US BANCORP \DE\
Form 10-Q
August 03, 2012
Table of Contents

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from (not applicable)

Commission file number 1-6880

U.S. BANCORP

(Exact name of registrant as specified in its charter)

Delaware	**41-0255900**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

800 Nicollet Mall

Minneapolis, Minnesota 55402

(Address of principal executive offices, including zip code)

651-466-3000

(Registrant s telephone number, including area code)

(not applicable)

(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES þ NO ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding as of July 31, 2012
Common Stock, $.01 Par Value	1,895,298,892 shares

Table of Contents

Table of Contents and Form 10-Q Cross Reference Index

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995.

This quarterly report on Form 10-Q contains forward-looking statements about U.S. Bancorp. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are based on the information available to, and assumptions and estimates made by, management as of the date made. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of U.S. Bancorp. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. Global and domestic economies could fail to recover from the recent economic downturn or could experience another severe contraction, which could adversely affect U.S. Bancorp s revenues and the values of its assets and liabilities. Global financial markets could experience a recurrence of significant turbulence, which could reduce the availability of funding to certain financial institutions and lead to a tightening of credit, a reduction of business activity, and increased market volatility. Continued stress in the commercial real estate markets, as well as a delay or failure of recovery in the residential real estate markets, could cause additional credit losses and deterioration in asset values. In addition, U.S. Bancorp s business and financial performance is likely to be negatively impacted by effects of recently enacted and future legislation and regulation. U.S. Bancorp s results could also be adversely affected by continued deterioration in general business and economic conditions; changes in interest rates; deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans; deterioration in the value of securities held in its investment securities portfolio; legal and regulatory developments; increased competition from both banks and non-banks; changes in customer behavior and preferences; effects of mergers and acquisitions and related integration; effects of critical accounting policies and judgments; and management s ability to effectively manage credit risk, residual value risk, market risk, operational risk, interest rate risk, and liquidity risk.

For discussion of these and other risks that may cause actual results to differ from expectations, refer to U.S. Bancorp s Annual Report on Form 10-K for the year ended December 31, 2011, on file with the Securities and Exchange Commission, including the sections entitled Risk Factors and Corporate Risk Profile contained in Exhibit 13, and all subsequent filings with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934. Forward-looking statements speak only as of the date they are made, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

Table of Contents

Table 1 Selected Financial Data

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars and Shares in Millions, Except Per Share Data)	2012	2011	Percent Change	2012	2011	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis) (a)	$ 2,713	$ 2,544	6.6%	$ 5,403	$ 5,051	7.0%
Noninterest income	2,374	2,154	10.2	4,613	4,171	10.6
Securities gains (losses), net	(19)	(8)	*	(19)	(13)	(46.2)
Total net revenue	5,068	4,690	8.1	9,997	9,209	8.6
Noninterest expense	2,601	2,425	7.3	5,161	4,739	8.9
Provision for credit losses	470	572	(17.8)	951	1,327	(28.3)
Income before taxes	1,997	1,693	18.0	3,885	3,143	23.6
Taxable-equivalent adjustment	55	56	(1.8)	111	111	
Applicable income taxes	564	458	23.1	1,091	824	32.4
Net income	1,378	1,179	16.9	2,683	2,208	21.5
Net (income) loss attributable to noncontrolling interests	37	24	54.2	70	41	70.7
Net income attributable to U.S. Bancorp	$ 1,415	$ 1,203	17.6	$ 2,753	$ 2,249	22.4
Net income applicable to U.S. Bancorp common shareholders	$ 1,345	$ 1,167	15.3	$ 2,630	$ 2,170	21.2
Per Common Share						
Earnings per share	$ .71	$ .61	16.4%	$ 1.39	$ 1.13	23.0%
Diluted earnings per share	.71	.60	18.3	1.38	1.12	23.2
Dividends declared per share	.195	.125	56.0	.390	.250	56.0
Book value per share	17.45	15.50	12.6			
Market value per share	32.16	25.51	26.1			
Average common shares outstanding	1,888	1,921	(1.7)	1,895	1,920	(1.3)
Average diluted common shares outstanding	1,898	1,929	(1.6)	1,904	1,929	(1.3)
Financial Ratios						
Return on average assets	1.67%	1.54%		1.64%	1.46%	
Return on average common equity	16.5	15.9		16.3	15.2	
Net interest margin (taxable-equivalent basis) (a)	3.58	3.67		3.59	3.68	
Efficiency ratio (b)	51.1	51.6		51.5	51.4	
Net charge-offs as a percent of average loans outstanding	.98	1.51		1.03	1.58	
Average Balances						
Loans	$ 214,069	$ 198,810	7.7%	$ 212,115	$ 198,194	7.0%
Loans held for sale	7,352	3,118	*	7,115	4,603	54.6
Investment securities (c)	73,181	62,955	16.2	72,329	59,698	21.2
Earning assets	303,754	277,571	9.4	301,899	275,766	9.5
Assets	340,429	312,610	8.9	338,358	310,266	9.1
Noninterest-bearing deposits	64,531	48,721	32.5	64,057	46,467	37.9
Deposits	231,301	209,411	10.5	229,792	206,871	11.1
Short-term borrowings	29,935	29,008	3.2	29,498	30,597	(3.6)
Long-term debt	29,524	32,183	(8.3)	30,538	31,877	(4.2)
Total U.S. Bancorp shareholders equity	37,266	31,967	16.6	36,341	30,994	17.3

	June 30, 2012	December 31, 2011	
Period End Balances			
Loans	$ 216,088	$ 209,835	3.0%
Investment securities	73,948	70,814	4.4
Assets	353,136	340,122	3.8
Deposits	241,316	230,885	4.5
Long-term debt	28,821	31,953	(9.8)
Total U.S. Bancorp shareholders equity	37,792	33,978	11.2
Asset Quality			
Nonperforming assets	$ 3,029	$ 3,774	(19.7)
Allowance for credit losses	4,864	5,014	(3.0)
Allowance for credit losses as a percentage of period-end loans	2.25%	2.39%	

Capital Ratios		
Tier 1 capital	10.7%	10.8%
Total risk-based capital	13.0	13.3
Leverage	9.1	9.1
Tangible common equity to tangible assets (d)	6.9	6.6
Tangible common equity to risk-weighted assets using Basel 1 definition (d)	8.5	8.1
Tier 1 common equity to risk-weighted assets using Basel I definition (d)	8.8	8.6
Tier 1 common equity to risk-weighted assets using Basel III proposals published prior to June 2012 (d)		8.2
Tier 1 common equity to risk-weighted assets approximated using proposed rules for the Basel III standardized approach released June 2012 (d)	7.9	

* *Not meaningful.*

(a) *Presented on a fully taxable-equivalent basis utilizing a tax rate of 35 percent.*

(b) *Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding net securities gains (losses).*

(c) *Excludes unrealized gains and losses on available-for-sale investment securities and any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.*

(d) *See Non-GAAP Financial Measures beginning on page 32.*

Table of Contents

Management s Discussion and Analysis

OVERVIEW

Earnings Summary U.S. Bancorp and its subsidiaries (the Company) reported net income attributable to U.S. Bancorp of $1.4 billion for the second quarter of 2012, or $.71 per diluted common share, compared with $1.2 billion, or $.60 per diluted common share for the second quarter of 2011. Return on average assets and return on average common equity were 1.67 percent and 16.5 percent, respectively, for the second quarter of 2012, compared with 1.54 percent and 15.9 percent, respectively, for the second quarter of 2011. The provision for credit losses was $50 million lower than net charge-offs for the second quarter of 2012, compared with $175 million lower than net charge-offs for the second quarter of 2011.

Total net revenue, on a taxable-equivalent basis, for the second quarter of 2012 was $378 million (8.1 percent) higher than the second quarter of 2011, reflecting a 6.6 percent increase in net interest income and a 9.7 percent increase in noninterest income. The increase in net interest income over a year ago was largely the result of an increase in average earning assets and continued growth in lower cost core deposit funding. Noninterest income increased over a year ago, primarily due to higher mortgage banking revenue and merchant processing services revenue, partially offset by lower debit card revenue.

Noninterest expense in the second quarter of 2012 was $176 million (7.3 percent) higher than the second quarter of 2011, primarily due to higher compensation expense, employee benefits costs, mortgage servicing review-related professional services costs and other expense, including an accrual recorded by the Company in the second quarter of 2012 related to its portion of obligations associated with Visa Inc. litigation matters (Visa accrual).

