AMERICAN INTERNATIONAL GROUP INC
Form 424B3
May 11, 2011

Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. Neither this preliminary prospectus supplement nor the accompanying prospectus is an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-160645

Subject to Completion. Dated May 11, 2011.
Preliminary Prospectus Supplement to Prospectus dated April 5, 2011.

300,000,000 Shares

American International Group, Inc.
Common Stock

American International Group, Inc. (AIG) is offering 100,000,000 shares of its common stock, $2.50 par value per share (the common stock). The United States Department of the Treasury (the selling shareholder) is offering an additional 200,000,000 shares of the common stock. AIG will not receive any of the proceeds from the sale of the shares being sold by the selling shareholder.

The common stock is listed on the New York Stock Exchange (NYSE) under the symbol AIG . The last reported sale price of the common stock on May 10, 2011 was $29.62 per share.

See Summary Risk Factors beginning on page S-13 of this prospectus supplement, Risk Factors beginning on page S-15 of this prospectus supplement, Item 1A. of Part II of AIG s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 and Item 1A. of Part I of AIG s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 to read about risk factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	**Total**

Initial price to public	$	$
Underwriting discount to be paid by AIG with respect to the shares sold by AIG	$	$
Underwriting discount to be paid by AIG with respect to the shares sold by the selling shareholder (1)	$	$
Proceeds to AIG (before expenses but after the underwriting discount with respect to all shares sold)	$	$
Proceeds to the selling shareholder (1)	$	$

(1) AIG has agreed to pay the underwriting discount with respect to the shares sold by the selling shareholder, totaling approximately $ (or approximately $ assuming full exercise of the underwriters over-allotment option to purchase additional shares from the selling shareholder).

The underwriters have the option to purchase within 30 days of the date of this prospectus supplement up to an additional 45,000,000 shares from the selling shareholder to cover over-allotments, if any, at the initial price to public less the underwriting discount (which AIG has agreed to pay with respect to any shares sold by the selling shareholder).

The underwriters expect to deliver the shares against payment in New York, New York on or about , 2011.

Joint Global Coordinators

BofA Merrill Lynch **Deutsche Bank Securities** **Goldman, Sachs & Co.** **J.P. Morgan**

Joint Bookrunners

Barclays Capital **Citi** **Credit Suisse** **Macquarie Capital**

Morgan Stanley **UBS Investment Bank** **Wells Fargo Securities**

Prospectus Supplement dated , 2011.

We are responsible only for the information contained in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference therein and any related free writing prospectus issued or authorized by us. Neither we, the selling shareholder nor any underwriter has authorized anyone to provide you with any other information, and we, the selling shareholder and the underwriters take no responsibility for any other information that others may give you. We, the selling shareholder and the underwriters are offering to sell the common stock only in jurisdictions where offers and sales are permitted. The offer and sale of the common stock in certain jurisdictions is subject to the restrictions described herein under Underwriting Selling Restrictions. The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated therein by reference is accurate only as of the date on the front of those documents, regardless of the time of delivery of those documents or any sale of our common stock.

TABLE OF CONTENTS

	Page
Prospectus Supplement	
About This Prospectus Supplement	S-ii
Cautionary Statement Regarding Forward-Looking Information	S-ii
Summary	S-1
Risk Factors	S-15
Use of Proceeds	S-19
Price Range of Common Stock and Dividends	S-20
Capitalization	S-21
Description of Common Stock	S-22
Certain United States Federal Tax Consequences to Non-U.S. Holders	S-28
The Selling Shareholder	S-31
Underwriting	S-33
Legal Matters	S-50
Experts	S-50
Prospectus	
Cautionary Statement Regarding Forward-Looking Information	i
Where You Can Find More Information	ii
About American International Group, Inc.	1
Risk Factors	1
Use of Proceeds	1
Description of Debt Securities AIG May Offer	2
Description of Common Stock	11
Description of Preferred Stock and Depositary Shares AIG May Offer	12
Considerations Relating to Indexed Debt Securities and Non-U.S. Dollar Debt Securities	14
Legal Ownership and Book-Entry Issuance	19
Considerations Relating to Debt Securities Issued in Bearer Form	25
United States Taxation Considerations	29
Employee Retirement Income Security Act	47
Validity of the Securities	49

Experts	49

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information regarding AIG s securities, some of which does not apply to this offering. This prospectus supplement and the accompanying prospectus are part of a registration statement, as amended (the registration statement), that we filed with the Securities and Exchange Commission (SEC) using the SEC s shelf registration rules. You should read both this prospectus supplement and the accompanying prospectus, together with additional information incorporated by reference therein as described under the heading Where You Can Find More Information in the accompanying prospectus.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to AIG, we, us, our or similar references mean American International Group, Inc. and not its subsidiaries.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement. The information contained in this prospectus supplement or the accompanying prospectus or in the documents incorporated by reference therein is only accurate as of their respective dates.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus and other publicly available documents, including the documents incorporated therein by reference, may include, and AIG s officers and representatives may from time to time make, projections, goals, assumptions and statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only AIG s belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG s control. These projections, goals, assumptions and statements may address, among other things:

- the timing of the disposition of the ownership position of the United States Department of the Treasury (Treasury or the selling shareholder) in AIG;
- the timing and method of repayment of the preferred interests in AIA Aurora LLC (AIA SPV) held by Treasury;
- AIG s exposures to subprime mortgages, monoline insurers, the residential and commercial real estate markets and state and municipal bond issuers;
- AIG s strategy for risk management;
- AIG s ability to retain and motivate its employees;
- AIG s generation of deployable capital;
- AIG s return on equity and earnings per share long-term aspirational goals;
- AIG s strategy to grow net investment income, efficiently manage capital and reduce expenses;

AIG s strategy for customer retention, growth, product development, market position, financial results and reserves; and

the revenues and combined ratios of AIG s subsidiaries.

It is possible that AIG s actual results and financial condition will differ, possibly materially, from the anticipated results and financial condition indicated in these projections, goals, assumptions and statements. Factors

Table of Contents

that could cause AIG s actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include:

- actions by credit rating agencies;
- changes in market conditions;
- the occurrence of catastrophic events;
- significant legal proceedings;
- concentrations in AIG s investment portfolios, including its municipal bond portfolio;
- judgments concerning casualty insurance underwriting and reserves;
- judgments concerning the recognition of deferred tax assets; and
- such other factors as are discussed throughout the Summary Risk Factors and the Risk Factors sections of this prospectus supplement, throughout Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations and in Part II, Item 1A. Risk Factors of AIG s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, and throughout Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and in Part I, Item 1A. Risk Factors of AIG s Annual Report on Form 10-K for the year ended December 31, 2010.

AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projections, goals, assumptions or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference therein. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in our common stock. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the Summary Risk Factors and the Risk Factors sections of this prospectus supplement, Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2010, and the documents incorporated by reference into the accompanying prospectus, which are described under Where You Can Find More Information in the accompanying prospectus. Unless otherwise indicated, the information contained in this summary assumes no exercise by the underwriters of their over-allotment option to purchase additional shares from the selling shareholder.

Under the heading Summary American International Group, Inc. , Summary Summary Historical Consolidated Financial Data and Summary Risk Factors , all references to AIG, we, us, our or similar references mean American International Group, Inc. and its consolidated subsidiaries and all references to AIG Parent mean American International Group, Inc. and not its consolidated subsidiaries.

American International Group, Inc.

Our Company

We are a leading international insurance organization. Our vision is to be the most valuable insurance company in the world. We operate one of the most extensive worldwide property and casualty insurance networks and are a recognized leader in the U.S. life insurance and retirement services industry. Our core insurance franchise is complemented by our industry-leading commercial aircraft leasing and residential mortgage guaranty insurance businesses. The overview of our businesses is as follows:

Chartis Inc. (Chartis) Our property and casualty insurance business is a world leader in the global property and casualty market, writing substantially all types of commercial and consumer insurance coverage both domestically and abroad and serving over 70 million clients around the world. Chartis had $48.2 billion of shareholders equity as of March 31, 2011;

SunAmerica Financial Group (SunAmerica) Our domestic life insurance and retirement services business is a recognized leader in the U.S. market and offers a comprehensive suite of products and services to individuals and groups, including term life, universal life, accident and health (A&H), fixed and variable deferred annuities, fixed payout annuities, mutual funds and financial planning products and services to over 18 million customers. SunAmerica had $36.1 billion of shareholders equity as of March 31, 2011;

International Lease Finance Corporation (ILFC) Our aircraft leasing business is one of the world s largest aircraft lessors, acquiring commercial jet aircraft from various manufacturers and other parties and leasing those aircraft to airlines around the world. ILFC had $8.2 billion of shareholders equity as of March 31, 2011; and

United Guaranty Corporation (United Guaranty) Our mortgage guaranty insurance business issues residential mortgage guaranty insurance, both domestically and internationally, that covers mortgage lenders from the first loss for credit defaults on high loan-to-value conventional first-lien mortgages for the purchase or

refinance of one- to four-family residences. United Guaranty had $2.3 billion of shareholders equity as of March 31, 2011.

As of March 31, 2011, we had total shareholders equity of $85.0 billion, which was less than the sum of shareholders equity of each of the businesses noted above primarily due to the effect of consolidating other businesses and expenses (including financial services results, interest expense paid to the Federal Reserve Bank of New York (the FRBNY), and tax valuation allowance adjustments not allocated to each of those businesses) as well as elimination entries for AIG Parent s investments in its respective businesses.

