complied with all Environmental, Health, and Safety Laws, the failure to comply with which could reasonably be expected to result in Adverse Consequences in excess of Two Hundred Thousand Dollars (\$200,000). To the Knowledge of the Company, no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against the Company or its Subsidiary alleging such failure.

(ii) The Company does not have any Liability for Adverse Consequences in excess of \$200,000 (and neither the Company nor its Subsidiary have handled, used, stored, treated, recycled or disposed of any Hazardous Substance, arranged for the disposal of any Hazardous Substance, exposed any employee or other individual to any Hazardous Substance or condition, or owned or operated any property or facility in any manner that could form the legitimate basis for any present or future action, suit, proceeding, hearing, investigations, charge, complaint, claim or demand) for penalties, investigations of or damage to any site, location, body of water (surface or subsurface), or other natural resources, for any illness of or personal injury to any employee or other individual, or for any reason under any Environmental, Health, and Safety Laws.

(iii) To the Knowledge of the Company, all properties and equipment used in the Business are and in the past have been free of any amounts of asbestos, PCB’s, methylene chloride, trichlorethylene, 1,2-trans-dichloroethylene, dioxins, dibenzofurans, and Extremely Hazardous Substances, the presence of which could result in Adverse Consequences.

(w) Certain Business Relationships with the Company and its Subsidiary.

No Related Person of the Company or its Subsidiary has or has had, any interest in any property (whether real, personal, or mixed and whether tangible or intangible) used in or pertaining to the Company, the Subsidiary, or the Business. No Related Person of the Company or its Subsidiary owns or has owned (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that has had business dealings or a material financial interest in any transaction with the Company, its Subsidiary, or the Business.

(x) Brokers.

Except for those fees and expenses of Windswept Capital LLC, which fees and expenses will be paid by the Stockholders, neither the Company, its Subsidiary, nor the Stockholders have incurred any Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

(y) Disclosure.

The representations and warranties contained in this Section 3 (including the Company Disclosure Schedule and any Updated Disclosure) do not, and as of the Closing Date

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will not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statement and information contained in this Section 3 not misleading.

(z) Knowledge Group

Section 3.B(z) of the Company Disclosure Schedule contains the list of Stockholders required in the definition of “Knowledge of the Company” as contained in this Agreement.

C. Updated Disclosure. In the event that between the date of execution of this Agreement and the Closing, the Stockholder Representatives first become aware of events, facts or circumstances which would make any of the representations and warranties of this Section 3 untrue, the Stockholder Representatives may provide written notice of that event, fact or circumstance to the Buyer and Parent, clearly labeled as “Updated Disclosure”. Within five (5) days of receipt of

an Updated Disclosure, the Buyer and Parent may, in their discretion, either (i) accept the Updated Disclosure, in which case, the event, fact or circumstance so disclosed, shall be deemed to be added to the Company Disclosure Schedule and shall not be deemed a breach of the representations and warranties of this Section 3; or (ii) elect to terminate this Agreement.

4. REPRESENTATIONS AND WARRANTIES OF THE PARENT AND THE BUYER.

Parent and Buyer, jointly and severally, represent and warrant to the Stockholders that the statements contained in this Section 4 are true, correct and complete as of the date hereof, and will be true, correct and complete as of the Closing Date.

(a) Organization of the Parent and the Buyer.

Each of Parent and Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified as a foreign corporation to do business in every jurisdiction where such qualification is required.

(b) Authorization of Transaction.

Each of Parent and Buyer has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of Parent and Buyer, enforceable in accordance with its terms and conditions. Parent and Buyer need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agencies in order for the Parties to consummate the transactions contemplated by this Agreement.

(c) Noncontravention.

Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby will violate any constitution, state, regulation, rule,

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injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Parent or Buyer is subject, or any provision of its certificate of incorporation or bylaws.

(d) Broker's Fees.

Neither Parent nor Buyer has incurred any Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Stockholders could become liable or obligated.

(e) Disclosure.

The representations and warranties contained in this Section 4 do not, and as of the Closing Date will not, contain any untrue statements of a material fact or omit to state any material fact necessary in order to make the statements contained in this Section 4 not misleading.

(f) Financial Capability.

The Parent and Buyer will at Closing have the funds necessary to complete the merger and make the payments described in Section 2.

(g) Reliance.

The Parent and the Buyer are not relying on any representations or warranties made by or on behalf of the Company, the Subsidiary or any of the Stockholders, except those expressly contained Section 3 of in this Agreement.

5. CONDITIONS TO OBLIGATION TO CLOSE.

(a) Conditions to Obligation of Parent and Buyer.

The obligation of Parent and Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in Section 3 above shall be true and correct in all material respects at and as of the Closing Date;

(ii) the Company and the Stockholders shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) the Company shall have procured all of the third party consents specified on Exhibit B hereto, and the consent, termination and release agreement, shall have been executed by the Company and Clyde Denton, in the form set forth on Exhibit C hereto;

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(iv) the Company shall have provided notice of this transaction to the United States Department of Defense and the Department of Energy, and obtained any other governmental consents for the Surviving Corporation to conduct the Business following the Closing;

(v) no action, suit, or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement, (B) cause any of the transactions contemplated by this

Agreement to be rescinded following consummation, or (C) affect adversely the right of the Buyer to own the assets of the Company and its Subsidiary or to operate the Business (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

(vi) the Company and the Stockholder Representatives shall have delivered to the Parent and the Buyer a certificate, executed by the Company and the Stockholder Representatives, to the effect that the conditions specified above in Section 5(a)(i) to 5(a)(v) have been satisfied in all respects;

(vii) each of the Stockholders shall have entered into a Noncompetition and Assignment of Inventions Agreement, with a term equal to two (2) years, in form and substance as set forth in Exhibit D attached hereto, and the same shall be in full force and effect;

(viii) each of the Stockholders, the respective spouses of the Stockholders, the Parent, the Buyer, the Company, and the Escrow Agent shall have entered into the Escrow Agreement;

(ix) the Company shall have delivered to the Parent and the Buyer the payoff letter indicating the amount of the Denton Payoff;

(x) The R&W Insurance Policy shall have been issued and delivered to the Parent and the Buyer, in the form attached to the Company Disclosure Schedule;

(xi) The Shareholders Agreement shall have been terminated;

(xii) each of the Buyer and the Company shall have received the consent and estoppel of Rowley Enterprises, Inc., Kevin Tolkin and Laurie Young Tolkin, and Clyde Denton in form and substance satisfactory to the Parent and the Buyer, with respect to the Leased Real Property;

(xiii) the Parent and the Buyer shall have received from Riddell Williams P.S., counsel to the Company, opinions with respect to the Company and its Subsidiary and the transactions contemplated hereby in form and substance as set forth in Exhibit E attached hereto, addressed to the Parent and the Buyer, and dated as of the Closing Date;

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(xiv) the Company shall have satisfied all of its Liabilities owed to the Founders, and to Richard E. Marlow pursuant to the Marlow Agreement;

(xv) the certificates of merger with respect to the Merger shall have been filed in accordance with the Delaware Act and the Washington Act;

(xvi) the Company shall have delivered to Parent and Buyer a certificate of the Secretary of the Company as to the incumbency of its officers, a copy of a certificate evidencing the incorporation and good standing of the Company, a copy of the articles and bylaws of the Company, and a copy of the resolutions adopted by the board of directors and the stockholders of the Company with respect to the transactions contemplated by this Agreement;

(xvii) all actions to be taken by the Company and its Subsidiary in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Parent and the Buyer;

(xviii) The Parent shall have received the approval of its Board of Directors to execute this Agreement.