The provision for credit losses for the second quarter of 2012 of $470 million was $102 million (17.8 percent) lower than the second quarter of 2011. Net charge-offs in the second quarter of 2012 were $520 million, compared with $747 million in the second quarter of 2011. Refer to Corporate Risk Profile for further information on the provision for credit losses, net charge-offs, nonperforming assets and other factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

The Company reported net income attributable to U.S. Bancorp of $2.8 billion for the first six months of 2012, or $1.38 per diluted common share, compared with $2.2 billion, or $1.12 per diluted common share for the first six months of 2011. Return on average assets and return on average common equity were 1.64 percent and 16.3 percent, respectively, for the first six months of 2012, compared with 1.46 percent and 15.2 percent, respectively, for the first six months of 2011. Included in the Company s results for the first six months of 2011 was a $46 million gain related to the acquisition of First Community Bank of New Mexico (FCB) in a transaction with the Federal Deposit Insurance Corporation (FDIC). The provision for credit losses was $140 million lower than net charge-offs for the first six months of 2012, compared with $225 million lower than net charge-offs for the first six months of 2011.

Total net revenue, on a taxable-equivalent basis, for the first six months of 2012 was $788 million (8.6 percent) higher than the first six months of 2011, reflecting a 7.0 percent increase in net interest income and a 10.5 percent increase in noninterest income. The increase in net interest income over a year ago was largely the result of an increase in average earning assets and continued growth in lower cost core deposit funding. Noninterest income increased over a year ago, primarily due to higher mortgage banking revenue, merchant processing services revenue and commercial products revenue, partially offset by lower debit card revenue.

Noninterest expense in the first six months of 2012 was $422 million (8.9 percent) higher than the first six months of 2011, primarily due to higher compensation expense, employee benefits costs, mortgage servicing review-related professional services costs, marketing and business development costs and other expense, including higher regulatory and insurance-related costs and the second quarter 2012 Visa accrual.

The provision for credit losses for the first six months of 2012 of $951 million was $376 million (28.3 percent) lower than the first six months of 2011. Net charge-offs in the first six months of 2012 were $1.1 billion, compared with $1.6 billion in the first six months of 2011. Refer to Corporate Risk Profile for further information on the provision for credit losses, net charge-offs, nonperforming assets and other factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

Table of Contents

STATEMENT OF INCOME ANALYSIS

Net Interest Income Net interest income, on a taxable-equivalent basis, was $2.7 billion in the second quarter of 2012, compared with $2.5 billion in the second quarter of 2011. Net interest income, on a taxable-equivalent basis, was $5.4 billion in the first six months of 2012, compared with $5.1 billion in the first six months of 2011. The increases were primarily the result of growth in both average earning assets and lower cost core deposit funding. Average earning assets increased $26.2 billion (9.4 percent) in the second quarter and $26.1 billion (9.5 percent) in the first six months of 2012, compared with the same periods of 2011, driven by increases in investment securities and loans. The net interest margin in the second quarter and first six months of 2012 was 3.58 percent and 3.59 percent, respectively, compared with 3.67 percent and 3.68 percent in the second quarter and first six months of 2011, respectively. The decreases in the net interest margin reflected increased lower-yielding investment securities and lower loan yields, partially offset by lower deposit rates, reductions in average cash balances held at the Federal Reserve, as well as the inclusion of credit card balance transfer fees in interest income beginning in the first quarter of 2012. Refer to the Consolidated Daily Average Balance Sheet and Related Yields and Rates tables for further information on net interest income.

Total average loans for the second quarter and first six months of 2012 were $15.3 billion (7.7 percent) and $13.9 billion (7.0 percent) higher, respectively, than the same periods of 2011, driven by growth in commercial loans, residential mortgages, credit card loans and commercial real estate loans. Impacting average credit card balances during 2012, was the purchase in late

December of 2011 of $700 million of consumer credit card loans. The increases were partially offset by declines in other retail loans and loans covered by loss sharing agreements with the FDIC. Average loans acquired in FDIC-assisted transactions that are covered by loss sharing agreements with the FDIC (covered loans) decreased $3.0 billion (17.7 percent) in both the second quarter and first six months of 2012, compared with the same periods of 2011, respectively.

Average investment securities in the second quarter and first six months of 2012 were $10.2 billion (16.2 percent) and $12.6 billion (21.2 percent) higher, respectively, than the same periods of 2011, primarily due to purchases of government agency mortgage-backed securities, as the Company increased its on-balance sheet liquidity in response to anticipated regulatory requirements.

Average total deposits for the second quarter and first six months of 2012 were $21.9 billion (10.5 percent) and $22.9 billion (11.1 percent) higher, respectively, than the same periods of 2011. Average noninterest-bearing deposits for the second quarter and first six months of 2012 were $15.8 billion (32.5 percent) and $17.6 billion (37.9 percent) higher, respectively, than the same periods of 2011, due to growth in average balances in a majority of the lines of business, including Wholesale Banking and Commercial Real Estate, Wealth Management and Securities Services, and Consumer and Small Business Banking. Average total savings deposits for the second quarter and first six months of 2012 were $5.1 billion (4.4 percent) and $6.8 billion (6.0 percent) higher, respectively, than the same periods of 2011, primarily due to growth in Consumer and Small Business Banking balances, partially offset by lower broker-dealer deposits and government banking balances. Average time certificates of deposit less than

Table 2 Noninterest Income

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in Millions)	2012	2011	Percent Change	2012	2011	Percent Change
Credit and debit card revenue	$ 235	$ 286	(17.8)%	$ 437	$ 553	(21.0)%
Corporate payment products revenue	190	185	2.7	365	360	1.4
Merchant processing services	359	338	6.2	696	639	8.9
ATM processing services	89	114	(21.9)	176	226	(22.1)
Trust and investment management fees	262	258	1.6	514	514	
Deposit service charges	156	162	(3.7)	309	305	1.3
Treasury management fees	142	144	(1.4)	276	281	(1.8)
Commercial products revenue	216	218	(.9)	427	409	4.4
Mortgage banking revenue	490	239	*	942	438	*
Investment products fees and commissions	38	35	8.6	73	67	9.0
Securities gains (losses), net	(19)	(8)	*	(19)	(13)	(46.2)

Other	197	175	12.6	398	379	5.0
Total noninterest income	$ 2,355	$ 2,146	9.7%	$ 4,594	$ 4,158	10.5%

* *Not meaningful.*

Table of Contents

$100,000 were slightly lower in the second quarter and first six months of 2012, compared with the same periods of 2011. Average time deposits greater than $100,000 were $1.6 billion (5.3 percent) higher in the second quarter and $1.1 billion (3.4 percent) lower in the first six months of 2012, compared with the same periods of 2011, respectively. Time deposits greater than $100,000 are managed as an alternate to other funding sources such as wholesale borrowing, based largely on relative pricing.

Provision for Credit Losses The provision for credit losses for the second quarter and first six months of 2012 decreased $102 million (17.8 percent) and $376 million (28.3 percent), respectively, from the same periods of 2011. Net charge-offs decreased $227 million (30.4 percent) and $461 million (29.7 percent) in the second quarter and first six months of 2012, respectively, compared with the same periods of 2011, principally due to improvement in the commercial, commercial real estate, credit card and other retail portfolios. The provision for credit losses was lower than net charge-offs by $50 million in the second quarter and $140 million in the first six months of 2012, compared with $175 million in the second quarter and $225 million in the first six months of 2011. Refer to Corporate Risk Profile for further information on the provision for credit losses, net charge-offs, nonperforming assets and other factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

Noninterest Income Noninterest income in the second quarter and first six months of 2012 was $2.4 billion and $4.6 billion, respectively, compared with $2.1 billion and $4.2 billion in the same periods of 2011. The $209 million (9.7 percent) increase during the second quarter and the $436 million (10.5 percent) increase during the first six months of 2012, compared

with the same periods of 2011, were primarily driven by strong mortgage banking revenue, principally due to higher origination and sales revenue. In addition, merchant processing services revenue increased, primarily due to higher transaction volumes. Commercial products revenue was also higher for the first six months of 2012, compared with the same period of 2011, the result of higher loan commitment and syndication fees and bond underwriting fees. Other income increased in the second quarter and first six months of 2012, compared with the same periods of 2011, primarily due to higher retail lease residual revenue and equity investment income. The increase in other income for the first six months of 2012 was partially offset by the FCB gain and a gain related to the Company s investment in Visa Inc., both recorded in the first quarter of 2011. Also offsetting these positive variances were decreases in credit and debit card revenue due to lower debit card interchange fees as a result of fourth quarter of 2011 legislation (estimated impact of $81 million in the second quarter and $157 million in the first six months of 2012), net of mitigation efforts, and the impact of the inclusion of credit card balance transfer fees in interest income beginning in the first quarter of 2012. These negative variances were partially offset by higher transaction volumes and an $18 million credit related to expired debit card customer rewards recorded in the second quarter of 2012. ATM processing services revenue was also lower, due to excluding surcharge fees the Company passes through to others from revenue beginning in the first quarter of 2012, rather than reporting those amounts in occupancy expense as in previous periods. In addition, the second quarter and first six months of 2012 had unfavorable changes in net securities losses, compared with the same periods of the prior year, as the Company recognized impairment on certain perpetual preferred securities in the second quarter of 2012 as a result of recent downgrades of money center banks by a rating agency.