Table of Contents

We also own valuable financial assets including an indirect 33 percent equity stake in AIA Group Limited (AIA), interests in Maiden Lane II LLC (Maiden Lane II) (held by SunAmerica) and Maiden Lane III LLC (Maiden Lane III), each a special purpose vehicle, and a residual derivatives portfolio that we expect to continue to hold following completion of the wind-down of the portfolios of AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (collectively, AIGFP). We also have significant deferred tax assets, against which we currently hold a full valuation allowance on our consolidated balance sheet.

Our Competitive Strengths

We believe that following the recent financial crisis all of our businesses have been stabilized, and that the following competitive strengths provide us with a foundation for achieving growth and profitability and executing our vision to be the world s most valuable insurance company:

Preeminent Global Insurance Franchises. We rank among the world s largest global insurers in terms of market capitalization, shareholders equity and revenues. Our core insurance businesses serve approximately 90 million commercial, institutional and individual customers in over 130 countries. We are the largest U.S.-based property and casualty insurer in Europe, the largest foreign insurance company in Japan and China, and an established leader in other developing markets including India, Korea, Argentina and Russia. We also maintain leading market positions in the U.S. for multiple commercial line products at Chartis and for multiple life insurance and retirement products at SunAmerica.

Diversified Portfolio of Market-Leading Businesses Across Multiple Geographies. Our portfolio of businesses consists of two core insurance franchises that are complemented by our aircraft leasing and mortgage guaranty insurance businesses. Through our businesses, we are diversified by geography, product and distribution channel.

Chartis has a broad global presence, writing substantially all types of commercial and consumer insurance coverage and serving over 70 million clients around the world. In 2010, 46 percent of Chartis net premiums written were generated outside of the U.S. and Canada. Growth economies, which primarily include Asia Pacific, the Middle East and Latin America, represented 10 percent of Chartis 2010 net premiums written. Chartis distributes its products through a global network of agents, brokers and direct marketing channels.

SunAmerica is among the largest life and retirement services organizations in the U.S. and currently serves over 18 million individual and group customers. SunAmerica offers a comprehensive suite of retirement and protection solutions through a multi-channel distribution network encompassing over 300,000 affiliated and non-affiliated agents, financial advisors and other partners. As of December 31, 2010, approximately 59 percent of SunAmerica s reserves related to spread-based business, 25 percent related to fee-based business and 16 percent related to mortality-based business.

ILFC has approximately 180 customers in more than 70 countries around the world and in 2010 generated approximately 94 percent of its rental revenue outside the U.S.

Renewed Financial Strength. We have taken decisive actions to simplify our capital structure and strengthen our balance sheet. Since December 31, 2008, we reduced our operating debt by over $67 billion and our financial debt (including hybrid securities and Equity Units) by approximately $44 billion, and executed a significant divestiture program. We have also significantly reduced our exposure to the AIGFP portfolios, transferring or terminating approximately 41,200, or 94 percent, of AIGFP s approximately 44,000 outstanding trade positions, and reducing the total notional amount of derivatives outstanding by approximately 86 percent between September 30, 2008 and March 31, 2011. Our total contingent liquidity exposure related to AIGFP at

March 31, 2011 was dramatically lower than it was at September 30, 2008, and is explicitly factored into our current liquidity planning framework and broader enterprise risk management program. In addition, we demonstrated our ability to access multiple sources of financing since September 2010 with more than $5.5 billion of new, non-government funding at AIG Parent, including 364-day and three-year bank credit facilities totaling approximately $3 billion, the issuance of $2 billion in senior debt, our first public bond sale since August 2008, and a $500 million contingent liquidity facility.

Flexible Capital Management. We have taken steps to maintain strong capital positions at our U.S. insurance company subsidiaries and have entered into capital maintenance agreements that set forth procedures through which AIG Parent has provided, and expects to continue to provide, capital support to certain of its insurance company subsidiaries. These agreements are expected to enhance our capital management practices and help manage the flow of capital and funds between AIG Parent and its insurance company subsidiaries. We plan to maintain minimum risk-based capital levels for certain Chartis and SunAmerica insurance companies, in accordance with the terms of their capital maintenance agreements. In addition, we earmark additional liquidity at the AIG Parent level to be used in connection with these agreements as well as to meet other anticipated contingent liquidity risks from our other businesses and portfolios. We conduct regular stress testing of these requirements and have developed an internal system designed to ensure that existing and planned sources of liquidity will meet our aggregate needs in the event of stress conditions. The results of these stress tests are shared with rating agencies on a regular basis.

As of March 31, 2011, we had available liquidity (cash, short-term investments and available contingent liquidity) of $12.2 billion at the AIG Parent level. We expect to have access to future sources of liquidity including ordinary course dividends and extraordinary dividends (subject to regulatory approvals) from our insurance subsidiaries, dividends (subject to Treasury approval) from ILFC, proceeds from future asset sales and intracompany tax sharing payments.

Significant Upside Participation in Financial Assets. We have several financial assets that are valuable and unique to our company. We hold interests in Maiden Lane II and Maiden Lane III, for which we retain one-sixth and one-third of the residual value, respectively. As of March 31, 2011, the carrying value of our interest in Maiden Lane II (held by SunAmerica) and Maiden Lane III was approximately $1.5 billion and $7.1 billion, respectively, after giving consideration to Maiden Lane II s and Maiden Lane III s obligations to the FRBNY. We hold the common equity interests in special purpose vehicles that own 33 percent of AIA and $2.7 billion of proceeds from the sale of American Life Insurance Company (ALICO) currently subject to an escrow arrangement and securing certain indemnification obligations. Preferred interests in AIA SPV are held by Treasury, and any proceeds from the monetization of AIA shares are required to be used for repayment and retirement of those preferred interests. As of March 31, 2011, the estimated residual value (after giving consideration to the outstanding preferred interests and accrued liabilities and assuming the full release of the escrow referred to above) of our equity interests in these special purpose vehicles was approximately $3.4 billion. In addition, at December 31, 2010, we had $25.6 billion of deferred tax assets, against which we currently hold a full valuation allowance on our consolidated balance sheet.

Proven Management Team and Performance-Driven Culture. Our executive management team has successfully stabilized our company and strategically repositioned our businesses. We have combined new leadership at AIG Parent, bringing many years of industry experience, with long-standing, experienced leadership at our operating businesses. In addition, we have many senior officers who have been appointed to new roles from within the organization, where we expect they will have the most significant impact on our businesses going forward.

We have sought to align the goals of our management team with investor interests. For example, the Special Master for Troubled Asset Relief Program (TARP) Executive Compensation approved compensation structures for our senior executive officers which contain numerous features emphasizing long-term value creation. The structures are designed to help prevent unnecessary or excessive risk-taking, such as equity-based compensation subject to transfer restrictions and, in certain cases, tied to repayment of AIG s TARP financial assistance. Over 1,000 of our top senior managers and 31 percent of employees have greater than 10 years experience with AIG. Further, we believe that we continue to attract, retain and promote the best

people and put these people in the right roles. For example, in the last year, we enhanced our enterprise risk management team by hiring a new Chief Risk Officer and creating the new role of Corporate Chief Actuary.

Our Business Strategy

Our vision is to be the most valuable insurance company in the world by generating attractive returns on our equity and by growing earnings per share for our shareholders. We intend to achieve these objectives by carrying out the following strategies:

Leverage Our Franchises to Capitalize on Global Opportunities. Our goals are to continue to strengthen and grow our businesses by seeking to capitalize on global opportunities, maintaining well-positioned broad franchises in appropriate markets, diversifying our businesses by product and geography and utilizing our underwriting skills across multiple lines and multiple geographies. Chartis intends to take advantage of its scale, product and geographic diversity and depth of local experience to better segment its client base, locate opportunities, and flexibly allocate capital to generate higher risk-adjusted returns. SunAmerica expects to capitalize on growing demand for life insurance and retirement savings solutions by expanding its distribution network and regularly introducing new product offerings with the goal of increasing its share in target markets and growing its asset base. ILFC expects to continue to strengthen its diversified funding profile, manage its portfolio mix through purchases and sales of aircraft and increase its local market presence by opening regional offices. United Guaranty plans to employ innovative credit and geographical indexing techniques, as well as risk-based pricing, to grow market share prudently.

Redeploy Investable Cash to Achieve Attractive Risk-Adjusted Returns. As of March 31, 2011, we had approximately $14 billion of investable cash. We have been actively redeploying our investable cash into higher yielding assets with the goal of achieving attractive risk-adjusted returns in relation to our insurance liabilities.

Efficiently Redeploy Capital Within AIG Parent and Our Business Units. Our increased financial flexibility at the AIG Parent level is expected to be supported by dividends from our operating businesses and cash flows from our financial assets, tax sharing payments and maintenance of target leverage levels. Subject to applicable regulatory approvals, we may redeploy our excess capital into, among other things, potential share repurchases, dividend payments, acquisitions or organic business opportunities. For a discussion of certain related risks, see Risk Factors Our holding company structure and certain regulatory and other constraints could affect our ability to pay our obligations and We may be unable to pay dividends or repurchase shares of our common stock and we currently do not pay cash dividends and do not expect to pay cash dividends in the foreseeable future.

Invest in Corporate Center Infrastructure to Serve Our Business Portfolio Efficiently and Eliminate Redundancies. We have made and expect to continue to make substantial investments in infrastructure to serve our business portfolio efficiently and eliminate redundancies, including our information technology, finance, underwriting and claims infrastructure, and are also expanding our sourcing capabilities globally.