(xix) The Board of Directors of the Company shall have adopted resolutions that: (a) terminate the Zetec, Inc. Profit Sharing/401(k) Plan, effective not earlier than the date all conditions to Closing are satisfied or waived and not later than immediately before Closing; and (b) freeze the Zetec, Inc. Pension Plan, effective on the date specified in the notice delivered to affected employees in accordance with and intended to satisfy the requirements of Section 204(h) of the Employee Retirement Income Security Act of 1974 and Section 4980F of the Internal Revenue Code, said notice to be delivered to affected employees as soon as practicable following the public announcement of the Merger.

Either the Parent or the Buyer may waive any condition specified in this Section 5(a) if it executes a writing so stating at or prior to the Closing.

(b) Conditions to Obligation of the Company.

The obligation of the Company to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in Section 4 above shall be true and correct in all material respects at and as of the Closing Date;

(ii) Parent and Buyer shall have performed and complied with all of their covenants hereunder in all material respects through the Closing;

(iii) no action, suit, or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or

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foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement or (B) cause any of the transactions contemplated by this Agreement to

be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

(iv) the Parent and the Buyer shall have delivered to the Company and the Stockholder Representatives a certificate to the effect that the conditions specified above in Sections 5(b)(i) to 5(b)(iv) have been satisfied in all respects;

(v) the Stockholders shall have received from Powell, Goldstein, Frazer & Murphy LLP, counsel to the Parent and the Buyer an opinion in form and substance as set forth in Exhibit F attached hereto, addressed to the Stockholders, and dated as of the Closing Date;

(vi) each of the Parent and the Buyer shall have delivered to the Company and the Stockholder Representatives a certificate of the Secretary of each of the Parent and the Buyer as to the incumbency of each of their officers, a copy of certificates evidencing the incorporation and good standing of the Parent and the Buyer, a copy of the articles and bylaws of the Parent and the Buyer, and a copy of the resolutions adopted by the board of directors of the Parent and the Buyer with respect to the transactions contemplated by this Agreement; and

(vii) all actions to be taken by the Buyer in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Company.

Either the Company or the Stockholder Representatives may waive any condition specified in this Section 5(b) if it or he executes a writing so stating at or prior to the Closing.

6. PRE-CLOSING COVENANTS.

The Parties agree as follows with respect to the period prior to the Closing:

(a) Access and Investigation.

Between the date hereof and the Closing Date, the Company and the Stockholders will, and will cause their representatives to:

(i) afford the Parent, the Buyer, their attorneys, accountants, and other representatives (collectively, "Buyer's Advisors") reasonable access to the Company and its Subsidiary, and their personnel, properties (including for purposes of environmental testing), contracts, books and records, financial

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statements, and other documents and data so as to not unreasonably interfere with the conduct of the Business;

(ii) furnish the Buyer with copies of all such contracts, books and records, and other existing documents and data as the Buyer may reasonably request;

(iii) furnish the Buyer and Buyer's Advisors with such additional financial, operating and other data and information as the Buyer may reasonably request; and

(b) Operation of the Businesses of the Company and its Subsidiary.

Between the date hereof and the Closing Date, the Company, its Subsidiary, and the Stockholders will, and the Company and its Subsidiary will cause their representatives to:

(i) conduct the Business only in the Ordinary Course of Business, or otherwise with the written consent of the Buyer, except that the Board of directors shall take the action described in Section 5(a)(xix) above;

(ii) use their best efforts to preserve intact the current business organization of the Company and its Subsidiary, keep available the services of the current officers, employees, and agents of the Company and its Subsidiary, maintain the relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with the Company and its Subsidiary, and maintain such amount of working capital necessary for the Company and its Subsidiary to conduct the Business in the Ordinary Course of Business; and

(iii) confer with the Buyer concerning operational matters of a material nature and the status of business operations and finances.

(c) Negative Covenant.

Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, the Company, its Subsidiary, and the Stockholders will not, without the prior consent of the Buyer, take any affirmative action, or fail to take any reasonable action within their or its control, which would cause or result in an inaccuracy or breach of any of the representations, warranties or covenants of the Company and the Stockholders set forth in this Agreement, including, without limitation, any action specified in Section 3.B(b) of this Agreement. Without limiting the generality of the foregoing, the Company agrees that it shall not, and shall cause its Subsidiary not to, take any of the following actions without the prior written consent of the Buyer or the Parent:

(i) amend the Articles of Incorporation or Bylaws of the Company and its Subsidiary; make any change in its authorized, issued or outstanding capital stock or any other equity security; issue, sell, pledge, assign or otherwise encumber or dispose of, or purchase, redeem or otherwise acquire, any of the

shares of capital stock or other equity securities of the Company or its Subsidiary or enter into any agreement, call or commitment of any character so to do; grant or issue any stock option or warrant relating to, right to acquire, or security convertible into, shares of capital stock or other equity security of the Company and its Subsidiary; purchase, redeem, retire or otherwise acquire any shares of, or any security convertible into, capital stock or other equity security of the Company and its Subsidiary, or agree to do any of the foregoing set forth in this Section 6(c)(i);

- (ii) acquire, directly or indirectly, substantially all of the assets of, or a controlling equity interest in, any corporation or other entity, or enter into any commitment to do the same;
- (iii) propose, declare, set aside or pay any dividend or other distribution in respect of any of its capital stock (including, without limitation, any stock dividend or distribution);
- (iv) incur any Indebtedness;
- (v) make any distribution outside of the Ordinary Course of Business, except upon prior written notice to and written consent of the Buyer;
- (vi) enter into any agreement, commitment or similar transaction with the Stockholders;
- (vii) enter into any employment contract or collective bargaining agreement, written or oral, or modify the terms of any existing such contract or agreement;
- (viii) grant any increase in the base compensation of any of its directors, officers, and employees;
- (ix) adopt, amend, modify, or terminate any bonus, profit-sharing, incentive, severance, or other plan, contract, or commitment for the benefit of any of its directors, officers, and employees (or taken any such action with respect to any other Company Plan);
- (x) knowingly breach, violate, or contravene any provisions of any agreement or commitment to which the Company is a party, including but not limited to the Denton Agreements;
- (xi) make any other change in employment terms for any of its directors, officers, and employees outside the Ordinary Course of Business, except as listed on the Company Disclosure Schedule; and
- (xii) make any capital expenditures in excess of \$10,000 without the prior written consent of the Parent.