Table 3 Noninterest Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in Millions)	2012	2011	Percent Change	2012	2011	Percent Change
Compensation	$ 1,076	$ 1,004	7.2%	$ 2,128	$ 1,963	8.4%
Employee benefits	229	210	9.0	489	440	11.1
Net occupancy and equipment	230	249	(7.6)	450	498	(9.6)
Professional services	136	82	65.9	220	152	44.7
Marketing and business development	80	90	(11.1)	189	155	21.9
Technology and communications	201	189	6.3	402	374	7.5
Postage, printing and supplies	77	76	1.3	151	150	.7
Other intangibles	70	75	(6.7)	141	150	(6.0)
Other	502	450	11.6	991	857	15.6
Total noninterest expense	$ 2,601	$ 2,425	7.3%	$ 5,161	$ 4,739	8.9%
Efficiency ratio (a)	51.1%	51.6%		51.5%	51.4%	

(a) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net.

Table of Contents

Noninterest Expense Noninterest expense was $2.6 billion in the second quarter and $5.2 billion in the first six months of 2012, compared with $2.4 billion and $4.7 billion in the same periods of 2011, or increases of $176 million (7.3 percent) and $422 million (8.9 percent), respectively. The increases in noninterest expense from a year ago were principally due to higher compensation expense, employee benefits expense, professional services expense and other expense. Compensation expense increased primarily as a result of growth in staffing for business initiatives and mortgage servicing-related activities, in addition to merit increases. Employee benefits expense increased principally due to higher pension costs and staffing levels. Professional services expense was higher, principally due to mortgage servicing review-related projects. Technology and communications expense was higher due to business expansion and technology projects. Marketing and business development expense for the first six months of 2012 increased over the same period of the prior year due to the timing of charitable contributions and payments-related initiatives. Other expense increased in the second quarter and first six months of 2012 over the same periods of the prior year, driven by higher mortgage servicing costs and the second quarter 2012 Visa accrual, partially offset by lower FDIC insurance expense. In addition, other expense for the first six months of 2012 increased over the same period of the prior year due to higher regulatory and insurance-related costs. These increases were partially offset by decreases in net occupancy and equipment expense, principally reflecting the change in presentation of ATM surcharge revenue passed through to others.

Income Tax Expense The provision for income taxes was $564 million (an effective rate of 29.0 percent) for the second quarter and $1.1 billion (an effective rate of 28.9 percent) for the first six months of 2012, compared with $458 million (an effective rate of 28.0 percent) and $824 million (an effective rate of 27.2 percent) for the same periods of 2011. The increases in the effective tax rate for the second quarter and first six months of 2012, compared with the same periods of the prior year, principally reflected the impact of higher pretax earnings year-over-year. For further information on income taxes, refer to Note 9 of the Notes to Consolidated Financial Statements.

BALANCE SHEET ANALYSIS

Loans The Company s total loan portfolio was $216.1 billion at June 30, 2012, compared with $209.8 billion at December 31, 2011, an increase of $6.3 billion (3.0 percent). The increase was driven

primarily by increases in commercial loans, residential mortgages and commercial real estate loans, partially offset by lower credit card, other retail and covered loans. The $4.9 billion (8.6 percent) increase in commercial loans was driven by higher demand from new and existing customers.

Residential mortgages held in the loan portfolio increased $2.8 billion (7.7 percent) at June 30, 2012, compared with December 31, 2011, reflecting origination and refinancing activity due to the low interest rate environment. Most loans retained in the portfolio are to customers with prime or near-prime credit characteristics at the date of origination.

Commercial real estate loans increased $706 million (2.0 percent) at June 30, 2012, compared with December 31, 2011, reflecting higher demand from new and existing customers and acquired balances.

Total credit card loans decreased $455 million (2.6 percent) at June 30, 2012, compared with December 31, 2011, the result of customers spending less and paying down their balances. Other retail loans, which include retail leasing, home equity and second mortgages and other retail loans, decreased $72 million (.1 percent) at June 30, 2012, compared with December 31, 2011. The decrease was primarily driven by lower home equity and second mortgages and student loan balances, partially offset by higher installment loan and retail leasing balances.

Loans Held for Sale Loans held for sale, consisting primarily of residential mortgages to be sold in the secondary market, were $8.3 billion at June 30, 2012, compared with $7.2 billion at December 31, 2011. The increase in loans held for sale was principally due to an increase in mortgage loan origination and refinancing activity due to the low interest rate environment.

Most of the residential mortgage loans the Company originates follow guidelines that allow the loans to be sold into existing, highly liquid secondary markets; in particular in government agency transactions and to government sponsored enterprises (GSEs). The Company also originates residential mortgages that follow its own investment guidelines, primarily well secured jumbo mortgages to borrowers with high credit quality, and near-prime non-conforming mortgages, with the intent to hold such loans in the loan portfolio. The Company generally retains portfolio loans through maturity; however, the Company s intent may change over time based upon various factors such as ongoing asset/liability management activities, assessment of product profitability, credit risk, liquidity needs, and capital implications. If the Company s intent or ability to hold an existing portfolio loan changes, it is transferred to loans held for sale.

Table of Contents

MDI Financial Statements

Table 4 Investment Securities

	Available-for-Sale				Held-to-Maturity			
At June 30, 2012 (Dollars in Millions)	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield (e)	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield (e)
U.S. Treasury and Agencies								
Maturing in one year or less	$ 117	$ 117	.3	1.71%	$ 50	$ 50	.6	.61%
Maturing after one year through five years	518	523	1.5	.94	2,448	2,475	1.7	1.00
Maturing after five years through ten years	141	149	7.6	3.26				
Maturing after ten years	10	11	11.1	2.89	60	60	(1,053)	(1,273)

Cash provided by/(used in) financing activities	(279,295)	529,332
Effect of foreign currency exchange rate changes on cash	(6,701)	(42,100)
Net increase in cash and cash equivalents	103,759	90,148
Cash and cash equivalents, beginning of period	778,511	610,430
Cash and cash equivalents, end of period	$882,270	$700,578

See accompanying notes to condensed consolidated financial statements.

6

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

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Treasury stock	Total
Balances at December 31, 2015	$ 1,028	$1,419,262	$4,110,530	$ (212,779)	$(19,094)	$5,298,947
Net earnings	-	-	476,564	-	-	476,564
Stock option exercises	1	15,908	-	-	-	15,909
Treasury stock sold	-	2,426	-	-	150	2,576
Currency translation adjustments, net of $84 tax	-	-	-	(35,673)	-	(35,673)
Stock based compensation	-	59,757	-	-	-	59,757
Restricted stock activity	4	(2,017)	-	-	-	(2,013)
Conversion of senior subordinated convertible notes, net of $936 tax	-	(12,373)	-	-	-	(12,373)
Dividends declared	-	-	(91,187)	-	-	(91,187)
Balances at September 30, 2016	$ 1,033	$1,482,963	$4,495,907	$ (248,452)	$(18,944)	$5,712,507

See accompanying notes to condensed consolidated financial statements.
7

Roper Technologies, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
September 30, 2016

1. Basis of Presentation

The accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2016 and 2015 are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the financial position, results of operations, comprehensive income and cash flows of Roper Technologies, Inc. and its subsidiaries ("Roper" or the "Company") for all periods presented. The December 31, 2015 financial position data included herein was derived from the audited consolidated financial statements included in the 2015 Annual Report on Form 10-K ("Annual Report") filed on February 26, 2016 with the Securities and Exchange Commission ("SEC") but does not include all disclosures required by U.S. generally accepted accounting principles ("GAAP").