Our Operating Businesses

Chartis

Chartis is one of the largest, most diversified and experienced global property and casualty insurance providers. It offers substantially all types of commercial and consumer insurance coverage to over 70 million customers worldwide. Chartis currently provides insurance products to approximately 97 percent of the Fortune 1000 and one-third of Forbes Richest Americans , as well as 90 percent of the FT Euro 500 and 79 percent of the FT UK 500.

Chartis is the largest U.S.-domiciled commercial property and casualty insurance group by 2010 net premiums written and holds number one market share positions in surplus lines, executive liability/directors and officers liability (D&O), employment practices, excess casualty and travel/assistance lines in the U.S. and Canada region. Chartis U.S. and Canadian operations are primarily conducted through National Union Fire Insurance Company of Pittsburgh, Pa., American Home Assurance Company, Chartis Insurance Company of Canada, Lexington Insurance Company and other U.S.-based insurers.

Table of Contents

Chartis also has a leading international franchise. It is the largest U.S.-based property and casualty insurer in Europe and the largest foreign insurance company in Japan and China. In 2010, Chartis generated approximately 46 percent of its total net premiums written outside of the U.S. and Canada region, with 12 countries accounting for over $200 million of net premiums written each and 34 countries accounting for over $50 million of net premiums written each. Over 25,000 of Chartis approximately 43,000 total employees are employed outside of the U.S. and Canada region. In March 2011, Chartis acquired additional common shares and stock acquisition rights of Fuji Fire & Marine Insurance Company Limited (Fuji) in a cash tender offer, bringing its holding to 98.4 percent of Fuji s outstanding voting shares.

We believe that Chartis long-standing international presence provides it with superior local market knowledge, a broad perspective on global pricing trends and a differentiating ability to meet the needs of its global customer base. Chartis has the ability to create new products and adapt existing products; cross-sell between local, regional, national and international markets; and take advantage of its local underwriters to provide industry leading service to local and multinational clients alike.

On March 31, 2011, we announced a reorganization of Chartis operations and named a new management team. Under the new structure, Chartis will consist of two major global groups commercial and consumer with supporting claims, actuarial, risk management, underwriting and product development disciplines integrated into these two major business operations. In addition, Chartis will be organized geographically as four principal regions: the U.S. and Canada, Europe, the Far East, and Growth Economies. Had Chartis been organized under this structure in 2010, it would have recorded 65 percent and 35 percent of total 2010 net premiums written in its commercial and consumer businesses, respectively, and 54 percent, 18 percent, 18 percent and 10 percent of total 2010 net premiums written in the U.S. and Canada, Europe, Far East and Growth Economies regions, respectively. Chartis currently anticipates the completion of its organization and operating design structure, and related segment reporting changes, in the third quarter of 2011. As the new structure is implemented, the presentation of Chartis results will be modified accordingly and the presentations of prior periods of Chartis results will be conformed.

Chartis believes its realignment will allow it to better manage its distinctive global platform and pursue continued growth in various international markets and attractive product lines. In 2010, approximately two-thirds of net premiums written were comprised of commercial specialty, personal lines and A&H and over half of these premiums were written outside of the U.S. and Canada region. These lines are higher-margin businesses in which Chartis has a differentiated expertise and is able to cross-sell through its strong relationships with agents and brokers.

Chartis has actively sought to strengthen its balance sheet and reduce the volatility of its financial performance.

Over the last two calendar years, Chartis has also strengthened its property and casualty reserves by $6.6 billion in four long-tail lines (asbestos, excess casualty, excess workers compensation and specialty workers compensation). Chartis has also substantially reduced its underwriting in these four lines over the last four calendar years. For the year ended December 31, 2010, only 6.7 percent of net premiums written were attributed to these four long-tail lines. In addition, Chartis recently agreed to a loss portfolio transfer with a subsidiary of Berkshire Hathaway, Inc. in which Chartis will cede the bulk of its net U.S. asbestos liabilities to the Berkshire Hathaway, Inc. subsidiary under a retroactive reinsurance agreement. See Recent Developments Transfer of Asbestos Liabilities.

SunAmerica Financial Group

SunAmerica is a recognized leader in the U.S. life insurance and retirement services industry. The business traces its origins to 1850 and has been building customer relationships, distribution partnerships, and product and market expertise for over 160 years. SunAmerica offers a diversified portfolio of life insurance and retirement services products to individuals and groups, including term life, universal life, A&H, fixed and variable deferred annuities,

fixed payout annuities, mutual funds and financial planning services, providing innovative solutions for customers of varying ages, income levels, and protection and planning needs. SunAmerica currently serves over 18 million customers across the U.S. and is one of the largest, most highly capitalized life insurance and retirement services groups in the U.S.

Table of Contents

SunAmerica s distribution network is among the largest and most diversified in the U.S. life and retirement services industry, encompassing both affiliated and non-affiliated channels. SunAmerica products are sold by over 300,000 financial professionals within a network of banks, national, regional and independent broker-dealers, affiliated financial advisors, independent marketing organizations, independent and career insurance agents, structured settlement brokers, benefit consultants and direct-to-consumer platforms.

SunAmerica is organized across two operating segments: Domestic Life, which focuses on mortality and morbidity-based products, and Domestic Retirement Services, which focuses on investment, retirement savings and income solution products.

SunAmerica s Domestic Life operations are conducted through American General Life Insurance Company, a leading provider of individual term and universal life insurance solutions to middle-income and high-net-worth customers.

SunAmerica s Domestic Retirement Services operations are conducted through three key units The Variable Annuity Life Insurance Company (VALIC), which offers group defined contribution retirement savings plans sponsored by education, healthcare, government and other not-for-profit organizations; Western National Life Insurance Company (Western National), which sells fixed annuities through the bank channel; and SunAmerica Retirement Markets, which offers individual variable annuities. VALIC is the leading group defined contribution provider in the public K-12 education market, as measured by assets, and Western National has been the leader in sales of fixed annuity products through the bank channel for 15 consecutive years.

Domestic Retirement Services also includes SunAmerica s Brokerage Services, Retail Mutual Funds and Other business units. Brokerage Services represents the operations of the Advisor Group, one of the largest networks of independent financial advisors in the United States. Retail Mutual Funds represents the operations of SunAmerica Asset Management, which offers retail mutual funds and provides management and administrative services for a portion of SunAmerica s variable annuity business. The Other business unit includes the operations of SunAmerica Affordable Housing Partners and closed blocks of guaranteed investment contracts and individual annuities.

International Lease Finance Corporation

ILFC, one of the world s leading aircraft lessors, acquires commercial jet aircraft from various manufacturers and other parties and leases those aircraft to airlines around the world. ILFC also sells aircraft from its fleet to other leasing companies, financial services companies and airlines. In addition, ILFC provides management services to third-party owners of aircraft portfolios for a management fee. In 2010, approximately 45 percent of revenue from the rentals of ILFC s flight equipment came from Europe, 31 percent from the Asia and Pacific region, 4 percent from Latin America, 12 percent from the Middle East and Africa and only 8 percent from the U.S. and Canada. As of March 31, 2011, ILFC owned 933 aircraft in its leased fleet and provided fleet management services for 92 additional aircraft.

ILFC purchases new aircraft that it believes will have the greatest airline demand and operational longevity based on estimated future values, potential for remarketing, trends in supply and demand for the particular type, make and model of aircraft and engines, fuel economy, environmental considerations, operating costs and anticipated obsolescence. As of March 31, 2011, ILFC had contracted with The Boeing Company and Airbus S.A.S. to purchase 236 new aircraft for delivery through 2019, with an estimated purchase price of approximately $17.6 billion, four of which are scheduled to be delivered during the last nine months of 2011 with an estimated purchase price of approximately $174 million. ILFC leases the majority of its new aircraft well in advance of scheduled delivery. At March 31, 2011, ILFC had signed leases for all of its new aircraft deliveries through the end of August 2012.

Most of ILFC s aircraft are under operating leases with initial lease terms ranging from one year to 15 years with current maturities running through 2021. As a result, as of December 31, 2010, ILFC had high levels of

non-cancellable minimum future rental revenue, including approximately $4.2 billion for 2011, $3.6 billion for 2012, and $2.9 billion for 2013, which support its business through various market cycles.

ILFC funds itself independently of AIG and has generally financed its operations, including aircraft purchases, through available cash balances, internally generated funds, including aircraft sales, and debt financings. During 2010, ILFC raised a total of $9.8 billion in secured and unsecured debt financings; in January 2011, ILFC entered into an unsecured $2.0 billion three-year revolving credit facility; and in March 2011, ILFC entered into a secured term loan facility, which was upsized to approximately $1.5 billion in April 2011.

United Guaranty Corporation

United Guaranty is a leading provider of residential mortgage guaranty insurance that covers mortgage lenders for first loss for credit defaults on high loan-to-value conventional first lien mortgages for the purchase or refinance of one-to four-family residences. United Guaranty s longstanding presence in the sector has allowed it to build a customer base that includes many of the nation s largest and highest quality mortgage lenders, including national mortgage banks, money center banks, credit unions, community banks, builder-owned mortgage lenders and internet-sourced lenders. In addition, United Guaranty has one of the strongest risk-to-capital ratios and highest gross reserves per delinquency among its U.S. mortgage guaranty insurance peers. United Guaranty previously insured second-lien business and private student loans, but ceased insuring new production for these products in 2008. As of March 31, 2011, United Guaranty reported $32.5 billion of guaranty insurance risk-in-force.

The deterioration in the U.S. residential housing market over the last few years has adversely affected the level of losses incurred by mortgage insurers, leading United Guaranty to increase its focus on the quality of underwriting and management of legacy risk-in-force. The industry s retrenchment has caused pricing for the insurance products that United Guaranty offers to rise, which we believe has created significant opportunities for United Guaranty in the current environment.