(d) No Merger or Solicitation.

(i) Neither the Company nor its Subsidiary shall, or authorize or permit any of their officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative or agent retained by them, to, directly or indirectly, solicit, initiate, or encourage (including by way of furnishing nonpublic information), or take any other action to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any Takeover Proposal, or agree to or endorse any Takeover Proposal, or participate in any discussions or negotiations, or provide third parties with any nonpublic information, relating to any such inquiry or proposal. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by the Stockholders, any director or executive officer of the Company and its Subsidiary, or any investment banker, attorney or other advisor or representative of the Company and its Subsidiary, whether or not such Person is purporting to act on behalf of the Company, its Subsidiary, or otherwise, shall be deemed to be a breach of this Section 6(d) by the Company.

(ii) Neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to the Buyer, the approval or recommendation by such Board of Directors or any such committee of this Agreement or the transactions contemplated hereby, (ii) approve or recommend, or propose to approve or recommend, any Takeover Proposal, or (iii) enter into any agreement with respect to any Takeover Proposal.

(iii) In addition to the obligation of the Company set forth in paragraph (ii) above, the Company promptly shall advise the Parent and the Buyer orally and in writing of any request for information or of any Takeover Proposal, or any inquiry with respect to or which could lead to any Takeover Proposal, the material terms and conditions of such request, Takeover Proposal or inquiry and the identity of the Person making any such request, Takeover Proposal or inquiry.

(e) Accounting and Securities Matters.

The Company will, in good faith, endeavor to cause Moss Adams LLP, independent auditors for the Company and its Subsidiary, and each other firm acting as independent auditors to the Company (a) to deliver to the Parent financial statements audited and prepared in accordance with GAAP, (b) to deliver an auditor's report and consents with respect to financial statements of the Company, and other information required to be filed by the Parent pursuant to the rules of the Securities and Exchange Commission, or pursuant to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and (c) to cooperate with the Parent and its auditors to provide "comfort" letters with respect to financial information about the Company required to be included in the Parent's filings with the Securities and Exchange Commission, provided that neither the Company nor its shareholders shall be required to incur any expense in such effort.

(f) Pre-Closing Funding of Pension Plan.

Prior to the Closing Date, the Company shall pay and contribute to the Zetec, Inc. Pension Plan an amount equal to Seven Hundred Forty Nine Thousand Six Hundred Ninety One Dollars (\$749,691.00) in cash.

7. POST-CLOSING COVENANTS.

The Parties agree as follows with respect to the period following the Closing:

(a) General.

(i) In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, the Stockholders and the Surviving Corporation will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor hereunder). The Stockholders acknowledge and agree that from and after the Closing the Surviving Corporation will have the right to possession of all documents, books, records (including Tax records), agreements, and financial data of any sort relating to the Company and its Subsidiary in this Agreement; provided, however, that the Stockholders shall have the right to obtain access to such documents, books, records (including Tax records), agreements, and financial data to the extent related to the period prior to the Closing and make photocopies thereof for a proper purpose, such as in connection with the preparation of their Tax Returns.

(b) Litigation Support.

In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Surviving Corporation or the Stockholders, each of the other Parties will reasonably cooperate with the contesting or defending Party and his or its counsel in the contest or defense, make available his or its personnel, and provide such testimony and access to his or its books and records as shall be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8 below).

(c) Transition.

The Stockholders will use their best efforts not to take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, or other business associate of the Company, its Subsidiary, or the Surviving Corporation from

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maintaining the same business relationships with the Parent and the Surviving Corporation after the Closing as it maintained with the Company and its Subsidiary prior to the Closing.

(d) Tax Matters.

(i) Subject to the last sentence of this Section 7(d)(i), any income Tax refunds that are received by the Surviving Corporation during the one (1) year period following the Closing Date, and any amounts credited against income Tax to which the Surviving Corporation becomes entitled pursuant to written notice received by the Surviving Corporation during the one (1) year period following the Closing Date, that relate to income Tax periods or portions thereof ending on or before the Closing Date shall be for the account of the Stockholders, and the Surviving Corporation shall pay over to the Stockholders any such refund or the amount of any such credit within fifteen (15) days after receipt or entitlement thereto. In addition, subject to the last sentence of this Section 7(d)(i), to the extent that a claim for refund or a proceeding results, during the one (1) year period following the Closing Date, in a payment or credit against income Tax by a taxing authority to the Surviving Corporation of any amount accrued on the Closing Date Balance Sheet, the Surviving Corporation shall pay such amount to the Stockholders within fifteen (15) days after receipt or entitlement thereto. The Stockholders, however, shall not be entitled to any portion of any refund or credit received by the Surviving Corporation, or to which the Surviving Corporation is entitled to receive, unless and until the Surviving Corporation shall have received, or be entitled to receive, such refunds and credits which in the aggregate exceed Three Hundred Fifty Thousand Dollars (\$350,000), and then only to the extent such refunds and credits exceed Three Hundred Fifty Thousand Dollars (\$350,000).

(ii) The Surviving Corporation will be responsible for all Taxes, subject to the right to make a claim against the Escrow Fund for any breach of the representations and warranties contained in Section 3.B(e) With respect to the transactions contemplated by this Agreement, Parent, Surviving Corporation, and the Stockholders will provide each other with such cooperation and information as either of them may reasonably require of the other in connection with the filing of any Tax Return, including Tax Returns relating to the application of the successor employer rules for payroll Tax purposes contained in Code Sections 3121(a)(1) and 3306(b)(1), the determination of a liability for Taxes or a right to a refund for Taxes, or the preparation for litigation or investigation of any claim for Taxes or a right to a refund for Taxes, and the cooperation and information shall include all relevant Tax Returns, and other documents and records, or portions thereof relating to or necessary in connection with the preparation of records, or portions thereof relating to or necessary in connection with the preparation of such Tax Returns or other determination of Tax Liability. Each Party shall retain all Tax Returns, schedules, workpapers, and all other related materials, records or documents until the expiration of the statute of limitations for the taxable years to which such Tax Returns and other related documents relate. After expiration of the statute of limitations, a Party shall notify each other Party in writing that it

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desires to dispose of or destroy the Tax Returns and other documents and shall provide such other Parties with the right for thirty (30) days after the tendering of such notice to copy or take possession of such Tax Returns and other related documents. Any information obtained under this provision shall be kept confidential by the Parties, except as may be necessary in connection with the filing of such Tax Returns.