In the first quarter of 2016, Roper early adopted the provisions of an accounting standards update ("ASU") which affected the accounting for share-based payment awards. The provisions changed the reporting of excess tax benefits and tax deficiencies so that they are now reported in the income statement instead of additional paid-in capital, and the related cash flows are classified as operating activities as compared to the previous classification of financing activities. See Note 2 for additional information regarding the ASU.

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

The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year. You should read these unaudited condensed consolidated financial statements in conjunction with Roper's audited consolidated financial statements and the notes thereto included in its Annual Report.

2. Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") establishes changes to accounting principles under GAAP in the form of accounting standards updates to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. Any recent ASUs not listed below were assessed and determined to be either not applicable or are expected to have an immaterial impact on the Company's results of operations, financial position or cash flows.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued an update on stock compensation. The ASU simplifies several aspects of the accounting for employee share-based payment awards, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This standard is effective for annual reporting periods beginning after December 15, 2016. The Company elected to early adopt this standard on a prospective basis in the quarter ended March 31, 2016. The impact of the early adoption resulted in the following:

- The Company recorded tax benefits of $4.2 million and $9.7 million within income tax expense for the three and nine month periods ended September 30, 2016, respectively, related to the excess tax benefit on share-based awards. Prior to adoption this amount would have been recorded as a reduction of additional paid-in capital. This change could create volatility in the Company's effective tax rate.

- The Company no longer reclassifies the excess tax benefit from operating activities to financing activities in the statement of cash flows. The Company elected to apply this change in presentation prospectively and thus prior periods have not been adjusted.

8

- The Company elected not to change its policy on accounting for forfeitures and continued to estimate the total number of awards for which the requisite service period will not be rendered.

- The Company excluded the excess tax benefits from the assumed proceeds available to repurchase shares in the computation of its diluted earnings per share since adoption. This resulted in an increase in diluted weighted average common shares outstanding of 272,905 and 280,852 shares for the three and nine month periods ended September 30, 2016, respectively.

In March 2016, the FASB issued an update amending the equity method of accounting, eliminating the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for the equity method as a result of an increase in the level of ownership or degree of influence. The amendments in the update, to be applied prospectively, are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company elected to early adopt on a prospective basis effective January 1, 2016. The update did not have a material impact on its results of operations, financial condition or cash flows.

In September 2015, the FASB issued an update providing guidance to simplify the accounting for measurement period adjustments. This update, effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The Company adopted the update effective January 1, 2016. The update did not have a material impact on its results of operations, financial condition or cash flows.

In April 2015, the FASB issued an update providing guidance to determine whether the fee paid by an entity for a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the software license element of the arrangement should be accounted for consistently with the acquisition of other software licenses. A cloud computing arrangement that does not include a software license should be accounted for as a service contract. The update is effective for annual periods beginning after December 15, 2015, and may be adopted prospectively or retrospectively. The Company adopted the update prospectively effective January 1, 2016. The update did not have a material impact on its results of operations, financial condition or cash flows.

In June 2014, the FASB issued an update to the accounting for stock compensation. This update, effective for fiscal years beginning after December 15, 2015, modifies the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The Company adopted the update prospectively effective January 1, 2016. The update did not have a material impact on its results of operations, financial condition or cash flows.

Recently Released Accounting Pronouncements

In August 2016, the FASB issued an update clarifying the classification of certain cash receipts and cash payments in the statement of cash flows. This update, effective for annual reporting periods after December 15, 2017, including interim periods within those annual periods, addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The Company does not expect the update to have a material impact on its results of operations, financial condition or cash flows.

In February 2016, the FASB issued an update on lease accounting. The update, effective for annual reporting periods after December 15, 2018, including interim periods within those annual periods, provides amendments to current lease accounting. These amendments include the recognition of lease assets and lease liabilities on the balance sheet and disclosing other key information about leasing arrangements. The Company is evaluating the impact of the update on its results of operations, financial condition and cash flows.

In July 2015, the FASB issued an update providing guidance to simplify the measurement of inventory. This update, effective for fiscal years beginning after December 15, 2016, requires that inventory within the scope of the update be measured at the lower of cost and net realizable value. The Company does not expect the update to have a material impact on its results of operations, financial condition or cash flows.

In May 2014, the FASB issued updates on accounting and disclosures for revenue from contracts with customers. These updates, effective for annual reporting periods after December 15, 2017, create a single, comprehensive revenue recognition model for all contracts with customers. The model is based on changes in contract assets (rights to receive consideration) and liabilities (obligations to provide a good or service). Revenue will be recognized based on the satisfaction of performance obligations, which occurs when control of a good or service transfers to a customer. The Company is evaluating the impact of these updates on its results of operations, financial condition and cash flows.

3. Earnings Per Share

Basic earnings per share were calculated using net earnings and the weighted average number of shares of common stock outstanding during the respective period. Diluted earnings per share were calculated using net earnings and the weighted average number of shares of common stock and potential common stock outstanding during the respective period. Potentially dilutive common stock consisted of stock options and the premium over the conversion price on Roper's senior subordinated convertible notes based upon the trading price of Roper's common stock. Effective January 1, 2016, Roper adopted an ASU (see Note 2) on a prospective basis which increased the number of potentially dilutive stock options as there is no longer a tax benefit in the calculation of dilutive stock options. The effects of potential common stock were determined using the treasury stock method. Weighted average shares outstanding are shown below (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Basic shares outstanding	101,372	100,681	101,231	100,545
Effect of potential common stock:				
Common stock awards	1,112	847	1,131	868
Senior subordinated convertible notes	38	79	62	99
Diluted shares outstanding	102,522	101,607	102,424	101,512

For the three and nine months ended September 30, 2016 there were 1,063,100 and 1,066,100 outstanding stock options, respectively, that were not included in the determination of diluted earnings per share because doing so would have been antidilutive, as compared to 665,720 outstanding stock options that would have been antidilutive for both the three and nine month periods ended September 30, 2015.

4. Business Acquisitions

Roper completed three business acquisitions in the nine months ended September 30, 2016, with an aggregate purchase price of $283 million using cash on hand. The results of operations of the acquired companies have been included in Roper's consolidated results since the date of each acquisition. Supplemental pro forma information has not been provided as the acquisitions did not have a material impact on Roper's consolidated results of operations individually or in aggregate.

On January 7, 2016, Roper acquired 100% of the shares of CliniSys Group, Ltd. ("CliniSys"), a provider of clinical laboratory software headquartered in the United Kingdom.

On March 17, 2016, Roper acquired the assets of PCI Medical, LLC, a provider of medical probe and scope disinfection products.

On April 1, 2016, the Company acquired 100% of the shares of GeneInsight, Inc., a provider of software for managing the analysis, interpretation and reporting of genetic tests.
10

All three acquisitions are reported in the Medical & Scientific Imaging segment and were acquired to enhance existing platforms and product lines.

The Company recorded $165 million in goodwill and $163 million of other identifiable intangibles in connection with the acquisitions; however, purchase price allocations are preliminary pending final tax-related adjustments. Of the $163 million intangible assets acquired, $10 million was assigned to trade names which have an indefinite life and therefore not subject to amortization. The remaining $153 million of acquired intangible assets have a weighted average useful life of 16 years. The amortizable intangible assets include customer relationships of $97 million (20 year weighted average useful life) and unpatented technology of $56 million (9 year weighted average useful life).

5. Stock Based Compensation

The Roper Technologies, Inc. 2016 Incentive Plan ("2016 Plan") is a stock-based compensation plan used to grant incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights or equivalent instruments to Roper's employees, officers and directors. The 2016 Plan was approved by shareholders at the Annual Meeting of Shareholders on May 27, 2016. The 2016 Plan replaces the Roper Technologies, Inc. Amended and Restated 2006 Incentive Plan ("2006 Plan"), and no additional grants will be made from the 2006 Plan.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Stock based compensation	$ 21,388	$ 17,597	$ 60,480	$ 47,035
Tax effect recognized in net income	7,486	6,159	21,168	16,462
Windfall tax benefit/(shortfall), net	-	2,132	-	10,887

Windfall tax benefits are no longer calculated due to the adoption of the ASU related to stock compensation (see Note 2), as all tax benefits are recognized in net income.

Stock Options - In the nine months ended September 30, 2016, 633,000 options were granted with a weighted average fair value of $34.45 per option. During the same period in 2015, 585,155 options were granted with a weighted average fair value of $33.69 per option. All options were issued at grant date fair value, which is defined by both the 2016 Plan and the 2006 Plan as the closing price of Roper's common stock on the date of grant.