Recapitalization

In late 2008, liquidity issues resulted in our seeking and receiving governmental support through a credit facility (FRBNY Credit Facility) from the FRBNY and funding from the Treasury, the selling shareholder in this offering, through the TARP. On January 14, 2011, we were recapitalized through a series of transactions that resulted in Treasury becoming our majority shareholder with ownership of approximately 92 percent of our outstanding common stock (the Recapitalization). The Recapitalization included repaying and terminating the FRBNY Credit Facility, applying proceeds from the AIA initial public offering and the ALICO sale to repay partially the U.S. Government ownership interests in special purpose vehicles that held AIA and ALICO, and exchanging preferred stock held by Treasury and the AIG Credit Facility Trust (the Trust) for our common stock. As a result of the termination of the FRBNY Credit Facility, we recorded a net $3.3 billion pre-tax loss on the extinguishment of debt in the first quarter of 2011, primarily representing the accelerated amortization of the remaining prepaid commitment fee asset.

As of the date of this prospectus supplement, in addition to the Treasury s common equity stake in us, our outstanding assistance from the U.S. Government consists of approximately $11 billion of preferred interests in AIA SPV, and a $2 billion undrawn commitment under our Series G Cumulative Mandatory Convertible Preferred Stock, par value $5.00 per share (Series G Preferred Stock), which will be terminated upon closing of this offering (assuming the net proceeds to us from this offering exceed $2 billion). In addition, the FRBNY provided loans with an outstanding balance of approximately $26 billion as of March 30, 2011 to Maiden Lane II and Maiden Lane III, in which we own an economic interest. Maiden Lane II and Maiden Lane III were created by the FRBNY to purchase residential mortgage-backed securities and multi-sector collateralized debt obligations to alleviate capital and liquidity pressures stemming from our securities lending program and credit default swap contracts. These loans are expected to be repaid by cash flows from or sales of their respective underlying assets and are non-recourse to us.

Recent Developments

Transfer of Asbestos Liabilities. On April 20, 2011, Chartis announced that it had entered into an agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway, Inc., under which the bulk of Chartis U.S. asbestos liabilities will be transferred to NICO as part of Chartis ongoing strategy to reduce its overall loss reserve development risk. The transaction with NICO covers potentially volatile U.S. asbestos-related exposures. The transaction does not cover asbestos accounts that Chartis believes have already been reserved

Table of Contents

to their limit of liability or certain other ancillary asbestos exposure assumed by Chartis affiliates. Upon the closing of the NICO transaction, but effective as of January 1, 2011, Chartis will cede the bulk of its net asbestos liabilities to NICO under a retroactive reinsurance agreement with an aggregate limit of $3.5 billion. Chartis will pay NICO approximately $1.65 billion in respect of the cession. As a result of this transaction, Chartis expects to record a deferred gain of approximately $200 million in the second quarter of 2011, which will be deferred and amortized into Chartis results of operations over the settlement period of the underlying claims. Subject to required regulatory approvals, execution of definitive transaction documentation, and satisfaction of other conditions, the NICO transaction is expected to close in the second quarter of 2011.

Japanese Earthquake-Related Losses and Other Catastrophe Losses. In connection with the recent earthquake in Japan and the consequent tsunami (the Tohoku Catastrophe) and related exposures, as well as other catastrophe losses, including the New Zealand earthquake and Australian floods, we recorded in the first quarter of 2011 a pre-tax catastrophe loss of $1.7 billion (of which $1.3 billion is attributable to the Tohoku Catastrophe, or $0.9 billion after tax), net of all reinsurance recoverables.

The Tohoku Catastrophe-related loss includes $436 million relating to Chartis participation in the Japanese Earthquake Reinsurance Company (JERC). The JERC is a joint government-private sector insurance system that is the exclusive provider of earthquake coverage for personal dwellings and their contents in Japan. Under the JERC system, a maximum of 5.5 trillion Yen ($67 billion at the March 31, 2011 exchange rate) of industry-wide losses will be covered by the Japanese government, the JERC and private general insurance companies in Japan through five layers of liability. Fuji is a 6.2 percent shareholder of the JERC. As such, Fuji, in accordance with Japanese statutory accounting rules, as well as the requirements of private sector participants in the JERC, had previously established reserves of approximately $482 million for potential claims associated with earthquake damage to personal dwellings. These reserves, which are backed by funds held by the JERC, exist to cover the potential losses that Fuji could sustain in connection with JERC-related claims. Given these statutory reserves, and its current estimate of losses, Chartis expects minimal net effects on the statutory capital and liquidity of its Japanese operations.

The Tohoku Catastrophe caused significant damage to Japan s transportation, power, manufacturing and service sectors and resulted in disruptions to supply chains, particularly in the technology and automobile industries. These disruptions may result in contingent business interruption (CBI) claims from insureds.

Generally, CBI coverage reimburses insureds for loss of business income or extra expense as a result of physical damage sustained by a supplier. The insured s supplier must have sustained physical damage by a peril otherwise covered by the insured s property policy and is subject to the insured s respective policy terms and conditions. Potential CBI losses are difficult to initially ascertain due to the unique facts and circumstances of each insured s supply chain and the specific conditions of its CBI coverage.

Chartis believes that the estimated loss liabilities for the Tohoku Catastrophe, including reserves established for CBI claims and JERC-related losses, are reasonable. However, given the unprecedented nature of the catastrophe and the inherent nature of the underlying claims, the subsequent development of these liabilities in future periods could vary materially from amounts included in our unaudited financial statements for the quarterly period ended March 31, 2011.

Sale of Nan Shan. On January 12, 2011, we entered into an agreement to sell our 97.57 percent interest in Nan Shan Life Insurance Company, Ltd. (Nan Shan) for $2.16 billion in cash to a Taiwan-based consortium. While we believe the consortium meets certain basic criteria established by the Financial Supervisory Commission of Taiwan, the transaction is still subject to regulatory approvals and other closing conditions. Discussions with regulators and other interested parties are ongoing. The sale of Nan Shan is expected to be consummated in 2011.

Our principal executive offices are located at 180 Maiden Lane, New York, New York 10038, and the main telephone number is (212) 770-7000. The Internet address for our corporate website is www.aig.com. Except for the documents referred to under Where You Can Find More Information which are specifically incorporated by reference into the accompanying prospectus, information contained on our website or that can be accessed through our website does not constitute a part of this prospectus supplement or the accompanying prospectus. We have included our website address only as an inactive textual reference and we do not intend it to be an active link to our website.

Table of Contents

Summary Historical Consolidated Financial Data

The following table summarizes historical consolidated financial information of AIG Parent and its consolidated subsidiaries, which have been derived from our unaudited consolidated financial statements for the three months ended March 31, 2011 and 2010 and audited consolidated financial statements for each of the years in the three-year period ended December 31, 2010, including the effects of reclassification of annual data to conform to the March 31, 2011 presentation. The selected financial data for the three months ended March 31, 2011 and 2010 should be read in conjunction with our unaudited consolidated financial statements and notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which is incorporated by reference into the accompanying prospectus, and, in the opinion of our management, have been prepared on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of our operating results and financial position as of those dates and for those periods. The selected financial data for the years ended December 31, 2010, 2009 and 2008 should be read in conjunction with our audited consolidated financial statements and notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference in the accompanying prospectus. See Where You Can Find More Information in the accompanying prospectus. The financial information for the year ended December 31, 2010 and the quarter ended March 31, 2011 reflects the effects of AIG s sales of certain material assets and therefore is not fully comparable to prior periods. The selected financial data for the three months ended March 31, 2011 are not necessarily indicative of our results and performance for any future period.

	Three Months Ended March 31,		Years Ended December 31,		
(in millions, except share data)	**2011**	**2010**	**2010**	**2009**	**2008**
Revenues:					
Premiums	$ 9,482	$ 10,914	$ 45,319	$ 48,583	$ 60,147
Policy fees	684	648	2,710	2,656	2,990
Net investment income	5,569	5,200	20,934	18,992	10,453
Net realized capital gains (losses):					
Total other-than-temporary impairments on available for sale securities	(218)	(200)	(1,712)	(6,096)	(41,409)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Accumulated other comprehensive income	3	(459)	(812)	316	
Net other-than-temporary impairments on available for sale securities recognized in net income (loss)	(215)	(659)	(2,524)	(5,780)	(41,409)
Other realized capital gains (losses)	(436)	325	2,349	570	(5,385
LIABILITIES AND STOCKHOLDERS' EQUITY:					

Accounts payable	$	120,313	$	110,103
Accrued liabilities		240,393		253,441
Income taxes payable		-		-
Deferred taxes		1,446		1,671
Current portion of long-term debt, net		112,028		112,796
Total current liabilities		474,180		478,011
Long-term debt, net of current portion		1,016,400		1,040,962
Deferred taxes		328,578		328,299
Other liabilities		60,692		58,974
Total liabilities		1,879,850		1,906,246
Commitments and contingencies				
Common stock		963		958
Additional paid-in capital		1,003,289		982,321
Retained earnings		1,508,724		1,395,586
Accumulated other comprehensive earnings		15,677		63,945
Treasury stock		(21,176)		(21,320)
Total stockholders' equity		2,507,477		2,421,490
Total liabilities and stockholders' equity	$	4,387,327	$	4,327,736

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	Six months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net earnings	$ 131,006	$ 111,147
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization of property, plant and equipment	18,161	17,520
Amortization of intangible assets	38,289	34,308
Amortization of deferred financing costs	1,181	1,353
Non-cash stock compensation	13,118	14,081
Changes in operating assets and liabilities, net of acquired businesses:		
Accounts receivable	18,394	48,929
Unbilled receivables	(23,394)	4,253
Inventories	(998)	8,740
Accounts payable and accrued liabilities	15,626	(62,396)
Income taxes payable	1,910	(16,102)
Other, net	(7,938)	(971)
Cash provided by operating activities	205,355	160,862
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(14,651)	(1,248)
Capital expenditures	(14,113)	(12,359)
Proceeds from sale of assets	4,322	10,187
Other, net	(2,169)	(2,173)
Cash used in investing activities	(26,611)	(5,593)
Cash flows from financing activities:		
Payments under revolving line of credit, net	(40,000)	(19,000)
Principal payments on convertible notes	(3,013)	(86,104)
Debt issuance costs	-	(404)
Cash dividends to stockholders	(17,793)	(14,850)
Proceeds from stock option exercises	8,489	3,038
Stock award tax excess windfall benefit	2,862	423
Treasury stock sales	775	890
Other	115	(1,845)
Cash used in financing activities	(48,565)	(117,852)
Effect of foreign currency exchange rate changes on cash	(7,147)	5,340
Net increase in cash and cash equivalents	123,032	42,757
Cash and cash equivalents, beginning of period	167,708	178,069

Cash and cash equivalents, end of period	$	290,740	$	220,826

See accompanying notes to condensed consolidated financial statements.