(e) Company Charter Provisions.

The Surviving Corporation will not take any action to modify or terminate the rights of present or former officers or directors of the Company to exculpation and indemnification under the terms of the Company's Articles of Incorporation and Bylaws.

8. REMEDIES FOR BREACHES OF THIS AGREEMENT.

(a) Survival of Representations and Warranties.

All of the representations and warranties of the Stockholders contained in Section 3.A of this Agreement and of the Parent and the Buyer contained in Section 4 of this Agreement shall survive the Closing and continue in full force and effect for a period of six (6) years following the Effective Date. All of the representations and warranties of the Company contained in Section 3.B and all covenants shall survive the Closing and continue in full force and effect for a period of one (1) year following the Effective Date. No action, claim, or proceeding may be brought by any Party hereto against any other Party resulting from, arising out of, or caused by a breach of a representation or warranty or covenant contained herein, after the time such representation or warranty ceases to survive pursuant to the preceding sentence, unless written notice of such claim setting forth with specificity the basis for such claim is delivered to the applicable Party prior to the expiration of such time.

(b) Indemnification Provisions Relating to Section 3.A Representations for Benefit of the Parent and the Surviving Corporation.

(i) In the event that any of the Section 3.A Representations of the Stockholders are untrue (or in the event any third party alleges facts that, if true, would mean any of the Section 3.A Representations are untrue), then, provided that either the Parent or the Surviving Corporation makes a written claim for indemnification setting forth the basis for such claim against the Stockholders pursuant to Section 8(g) below within six (6) years following the Effective Date, then the Stockholders shall, Severally indemnify the Parent and the Surviving Corporation, subject to the limitations set forth herein, from and against the entirety of any Adverse Consequences the Parent or the Surviving Corporation may suffer through and after the date of the claim for indemnification (including any Adverse Consequences the Parent or the Surviving Corporation may suffer after the end of any applicable survival period) resulting from, arising out of, or caused by the breach (or the alleged breach); provided, however, that:

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(A) No Stockholder shall have any obligation to indemnify the Parent or the Surviving Corporation from and against any Adverse Consequences resulting from, arising out of, or caused by the breach (or alleged breach) of any Section 3.A Representations which exceed the portion of the Merger Consideration received by such Stockholder; and

(B) No Stockholder shall have any obligation to indemnify the Parent or the Surviving Corporation from and against any Adverse Consequences resulting from, arising out of, or caused by the breach (or alleged breach) of any Section 3.A Representations until and unless and only to the extent that: (1) the R&W Insurance Policy fails or refuses to provide such indemnification to the Parent and the Surviving Corporation; and (2) funds are not available from the Section 3.A Funds (as that term is defined in the Escrow Agreement) in the Escrow Fund. Funds in the Escrow Fund in excess of the Section 3.A Funds may only be used to pay a claim (in accordance with Section 5(b) of the Escrow Agreement) arising from a Section 3.A Representation if the Parent in its sole discretion approves such use of the funds.

(ii) In the event that any claim, action suit or proceeding is commenced against the Parent, the Company, the Buyer, or the Surviving Corporation, or any of their current or former officers, directors, or shareholders, based on or arising from the issuance, sale, transfer, or redemption of any shares of capital stock of the Company (including but not limited to the Redemptions), whether such action, suit or proceeding arises at law or at equity, by contract, by the terms of the governing documents of the Company, or otherwise, that claim shall be deemed to constitute a breach of the Section 3.A Representations for which the Stockholders are obligated to provide indemnification in accordance with Section 8(a).

(c) Indemnification Provisions Relating to Section 3.B Representations and Covenants for Benefit of the Parent and the Surviving Corporation.

In the event that any of the Section 3.B Representations of the Company are untrue (or in the event any third party alleges facts that, if true, would mean any of the Section 3.B Representations are untrue), or any of the covenants for the benefit of the Parent are breached, then, provided that either the Parent or the Surviving Corporation makes a written claim for indemnification setting forth the basis for such claim within one (1) year following the Effective Date, then the Company and the Surviving Corporation shall be entitled, subject to the limitations set forth herein, to indemnification from and against the entirety of any Adverse Consequences the Parent or the Surviving Corporation may suffer through and after the date of the claim for indemnification (including any Adverse Consequences the Parent or the Surviving Corporation may suffer after the end of any applicable survival period) resulting from, arising out of, or caused by the breach (or the alleged breach); provided, however, that:

(i) The sole source of funds for such indemnification shall be the funds in the Escrow Fund, which shall be released in accordance with the terms of

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the Escrow, Release and Indemnification Agreement. No claim may be asserted directly against any Stockholder for any breach or alleged breach of the Section 3.B Representations.

(ii) No claim may be made against the Escrow Funds with respect to such breaches (or alleged breaches) contained in Section 3.B until the Parent or the Surviving Corporation has suffered Adverse Consequences by reason thereof in excess of Three Hundred Fifty Thousand Dollars (\$350,000.00) and only to the extent that such Adverse Consequences exceed that amount.

(d) Escrow.

In order to provide the Parent and the Surviving Corporation with a nonexclusive source of funds for the indemnity obligations of the Stockholders for the Section 3.A. Representations and an exclusive source of funds for breaches of the Company's Section 3.B Representations and the covenants of the Company and the Stockholders, the Parties and the Stockholders shall have executed the Escrow Agreement prior to the Closing Date, which shall be funded with Five Million Eight Hundred Thousand Dollars (\$5,800,000.00) of the Aggregate Consideration otherwise payable to the Stockholders, which will be held pursuant to the Escrow Agreement for a period of one (1) year. Amounts held under the Escrow Agreement shall be an exclusive source of indemnification with respect to the Section 3.B Representations and the covenants of the Company and the Stockholders (except for the covenants contained in the Minimum Net Working Capital Adjustment set forth in Section 2(j) of this Agreement, and except for any covenants that are contained in the Escrow Agreement or the Noncompetition and Assignment of Inventions Agreements), and a nonexclusive source of indemnification with respect to the Section 3.A Representations. Under no circumstance shall the Parent or the Surviving Corporation be required to satisfy amounts payable by the Stockholders pursuant to the Minimum Net Working Capital Adjustment set forth in Section 2(j) of this Agreement from amounts held pursuant to the Escrow Agreement.

(e) Indemnification Provisions for Benefit of the Stockholders.

In the event Parent or Buyer breaches (or in the event any third party alleges facts that, if true, would mean Parent or Buyer has breached) any of their representations, warranties, and covenants contained in this Agreement, then, provided that the Stockholder Representatives make a written claim for indemnification setting forth the basis for such claim against Parent or the Surviving Corporation pursuant to Section 8(g) below within six (6) years following the Effective Date, then Parent and the Surviving Corporation, jointly and severally, agree to defend, indemnify and hold harmless the Stockholders from and against the entirety of any Adverse Consequences (up to but not in excess of the Merger Consideration) the Stockholders may suffer through and after the date of the claim for indemnification (including any Adverse Consequences the Stockholders may suffer after the end of any applicable survival period) resulting from, arising out of, or caused by the breach (or the alleged breach).

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(f) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 8, then the Indemnified Party shall promptly notify each Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is prejudiced.

(ii) Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice satisfactory to the Indemnified Party so long as (A) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim, (B) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (C) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief, (D) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interest of the Indemnified Party, and (E) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently.

(iii) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 8(f)(ii) above, (A) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (B) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld).

(iv) In the event any of the conditions in 8(f)(ii) above is or becomes unsatisfied, however, (A) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith), (B) the Indemnifying Party will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses), and (C) the Indemnifying Party will remain responsible for any Adverse Consequences the

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Indemnified Party may suffer resulting, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the fullest extent provided in this Section 8.

(g) Determination of Adverse Consequences.

Adverse Consequences shall be determined net of insurance proceeds actually received, and the Parties shall take into account the time cost of money (using the Applicable Rate as the discount rate) in determining Adverse Consequences for purposes of this Section 8. Available insurance coverage with respect to policies purchased prior to the Closing Date shall be made available by the Surviving Company as a source of funds to satisfy claims against the Escrow and the Stockholder under Section 8. All indemnification payments under this Section 8 shall be deemed adjustments to the Merger Consideration.

(h) Post-Closing.

Following the Closing, the remedy of the Stockholders, on the one hand, and Parent and the Surviving Corporation on the other hand, with respect to any breach or threatened breach of a representation, warranty or covenant contained in this Agreement or with respect to any event, circumstance or condition occurring on or before the Closing shall be limited to the enforcement of the indemnification obligations set forth in Section 8; provided, however, that nothing provided in this Section 8(g) shall limit the right of any Party to seek any equitable remedy available to enforce his or its rights hereunder .

9. TERMINATION.

(a) Termination Events.

This Agreement may, by notice given prior to or at the Closing, be terminated:

(i) By either (i) Buyer and the Parent on the one hand, or (ii) the Company on the other hand, if a material breach of any provision of this Agreement has been willfully committed by the other Party and such material breach has not been waived or cured within fifteen (15) days of Notice to the other Party of such material breach, and the terminating Party is not in breach of any provision of this Agreement;

(ii) By either (i) Buyer and the Parent on the one hand, or (ii) the Company on the other hand, if the Closing has not occurred (other than through the failure of the Party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before August 31, 2002, or such later date as the Parties may agree upon;

(iii) By the Parent or the Buyer, pursuant to the provisions of Section 3.C of this Agreement; or

(iv) By mutual consent of the Parties.

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(b) Effect of Termination.

If this Agreement is terminated pursuant to Section 9(a) above, all further obligations of the Parties under this Agreement will terminate, except the obligations in Section 10 (Miscellaneous); provided, however, that if this Agreement is terminated by a Party as a result of the other Party's fraud, or willful or intentional breach of its representations, warranties or obligations hereunder, the terminating Party shall have the right to pursue all remedies available to it at law or in equity.

10. MISCELLANEOUS.

(a) Press Releases and Public Announcements.

Neither the Company, its Subsidiary, nor the Stockholders shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the Parent. Parent, upon prior notice to the Company, may make any public disclosure it believes in good faith is required or permitted by applicable law or any listing or trading agreement concerning its publicly-traded securities.

(b) No Third-Party Beneficiaries.

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(c) Entire Agreement.

This Agreement (including the documents and instruments to be delivered at closing pursuant to Section 5(a) and Section 5(b) of this Agreement) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

(d) Succession and Assignment.

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of each other Party; provided, however, that either the Parent or the Buyer may (i) assign any or all of its rights and interests hereunder to one or more of its affiliates and (ii) designate one or more of its affiliates to perform its obligations hereunder (in any or all of which cases the assigning Party nonetheless shall remain responsible for the performance of all of its obligations hereunder).

(e) Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

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(f) Headings.

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(g) Notices.

All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Buyer or the Surviving Corporation:

C. Thomas O'Grady
RPR Acquisition Subsidiary, Inc.
c/o Roper Industries, Inc.

Copy to:
Thomas R. McNeill
Powell, Goldstein, Frazer & Murphy LLP

160 Ben Burton Road
Bogart, Georgia 30622
Facsimile: (706) 353-6496

191 Peachtree Street, NE, 16th Floor
Atlanta, GA 30303
Facsimile: (404) 572-6999

If to the Stockholders:
Howard E. Houserman
24619 S.E. Second Place
Sammamish, WA 98074
~~
~~

Copy to:
Bruce T. Bjerke
Riddell Williams P.S.
1001 Fourth Avenue Plaza, Suite 4500
Seattle, Washington 98154-1065
Facsimile: (206) 389-1708

Daniel Dahl
21534 S.E. 37th Street
Sammamish, WA 98075

Robert Vollmer
26636 S.E. 31st Street
Sammamish, WA 98075

If to the Parent:

C. Thomas O'Grady
Roper Industries, Inc.
160 Ben Burton Road
Bogart, Georgia 30622
Facsimile: (706)353-6496

Copy to:
Shanler D. Cronk, Esq.
Roper Industries, Inc.
160 Ben Burton Road
Bogart, Georgia 30622
Facsimile: (706)353-6496

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Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(h) Governing Law.

This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Washington without giving effect to any choice or conflict of law provision or rule (whether of the State of Washington or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Washington.

(i) Amendments and Waivers.

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(j) Severability.

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Expenses.

Parent and Buyer will bear their own costs and expenses (including but not limited to financial, advisory, accounting, legal, and environmental fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. The Stockholders shall bear the costs and expenses (including but not limited to financial, advisory, accounting, legal, and environmental fees and expenses) of the Company and its Subsidiary, incurred in connection with this Agreement and the transactions contemplated hereby which are approved by the Company's Board of Directors. The satisfaction and payment by the Company prior to Closing of such costs and expenses, and the payments from the Aggregate Consideration contemplated by Section 2(e)(ii) of this Agreement, shall constitute compliance by the Stockholders with this Section 10(k). If any Stockholder incurs any additional cost or expenses, that Stockholder shall be responsible for discharging the obligation.

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(l) Construction.

Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. Items set forth in the Company Disclosure Schedule shall be deemed an exception only to the representations and warranties for which they are identified and any other representations or warranties to which the Company Disclosure Schedule with respect to representations and warranties contain an appropriate cross-reference.

(m) Incorporation of Exhibits and Schedules.

The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) Specific Performance.

Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having, in accordance with the terms of this Agreement, jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

(o) Submission to Jurisdiction.

Each of the Parties submits to the jurisdiction of any state or federal court sitting in Seattle, Washington in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each Party also agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other Party with respect thereto. Parent and Buyer appoint The Prentice-Hall Corporation System, Inc. as their agent to receive on its behalf service of copies of the summons and complaint and any other process that might be served in the action or proceeding. The Stockholders appoint the Stockholder Representatives designated in the Escrow Agreement as his, her, or its agent to receive on his, her, or its behalf service of copies of the summons and complaint and any other process that might be served in the action or proceeding (the Prentice-Hall Corporation System, Inc. and the Stockholder Representatives are referred to together in this Section 10(o) as the "Process Agent"). Any Party (or the Stockholder Representatives in the case of the Stockholders) may make service on any other Party by sending or delivering a copy of the process (i) to the Party to be served at the address and in the manner provided for the giving of notices in Section 10(g) above or (ii) to the Party to be served in care of the Process Agent at the address and in the manner provided for the giving of notices in Section 10(g) above. Each Party agrees that a final judgment in any action

or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

(p) Arbitration.

Except as otherwise set forth in this Agreement, all disputes arising out of or under this Agreement shall be settled by arbitration in a location in Seattle, Washington mutually acceptable to the Parties before a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Arbitration may be commenced at any time by any of the Parties by giving written notice to each other than such dispute has been referred to arbitration under this Section 10(p). The arbitrator shall be selected by the joint agreement of the Parties, but if they do not so agree within twenty (20) days after the date of receipt of the notice referred to above, the selection shall be made pursuant to the rules from the panels of arbitrators maintained by the American Arbitration Association. Any award rendered by the arbitrator shall be conclusive and binding upon the Parties hereto; provided, however, that any such award shall be accompanied by a written opinion of the arbitrator giving the reason for the award. This provision for arbitration shall be specifically enforceable by the Parties and the decision of the arbitrator in accordance herewith shall be final and binding and there shall be no right of appeal therefrom. The arbitrator shall assess, as part of his award to the prevailing Party, all or such part as the arbitrator deems proper of the arbitration expenses of the prevailing Party (including reasonable attorneys' fees) and of the arbitrator against the Party that is unsuccessful in such claim, defense or objection.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first above written.

BUYER:

RPR Acquisition Subsidiary, Inc.

By: _____

Name: _____

Title: _____

PARENT:

Roper Industries, Inc.

By: _____

Name: _____

Title: _____

COMPANY:

Zetec, Inc.

By: _____

Name: _____

Title: _____

STOCKHOLDER JOINDER:

Pursuant to the provisions of the Escrow Agreement, each of the Stockholders and their respective spouses have agreed to be bound to this Agreement as if they were Parties hereto.

May 20, 2002

Mr. Timothy Winfrey
19935 River Falls Drive
Davidson, NC 28036

Dear Tim:

I am very pleased to offer you the opportunity to join Roper Industries, Inc. as a Corporate Vice President.

Salary and Benefits

The following statements summarize the proposed financial terms of your employment:

1. Your commencing annual salary will be \$240,000 to be reviewed January 1, 2003 and thereafter on an annual basis.
2. You will be included in the Roper Industries Discretionary Annual Bonus Program. Bonuses in this program are paid in the first week of January for results achieved in the preceding fiscal year. If goals are fully met, you will be entitled to a bonus that represents 100% of your salary. For the fiscal 2002 year, you will be guaranteed a minimum bonus of \$60,000. If, however, the actual bonus amount earned is greater than the guaranteed amount, the greater amount will be paid.
3. You will receive one year's salary and bonus as a severance payment if Roper terminates you other than for gross misconduct. This includes any change in control in which you were replaced or your position was eliminated. Gross misconduct will be defined as a civil or criminal act or ethical misconduct committed against Roper Industries, Inc., its employees, customers or suppliers.
4. You will be eligible to participate in Roper's Stock Option Program. On commencing employment, you will be granted 20,000 Roper Stock Options at the prevailing stock price and normal vesting period. Additional options could be made available on an annual basis as Roper continues to grow and your success contributes to Roper's performance.
5. A company car will be provided similar to a Buick Park Avenue with all expenses for business and private use covered, subject to IRS rules.
6. You will be included in the corporation's benefits package, a summary of which is provided as a supplement to this letter. You will be eligible to participate in all benefits as of your start date with the exception of the 401(k) plan and the Employee Stock Purchase Plan as their eligibility rules do not allow for immediate participation and mandate the six-month waiting periods.
7. You will be eligible to participate from your start date in the Roper Industries, Inc. NonQualified Plan which allows unlimited compensation deferral on a pre-tax basis.
8. You will also be eligible for inclusion in our Executive Reimbursement Insurance Plan in which any out-of-pocket health, dental or vision expenses not covered by our normal plans are reimbursed.
9. Relocation reimbursement will be provided under our normal policy which includes all reasonable moving expenses through the mover with whom Roper has contracted to handle moves and relocations and including such out-of-pocket costs as utility deposits, closing costs, etc. We will also cover the costs of temporary living expenses for up to six months. These reimbursable expenses will also include the following:
 - a) selling costs, selling commission and brokerage fees associated with the buying of new residence and selling of current residence;
 - b) all escrow fees, miscellaneous transaction costs and other fees associated with the buying of new residence and selling of old residence;
 - c) house hunting trips as necessary;
 - d) movement and storage, if necessary, of household goods; and e) income tax gross up for total value of relocation.
10. You will be eligible for initiation fees, monthly dues and business expenses for an appropriate Country Club, as approved in advance by the CEO.
11. You will be entitled to \$25,000 for out-of-pocket incidental expenses to cover your relocation separate from the actual move itself.
12. You will be eligible for four weeks of vacation per year.

Starting Date

Tim, I hope that the employment package extended in this letter is satisfactory and you will commence employment on June 1, 2002. If you have any questions regarding your employment package, please do not hesitate to call me or Marilyn Messer, our Director of Human Resources at (706) 369-7170

Kind Regards,

Brian D. Jellison
President, CEO

Accepted

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION/ORGANIZATION
Abel Equipos, S.A	Spain
Abel Pumps, L.P.	Delaware
Abel Pumpen GmbH	Germany
Abel GmbH & Co KG	Germany
Acton Research Corporation	Delaware
Ai Cambridge Ltd.	United Kingdom
Ai Qualitek Ltd.	United Kingdom
Amot Controls Corporation	Delaware
Amot Controls Ltd.	United Kingdom
Amot Controls, S.A	Switzerland
Amot/Metrix Investment Company	Delaware
Amot Controls GmbH	Germany
Antek Instruments, L.P.	Delaware
Antek GmbH	Germany
Compressor Controls B.V	Netherlands
Compressor Controls Corporation S.r.l	Italy
Compressor Controls Corporation (an Iowa Corp)	Iowa
Compressor Controls Corporation (a Delaware Corporation) d/b/a in Iowa as Compressor Controls - CIS/EE)	~ ~ Delaware
Cornell Pump Company	Delaware
Cornell Pump Manufacturing Corporation	Delaware
Cybor Corporation	California
Fluid Metering, Inc.	Delaware
FTI Flow Technology, Inc.	Delaware
Gatan International, Inc.	Pennsylvania
Gatan, Inc.	Pennsylvania
Gatan Service Corporation	Pennsylvania
Gatan Limited	United Kingdom
Gatan GmbH	Germany
Hansen Technologies Corporation	Illinois
Hansen Technologies Ltd.	United Kingdom
Integrated Designs L.P.	Delaware
ISL Holdings, S.A	France
ISL Investissement SARL	France
ISL Scientifique de Laboratoire - ISL, S.A	France
ITI Qualitek, Inc.	Delaware
K/S Roper Finance	Denmark
Logitech Limited	United Kingdom
Marumoto Struers KK	Japan
Media Cybernetics Inc.	Delaware
Meltron Qualitek Messtechnik GmbH	Germany
Metrix Instrument Co., L.P.	Delaware
Nippon Roper K.K	Japan
PAC Denmark ApS	Denmark
PAC GmbH	Germany
Petrotech, Inc.	Delaware
Petrotech International, Inc.	Louisiana
Petroleum Analyzer Company LP	Delaware
Princeton Instruments Limited	United Kingdom
Qualitek Leaktest Ltd.	United Kingdom
Quantitative Imaging Corp.	Canada
Roper Scientific SARL	France
Roper Canada, Inc.	Canada
Roper Capital Deutschland GmbH	Germany
Roper Fundings KG	Germany
Roper Industries Deutschland GmbH	Germany
Roper Holdings, Inc.	Delaware
Roper Holdings, Limited	United Kingdom
Roper Industrial Products Investment Company	Iowa
Roper Industries B.V	Netherlands
Roper Industries Denmark ApS	Denmark
Roper Industries (Europe) Limited	United Kingdom
Roper Industries Limited	United Kingdom
Roper Industries Southeast Asia Company	Delaware
Roper International, Inc.	Delaware
Roper International Products, LTD	Virgin Islands
Roper Pump Company	Delaware
Roper Scientific B.V	Netherlands
Redlake MASD, Inc.	Delaware
Roper Scientific, Inc.	Delaware
Roper Scientific GmbH	Germany

Struers A/S
Struers GmbH
Struers Inc.
Struers Limited
Struers S.A.S
Turbocontroles de Venezuela
Uson L.P.
Walter Herzog GmbH
Zetec Foreign Sales Corporation
Zetec, Inc.

Denmark
Germany
Delaware
United Kingdom
France
Venezuela
Delaware
Germany
Barbados
Washington

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-71094, 33-77770, 33-78026, 333-36897, 333-73139, 333-35666, 333-35672, 333-35648, 333-59130, 333-105919, 333-105920) of Roper Industries, Inc. of our report dated September 25, 2003 relating to the financial statements and financial statement schedule, which appears in this Form 10-K/A.

PricewaterhouseCoopers LLP

Atlanta, Georgia
October 23, 2003

NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended (the "Securities Act"), provides that if any part of a registration statement at the time such part becomes effective contains an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may sue, among others, every accountant who has consented to be named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report or valuation which purports to have been prepared or certified by the accountant.

This Form 10-K is incorporated by reference into the following previously filed registration statements of Roper Industries, Inc. ("Roper"): Registration Statements filed on Form S-8: Nos. 33-71094, 33-77770, 33-78026, 333-36897, 333-73139, 333-35672, 333-35666, 333-35648, and 333-59130 (collectively, the "Registration Statements") and, for purposes of determining liability under the Securities Act, is deemed to be a new registration statement for each Registration Statement into which it is incorporated by reference.

On May 14, 2002, Roper terminated its relationship with Arthur Andersen LLP ("Arthur Andersen") as Roper's independent public accountants and engaged PricewaterhouseCoopers LLP as its independent public accountants. After reasonable efforts, Roper was unable to obtain Arthur Andersen's written consent to incorporate by reference into the Registration Statements Arthur Andersen's audit report regarding Roper's financial statements as of and for the year ended October 31, 2000. Under these circumstances, Rule 437a under the Securities Act and Rule 2-02 of Regulation S-X promulgated by the Securities and Exchange Commission permit Roper to file this Form 10-K without a written consent from Arthur Andersen. As a result, however, Arthur Andersen will have no liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Arthur Andersen under Section 11(a) of the Securities Act for any purchases of securities under the Registration Statements made on or after the date of the Form 10-K. However, to the extent provided in Section 11(b)(3)(C) of the Securities Act, other persons who are liable under Section 11(a) of the Securities Act, including Roper's officers and directors, may still rely on Arthur Andersen's original audit reports as being made by an expert for purposes of establishing a due diligence defense under Section 11(b) of the Securities Act.

RISK FACTORS

Continuing business with Gazprom

Sales to RAO Gazprom, a large Russian natural gas enterprise which we refer to in this Annual Report as Gazprom, represented approximately 9%, 8% and 7% of our net sales for fiscal 2002, 2001 and 2000, respectively. The level and timing of future business with Gazprom will depend on our relationship with Gazprom as well as its ability to obtain financing, increase competition and customer delays in commissioning and start-up of installations and on general economic conditions in the former Soviet Union. If Gazprom significantly reduces the amount of products it purchases from us for any reason, we likely could not replace those sales and our operating results would suffer.

Unfavorable changes in foreign exchange rates may 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, British pounds, Danish krone and Japanese yen. Sales by our operating companies whose functional currency is not the U.S. dollar represented approximately 28% of our total net sales for fiscal 2002 compared to 23% and 20% in fiscal 2001 and 2000, respectively. Unfavorable changes in exchange rates between the U.S. dollar and those currencies could 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 United States by our businesses located in the United States account for a significant portion of our net sales. These sales accounted for approximately 58%, 52% and 51% of our net sales in fiscal 2002, 2001 and 2000, respectively. Our ability to export our products is 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 U.S. export requirements;
- restrictions on the export of technology and related products;
- unfavorable changes in U.S. export policies to certain foreign 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 and could limit our ability to export our products and, therefore, could negatively affect our future sales and earnings.

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

As of October 31, 2002, approximately 31% of our total assets were attributable to operations outside the United States. We expect our international operations to continue 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 United States 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;
- 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 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 historical growth has depended, and our future growth is likely to continue to depend, to a significant degree on our ability to make acquisitions and to successfully integrate acquired businesses. We intend to continue to seek additional acquisition opportunities both to expand into new markets and to enhance our position in existing markets globally. We cannot assure you, however, that we will be able to successfully identify suitable candidates, negotiate appropriate acquisition terms, obtain necessary financing on acceptable terms, complete proposed acquisitions, successfully integrate acquired businesses into our existing operations or expand into new markets. Once integrated, acquired operations may not achieve levels of revenues,

profitability or productivity comparable with those achieved by our existing operations, or otherwise perform as expected.

Acquisitions involve numerous risks, including difficulties in the assimilation 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, we cannot assure you 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 amortization expenses related to acquired intangible assets and potentially dilutive issuances of equity securities, any of which could harm our profitability. We cannot assure you that our acquisition strategy will not have a material adverse effect on our business, financial condition and results of operations.

Product liability and insurance risks could harm our operating results.

Our business exposes us to potential product liability risks that are inherent in the design, manufacturing and distribution of custom, highly engineered, specialty industrial controls, fluid handling and analytical instrumentation products. In addition, certain of our products are used in potentially hazardous environments. We currently have product liability insurance for our products; however, we may not be able to maintain our insurance at a reasonable cost or in

sufficient amounts to protect us against potential losses. We believe that we have adequately accrued estimated losses, principally related to deductible amounts under our insurance policies, with respect to all product liability claims, based upon our past experience and available facts. However, a successful product liability claim or series of claims brought against us could have a material adverse effect on our business, financial condition and results of operations.

Warranty exposure could harm our business.

We offer warranties to our customers, including our original equipment manufacturers, or OEMs, that our products are free from defects and that they meet certain customer designated specifications. The OEMs may in turn offer product warranties to the purchasers of their products. If products do not perform as expected, we could incur substantial warranty expense in the future.

Our former independent public accountant, Arthur Andersen LLP, has been found guilty of federal obstruction of justice charges and you are unlikely to be able to exercise effective remedies against them in any legal action.

Although we have dismissed Arthur Andersen as our independent public accountants and engaged PricewaterhouseCoopers LLP, Arthur Andersen audited our consolidated financial statements for the years ended October 31, 1999, 2000 and 2001.

On March 14, 2002, Arthur Andersen was indicted on federal obstruction of justice charges arising from the government's investigation of Enron Corporation. On June 15, 2002, a jury in Houston, Texas found Arthur Andersen guilty of these federal obstruction of justice charges. It has been reported that Arthur Andersen will appeal the conviction. On August 31, 2002, Arthur Andersen ceased practicing before the SEC. Substantially all Arthur Andersen personnel have already left the firm, including the individuals responsible for auditing our audited consolidated financial statements for the year ended October 31, 2001 included in this Annual Report. You are unlikely to be able to exercise effective remedies or collect judgments against Arthur Andersen.

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, price, applications expertise and established customer service capabilities with existing customers. We may not be able to compete effectively with all of these competitors. To remain competitive, we must develop new products, respond to new technologies and periodically enhance our existing products in a timely manner. We anticipate that we may have to adjust prices of many of our products to stay competitive. In addition, new competitors may emerge, and entire product lines may be threatened by new technologies or market trends that reduce the value of these product lines.

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

We purchase many parts and components from suppliers. The availability and prices of parts and components may be 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. Any change in the supply of, or price for, these parts and components 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 increasingly stringent laws and regulations relating to environmental protection, including laws and regulations governing 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 costly 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, operating costs to comply 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.

Our intangible assets are valued at an amount that is disproportionately 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 October 31, 2002, goodwill totaled approximately \$460 million compared to approximately \$ 376 million of stockholders' equity, which was over half of our total assets of approximately \$829 million. 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 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 or if business valuations become more conservative, we could incur, under current applicable accounting rules, a non-cash charge to operating earnings for goodwill impairment. Any determination requiring the write-off of a significant portion of unamortized intangible assets would negatively affect our results of operations and total capitalization, which effect could be material.

Terrorist attacks and threats or actual war, as well as unfavorable general economic conditions, may harm our business.

Recent terrorist attacks in the United States, as well as future events occurring in response or in connection to them, including, without limitation, future terrorist attacks against United States targets, rumor or threats of war, actual conflicts involving the United States or its allies or military or trade disruptions, may impact our operations. They also could result in a deepening of any economic recession in the United States or abroad. A prolonged economic slowdown or recession in the United States or in other areas of the world 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 and may result in the volatility of the market price for our common stock.

Our stock price may fluctuate significantly.

The market price of our common stock could fluctuate significantly in response to variations in quarterly operating results and other factors, such as:

- changes in our business, operations or prospects;
- developments in our relationships with our customers;
- announcements of technological innovations or new products by us or by our competitors;
- announcement or completion of acquisitions by us or by our competitors;
- changes in existing or adoption of additional government regulations; and
- prevailing domestic and international market and economic conditions.

In addition, the stock market has experienced significant price fluctuations in recent years. Many companies experienced material fluctuations in their stock price that were unrelated to their operating performance. Broad market fluctuations, general economic conditions and specific conditions in the industries in which we operate may adversely affect the market price of our common stock.

Limited trading volume of our common stock may contribute to its price volatility.

Our common stock is traded on the New York Stock Exchange, or NYSE. During the twelve months ended October 31, 2002, the average daily trading volume for our common stock as reported by the NYSE was approximately 188,000 shares. We are uncertain whether a more active trading market in our common stock will develop. As a result, relatively small trades may have a significant impact on the market price of our common stock.

If we need to sell or issue additional shares of common stock to finance future acquisitions, your stock ownership could be diluted.

Part of our business strategy is to expand into new markets and enhance our position in existing markets globally through acquisitions. In order to successfully complete targeted acquisitions or fund our other activities, we may issue additional equity securities that could be dilutive to our earnings per share and to your stock ownership. We cannot assure you as to when, and how many of, the shares of our common stock will be sold or as to the effect those sales may have on the market price of our common stock. Sales of substantial amounts of our common stock or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

I, Brian D. Jellison, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K of Roper Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2003

/s/ Brian D. Jellison

Brian D. Jellison
Chief Executive Officer and President

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Amendment No. 2 to the Annual Report of Roper Industries, Inc. (the "Company") on Form 10-K for the period ending October 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Roper Industries, Inc. and will be retained by Roper Industries, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

October 31, 2003

/s/ Brian D. Jellison

Brian D. Jellison
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. ss. 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Amendment No. 2 to the Annual Report of Roper Industries, Inc. (the "Company") on Form 10-K for the period ending October 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Roper Industries, Inc. and will be retained by Roper Industries, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

October 31, 2003

/s/ Martin S. Headley

Martin S. Headley
Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. ss. 1350 and is not being filed as part of the Report or as a separate disclosure document.

I, Martin S. Headley, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K of Roper Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2003

/s/ Martin S. Headley

 Martin S. Headley
 Chief Financial Officer and Vice President