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

	Nine months ended September 30,	
	2016	2015
Risk-free interest rate (%)	1.38	1.52
Expected option life (years)	5.20	5.10

Expected volatility (%)	21.63	22.23
Expected dividend yield (%)	0.70	0.62

11

Cash received from option exercises for the nine months ended September 30, 2016 and 2015 was $15.9 million and $21.3 million, respectively.

Restricted Stock Awards - During the nine months ended September 30, 2016, 395,980 restricted stock awards were granted with a weighted average grant date fair value of $169.03 per restricted share. During the same period in 2015, 349,035 restricted stock awards were granted with a weighted average grant date fair value of $152.80 per restricted share. All grants were issued at grant date fair value.

During the nine months ended September 30, 2016, 62,534 restricted awards vested with a weighted average grant date fair value of $135.68 per restricted share, and a weighted average vest date fair value of $172.61 per restricted share.

Employee Stock Purchase Plan - During the nine months ended September 30, 2016 and 2015, participants in the employee stock purchase plan purchased 15,076 and 13,437 shares, respectively, of Roper's common stock for total consideration of $2.58 million and $2.12 million, respectively. All shares were purchased from Roper's treasury shares.

6. Inventories

The components of inventory were as follows (in thousands):

	September 30, 2016	December 31, 2015
Raw materials and supplies	$ 119,287	$ 120,811
Work in process	29,440	22,979
Finished products	85,336	80,118
Inventory reserves	(36,534)	(34,040)
	$ 197,529	$ 189,868

7. Goodwill and Other Intangible Assets

The carrying value of goodwill by segment was as follows (in thousands):

	Medical & Scientific Imaging	RF Technology	Industrial Technology	Energy Systems & Controls	Total
Balances at December 31, 2015	$ 3,039,197	$ 1,993,299	$ 374,033	$ 418,197	$5,824,726
Goodwill acquired	164,666	-	-	-	164,666
Other	(977)	2,428	-	-	1,451
Currency translation adjustments	(5,517)	(10,086)	(2,539)	(3,373)	(21,515)
Balances at September 30, 2016	$ 3,197,369	$ 1,985,641	$ 371,494	$ 414,824	$5,969,328

Other relates primarily to tax purchase accounting and working capital adjustments for 2015 acquisitions.

12

Other intangible assets were comprised of (in thousands):

	Cost	Accumulated amortization	Net book value
Assets subject to amortization:			
Customer related intangibles	$2,448,509	$ (602,615)	$1,845,894
Unpatented technology	270,170	(117,405)	152,765
Software	161,201	(44,298)	116,903
Patents and other protective rights	24,160	(18,659)	5,501
Backlog	700	(700)	-
Trade names	595	(122)	473
Assets not subject to amortization:			
Trade names	407,460	-	407,460
Balances at December 31, 2015	$3,312,795	$ (783,799)	$2,528,996
Assets subject to amortization:			
Customer related intangibles	$2,526,659	$ (689,813)	$1,836,846
Unpatented technology	296,238	(136,128)	160,110
Software	174,399	(50,803)	123,596
Patents and other protective rights	23,840	(19,965)	3,875
Trade names	6,621	(396)	6,225
Assets not subject to amortization:			
Trade names	410,830	-	410,830
Balances at September 30, 2016	$3,438,587	$ (897,105)	$2,541,482

Amortization expense of other intangible assets was $147,773 and $118,119 during the nine months ended September 30, 2016 and 2015, respectively.

An evaluation of the carrying value of goodwill and indefinite-lived intangibles is required to be performed on an annual basis and on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. There have been no events or changes in circumstances which indicate an interim impairment review is required in 2016. The Company expects to perform the annual analysis during the fourth quarter.

8. Debt

On September 23, 2016, Roper entered into a new five-year unsecured credit facility (the "2016 Facility") composed of a five year $2.5 billion revolving credit facility with JPMorgan Chase Bank, N.A., as administrative agent and a syndicate of lenders. The Company may also, subject to compliance with specified conditions, request additional borrowings in the form of term loans or additional revolving credit commitments in an aggregate amount not to exceed $500 million. The interest rate on borrowings under the credit facility is calculated based upon various recognized indices plus a margin as defined in the 2016 Facility.

The 2016 Facility replaces Roper's previous unsecured credit facility, dated as of July 27, 2012, as amended as of October 28, 2015 (the "2012 Facility"). Due to the early termination of the 2012 Facility, Roper recorded a $0.9 million non-cash debt extinguishment charge as other expense in the third quarter of 2016. This charge represents the unamortized fees associated with the 2012 Facility.

The 2016 Facility contains affirmative and negative covenants which, among other things, limit Roper's ability to incur new debt, enter into certain mergers and acquisitions, sell assets and grant liens, make restricted payments (including the payment of dividends on Roper's common stock) and capital expenditures, or change its line of business. Roper is also subject to financial covenants which require the Company to limit its consolidated total leverage ratio and to maintain a minimum consolidated interest coverage ratio. The most restrictive covenant is the consolidated total leverage ratio which is limited to 3.5.

13

Roper's 3.75% senior subordinated convertible notes due 2034 became convertible on January 15, 2009. During the nine months ended September 30, 2016, 7,670 notes were converted by note holders for $17.3 million in cash. No gain or loss was recorded upon these conversions. In addition, a related $0.9 million deferred tax liability associated with excess deductions recorded for tax purposes was relieved to additional paid-in capital upon the conversions.

9. Fair Value of Financial Instruments

Roper's debt at September 30, 2016 included $3.1 billion of fixed-rate senior notes with the following fair values (in millions):

$400 million 1.850% senior notes due 2017	$402
$800 million 2.050% senior notes due 2018	810
$500 million 6.250% senior notes due 2019	561
$600 million 3.000% senior notes due 2020	625
$500 million 3.125% senior notes due 2022	513
$300 million 3.850% senior notes due 2025	318

The fair values of the senior notes are based on the trading prices of the notes, which the Company has determined to be Level 2 in the FASB fair value hierarchy.

10. Contingencies

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

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

Roper's consolidated financial statements include accruals for potential product liability and warranty claims based on its claims experience. Such costs are accrued at the time revenue is recognized. A summary of the warranty accrual activity for the nine months ended September 30, 2016 is presented below (in thousands):

Balances at December 31, 2015	$10,183
Additions charged to costs and expenses	12,516
Deductions	(12,752)
Other	52
Balances at September 30, 2016	$9,999

11. Business Segments

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

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	2016	2015	Change
Net sales:						
Medical & Scientific Imaging	$ 338,027	$ 299,621	12.8 %	$ 1,010,826	$ 893,583	13.1 %
RF Technology	303,565	253,556	19.7 %	872,536	752,068	16.0 %
Industrial Technology	178,317	186,147	(4.2)%	528,179	563,342	(6.2)%
Energy Systems & Controls	125,235	144,609	(13.4)%	367,584	429,762	(14.5)%
Total	$ 945,144	$ 883,933	6.9 %	$ 2,779,125	$ 2,638,755	5.3 %
Gross profit:						
Medical & Scientific Imaging	$ 247,432	$ 222,655	11.1 %	$ 740,725	$ 660,971	12.1 %
RF Technology	169,123	133,692	26.5 %	492,493	397,874	23.8 %
Industrial Technology	90,950	92,245	(1.4)%	266,679	281,052	(5.1)%
Energy Systems & Controls	70,988	84,891	(16.4)%	205,635	245,658	(16.3)%
Total	$ 578,493	$ 533,483	8.4 %	$ 1,705,532	$ 1,585,555	7.6 %
Operating profit*:						
Medical & Scientific Imaging	$ 118,979	$ 108,399	9.8 %	$ 347,706	$ 325,439	6.8 %
RF Technology	94,785	74,604	27.1 %	272,905	228,521	19.4 %
Industrial Technology	52,800	52,298	1.0 %	150,850	162,383	(7.1)%
Energy Systems & Controls	31,777	42,300	(24.9)%	83,728	110,424	(24.2)%
Total	$ 298,341	$ 277,601	7.5 %	$ 855,189	$ 826,767	3.4 %
Long-lived assets:						
Medical & Scientific Imaging	$ 38,793	$ 35,818	8.3 %			
RF Technology	30,984	29,570	4.8 %			
Industrial Technology	35,584	40,170	(11.4)%			
Energy Systems & Controls	10,720	13,915	(23.0)%			
Total	$ 116,081	$ 119,473	(2.8)%			

*Segment operating profit is before unallocated corporate general and administrative expenses. These expenses were $30,951 and $27,230 for the three months ended September 30, 2016 and 2015, respectively, and $89,730 and $77,526 for the nine months ended September 30, 2016 and 2015, respectively.