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

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Treasury stock	Total
Balances at December 31, 2009	$ 958	$ 982,321	$ 1,395,586	$ 63,945	$ (21,320)	$ 2,421,490
Net earnings	-	-	131,006	-	-	131,006
Stock option exercises	3	8,486	-	-	-	8,489
Treasury stock sold	-	631	-	-	144	775
Currency translation adjustments, net of $827 tax	-	-	-	(48,268)	-	(48,268)
Stock based compensation	-	12,530	-	-	-	12,530
Restricted stock grants	2	(3,688)	-	-	-	(3,686)
Stock option tax benefit, net of shortfalls	-	2,872	-	-	-	2,872
Conversion of senior subordinated convertible notes	-	137	-	-	-	137
Dividends declared	-	-	(17,868)	-	-	(17,868)
Balances at June 30, 2010	$ 963	$ 1,003,289	$ 1,508,724	$ 15,677	$ (21,176)	$ 2,507,477

See accompanying notes to condensed consolidated financial statements.

Roper Industries, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
June 30, 2010

1. Basis of Presentation

The accompanying condensed consolidated financial statements for the three and six month periods ended June 30, 2010 and 2009 are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the financial position, results of operations and cash flows of Roper Industries, Inc. and its subsidiaries ("Roper" or the "Company") for all periods presented.

Roper's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Actual results could differ from those estimates.

The results of operations for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year. You should read these unaudited condensed consolidated financial statements in conjunction with Roper's consolidated financial statements and the notes thereto included in its 2009 Annual Report on Form 10-K ("Annual Report") filed on February 26, 2010 with the Securities and Exchange Commission ("SEC").

2. Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board issued amendments to the accounting and disclosure rules for revenue recognition. These amendments, effective for fiscal years beginning on or after June 15, 2010 (early adoption is permitted), modify the criteria for recognizing revenue in multiple element arrangements and the scope of what constitutes a non-software deliverable. The Company is currently assessing the impact of these amendments 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. The effects of potential common stock were determined using the treasury stock method. Weighted average shares outstanding are as shown below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Basic shares outstanding	94,011	90,562	93,911	90,348
Effect of potential common stock:				
Common stock awards	983	835	940	815
Senior subordinated convertible notes	1,455	1,315	1,384	1,345

Diluted shares outstanding	96,449	92,712	96,235	92,508

For the three and six month periods ended June 30, 2010 there were 1,141,000 and 1,574,000 outstanding stock options, respectively, that were not included in the determination of diluted earnings per share because doing so would have been antidilutive; this compares to 2,126,000 and 2,259,000 outstanding stock options, respectively, that would have been antidilutive for the three and six month periods ended June 30, 2009.

4. Stock Based Compensation

The Roper Industries, Inc. Amended and Restated 2006 Incentive Plan is a stock based compensation plan used to grant incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights or equivalent instruments to Roper's employees, officers, directors and consultants.

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

The following table provides information regarding our stock based compensation expense (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Stock based compensation	$ 6.1	$ 7.1	$ 13.1	$ 14.1
Tax effect recognized in net income	2.1	2.5	4.6	4.9
Windfall tax benefit/(shortfall), net	1.8	0.1	2.9	(0.4)

Stock Options - In the six month period ended June 30, 2010, 573,000 options were granted with a weighted average fair value per share of $16.84. During the same period in 2009, 484,000 options were granted with a weighted average fair value per share of $12.34. All options were issued at grant date fair value.

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

	Six months ended June 30,	
	2010	2009
Fair value per share ($)	16.84	12.34
Risk-free interest rate (%)	2.36	1.73
Expected option life (years)	5.38	5.37
	34.54	32.05

Expected volatility (%)		
Expected dividend yield (%)	0.72	0.79

Cash received from option exercises for the six months ended June 30, 2010 and 2009 was approximately $8.5 million and $3.0 million, respectively.

Restricted Stock Awards - During the six months ended June 30, 2010, 250,000 restricted stock awards were granted with a weighted average fair value per share of $52.55. During the same period in 2009, 178,000 awards were granted with a weighted average fair value per share of $41.62. All grants were issued at grant date fair value.

During the six months ended June 30, 2010, 214,000 restricted awards vested with a weighted average grant date fair value per share of $50.38, at a weighted average vest date fair value per share of $55.38.

Employee Stock Purchase Plan - During the six month periods ended June 30, 2010 and 2009, participants of the employee stock purchase plan purchased 15,000 and 21,000 shares, respectively, of Roper's common stock for total consideration of $0.78 million and $0.93 million, respectively. All shares were purchased from Roper's treasury shares.

5. Comprehensive Earnings

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net income	$ 71,281	$ 59,588	$ 131,006	$ 111,147
Currency translation adjustments	(17,017)	44,659	(48,268)	25,160
Comprehensive earnings	$ 54,264	$ 104,247	$ 82,738	$ 136,307

6. Inventories

	June 30, 2010	December 31, 2009
	(in thousands)	
Raw materials and supplies	$ 109,992	$ 111,546
Work in process	24,734	24,557
Finished products	66,987	71,729
Inventory reserves	(30,770)	(29,037)
	$ 170,943	$ 178,795

7. Goodwill

Total

	Industrial Technology	Energy Systems & Controls	Scientific & Industrial Imaging (in thousands)	RF Technology	
Balances at December 31, 2009	$ 431,073	$ 383,207	$ 623,786	$ 950,366	$ 2,388,432
Additions	-	-	8,593	-	8,593
Other	-	-	(467)	287	(180)
Currency translation adjustments	(18,665)	(5,379)	(2,034)	(5,470)	(31,548)
Balances at June 30, 2010	$ 412,408	$ 377,828	$ 629,878	$ 945,183	$ 2,365,297

Current year additions are related to the acquisition of Heartscape, Inc., in the first quarter of 2010.

8. Other intangible assets, net

	Cost	Accumulated amortization (in thousands)	Net book value
Assets subject to amortization:			
Customer related intangibles	$ 752,913	$ (181,307)	$ 571,606
Unpatented technology	101,578	(33,532)	68,046
Software	53,408	(30,739)	22,669
Patents and other protective rights	32,762	(20,187)	12,575
Backlog	1,920	(1,920)	-
Trade secrets	2,773	(1,224)	1,549
Assets not subject to amortization:			
Trade names	192,455	-	192,455
Balances at December 31, 2009	$ 1,137,809	$ (268,909)	$ 868,900
Assets subject to amortization:			
Customer related intangibles	$ 746,412	$ (204,439)	$ 541,973
Unpatented technology	106,860	(40,881)	65,979
Software	53,360	(33,355)	20,005
Patents and other protective rights	32,563	(21,662)	10,901
Backlog	1,807	(1,807)	-
Trade secrets	1,604	(201)	1,403
Assets not subject to amortization:			
Trade names	193,333	-	193,333
Balances at June 30, 2010	$ 1,135,939	$ (302,345)	$ 833,594

Amortization expense of other intangible assets was $37,013 and $33,037 during the six months ended June 30, 2010 and 2009, respectively.

9. Debt

Roper's 3.75% senior subordinated convertible notes due 2034 became convertible on January 15, 2009. During the six month period ended June 30, 2010, 7,330 notes were converted for $3.0 million in cash and 35,000 shares of common stock at a weighted average share price of $54.21. No gain or loss was recorded upon these conversions. In addition, a related $0.1 million deferred tax liability associated with excess deductions recorded for tax purposes was relieved to additional paid in capital upon the conversions.

At June 30, 2010, the conversion price on the outstanding notes was $416.96. If converted at June 30, 2010, the value would exceed the $110 million principal amount of the notes by approximately $77 million and would result in the issuance of 1,346,000 shares of Roper's common stock.

10. Fair Value of Financial Instruments

Roper's long-term debt at June 30, 2010 included $500 million of fixed-rate senior notes due 2019, with a fair value of approximately $550 million, and $500 million of fixed-rate senior notes due 2013, with a fair value of approximately $560 million, based on the trading prices of the notes. Short-term debt included $110 million of fixed-rate convertible notes which were at fair value due to the short term nature of the debt.

The Company manages interest rate risk by maintaining a combination of fixed and variable rate debt, which may include interest rate swaps to convert fixed rate debt to variable rate debt, or to convert variable rate debt to fixed rate debt. At June 30, 2010 an aggregate notional amount of $500 million in interest rate swaps designated as fair value hedges effectively changed our $500 million senior notes due 2013 with a fixed interest rate of 6.625% to a variable rate obligation at a weighted average spread of 4.377% plus the London Interbank Offered Rate ("LIBOR").

The swaps are recorded at fair value in the balance sheet as an asset or liability, and the changes in fair value of both the interest rate swap and the hedged senior notes due 2013 are recorded as interest expense. At June 30, 2010 the fair value of the swap was an asset balance of $12.31 million, with a corresponding increase of $12.38 million in the notes being hedged. The impact on earnings for the six months ended June 30, 2010 was immaterial. The Company has determined the swaps to be Level 2 in the FASB fair value hierarchy, and uses inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks in order to value the instruments.

11. Contingencies

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

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

Roper's financial statements include accruals for potential product liability and warranty claims based on its claims experience. Such costs are accrued at the time revenue is recognized. A summary of the warranty accrual activity for the six months ended June 30, 2010 is presented below (in thousands).

Balance at December 31, 2009	$ 7,341
Additions charged to costs and expenses	3,297
Deductions	(3,235)
Other	(146)
Balance at June 30, 2010	$ 7,257

12. Business Segments

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

	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change	2010	2009	Change
Net sales:						
Industrial Technology	$ 145,490	$136,551	6.5%	$ 280,802	$ 267,192	5.1%
Energy Systems & Controls	119,387	105,398	13.3	225,065	212,009	6.2
Scientific & Industrial Imaging	128,514	75,860	69.4	258,758	159,980	61.7
RF Technology	173,713	187,101	(7.2)	336,920	371,173	(9.2)
Total	$ 567,104	$504,910	12.3%	$ 1,101,545	$ 1,010,354	9.0%
Gross profit:						
Industrial Technology	$ 73,930	$ 65,732	12.5%	$ 141,442	$ 128,441	10.1%
Energy Systems & Controls	64,803	56,296	15.1	118,294	111,659	5.9
Scientific & Industrial Imaging	78,307	42,466	84.4	155,817	88,216	76.6
RF Technology	84,907	90,576	(6.3)	165,959	177,890	(6.7)
Total	$ 301,947	$255,070	18.4%	$ 581,512	$ 506,206	14.9%
Operating profit*:						
Industrial Technology	$ 38,742	$ 32,484	19.3%	$ 70,508	$ 61,067	15.5%
Energy Systems & Controls	29,072	23,193	25.3	47,995	40,712	17.9
Scientific & Industrial Imaging	27,796	12,401	124.1	57,130	28,482	100.6
RF Technology	34,704	39,423	(12.0)	66,905	76,806	(12.9)
Total	$ 130,314	$107,501	21.2%	$ 242,538	$ 207,067	17.1%
Long-lived assets:						
Industrial Technology	$ 41,033	$ 43,205	(5.0)%			
Energy Systems & Controls	19,311	24,388	(20.8)			
Scientific & Industrial Imaging	35,670	25,544	39.6			
RF Technology	31,154	33,511	(7.0)			
Total	$ 127,168	$126,648	0.4%			

*Segment operating profit is calculated as income from operations before unallocated corporate general and administrative expenses. These expenses were $11,127 and $11,537 for the three months ended June 30, 2010 and 2009, respectively, and $22,635 and $24,311 for the six months ended June 30, 2010 and 2009, respectively.

13. Subsequent Event

On July 27, 2010, Roper acquired iTradeNetwork, Inc., a global provider of software as a service (“SaaS”)-based trading network and business intelligence solutions to the food industry, in a $525 million all-cash transaction.

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

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 oral statements made to the press, potential investors or others. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "should," "plan," "believe," "anticipate," and similar expressions identify forward-looking statements. These forward-looking statements include statements regarding our expected financial position, business, financing plans, business strategy, business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to our company as a whole, as well as statements regarding acquisitions, potential acquisitions and the benefits of acquisitions.

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Examples of forward-looking statements in this report include but are not limited to our expectations regarding our ability to generate operating cash flows and reduce debt and associated interest expense and our expectations regarding growth through acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include:

- general economic conditions;
- difficulty making acquisitions and successfully integrating acquired businesses;
- any unforeseen liabilities associated with future acquisitions;
- limitations on our business imposed by our indebtedness;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- increased directors' and officers' liability and other insurance costs;
- risk of rising interest rates;
- product liability and insurance risks;
- increased warranty exposure;
- 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, parts and components;
- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our substantial intangible assets;
- our ability to successfully develop new products;
- failure to protect our intellectual property;
- economic disruption caused by terrorist attacks, 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 Industries, Inc. ("Roper," "we" or "us") is a diversified growth company that designs, manufactures and distributes energy systems and controls, scientific and industrial imaging products and software, industrial technology products and radio frequency ("RF") products and services. We market these products and services to selected segments of a broad range of markets, including RF applications, medical, water, energy, research, education, security and other niche markets.

We pursue consistent and sustainable growth in sales and earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses that offer high value-added, engineered products and solutions and are capable of achieving growth and maintaining high margins. Our acquisitions have represented both financial bolt-ons and new strategic platforms. We strive for high cash and earnings returns from our investments.

Application of Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). A discussion of our significant accounting policies can be found in the notes to our consolidated financial statements for the year ended December 31, 2009 included in our Annual Report.

GAAP offers acceptable alternative methods for accounting for certain issues affecting our financial results, such as determining inventory cost, depreciating long-lived assets and recognizing revenue. We have not changed the application of acceptable accounting methods or the significant estimates affecting the application of these principles in the last three years in a manner that had a material effect on our financial statements.

The preparation of financial statements in accordance with GAAP requires the use of estimates, assumptions, judgments and interpretations that can affect the reported amounts of assets, liabilities, revenues and expenses, the disclosure of contingent assets and liabilities and other supplemental disclosures.

The development of accounting estimates is the responsibility of our management. Our management discusses those areas that require significant judgments with the audit committee of our board of directors. The audit committee reviews all financial disclosures to be included in our filings with the SEC. Although we believe the positions we have taken with regard to uncertainties are reasonable, others might reach different conclusions and our positions can change over time as more information becomes available. If an accounting estimate changes, its effects are accounted for prospectively or through a cumulative catch-up adjustment.

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

Accounts receivable collectibility is based on the economic circumstances of customers and credits given to customers after shipment of products, including in certain cases, credits for returned products. Accounts receivable are regularly reviewed to determine customers who have not paid within agreed upon terms, whether these amounts are consistent with past experiences, what historical experience has been with amounts deemed uncollectible and the impact that current and near-term forecast economic conditions might have on collection efforts in general and with specific customers. The returns and other sales credit allowance is an estimate of customer returns, exchanges, discounts or other forms of anticipated concessions and is treated as a reduction in revenue. The returns and other sales credit histories are analyzed to determine likely future rates for such credits. At June 30, 2010, our allowance for doubtful accounts receivable, sales returns and sales credits was $10.5 million, or 2.9% of total gross accounts receivable as compared to 2.8% at December 31, 2009.

We regularly compare inventory quantities on hand against anticipated future usage, which we determine as a function of historical usage or forecasts related to specific items in order to evaluate obsolescence and excessive quantities. When we use historical usage, this information is also qualitatively compared to business trends to evaluate the reasonableness of using historical information as an estimate of future usage. Business trends can change rapidly and these events can affect the evaluation of inventory balances. At June 30, 2010, inventory reserves for excess and obsolete inventory were $30.8 million, or 15.3% of gross inventory cost, as compared to 14.0% of gross inventory cost at December 31, 2009.

Most of our sales are covered by warranty provisions that generally provide for the repair or replacement of qualifying defective items for a specified period after the time of sale, typically 12 months. Future warranty obligations are evaluated using, among other factors, historical cost experience, product evolution and customer feedback. At June 30, 2010, the accrual for future warranty obligations was $7.3 million, or 0.3% of annualized second quarter sales and is consistent with prior quarters.

Revenues related to the use of the percentage-of-completion method of accounting are dependent on a comparison of total costs incurred to date to total estimated costs for a project. During the six months ended June 30, 2010, we recognized $58.2 million of net sales using this method. In addition, approximately $182.5 million of net sales related to unfinished percentage-of-completion contracts had yet to be recognized at June 30, 2010. Contracts accounted for under this method are generally not significantly different in profitability from revenues accounted for under other methods.

Income taxes can be affected by estimates of whether, and within which jurisdictions, future earnings will occur and if, how and when cash is repatriated to the United States, combined with other aspects of an overall income tax strategy. Additionally, taxing jurisdictions could retroactively disagree with our tax treatment of certain items, and some historical transactions have income tax effects going forward. Accounting rules require these future effects to be evaluated using current laws, rules and regulations, each of which can change at any time and in an unpredictable manner. Our second quarter effective income tax rate was 29.6%, 60 basis points lower than the prior year rate of 30.2%.

The evaluation of the carrying value of goodwill and indefinite-lived intangibles is required to be performed annually. We perform this analysis during our fourth quarter.

Results of Operations

General

The following tables set 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 June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net sales				
Industrial Technology	$ 145,490	$ 136,551	$ 280,802	$ 267,192
Energy Systems & Controls	119,387	105,398	225,065	212,009
Scientific & Industrial Imaging	128,514	75,860	258,758	159,980
RF Technology	173,713	187,101	336,920	371,173
Total	$ 567,104	$ 504,910	$ 1,101,545	$ 1,010,354
Gross profit:				
Industrial Technology	50.8%	48.1%	50.4%	48.1%
Energy Systems & Controls	54.3	53.4	52.6	52.7
Scientific & Industrial Imaging	60.9	56.0	60.2	55.1
RF Technology	48.9	48.4	49.3	47.9
Total	53.2	50.5	52.8	50.1
Selling, general & administrative expenses:				
Industrial Technology	24.2%	24.3%	25.3%	25.2%
Energy Systems & Controls	29.9	31.4	31.2	33.5
Scientific & Industrial Imaging	39.3	39.6	38.1	37.3
RF Technology	28.9	27.3	29.4	27.2
Total	30.3	29.2	30.8	29.6
Segment operating profit:				
Industrial Technology	26.6%	23.8%	25.1%	22.9%
Energy Systems & Controls	24.4	22.0	21.3	19.2
Scientific & Industrial Imaging	21.6	16.3	22.1	17.8
RF Technology	20.0	21.1	19.9	20.7
Total	23.0	21.3	22.0	20.5
Corporate administrative expenses	(2.0)	(2.3)	(2.1)	(2.4)
	21.0	19.0	19.9	18.1
Interest expense	(2.8)	(2.7)	(2.9)	(2.7)
Other income/(expense)	(0.3)	0.6	(0.1)	0.3
Earnings before income taxes	17.9	16.9	16.9	15.7
Income taxes	(5.3)	(5.1)	(5.0)	(4.7)
Net earnings	12.6%	11.8%	11.9%	11.0%

Three months ended June 30, 2010 compared to three months ended June 30, 2009

Net sales for the quarter ended June 30, 2010 were $567.1 million as compared to $504.9 million in the prior year quarter, an increase of 12.3%. The current year quarter results included $36.4 million, or a 7.2% increase, in sales

from 2009 acquisitions. We experienced a 5.1% increase in organic growth.

In our Industrial Technology segment, net sales were up 6.5% to $145.5 million in the second quarter of 2010 as compared to $136.6 million in the second quarter of 2009. The increase was due primarily to sales growth in our materials testing businesses as customer manufacturing facilities which had experienced slowdowns or temporary shutdowns in 2009 came back on line or increased production. In addition, more normal buying patterns resumed for our water meter business. Gross margins increased to 50.8% for the second quarter of 2010 as compared to 48.1% in the second quarter of 2009 due to operating leverage from higher sales volume. Selling, general and administrative ("SG&A") expenses as a percentage of net sales were relatively unchanged from 24.3% in the prior year quarter to 24.2% in the current year quarter. The resulting operating profit margins were 26.6% in the second quarter of 2010 as compared to 23.8% in the second quarter of 2009.

Net sales in our Energy Systems & Controls segment increased by 13.3% to $119.4 million during the second quarter of 2010 compared to $105.4 million in the second quarter of 2009. The increase in sales was due to increased orders in industrial process end markets and growth in our diesel engine protection products. Gross margins increased to 54.3% in the second quarter of 2010 compared to 53.4% in the second quarter of 2009 due to operating leverage on higher sales volume. SG&A expenses as a percentage of net sales were 29.9% compared to 31.4% in the prior year quarter due to lower cost levels resulting from the prior year restructuring activities. As a result, operating margins were 24.4% in the second quarter of 2010 as compared to 22.0% in the second quarter of 2009.

Our Scientific & Industrial Imaging segment net sales increased by 69.4% to $128.5 million in the second quarter of 2010 compared to $75.9 million in the second quarter of 2009. Acquisitions completed in 2009 added 49.6%, with 18.8% resulting from organic growth, primarily from increased sales in our camera businesses, as well as a positive 1% impact from foreign currency. Gross margins increased to 60.9% in the second quarter of 2010 from 56.0% in the second quarter of 2009 due primarily to operating leverage on higher sales volume and higher gross margin contributions from 2009 acquisitions. SG&A as a percentage of net sales was 39.3% in the second quarter of 2010 as compared to 39.6% in the second quarter of 2009 due to higher SG&A expenses for 2009 acquisitions offset partially by operating leverage on higher sales volume. As a result, operating margins were 21.6% in the second quarter of 2010 as compared to 16.3% in the second quarter of 2009.

In our RF Technology segment, net sales were $173.7 million in the second quarter of 2010 as compared to $187.1 million in the second quarter of 2009, a decrease of 7.2%, due to lower tolling project activity in the current year. Gross margins increased to 48.9% as compared to 48.4% in the prior year quarter due to a more favorable mix in tolling and traffic management products and services. SG&A as a percentage of sales in the second quarter of 2010 was 28.9% up from 27.3% in the prior year due to negative operating leverage on lower sales volume and poor margin performance in our wireless security business. As a result, operating profit margins were 20.0% as compared to 21.1% in 2009.

Corporate expenses were $11.1 million, or 2.0% of sales, in the second quarter of 2010 as compared to $11.5 million, or 2.3% of sales, in the second quarter of 2009.

Interest expense of $16.3 million for the second quarter of 2010 was $2.5 million higher than the second quarter of 2009, despite lower outstanding debt balances. The increase in interest expense is due to the higher fixed rate of our senior notes due 2013 issued in September 2009 as compared to the variable rate borrowings under the credit facility that were outstanding in the second quarter of 2009.

Other expense in the second quarter of 2010 was $1.7 million, due primarily to foreign exchange losses at our non-U.S. based companies, compared to other income of $3.2 million in the second quarter of 2009 due primarily to a pre-tax gain related to the sale of certain assets of our satellite communications business, offset partially by foreign exchange losses at our non-U.S. based companies.

Income taxes were 29.6% of pretax earnings in the current quarter, 60 basis points lower than the prior year rate of 30.2%.

At June 30, 2010, the functional currencies of our European subsidiaries were weaker, and that of our Canadian subsidiaries stronger, against the U.S. dollar compared to currency exchange rates at June 30, 2009 and December 31, 2009. The currency changes resulted in a decrease of $18.7 million in the foreign exchange component of comprehensive earnings for the current year quarter. Approximately $11.8 million of the total adjustment is related to goodwill and does not directly affect our expected future cash flows. Operating results in the second quarter of 2010 decreased slightly due to the fluctuation of other currencies against the U.S. dollar as compared to a year ago. The difference between the operating results for these companies for the second quarter of 2010 compared to the prior year quarter, translated into U.S. dollars, was less than 1%.

Net orders were $619.3 million for the quarter, 26.7% higher than the second quarter 2009 net order intake of $488.8 million. Orders increased across all of our segments as the economic recovery strengthened throughout the second quarter of 2010. Acquisitions made in 2009 contributed 8% to the current quarter orders. Overall, our order backlog at June 30, 2010 was up 19.2% as compared to June 30, 2009.

	Net orders booked for the three months ended June 30,		Order backlog as of June 30	
	2010	2009	2010	2009
Industrial Technology	$ 164,685	$125,880	$ 88,153	$ 57,276
Energy Systems & Controls	126,960	96,144	85,219	66,381
Scientific & Industrial Imaging	135,265	74,505	80,032	69,272
RF Technology	192,419	192,225	388,483	345,638
	$ 619,329	$488,754	$641,887	$ 538,567

Six months ended June 30, 2010 compared to six months ended June 30, 2009

Net sales for the six months ended June 30, 2010 were $1.1 billion as compared to $1.0 billion in the prior year six month period, an increase of 9.0%. The increase is comprised of a 1% increase in organic sales, an increase of 6.9% from acquisitions, and a positive 1.1% impact from foreign currency.

In our Industrial Technology segment, net sales increased by 5.1% to $280.8 million in the first six months of 2010 as compared to $267.2 million in the first six months of 2009. The increase was due primarily to sales growth in our materials testing businesses as customer manufacturing facilities which had experienced slowdowns or temporary shutdowns in 2009 came back on line or increased production. Gross margins were increased to 50.4% for the first six months of 2010 as compared to 48.1% in the first six months of 2009 due to operating leverage from higher sales volume. SG&A expenses as a percentage of net sales were 25.3%, up slightly from 25.2% in the prior year six month period, due to a 0.5% impact related to the resolution of a long-standing customer issue in the first quarter of 2010. The resulting operating profit margins were 25.1% in the first six months of 2010 as compared to 22.9% in the first six months of 2009.

Net sales in our Energy Systems & Controls segment increased by 6.2% to $225.1 million during the first six months of 2010 compared to $212.0 million in the first six months of 2009. The increase in sales was due to a rebound in industrial process end markets, offset partially by a decline in orders in our control valve and vibration testing businesses. Gross margins were 52.6% in the first six months of 2010, relatively unchanged from 52.7% in the first

six months of 2009. SG&A expenses as a percentage of net sales were 31.2% as compared to 33.5% in the prior year six month period due to lower cost levels resulting from the prior year restructuring activities. Operating margins were 21.3% in the first six months of 2010 as compared to 19.2% in first six months of 2009.

In our Scientific & Industrial Imaging segment net sales increased 61.7% to $258.8 million in the first six months of 2010 as compared to $160.0 million in the first six months of 2009. Acquisitions completed in 2009 added 45.9%, with 13.7% resulting from organic growth, primarily from increased sales in our camera businesses, as well as a positive 2.1% impact from foreign currency. Gross margins increased to 60.2% in the first six months of 2010 from 55.1% in the first six months of 2009, due primarily to operating leverage on higher sales volume and higher gross margin contributions from 2009 acquisitions. SG&A as a percentage of net sales increased to 38.1% in the six month period ended June 30, 2010 as compared to 37.3% in the prior year period due to higher SG&A expenses for 2009 acquisitions offset partially by operating leverage on higher sales volume. Operating margins were 22.1% in the first six months of 2010 as compared to 17.8% in the first six months of 2009.

In our RF Technology segment, net sales were $336.9 million compared to $371.2 million in the first six months of 2009, a decrease of 9.2%, due to lower violation and traffic volumes and lower project activity in the current year. Gross margins were 49.3% as compared to 47.9% in the prior year six month period due to product mix in our transportation businesses. SG&A as a percentage of sales in the first six months of 2010 was 29.4%, an increase from 27.2% in the prior year due to negative operating leverage on lower sales volume. Operating profit margins were 19.9% in 2010 as compared to 20.7% in 2009.

Corporate expenses decreased by $1.7 million to $22.6 million, or 2.1% of sales, in the first half of 2010 as compared to $24.3 million, or 2.4% of sales, in the first half of 2009.

Interest expense of $32.5 million for the first half of 2010 was $5.2 million higher as compared to $27.3 million in the first half of 2009, despite lower outstanding debt balances. The increase in interest expense is due to the higher fixed rate of our senior notes due 2013 issued in September 2009 as compared to the variable rate borrowings under the credit facility that were outstanding in the first half of 2009.

Other expense in the first half of 2010 was $1.2 million, due primarily to foreign exchange losses at our non-U.S. based companies, compared to other income of $2.8 million in the first half of 2009 due primarily to a pre-tax gain related to the sale of certain assets of our satellite communications business, offset partially by foreign exchange losses at our non-U.S. based companies.

Income taxes were 29.7% of pretax earnings in the first six months of 2010, and were relatively unchanged from 29.8% in the first six months of 2009.

Financial Condition, Liquidity and Capital Resources

Selected cash flows for the three and month periods ended June 30, 2010 and 2009 were as follows (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Cash provided by/(used in):				
Operating activities	$ 110.3	$ 110.3	$ 205.4	$ 160.9
Investing activities	(8.0)	1.3	(26.6)	(5.6)
Financing activities	(0.5)	(77.0)	(48.6)	(117.9)

Operating activities - Net cash provided by operating activities in the second quarter of 2010 was $110.3 million, and was unchanged from the prior year second quarter as higher net income and the timing of interest payments in the

current year were offset by slower customer payments on long-term projects. In the six month period ending June 30, 2010, operating cash flow increased by $44.5 million, or 27.7% over the prior year six month period, due to higher net income, and lower income tax payments.

Investing activities - Cash used in investing activities during the second quarter of 2010 was primarily capital expenditures. Cash provided by investing activities during the second quarter of 2009 was from proceeds from the sale of assets, offset by capital expenditures. Cash used in investing activities in the six months ended June 30, 2010 was for business acquisitions and capital expenditures. Cash used in investing activities in the six months ended June 30, 2009 was for capital expenditures, offset partially by proceeds from the sale of assets.

Financing activities - Cash used in financing activities in the second quarter of 2010 was for dividends, offset partially by stock option proceeds, and in the second quarter of 2009, primarily for principal debt payments and dividends. Cash used in financing activities in the six month periods ended June 30, 2010 and 2009 was for principal debt payments and dividends.

Total debt at June 30, 2010 consisted of the following (amounts in thousands):

Senior Notes due 2013*	$ 512,380
Senior Notes due 2019	500,000
Senior Subordinated Convertible Notes	109,579
Other	6,469
Total debt	1,128,428
Less current portion	112,028
Long-term debt	$ 1,016,400

*Shown net of fair value swap adjustment of $12.4 million.

Our principal unsecured credit facility, $500 million senior notes due 2013, $500 million senior notes due 2019 and senior subordinated convertible notes provide substantially all of our daily external financing requirements. The interest rate on the borrowings under the credit facility is calculated based upon various recognized indices plus a margin as defined in the credit agreement. At June 30, 2010, there were no outstanding borrowings under the facility. At June 30, 2010, we had $6.5 million of other debt in the form of capital leases, 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 $53 million of outstanding letters of credit. We expect that our available additional borrowing capacity combined with the cash flows expected to be generated from existing business will be sufficient to fund normal operating requirements.

We were in compliance with all debt covenants related to our credit facilities throughout the six months ended June 30, 2010.

Net working capital (total current assets, excluding cash, less total current liabilities, excluding debt) was $332.6 million at June 30, 2010 compared to $337.8 million at December 31, 2009, reflecting decreases in working capital due primarily to the timing of the payment of accrued liabilities related to interest and compensation. Total debt decreased to $1.13 billion at June 30, 2010 compared to $1.15 billion at December 31, 2009 due to the use of operating cash flows to reduce outstanding debt. Our leverage is shown in the following table:

	June 30, 2010	December 31, 2009
Total Debt	$ 1,128,428	$ 1,153,758
Cash	(290,740)	(167,708)

Net Debt		837,688		986,050
Stockholders' Equity		2,507,477		2,421,490
Total Net Capital	$	3,345,165	$	3,407,540
Net Debt / Total Net Capital		25.0%		28.9%

At June 30, 2010, 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.

Capital expenditures of $14.1 million and $12.4 million were incurred during the six months ended June 30, 2010 and 2009, respectively. We expect capital expenditures for the balance of the year to be comparable to prior years as a percentage of sales.

Recently Issued Accounting Standards

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

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 will 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 currently outstanding debt at a pace consistent with that which has historically been experienced. However, the rate at which we can reduce our debt during 2010 (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

We are exposed to interest rate risks on our outstanding borrowings, and to foreign currency exchange risks on our transactions denominated in currencies other than the U.S. dollar. We are also exposed to equity market risks pertaining to the traded price of our common stock.

The Company manages interest rate risk by maintaining a combination of fixed and variable rate debt, which may include interest rate swaps to convert fixed rate debt to variable rate debt, or to convert variable rate debt to fixed rate debt. At June 30, 2010 an aggregate notional amount of $500 million in interest rate swaps effectively converted our $500 million senior notes due 2013 with a fixed interest rate of 6.625% to a variable rate obligation at a weighted average spread of 4.377% plus LIBOR. An increase in interest rates of 1% would increase our annualized pre-tax interest costs by approximately $5.0 million.

At June 30, 2010, we had $610 million of fixed rate borrowings. Our $500 million senior notes due 2019 have a fixed interest rate of 6.25%, and our senior unsecured convertible notes due 2034 have a fixed interest rate of 3.75%. At June 30, 2010, the prevailing market rates for long term notes similarly rated to our $500 million senior notes due 2013 and $500 million senior notes due 2019 were 0.6% to 0.2% lower, respectively, than the fixed rates on our senior notes. At June 30, 2010, we had no outstanding variable-rate borrowings under the unsecured credit facility.

Several of our companies have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in Euros, Canadian dollars, British pounds, or Danish krone. Sales by companies whose functional currency was not the U.S. dollar were 23.4% of our total second quarter sales and 61.8% of these sales were by companies with a European functional currency. The U.S. dollar strengthened against most European currencies and weakened against the Canadian dollar during the second quarter of 2010 versus the second quarter of 2009. The difference between the current quarter operating results for these companies translated into U.S. dollars at exchange rates experienced during the second quarter of 2010 versus exchange rates experienced during the second quarter of 2009 was not material and resulted in decreased operating profits of less than 1%. If these currency exchange rates had been 10% different throughout the second quarter of 2010 compared to currency exchange rates actually experienced, the impact on our net earnings would have been approximately $1.7 million.

The U.S. dollar was stronger against most European currencies and weaker against the Canadian dollar at June 30, 2010 versus December 31, 2009. The changes in these currency exchange rates resulted in a decrease in net assets of $49.1 million that was reported as a component of comprehensive earnings, $31.5 million of which was attributed to goodwill. Goodwill changes from currency exchange rate changes do not directly affect our reported earnings or cash flows.

The trading price of our common stock influences the valuation of stock option grants and the effects these grants have on net income. The stock price also influences the computation of potentially dilutive common stock which includes both stock awards and the premium over the conversion price on our senior subordinated convertible notes to determine diluted earnings per share. The stock price also affects our employees' perceptions of various programs that involve our common stock. We believe the quantification of the effects of these changing prices on our future earnings and cash flows is not readily determinable.

ITEM 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.

Disclosure controls and procedures are our controls and other procedures 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 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 Roper's Annual Report for the fiscal year ended December 31, 2009 as filed on February 26, 2010 with the SEC. See also the information about forward-looking statements included in the introduction to our Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of this Quarterly Report on Form 10-Q.

Item 5. Exhibits

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, filed herewith.
101.INS	XBRL Instance Document, furnished herewith.
101.SCH	XBRL Taxonomy Extension Schema Document, furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, furnished herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, furnished herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, furnished herewith.
101.PRE	

XBRL Taxonomy Extension Presentation Linkbase Document, furnished herewith.

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 Industries, Inc.

/s/ Brian D. Jellison Brian D. Jellison	Chairman of the Board, President, and Chief Executive Officer (Principal Executive Officer)	August 6, 2010
/s/ John Humphrey John Humphrey	Chief Financial Officer and Vice President (Principal Financial Officer)	August 6, 2010
/s/ Paul J. Soni Paul J. Soni	Vice President and Controller (Principal Accounting Officer)	August 6, 2010

EXHIBIT INDEX

TO REPORT ON FORM 10-Q

Number	Exhibit
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, filed herewith.
101.INS	XBRL Instance Document, furnished herewith.

101.SCH	XBRL Taxonomy Extension Schema Document, furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, furnished herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, furnished herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document, furnished herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, furnished herewith.