12. Subsequent Events

On October 31, 2016, Roper acquired 100% of the shares of iSqFt Parent Corp. (d/b/a ConstructConnect) for $631 million in cash. ConstructConnect is a provider of cloud-based data, collaboration, and workflow automation solutions to the commercial construction industry and will be reported in the RF Technology segment. Roper acquired ConstructConnect in order to expand its portfolio of software platforms. Goodwill and other purchase price allocations are pending.

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

You should read the following discussion in conjunction with Management's Discussion and Analysis of Financial Conditions and Results of Operations included in our Annual Report for the year ended December 31, 2015 as filed on February 26, 2016 with the U.S. Securities and Exchange Commission ("SEC") and the notes to our Condensed Consolidated Financial Statements included elsewhere in this report.

Information About Forward-Looking Statements

This report includes "forward-looking statements" within the meaning of the federal securities laws. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the SEC or in connection with oral statements made to the press, potential investors or others. All statements that are not historical facts are "forward-looking statements." Forward-looking statements may be indicated by words or phrases such as "anticipate," "estimate," "plans," "expects," "projects," "should," "will," "believes" or "intends" and similar words and phrases. These statements reflect management's current beliefs and are not guarantees of future performance. They involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in any forward-looking statement.

Examples of forward-looking statements in this report include but are not limited to statements regarding operating results, the success of our internal operating plans, our expectations regarding our ability to generate cash and reduce debt and associated interest expense, profit and cash flow expectations, the prospects for newly acquired businesses to be integrated and contribute to future growth and our expectations regarding growth through acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, expected outcomes of pending litigation, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, but are not limited to:

- general economic conditions;
- difficulty making acquisitions and successfully integrating acquired businesses;
- any unforeseen liabilities associated with future acquisitions;
- limitations on our business imposed by our indebtedness;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- rising interest rates;
- product liability and insurance risks;
- increased warranty exposure;
- future competition;
- the cyclical nature of some of our markets;
- reduction of business with large customers;
- risks associated with government contracts;
- changes in the supply of, or price for, labor, raw materials, parts and components;
- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our substantial goodwill and other intangible assets;
- our ability to successfully develop new products;
- failure to protect our intellectual property;

the effect of, or change in, government regulations (including tax);
economic disruption caused by terrorist attacks, including cybersecurity threats, health crises or other unforeseen events; and
the factors discussed in other reports filed with the SEC.

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

Overview

Roper Technologies, Inc. ("Roper," "we" or "us") is a diversified technology company. We operate businesses that design and develop software (both license and software-as-a-service) and engineered products and solutions for a variety of niche end markets; including healthcare, transportation, food, energy, water, education and academic research.

We pursue consistent and sustainable growth in earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other businesses that offer high value-added services, engineered products and solutions and are capable of achieving growth and maintaining high margins. We compete in many niche markets and believe we are the market leader or a competitive alternative to the market leader in most of these markets.

Critical Accounting Policies

There were no material changes during the nine months ended September 30, 2016 to the items that we disclosed as our critical accounting policies and estimates in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2015 Annual Report on Form 10-K filed on February 26, 2016.

Recently Issued Accounting Standards

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

Results of Operations

General

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

	Three months ended September 30,				Nine months ended September 30,			
	2016		2015		2016		2015	
Net sales:								
Medical & Scientific Imaging	$ 338,027		$ 299,621		$ 1,010,826		$ 893,583	
RF Technology	303,565		253,556		872,536		752,068	
Industrial Technology	178,317		186,147		528,179		563,342	
Energy Systems & Controls	125,235		144,609		367,584		429,762	
Total	$ 945,144		$ 883,933		$ 2,779,125		$ 2,638,755	
Gross margin:								
Medical & Scientific Imaging	73.2	%	74.3	%	73.3	%	74.0	%
RF Technology	55.7		52.7		56.4		52.9	
Industrial Technology	51.0		49.6		50.5		49.9	
Energy Systems & Controls	56.7		58.7		55.9		57.2	
Total	61.2		60.4		61.4		60.1	
Selling, general & administrative expenses:								
Medical & Scientific Imaging	38.0	%	38.1	%	38.9	%	37.5	%
RF Technology	24.5		23.3		25.2		22.5	
Industrial Technology	21.4		21.5		21.9		21.1	
Energy Systems & Controls	31.3		29.5		33.2		31.5	
Total	29.6		28.9		30.6		28.8	
Segment operating margin:								
Medical & Scientific Imaging	35.2	%	36.2	%	34.4	%	36.4	%
RF Technology	31.2		29.4		31.3		30.4	
Industrial Technology	29.6		28.1		28.6		28.8	
Energy Systems & Controls	25.4		29.3		22.8		25.7	
Total	31.6		31.4		30.8		31.3	
Corporate administrative expenses	(3.3	)	(3.1	)	(3.2	)	(2.9	)
	28.3		28.3		27.5		28.4	
Interest expense	(2.8	)	(2.3	)	(2.9	)	(2.3	)
Loss on debt extinguishment	(0.1	)	-		-		-	
Other income/(expense)	-		-		-		(0.1	)
Earnings before income taxes	25.4		26.0		24.6		26.0	
Income taxes	(7.7	)	(7.9	)	(7.4	)	(7.6	)
Net earnings	17.7	%	18.1	%	17.1	%	18.5	%

Three months ended September 30, 2016 compared to three months ended September 30, 2015

Net sales for the three months ended September 30, 2016 increased by 7% as compared to the three months ended September 30, 2015. Acquisitions, net of divestitures, added 6%, organic growth was 2% and the negative foreign exchange impact was 1%.

Our Medical & Scientific Imaging segment net sales increased by 13% to $338 million in the third quarter of 2016 as compared to $300 million in the third quarter of 2015. Acquisitions added 8% and organic sales increased by 5%. The increase in organic sales was due to increased sales in our medical products and software businesses, led by Verathon, NDI and Strata. Gross margin decreased to 73.2% in the third quarter of 2016 from 74.3% in the third quarter of 2015 due to product mix. Selling, general and administrative ("SG&A") expenses as a percentage of net sales were relatively unchanged at 38.0% in the third quarter of 2016 as compared to 38.1% in the third quarter of 2015. As a result, operating margin was 35.2% in the third quarter of 2016 as compared to 36.2% in the third quarter of 2015.

In our RF Technology segment, net sales were $304 million in the third quarter of 2016 as compared to $254 million in the third quarter of 2015, an increase of 20%. Acquisitions accounted for 13% and organic sales increased by 7%. The increase in organic sales was due primarily to increased sales in our toll and traffic and card system businesses in the current year period. Gross margin increased to 55.7% in the third quarter of 2016 as compared to 52.7% in the third quarter of 2015, due primarily to product mix in our toll and traffic businesses, operating leverage on higher sales volume at our freight match business and a full quarter of sales from the 2015 acquisitions of radio-frequency identification ("RFID") card reader and software companies which have a higher gross margin. SG&A expenses as a percentage of net sales in the third quarter of 2016 increased to 24.5% as compared to 23.3% in the prior year due to an increased percentage of sales at our software businesses which have a higher SG&A structure. The resulting operating margin was 31.2% in the third quarter of 2016 as compared to 29.4% in the third quarter of 2015.

Our Industrial Technology segment net sales decreased by 4% to $178 million in the third quarter of 2016 as compared to $186 million in the third quarter of 2015 due to the divestiture of the Abel Pumps business. Organic sales increased slightly due primarily to increased sales in our water meter business offset in part by decreased sales in our fluid handling businesses which serve oil and gas markets. Gross margin was relatively unchanged at 51.0% for the three months ended September 30, 2016 as compared to 49.6% for the three months ended September 30, 2015. SG&A expenses as a percentage of net sales was relatively unchanged at 21.4% in the current year quarter as compared to 21.5% in the prior year quarter. The resulting operating margin was 29.6% in the third quarter of 2016 as compared to 28.1% in the third quarter of 2015.

Net sales in our Energy Systems & Controls segment decreased by 13% to $125 million during the third quarter of 2016 compared to $145 million in the third quarter of 2015, which included a negative 1% foreign exchange impact. The decrease in sales was due to decreased sales in oil and gas products, including safety systems and valves. Gross margin decreased to 56.7% in the third quarter of 2016 as compared to 58.7% in the third quarter of 2015 and SG&A expenses as a percentage of net sales increased to 31.3% in the current year quarter as compared to 29.5% in the prior year quarter, both of which were due to negative operating leverage on lower sales volume. As a result, operating margin was 25.4% in the third quarter of 2016 as compared to 29.3% in the third quarter of 2015.

Corporate expenses increased to $31.0 million, or 3.3% of sales, in the third quarter of 2016 as compared to $27.2 million, or 3.1% of sales, in the third quarter of 2015, due primarily to increased equity compensation costs as a result of an increase in the number of shares granted in the current year as well as increases in our common stock price.

Net interest expense was $26.8 million for the third quarter of 2016 as compared to $20.4 in the third quarter of 2015 due to higher weighted average debt balances and higher average interest rates in the current quarter.

Other expense of $0.5 million in the third quarter of 2016 was due primarily to a non-cash debt extinguishment charge related to the early termination of our prior credit facility, offset in part by foreign exchange gains at our non-U.S. based subsidiaries. Other income of $0.3 million in the third quarter of 2015 was due primarily to foreign exchange gains at our non-U.S. based subsidiaries.

Income taxes as a percent of pretax earnings were 30.4% in the third quarter of 2016 as compared to 30.3% in the third quarter of 2015. The increase in the income tax rate was due primarily to a discrete benefit related to foreign tax credits in the third quarter of 2015, offset in part by the recognition of $4.2 million in excess tax benefits in the current year quarter in accordance with the stock compensation ASU adopted in the first quarter of 2016 (see Note 2 of the Notes to Condensed Consolidated Financial Statements). We expect the effective tax rate for 2016 to be approximately 30%.

During the quarter ended September 30, 2016, the functional currencies of most of our European subsidiaries were stronger, and the Canadian dollar and British pound weaker, against the U.S. dollar as compared to the quarter ended September 30, 2015. The difference in operating profit related to foreign exchange, translated into U.S. dollars, was less than 1% for these subsidiaries in the third quarter of 2016 compared to the third quarter of 2015.

Net orders were $929 million in the third quarter of 2016 as compared to $894 million in the third quarter of 2015. Acquisitions, net of divestitures, contributed 5% to the current quarter orders. Our order backlog was $1.12 billion at September 30, 2016 as compared to $1.05 billion at September 30, 2015, an increase of 7%.

	Net orders booked for the three months ended September 30,		Order backlog as of September 30,	
	2016	2015	2016	2015
	(in thousands)			
Medical & Scientific Imaging	$332,624	$317,743	$396,620	$343,808
RF Technology	300,303	245,694	563,716	523,236
Industrial Technology	173,757	184,846	69,020	73,366
Energy Systems & Controls	121,818	145,478	90,699	110,237
Total	$928,502	$893,761	$1,120,055	$1,050,647

Nine months ended September 30, 2016 compared to nine months ended September 30, 2015

Net sales for the nine months ended September 30, 2016 increased by 5% as compared to the nine months ended September 30, 2015. The increase was the result of a net effect of 7% from acquisitions and divestitures, negative organic growth of 1% and a negative foreign exchange impact of 1%.

Our Medical & Scientific Imaging segment net sales increased by 13% to $1.0 billion in the nine months ended September 30, 2016 as compared to $0.9 billion in the nine months ended September 30, 2015. Acquisitions added 10%, organic sales increased by 4%, and the negative foreign exchange impact was 1%. The increase in organic sales was due to increased sales in our medical businesses, led by Verathon and NDI. Gross margin decreased to 73.3% in the nine months ended September 30, 2016 as compared to 74.0% in the nine months ended September 30, 2015 due to product mix. SG&A expenses as a percentage of net sales increased to 38.9% in the nine months ended September 30, 2016 as compared to 37.5% for the nine months ended September 30, 2015 due to a higher SG&A structure in our medical businesses. As a result, operating margin was 34.4% in the nine months ended September 30, 2016 as compared to 36.4% in the nine months ended September 30, 2015.

In our RF Technology segment, net sales were $873 million in the nine months ended September 30, 2016 as compared to $752 million in the nine months ended September 30, 2015, an increase of 16%. Acquisitions accounted for 16%, organic sales increased by 1% and the negative foreign exchange impact was 1%. The increase in organic sales was due primarily to increased sales in our software businesses offset in part by the completion of large service contracts in our toll and traffic businesses in 2015. Gross margin increased to 56.4% in the nine months ended September 30, 2016 as compared to 52.9% in the nine months ended September 30, 2015 due to product mix in our toll and traffic businesses as well as an increased percentage of sales at our software businesses which have a higher gross margin. SG&A expenses as a percentage of net sales in the nine months ended September 30, 2016 increased to 25.2% as compared to 22.5% in the prior year due primarily to an increased percentage of sales at our software businesses which have a higher SG&A structure. The resulting operating margin was 31.3% in the nine months ended September 30, 2016 as compared to 30.4% in the nine months ended September 30, 2015.

Our Industrial Technology segment net sales decreased by 6.2% to $528 million in the nine months ended September 30, 2016 as compared to $563 million in the nine months ended September 30, 2015. The divestiture of the Abel Pumps business accounted for 4.0%, organic sales decreased by 1.7%, and the negative foreign exchange impact was 0.5%. The decrease in organic sales was due primarily to decreased sales in our fluid handling businesses which serve oil and gas markets, offset in part by increased sales in our water metering business. Gross margin was relatively unchanged at 50.5% for the nine months ended September 30, 2016 as compared to 49.9% for the nine months ended September 30, 2015. SG&A expenses as a percentage of net sales increased to 21.9% in the nine months ended

September 30, 2016 as compared to 21.1% in the nine months ended September 30, 2015, due to negative operating leverage on lower sales volume. The resulting operating margin was 28.6% in the nine months ended September 30, 2016 and 28.8% in the nine months ended September 30, 2015.

Net sales in our Energy Systems & Controls segment decreased by 15% to $368 million during the nine months ended September 30, 2016 compared to $430 million in the nine months ended September 30, 2015. Organic sales decreased by 14% and the negative foreign exchange impact was 1%. The decrease in organic sales was due to decreased sales in oil and gas products, including safety systems and valves. Gross margin decreased to 55.9% in the nine months ended September 30, 2016 compared to 57.2% in the nine months ended September 30, 2015 and SG&A expenses as a percentage of net sales increased to 33.2% in the nine months ended September 30, 2016 compared to 31.5% in the nine months ended September 30, 2015, both of which were due to negative operating leverage on lower sales volume. As a result, operating margin was 22.8% in the nine months ended September 30, 2016 as compared to 25.7% in the nine months ended September 30, 2015.

Corporate expenses increased to $89.7 million, or 3.2% of sales, in the nine months ended September 30, 2016 as compared to $77.5 million, or 2.9% of sales, in the nine months ended September 30, 2015, due primarily to increased equity compensation costs as a result of an increase in the number of shares granted in the current year as well as increases in our common stock price.

Net interest expense was $81.1 million for the nine months ended September 30, 2016 compared to $60.4 million for the nine months ended September 30, 2015, due to higher weighted average debt balances and higher average interest rates in the current year.

Other expense was $2.0 million in the nine months ended September 30, 2016 due primarily to a non-cash debt extinguishment charge and foreign exchange losses at our non-U.S. subsidiaries, and $1.9 million in the nine months ended September 30, 2015, due primarily to a $3 million write-off of an investment in a startup technology company, offset in part by foreign exchange gains at our non-U.S. subsidiaries.

Income taxes as a percent of pretax earnings were 30.2% in the nine months ended September 30, 2016 as compared to 29.0% in the nine months ended September 30, 2015. The increase in the income tax rate was due primarily to a discrete $15.9 million benefit related to the resolution of a tax matter in the second quarter of 2015, offset in part by the recognition of $9.7 million in excess tax benefits in the current year in accordance with the stock compensation ASU adopted in the first quarter of 2016 (see Note 2 of the Notes to Condensed Consolidated Financial Statements). We expect the effective tax rate for 2016 to be approximately 30%.

At September 30, 2016, the British pound was weaker, and the functional currencies of our Canadian and most of our European subsidiaries slightly stronger, against the U.S. dollar compared to currency exchange rates at December 31, 2015. The currency changes resulted in a pretax decrease of $36 million in the foreign exchange component of comprehensive earnings for the nine months ended September 30, 2016, $22 million of which is related to goodwill and does not directly affect our expected future cash flows. During the nine months ended September 30, 2016, the functional currencies of our European and Canadian subsidiaries were weaker against the U.S. dollar as compared to the nine months ended September 30, 2015. The difference in operating profit related to foreign exchange, translated into U.S. dollars, was less than 1% for these companies in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015.

Financial Condition, Liquidity and Capital Resources

Selected cash flows for the three and nine months ended September 30, 2016 and 2015 were as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
Cash provided by/(used in):	2016	2015	2016	2015
Operating activities	$ 316.5	$ 226.6	$ 693.4	$ 659.6
Investing activities	(10.4)	(442.3)	(303.6)	(1,056.7)
Financing activities	(47.3)	256.1	(279.3)	529.3

Operating activities - Net cash provided by operating activities increased by 40% to $317 million in the third quarter of 2016 as compared to $227 million in the third quarter of 2015 due primarily to higher net income net of non-cash charges, improved receivables collection, increased accounts payable and deferred revenue balances, and the timing of income tax and other certain payments. Net cash provided by operating activities increased by 5% to $693 million in the nine months ended September 30, 2016 as compared to $660 million in the nine months ended September 30, 2015 due primarily to to higher net income net of non-cash charges.

Investing activities - Cash used in investing activities was primarily for business acquisitions and capital expenditures during the three and nine months ended September 30, 2016 and 2015.

Financing activities - Cash used in financing activities was primarily for debt principal repayments and dividends in the three and nine months ended September 30, 2016 and 2015. Cash provided by financing activities in the three and nine months ended September 30, 2016 was primarily from stock option proceeds. Cash provided by financing activities in the three and nine month periods ended September 30, 2015 was primarily from debt borrowings to fund acquisitions. Net debt payments were $184 million in the nine months ended September 30, 2016 as compared to net debt borrowings of $586 million in the nine months ended September 30, 2015.

Total debt at September 30, 2016 consisted of the following (amounts in thousands):

$400 million 1.850% senior notes due 2017	$400,000
$800 million 2.050% senior notes due 2018	800,000
$500 million 6.250% senior notes due 2019	500,000
$600 million 3.000% senior notes due 2020	600,000
$500 million 3.125% senior notes due 2022	500,000
$300 million 3.850% senior notes due 2025	300,000
Senior subordinated convertible notes	262
Revolving Debt Facility	-
Deferred finance costs	(14,146)
Other	2,937
Total debt, net of deferred finance costs	3,089,053
Less current portion	1,902
Long-term debt, net of deferred finance costs	$3,087,151

The interest rate on borrowings under our $2.5 billion unsecured credit facility is calculated based upon various recognized indices plus a margin as defined in the credit agreement. See Note 8 of the Notes to Condensed Consolidated Financial Statements for information regarding our new credit facility. At September 30, 2016, there were no outstanding borrowings under the facility.

At September 30, 2016, we had $3 million of other debt in the form of capital leases and several smaller facilities that allow for borrowings or the issuance of letters of credit in various foreign locations to support our non-U.S. businesses and $42 million of outstanding letters of credit.

Cash and short-term investments at our foreign subsidiaries at September 30, 2016 totaled $561 million. Repatriation of these funds under current regulatory and tax law for use in domestic operations would expose us to additional taxes. We consider this cash to be permanently reinvested. We expect existing cash and cash equivalents, cash generated by our U.S. operations, our unsecured credit facility, as well as our expected ability to access the capital markets, will be sufficient to fund operating requirements in the U.S. for the foreseeable future.

We were in compliance with all debt covenants related to our credit facilities throughout the nine months ended September 30, 2016.

Net working capital (total current assets, excluding cash, less total current liabilities, excluding debt) was $123 million at September 30, 2016 compared to $126 million at December 31, 2015, reflecting a decrease in working capital due primarily to increased accounts payable and deferred revenue balances, offset in part by an increase in tax prepayments. Total debt was $3.1 billion at September 30, 2016 as compared to $3.3 billion at December 31, 2015, due to the use of operating cash flows to pay off outstanding revolver debt. Our leverage is shown in the following table (in thousands):

22

	September 30, 2016	December 31, 2015
Total Debt	$ 3,103,199	$ 3,288,614
Cash	(882,270)	(778,511)
Net Debt	2,220,929	2,510,103
Stockholders' Equity	5,712,507	5,298,947
Total Net Capital	$ 7,933,436	$ 7,809,050
Net Debt / Total Net Capital	28.0 %	32.1 %

Capital expenditures were $27 million for the nine months ended September 30, 2016 and $28 million for the nine months ended September 30, 2015. We expect capital expenditures for the balance of the year to be comparable to prior years as a percentage of sales.

There have been no significant changes to our contractual obligations from those disclosed in our 2015 Annual Report on Form 10-K filed on February 26, 2016.

Off-Balance Sheet Arrangements

At September 30, 2016, 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.

Outlook

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

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

We anticipate that our recently acquired companies as well as our other companies will generate positive cash flows from operating activities, and that these cash flows will permit the reduction of any borrowings on our revolving facility. However, the rate at which we can reduce any debt during 2016 (and reduce the associated interest expense) will be affected by, among other things, the financing and operating requirements of any new acquisitions and the financial performance of our existing companies; and none of these factors can be predicted with certainty.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 7A - Quantitative and Qualitative Disclosures about Market Risk," in our 2015 Annual Report on Form 10-K filed on February 26, 2016. There were no material changes during the nine months ended September 30, 2016.

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition and liquidity, see the risk factors discussion in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 as filed on February 26, 2016 with the SEC. See also, "Information about Forward-Looking Statements" included in Part I, Item 2 of this Quarterly Report on Form 10-Q.

Item 6. Exhibits

[a]10.1	Roper Technologies, Inc. 2016 Incentive Plan.
[b]10.2	Credit Agreement, dated as of September 23, 2016, among Roper Technologies, Inc., as parent borrower, the foreign subsidiary borrowers of Roper Technologies, Inc. from time to time parties thereto, the several lenders from time to time parties thereto, Bank of Tokyo-Mitsubishi UFJ Ltd., Mizuho Bank, Ltd. PNC Bank, SunTrust Bank and TD Bank N.A., as documentation agents, Wells Fargo Bank, N.A. and Bank of America, N.A., as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent.
31.1	Rule 13a-14(a)/15d-14(a), Certification of the Chief Executive Officer, filed herewith.
31.2	Rule 13a-14(a)/15d-14(a), Certification of the Chief Financial Officer, filed herewith.
32.1	Section 1350 Certification of the Chief Executive and Chief Financial Officers, furnished herewith.
101.INS	XBRL Instance Document, filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document, filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith.
a)	Incorporated herein by reference to Appendix B of the Company's Definitive Proxy Statement on Schedule 14A filed April 26, 2016.
b)	Incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed September 23, 2016.

Signatures

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

Roper Technologies, Inc.

/s/ Brian D. Jellison Brian D. Jellison	Chairman of the Board, President, and Chief Executive Officer (Principal Executive Officer)	November 4, 2016
/s/ John Humphrey John Humphrey	Chief Financial Officer and Executive Vice President (Principal Financial Officer)	November 4, 2016
/s/ Paul J. Soni Paul J. Soni	Vice President and Controller (Principal Accounting Officer)	November 4, 2016

26

EXHIBIT INDEX
TO REPORT ON FORM 10-Q

Number	Exhibit
10.1	Roper Technologies, Inc. 2016 Incentive Plan, incorporated herein by reference to Appendix B of the Company's Definitive Proxy Statement on Schedule 14A filed April 26, 2016.
10.2	Credit Agreement, dated as of September 23, 2016, among Roper Technologies, Inc., as parent borrower, the foreign subsidiary borrowers of Roper Technologies, Inc. from time to time parties thereto, the several lenders from time to time parties thereto, Bank of Tokyo-Mitsubishi UFJ Ltd., Mizuho Bank, Ltd. PNC Bank, SunTrust Bank and TD Bank N.A., as documentation agents, Wells Fargo Bank, N.A. and Bank of America, N.A., as syndication agents, and JPMorgan Chase Bank, N.A., as administrative agent, incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on 8-K filed September 23, 2016.
31.1	Rule 13a-14(a)/15d-14(a), Certification of the Chief Executive Officer, filed herewith.
31.2	Rule 13a-14(a)/15d-14(a), Certification of the Chief Financial Officer, filed herewith.
32.1	Section 1350 Certification of the Chief Executive and Chief Financial Officers, furnished herewith.
101.INS	XBRL Instance Document, filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document, filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith.