# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

### FORM 8-K

## **CURRENT REPORT**

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 10, 2014

## ICU MEDICAL, INC.

(Exact name of registrant as specified in its charter)

0-19974

33-0022692

**DELAWARE** 

(State or other jurisdiction
(Commission File Number)
of incorporation)

951 Calle Amanecer, San Clemente, California
(Address of principal executive offices)
(2ip Code)
(949) 366-2183

Registrant's telephone number, including area code
N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

.051	straint under any of the fortowing provisions (see General Instruction 11.2. below).
[]	Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[]	Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[]	Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
٢1	Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Item 2.02. Results of Operations and Financial Condition

ICU Medical, Inc. announced its earnings for the third quarter of 2014.

## Item 9.01. Financial Statements and Exhibits.

- (c) Exhibits
- Press release, dated November 10, 2014 announcing ICU Medical, Inc.'s third quarter 2014 earnings.

#### **SIGNATURE**

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

ICU Medical, Inc.

/s/ SCOTT E. LAMB

Scott E. Lamb

Date: November 10, 2014 Secretary, Treasurer and Chief Financial Officer

#### ICU Medical, Inc. Announces Third Quarter 2014 Results

SAN CLEMENTE, Calif., Nov. 10, 2014 (GLOBE NEWSWIRE) -- ICU Medical, Inc., (Nasdaq:ICUI) ("ICU Medical"), a leader in innovative medical devices used in vascular therapy, oncology and critical care applications, today announced financial results for the third quarter and nine months ended September 30, 2014.

## **Third Quarter 2014 Results**

Third quarter 2014 revenue was \$77.5 million, compared to \$82.8 million in the same period last year. GAAP net income for the third quarter of 2014 was \$6.4 million, or \$0.42 per diluted share, as compared to GAAP net income of \$11.0 million, or \$0.72 per diluted share, for the third quarter of 2013. Adjusted diluted earnings per share for the third quarter of 2014 was \$0.66 as compared to \$0.84 for the third quarter of 2013. Also, adjusted EBITDA was \$18.9 million for the third quarter of 2014 as compared to \$22.6 million for the third quarter of 2013.

Vivek Jain, ICU Medical's Chief Executive Officer, said, "Third quarter results were slightly above our expectations and showed similar trends to the first half of the year. The increase in our direct oncology sales and our international sales was primarily offset by an expected decline in our OEM business. As we had previously outlined, the year over year change was as expected due to the third quarter of 2013 being the peak of the company's transition period. We have had two quarters in a row of consistent sales and we expect the fourth quarter of 2014 to look in-line with the third quarter. Based on our results to date and expectations for the remainder of the year, we are adjusting slightly upwards our full year 2014 adjusted EBITDA, adjusted EPS and GAAP EPS guidance ranges."

Revenues by market segment for the three and nine months ended September 30, 2014 and 2013 were as follows:

#### (dollars in millions)

		months en ptember 3		Three mor	on this ended 30,	l September
Market Segment	2014	2013	Change	2014	2013	Change
Infusion Therapy	\$ 159.3	\$ 166.4	\$ (7.1)	\$ 54.9	\$ 58.5	\$ (3.6)
Critical Care	41.3	41.1	0.2	12.8	14.2	(1.4)
Oncology	27.7	27.4	0.3	9.4	9.9	(0.5)
Other	1.1	0.9	0.2	0.4	0.2	0.2
	\$ 229.4 \$ 235.8 \$ (6.4)		\$ 77.5	\$ 82.8	\$ (5.3)	

The Company ended the third quarter with a strong balance sheet. As of September 30, 2014, cash, cash equivalents and investment securities totaled \$329.7 million and working capital was \$395.3 million. Additionally, the Company generated operating cash flow of \$19.1 million for the third quarter of 2014.

#### **Updated Fiscal Year 2014 Guidance**

For the year, the Company now expects revenue to be in the range of \$304 million to \$307 million, compared to the previous range of \$285 million to \$300 million. GAAP diluted earnings per share increased to a range of \$1.62 to \$1.70 compared to the previous range of \$1.30 to \$1.45. Adjusted diluted earnings per share increased to a range of \$2.25 to \$2.33 compared to the previous range of \$1.95 to \$2.15, and adjusted EBITDA is increased to a range of \$69 million to \$71 million compared to the previous range \$63 million to \$68 million.

#### **Conference Call**

The Company will be conducting a conference call concerning these announcements at 4:30 p.m. EDT (1:30 p.m. PDT), today, Monday, November 10, 2014. The call can be accessed at 800-936-9761, international 408-774-4587, conference ID 27351191. The conference call will be simultaneously available by webcast, which can be accessed by going to the Company's website at www.icumed.com, clicking on the Investors tab, clicking on the Webcast icon and following the prompts. The webcast will also be available by replay.

#### **Use of Non-GAAP Financial Information**

This press release contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). Our management believes that the non-GAAP data provides useful supplemental information to management and investors regarding our performance and facilitates a more meaningful comparison

of results of operations between current and prior periods. The non-GAAP financial measures included in this press release are adjusted EBITDA and adjusted diluted earnings per share ("Adjusted Diluted EPS"). Adjusted EBITDA excludes intangible asset amortization expense, depreciation expense, stock compensation expense, strategic transaction expense, restructuring expense and income tax expense. Adjusted Diluted EPS excludes, net of tax, intangible asset amortization expense, stock compensation expense, strategic transaction expense and restructuring expense.

The non-GAAP financial measures should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. There are limitations in using these non-GAAP financial measures because they are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies.

Reconciliations of our GAAP to non-GAAP financial are included in the financial tables in this press release.

#### About ICU Medical, Inc.

ICU Medical, Inc. (Nasdaq:ICUI) develops, manufactures and sells innovative medical devices used in vascular therapy, oncology and critical care applications. ICU Medical's products improve patient outcomes by helping prevent bloodstream infections and protecting healthcare workers from exposure to infectious diseases or hazardous drugs. The company's complete product line includes custom IV systems, closed delivery systems for hazardous drugs, needlefree IV connectors, catheters and cardiac monitoring systems. ICU Medical is headquartered in San Clemente, California. More information about ICU Medical, Inc. can be found at www.icumed.com.

#### **Forward Looking Statements**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements contain words such as "will," "expect," "believe," "could," "would," "estimate," "continue," "build," "expand" or the negative thereof or comparable terminology, and may include (without limitation) information regarding the Company's expectations, goals or intentions regarding the future, including, but not limited to, statements regarding guidance for the fourth quarter and fiscal year 2014. These forward-looking statements are based on Management's current expectations, estimates, forecasts and projections about the Company and assumptions Management believes are reasonable, all of which are subject to risks and uncertainties that could cause actual results and events to differ materially from those stated in the forward-looking statements. These risks and uncertainties include, but are not limited to, decreased demand for the Company's products, decreased free cash flow, the inability to recapture conversion delays or part/resource shortages on anticipated timing, or at all, changes in product mix, increased competition from competitors, lack of continued growth or improving efficiencies and unexpected changes in the Company's arrangements with its largest customers. Future results are subject to risks and uncertainties, including the risk factors, and other risks and uncertainties, described in the Company's filings with the Securities and Exchange Commission, which include those in the Annual Report on Form 10-K for the year ended December 31, 2013. Forward-looking statements contained in this press release are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

Condensed Consolidated Balance Sheets

(Amounts in thousands, except per share data)

Name		5	September 30, 2014	Г	December 31, 2013
CURRENT ASSETTS   Cash and cash equivalents   \$ 252,241   \$ 7,085   \$ 7,08			(unaudited)		(1)
Cash and cash equivalents         \$ 252,241         \$ 226,022           Investion securities         73,93         70,806           Cash, cash equivalents and investment securities         329,794         296,891           Cash, cash equivalents and investment securities         329,34         45,318           December 31,2013         38,248         43,418           Inventories         38,248         34,418           Propaid income taxes         9,381         5,966           Penal dexpenses and other current assets         6,604         4,318           Deferent income taxes         6,604         4,318           Total current assets         8,852         87,861           GOODWILL         1,478         1,478           TOTAL SERVERTY AND EQUIPMENT, net         8,852         87,861           GOODWILL         1,478         1,478           PROPERTY AND EQUIPMENT, net         5,809         7,518           COODWILL         1,539         8,490           DEFERRED INCOME TAXES         5,809         7,518           Accounts payable         5,809         1,513           Accounts payable         4,232         3,636           Accounts payable         2,23         2,63           Accou	ASSETS				
Investment securities         77,503         70,808           Cash, cash equivalents and investment securities         329,744         205,087           Accounts receivable, net of allowance for doubtful accounts of \$1,141 at September 30,2014 and \$1,2081         35,354         45,318           Inventories         38,248         34,451           Prepaid income taxes         9,381         5,066           Prepaid expense and other current assets         5,372         7,139           Total current assets         424,503         30,208           PROPERTY AND EQUIPMENT, net         88,532         87,861           GOODWILL         1,478         8,409           DEFEERED INCOME TAXES         5,709         7,518           COFFERED INCOME TAXES         5,709         7,518           Accounts payable         11,932         8,709           Accounts payable         11,932         15,536           Accounts payable         11,932         2,538           Accounts payable         11,932         3,536           Accounts payable         11,932         3,536           Accounts payable         11,932         3,536           Accounts payable         2,133         4,536           Accounts payable         2,133 <td< td=""><td>CURRENT ASSETS:</td><td></td><td></td><td></td><td></td></td<>	CURRENT ASSETS:				
Cash, cash equivalents and investment securities         329,744         296,891           Accounts receivable, net of allowance for doubtful accounts of \$1,141 at September 30,2014 and \$1,2013         35,354         45,318           Inventories         38,248         34,451           Prepaid income taxes         9,381         5,966           Prepaid acpenses and other current assets         6,404         4,351           Deferred income taxes         6,404         4,351           Total current assets         424,503         394,296           PROPERTY AND EQUIPMENT, net         88,532         87,861           GOODWILL         1,478         1,478           NTANGIBLE ASSETS, net         7,394         8,490           DEFERRED INCOME TAXES         5,809         7,518           Accounts payable         \$ 11,932         \$ 11,335           Accounts payable         \$ 11,935         15,551           Accounts payable         \$ 11,932         \$ 11,335           Account fliabilities         2,213         4,402           DEFERRED INCOME TAXES         4,325         3,630           NCOME TAX LIABILITY         2,713         4,402           COMHITMENTS AND CONTINGENCIES         2,713         4,402           COWNITMENTS AND CONTIN	Cash and cash equivalents	\$	252,241	\$	226,022
December 31, 2013   35,354   45,318   18,109   19,2015	Investment securities		77,503		70,869
December 31, 2013         35,354         45,318           Inventories         38,248         3,445           Prepaid income taxes         9,381         3,696           Prepaid expenses and other current assets         5,372         7,319           Defered income taxes         6,404         4,251           Total current assets         424,503         394,296           PROPERTY AND EQUIPMENT, net         88,532         87,861           GOODWILL         1,478         1,478           NTANGIBLE ASSETS, net         7,518         8,496           DEFERRED INCOME TAXES         5,809         7,518           LIABILITIES AND STOCKHOLDERS' EQUITY           CURRENT LIABILITIES           Accounts payable         \$ 11,335         11,318         1,551           Accounts payable         \$ 11,335         1,536         1,536           Accounts payable         \$ 29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           NOME TAX LIABILITY         2,713         4,025           COMMITMENTS AND CONTINGENCIES         2,713         4,025           COMMITMENTS AND CONTINGENCIES         1,536         1,516           COmmon stock, So.10 par value Authoriz	Cash, cash equivalents and investment securities	·	329,744		296,891
Prepaid income taxes         9,381         5,966           Prepaid expenses and other current assets         3,372         7,319           Deferred income taxes         6,640         4,351           Total current assets         424,503         394,296           PROPERTY AND EQUIPMENT, net         88,532         87,861           GOOD WILL         1,739         8,490           INTANGIBLE ASSETS, net         5,809         7,518           DEFERRED INCOME TAXES         5,809         7,518           CURRENT LIABILITIES AND STOCKHOLDERS' EQUITY           CURRENT LIABILITIES         11,932         \$ 11,335           Accrued liabilities         17,318         15,551           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           DEFERRED INCOME TAXES         4,325         3,630           DEFERRED INCOME TAXES         4,325         3,630           COMMITMENTS AND CONTINGENCIES         2,713         4,402           COMMITMENTS AND CONTINGENCIES         2,713         4,00           COMMITMENTS AND CONTINGENCIES         1,536         1,516           COMMITMENTS AND CONTINGENCIES         1,536         1,516 <td></td> <td></td> <td>35,354</td> <td></td> <td>45,318</td>			35,354		45,318
Prepaid expenses and other current assets         5,372         7,319           Deferred income taxes         6,404         4,351           Total current assets         424,503         394,296           PROPERTY AND EQUIPMENT, net         88,532         87,861           GOOWILL         1,478         1,478           NTANGIBLE ASSETS, net         7,394         8,490           DEFERRED INCOME TAXES         5,809         7,518           CURRENT LIABILITIES AND STOCKHOLDERS' EQUITY         5,809         7,518           Accounts payable         11,932         \$ 11,335           Accured liabilities         17,318         15,519           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           NCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         2,713         4,402           STOCKHOLDERS' EQUITY:	Inventories		38,248		34,451
Deferred income taxes         6,404         4,315           Total current assets         424,503         394,206           PROPERTY AND EQUIPMENT, net         88,532         87,861           GOODWILL         1,478         1,478           INTANGIBLE ASSETS, net         7,394         8,400           DEFERRED INCOME TAXES         5,809         7,518           LIABILITIES AND STOCKHOLDERS' EQUITY           CURRENT LIABILITIES         \$ 11,932         \$ 11,335           Accounds payable         \$ 11,932         \$ 11,335           Accounds payable         \$ 11,932         \$ 11,335           Accound liabilities         \$ 2,255         26,886           Total current liabilities         4,325         3,630           DEFERRED INCOME TAXES         4,325         3,630           INCOME TAX LIABILITY         2,713         4,025           COMMITMENTS AND CONTINGENCIES         -         -           CONVERTIBLE preferred stock, \$1,00 par value Authorized-500 shares; Issued and outstanding-none         -         -           Common stock, \$0,10 par value. Authorized, \$0,000 shares; Issued, \$15,360 shares at September 30,2014 and \$15,2013         1,536         1,516           Additional paid-in capital         1,536         1,516         1,51	Prepaid income taxes		9,381		5,966
PROPERTY AND EQUIPMENT, net         88,532         87,861           GOODWILL         1,478         1,478           INTANGIBLE ASSETS, net         7,394         8,490           DEFERRED INCOME TAXES         5,809         7,518           LIABILITIES AND STOCKHOLDERS' EQUITY           CURRENT LIABILITIES:           Accounts payable         \$ 11,932         \$ 11,335           Accrued liabilities         17,318         15,551           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           INCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         4         2,713         4,402           STOCKHOLDERS' EQUITY:         Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding- none         —         —         —           Common stock, \$0.10 par value - Authorized, \$0,000 shares; Issued and outstanding- none         —         —         —           Common stock, \$0.10 par value Authorized, \$0,000 shares; Issued and outstanding- none         —         —         —           Common stock, \$0.10 par value - Authorized, \$0,000 shares; Issued, \$1,560 shares at September 30, 2014 and 15,102 shares at December 31, 2013; Outstanding, \$15,600 shares steptember 30, 2014 and 15,102 shares at	Prepaid expenses and other current assets		5,372		7,319
PROPERTY AND EQUIPMENT, net         88,532         87,861           GOODWILL         1,478         1,478           INTANGIBLE ASSETS, net         7,394         8,490           DEFERRED INCOME TAXES         5,809         7,518           LIABILITIES AND STOCKHOLDERS' EQUITY           CURRENT LIABILITIES         11,932         \$ 11,335           Accrued liabilities         17,318         15,551           Total current liabilities         17,318         15,551           Total current LIABILITY         2,713         4,402           DEFERRED INCOME TAXES         4,325         3,630           NCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         2,713         4,402           STOCKHOLDERS' EQUITY:         2         2           Convertible preferred stock, \$1.00 par value Authorized, \$0,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,103 shares at December 31, 2013         1,536         1,510           Additional paid-in capital         93,900         78,495         78,495           Texasury stock, at cost - 0 shar	Deferred income taxes		6,404		4,351
1,478	Total current assets		424,503		394,296
NTANGIBLE ASSETS, net   7,394   8,490     DEFERRED INCOME TAXES   5,809   7,518     \$ 527,716   \$ 499,643     CURRENT LIABILITIES AND STOCKHOLDERS' EQUITY	PROPERTY AND EQUIPMENT, net		88,532		87,861
Page	GOODWILL		1,478		1,478
CURRENT LIABILITIES AND STOCKHOLDERS' EQUITY   CURRENT LIABILITIES:   Accounts payable	INTANGIBLE ASSETS, net		7,394		8,490
LIABILITIES AND STOCKHOLDERS' EQUITY           CURRENT LIABILITIES:           Accounts payable         \$ 11,932         \$ 11,335           Accrued liabilities         17,318         15,551           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           INCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         —         —           STOCKHOLDERS' EQUITY:         —         —           Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding-none         —         —           Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,102 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013         1,536         1,510           Additional paid-in capital         93,900         78,495           Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013         (1)         (49)           Retained earnings         401,539         382,576           Accumulated other comprehensive income         (5,546)         2,193           Total stockholders' equity         491,428         464,725	DEFERRED INCOME TAXES		5,809		7,518
CURRENT LIABILITIES:           Accounts payable         \$ 11,932         \$ 11,335           Accrued liabilities         17,318         15,551           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           INCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         —         —           STOCKHOLDERS' EQUITY:         —         —           Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding- none         —         —           Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,102 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013         1,536         1,510           Additional paid-in capital         93,900         78,495         78,495           Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013         (1)         (49)           Retained earnings         401,539         382,576           Accumulated other comprehensive income         (5,546)         2,193           Total stockholders' equity         491,428         464,725		\$	527,716	\$	499,643
CURRENT LIABILITIES:           Accounts payable         \$ 11,932         \$ 11,335           Accrued liabilities         17,318         15,551           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           INCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         —         —           STOCKHOLDERS' EQUITY:         —         —           Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding- none         —         —           Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,102 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013         1,536         1,510           Additional paid-in capital         93,900         78,495         78,495           Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013         (1)         (49)           Retained earnings         401,539         382,576           Accumulated other comprehensive income         (5,546)         2,193           Total stockholders' equity         491,428         464,725	LIABILITIES AND STOCKHOLDERS' EOUITY		<u> </u>		
Accrued liabilities         17,318         15,551           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           INCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         —         —           STOCKHOLDERS' EQUITY:         —         —           Convertible preferred stock, \$1.00 par value Authorized, 80,000 shares; Issued and outstanding- none         —         —           Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,102 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013         1,536         1,510           Additional paid-in capital         93,900         78,495         78,495           Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013         (1)         (49)           Retained earnings         401,539         382,576           Accumulated other comprehensive income         (5,546)         2,193           Total stockholders' equity         491,428         464,725	· · · · · · · · · · · · · · · · · · ·				
Accrued liabilities         17,318         15,551           Total current liabilities         29,250         26,886           DEFERRED INCOME TAXES         4,325         3,630           INCOME TAX LIABILITY         2,713         4,402           COMMITMENTS AND CONTINGENCIES         —         —           STOCKHOLDERS' EQUITY:         —         —           Convertible preferred stock, \$1.00 par value Authorized, 80,000 shares; Issued and outstanding- none         —         —           Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,102 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013         1,536         1,510           Additional paid-in capital         93,900         78,495         78,495           Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013         (1)         (49)           Retained earnings         401,539         382,576           Accumulated other comprehensive income         (5,546)         2,193           Total stockholders' equity         491,428         464,725	Accounts payable	\$	11,932	\$	11,335
DEFERRED INCOME TAXES   4,325   3,630     INCOME TAX LIABILITY   2,713   4,402     COMMITMENTS AND CONTINGENCIES   — — —     STOCKHOLDERS' EQUITY:   — —     Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding- none   — — — —     Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013   1,536   1,510     Additional paid-in capital   93,900   78,495     Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013   (1) (49)     Retained earnings   401,539   382,576     Accumulated other comprehensive income   (5,546)   2,193     Total stockholders' equity   491,428   464,725	Accrued liabilities		17,318		15,551
INCOME TAX LIABILITY  COMMITMENTS AND CONTINGENCIES  STOCKHOLDERS' EQUITY:  Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding- none  Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013  Additional paid-in capital  Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013  Retained earnings  Accumulated other comprehensive income  (5,546)  Total stockholders' equity  491,428  464,725	Total current liabilities		29,250		26,886
COMMITMENTS AND CONTINGENCIES STOCKHOLDERS' EQUITY: Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding- none Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013 Additional paid-in capital Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013  (1) (49) Retained earnings Accumulated other comprehensive income (5,546) 2,193 Total stockholders' equity	DEFERRED INCOME TAXES		4,325		3,630
STOCKHOLDERS' EQUITY:  Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding- none  Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013  Additional paid-in capital  Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013  (1) (49)  Retained earnings  Accumulated other comprehensive income  (5,546)  Total stockholders' equity  401,428  464,725	INCOME TAX LIABILITY		2,713		4,402
Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding-none  Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013  Additional paid-in capital 93,900 78,495  Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013 (1) (49)  Retained earnings 401,539 382,576  Accumulated other comprehensive income (5,546) 2,193  Total stockholders' equity 491,428 464,725	COMMITMENTS AND CONTINGENCIES		_		_
Common stock, \$0.10 par value - Authorized, 80,000 shares; Issued, 15,360 shares at September 30, 2014 and 15,102 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013         1,506       1,510         Additional paid-in capital       93,900       78,495         Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013       (1)       (49)         Retained earnings       401,539       382,576         Accumulated other comprehensive income       (5,546)       2,193         Total stockholders' equity       491,428       464,725	STOCKHOLDERS' EQUITY:				
15,103 shares at December 31, 2013; Outstanding, 15,360 shares September 30, 2014 and 15,102 shares at December 31, 2013         1,516         Additional paid-in capital       93,900       78,495         Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013       (1)       (49)         Retained earnings       401,539       382,576         Accumulated other comprehensive income       (5,546)       2,193         Total stockholders' equity       491,428       464,725	Convertible preferred stock, \$1.00 par value Authorized-500 shares; Issued and outstanding-none		_		_
December 31, 2013       1,536       1,510         Additional paid-in capital       93,900       78,495         Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013       (1)       (49)         Retained earnings       401,539       382,576         Accumulated other comprehensive income       (5,546)       2,193         Total stockholders' equity       491,428       464,725	, , , , , , , , , , , , , , , , , , ,				
Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013(1)(49)Retained earnings401,539382,576Accumulated other comprehensive income(5,546)2,193Total stockholders' equity491,428464,725			1,536		1,510
Retained earnings         401,539         382,576           Accumulated other comprehensive income         (5,546)         2,193           Total stockholders' equity         491,428         464,725	Additional paid-in capital		93,900		78,495
Accumulated other comprehensive income (5,546) 2,193 Total stockholders' equity 491,428 464,725	Treasury stock, at cost - 0 shares at September 30, 2014 and 1 shares at December 31, 2013		(1)		(49)
Total stockholders' equity 491,428 464,725	Retained earnings		401,539		382,576
	Accumulated other comprehensive income		(5,546)		2,193
\$ 527,716 \$ 499,643	Total stockholders' equity		491,428		464,725
		\$	527,716	\$	499,643

<sup>(1)</sup> December 31, 2013 balances were derived from audited consolidated financial statements.

Condensed Consolidated Statements of Income (Amounts in thousands, except per share data) (unaudited)

	Th	Three months ended September 30,		Ni	ine months en	ded September 30,		
		2014		2013		2014		2013
REVENUES:								
Net sales	\$	77,329	\$	82,709	\$	228,997	\$	235,419
Other		128		106		367		356
TOTAL REVENUE		77,457		82,815		229,364		235,775
COST OF GOODS SOLD		39,310		41,860		117,648		119,988
Gross profit		38,147		40,955		111,716		115,787
OPERATING EXPENSES:								
Selling, general and administrative		21,843		22,399		68,640		68,447
Research and development		5,055		3,140		13,252		8,949
Restructuring charges		2,840		_		2,840		_
Total operating expenses		29,738		25,539		84,732		77,396
Income from operations		8,409		15,416		26,984		38,391
OTHER INCOME		155		190		572		570
Income before income taxes		8,564		15,606		27,556		38,961
PROVISION FOR INCOME TAXES		(2,136)		(4,572)		(8,593)		(11,875)
NET INCOME	\$	6,428	\$	11,034	\$	18,963	\$	27,086
NET INCOME PER SHARE								
Basic	\$	0.42	\$	0.75	\$	1.25	\$	1.85
Diluted	\$	0.42	\$	0.72	\$	1.22	\$	1.79
WEIGHTED AVERAGE NUMBER OF SHARES								
Basic		15,319		14,684		15,220		14,603
Diluted		15,488		15,324		15,497		15,139

## Condensed Consolidated Statements of Cash Flows

## (Amounts in thousands)

(unaudited)

Bond premium amortization         1,599         2,045           Cash provided (used) by changes in operating assets and liabilities         9,433         (2,538)           Accounts receivable         9,433         (2,538)           Inventories         (4,655)         2,471           Prepaid expenses and other assets         2,146         1,572           Accounts payable         681         (790)           Accrued liabilities         2,123         (1,236)           Income taxes, including excess tax benefits and deferred income taxes         (3,098)         (5,094)           Net cash provided by operating activities         48,347         42,244           CASH FLOWS FROM INVESTING ACTIVITIES:         1         11,223)           Purchases of property and equipment         (14,924)         (15,223)           Proceeds from sale of asset         5         21           Intangible asset additions         (7893)         (71,919)           Proceeds from sale of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         (9,470)         76,681           Net cash used by investing activities         (25,15)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         (25,15)         (11,279)			Nine months ended September 30,				
Net income         \$ 18,963         \$ 27,086           Adjustments reconcile net income to net cash provided by operating activities:         Second 14,462         14,41           Depreciation and amorization         14,642         14,41           Provision for doubtful accounts         3         40           Provision for warranty and returns         6,990         4,133           Loss (gain) on disposal of property and equipment         6,990         2,045           South provided (used) by changes in operating assets and liabilities         2,045         2,045           Suph provided (used) by changes in operating assets and liabilities         9,433         2,5380           Inventories         9,433         2,5380           Recounts receivable         9,433         2,5380           Inventories         6,681         7,709           Prepaid expenses and other assets         2,146         1,727           Recounts payable         6,811         7,900           Accounts payable         6,811         7,900           Income taxes, including excess tax benefits and deferred income taxes         3,098         5,223           Recard provided by operating activities         9,152         1,223           Purchases of property and equipment         1,452         1,252			2014		2013		
Adjustments to reconcile net income to net cash provided by operating activities:         14,642         14,451           Deprication and amonization         3         40           Provision for doubtful accounts         3         40           Provision for warranty and retums         (488)         124           Stock compensation         6,990         4,133           Loss (gain) on disposal of property and equipment         8         200           Cash provided (used) by changes in operating assets and liabilities         3         4,535           Caccounts receivable         9,433         2,538           Inventories         (4,655)         2,471           Prepaid expenses and other assets         2,146         1,572           Accounts payable         3,098         5,094           Accounts payable         3,098         5,094           Accounts payable         48,347         42,244           Account spayable         3,098         5,094           Net cash provided by operating activities         3,098         5,094           Net cash provided by operating activities         1,122         1,223           Proveads from sale of fasset         5         21           Intangible assets additions         7,09         3,681 <tr< th=""><th>CASH FLOWS FROM OPERATING ACTIVITIES:</th><th></th><th></th><th></th><th></th></tr<>	CASH FLOWS FROM OPERATING ACTIVITIES:						
Depreciation and amortization         14,642         14,511           Provision for doubtful accounts         3         40           Provision for varranty and returns         (6,990)         4,133           Loss (gain) on disposal of property and equipment         8         (20)           Bond premium amortization         1,599         2,045           Cash provided (used) by changes in operating assets and liabilities         9,433         (2,588)           Accounts receivable         9,433         (2,588)           Inventories         9,433         (2,588)           Neventories         9,433         (2,588)           Accounts receivable         681         (790)           Accounts payable         681         (790)           Accounts payable         681         (790)           Accumed liabilities         2,124         (1,236)           Income taxes, including excess tax benefits and deferred income taxes         (3,098)         (5,094)           Net cash provided by operating activities         2,244         (1,223)           Purchases of property and equipment         (14,924)         (15,223)           Purchases of property and equipment         (14,924)         (15,223)           Purchases of property and equipment         (14,924)	Net income	\$	18,963	\$	27,086		
Provision for doubtful accounts         3         40           Provision for warranty and retums         (488)         124           Stock compensation         6,990         4,133           Loss (gain) on disposal of property and equipment         8         (20)           Bond permium amortization         1,599         2,045           Cash provided (used) by changes in operating assets and liabilities         4         6,590         2,045           Coontractivable         9,433         (2,538)         1,572         2,678         2,146         1,572           Accounts payable         681         (790)         2,023         1,572         2,223         (1,236)         1,602           Account payable         681         (790)         2,038         1,609         1,572         2,242         1,223         1,236         1,602         1,602         1,572         2,242         1,236         1,603         1,609         1,602 <td>Adjustments to reconcile net income to net cash provided by operating activities:</td> <td></td> <td></td> <td></td> <td></td>	Adjustments to reconcile net income to net cash provided by operating activities:						
Provision for warmanty and returns         (488)         124           Stock compensation         6,990         4,133           Loss (gain) on disposal of property and equipment         1,599         2,045           Cash provided (used) by changes in operating assets and liabilities         3,253           Accounts receivable         9,433         2,538           Inventories         4,655         2,414           Prepaid expenses and other assets         2,146         1,572           Accounts payable         681         7,909           Accounts payable         681         7,909           Accounts payable         681         7,909           Accounts payable         681         7,909           Accounts payable         48,347         24,244           Even stank provided by operating activities         3,098         16,090           Net cash provided by operating activities         48,347         24,244           CASH FLOWS FROM NVESTING ACTIVITIES:         7         21           Purchases of property and equipment         1,192         1,192           Proceeds from sale of asset         5         21         1           Intangible asset additions         7         7,50,81         2           Proceeds from sa	Depreciation and amortization		14,642		14,451		
Stock compensation         6,990         4,133           Loss (gain) on disposal of property and equipment         8         (20)           Bond premium amortization         1,599         2,045           Cash provided (used) by changes in operating assets and liabilities         9,433         (2,538)           Locounts receivable         9,433         (2,538)           Inventionies         (4,655)         2,471           Prepaid expenses and other assets         2,146         1,572           Accounts payable         681         (790)           Accrued liabilities         2,123         (1,236)           Income taxes, including excess tax benefits and deferred income taxes         (3,098)         (5,094)           Net eash provided by operating activities         48,347         42,244           CASH FLOWS FROM INVESTING ACTIVITIES:         1         1           Purchases of property and equipment         (14,924)         (15,223)           Proceeds from sale of asset         5         2,1           Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIV	Provision for doubtful accounts		3		40		
Loss (gain) on disposal of property and equipment         8         (20)           Bond premium amortization         1,59         2,045           Cash provided (used) by changes in operating assets and liabilities	Provision for warranty and returns		(488)		124		
Bond premium amortization         1,599         2,045           Cash provided (used) by changes in operating assets and liabilities         8         2,538         2,638         2,638           Inventories         (4,655)         2,471         2,771         2,772         2,771         2,772         2,772         2,772         2,773	Stock compensation		6,990		4,133		
Cash provided (used) by changes in operating assets and liabilities         Cool of the control of the contro	Loss (gain) on disposal of property and equipment		8		(20)		
Accounts receivable         9,433         (2,538)           Inventories         (4,655)         2,471           Prepaid expenses and other assets         2,146         1,572           Accounts payable         681         (790)           Accounted liabilities         2,123         (1,236)           Income taxes, including excess tax benefits and deferred income taxes         (3,098)         (5,094)           Net cash provided by operating activities         48,347         42,244           CASH FLOWS FROM INVESTING ACTIVITIES:         21         11         11,924         (15,223)           Proceeds from sale of asset         5         21         2         2         1         1         1         1         1         2         2         4         4         2         2         4         4         2         2         2         1         1         1         1         2         2         1         1         1         2         2         3         3 <td>Bond premium amortization</td> <td></td> <td>1,599</td> <td></td> <td>2,045</td>	Bond premium amortization		1,599		2,045		
Neventories	Cash provided (used) by changes in operating assets and liabilities						
Prepaid expenses and other assets         2,146         1,572           Accounts payable         681         (790)           Accounts payable         2,123         (1,236)           Accounts payable         3,098         5,0949           Accounts payable         3,098         5,0949           Income taxes, including excess tax benefits and deferred income taxes         3,098         5,0949           Net cash provided by operating activities         42,244         42,244           CASH FLOWS FROM INVESTING ACTIVITIES:         (14,924)         (15,223)           Proceeds from sale of asset         5         21           Intangible asset additions         (709)         (839)           Proceeds from sale of investment securities         7,099         76,681           Purchase of investment securities         6,9470         76,681           Net cash used by investing activities         2,151         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         9,105         5,016           Proceeds from exercise of stock options         9,105         5,016           Proceeds from employee stock purchase plan         2,435         2,457           Tax benefits from exercise of stock options         5,836         3,033           Net cash provided by financing	Accounts receivable		9,433		(2,538)		
Accounts payable         681         (790)           Accrued liabilities         2,123         (1,236)           Income taxes, including excess tax benefits and deferred income taxes         3,098         5,094)           Net cash provided by operating activities         48,347         42,244           CASH FLOWS FROM INVESTING ACTIVITIES:         1(14,924)         (15,223)           Purchases of property and equipment         (14,924)         (15,223)           Proceeds from sale of asset         5         21           Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment	Inventories		(4,655)		2,471		
Accrued liabilities         2,123         (1,236)           Income taxes, including excess tax benefits and deferred income taxes         (3,098)         (5,094)           Net cash provided by operating activities         48,347         42,244           CASH FLOWS FROM INVESTING ACTIVITIES:         ***         ***           Purchases of property and equipment         (14,924)         (15,223)           Proceeds from sale of fases         5         21           Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         25,151         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         ***         2,151           Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock options         9,105         3,018           Proceeds from exercise of stock options         9,105         3,018           Proceeds from exercise of stock options         9,105         3,016           Proceeds from exercise of stock options         5,836         3,	Prepaid expenses and other assets		2,146		1,572		
Roome taxes, including excess tax benefits and deferred income taxes   3,098   6,094     Net cash provided by operating activities   48,347   42,244     CASH FLOWS FROM INVESTING ACTIVITIES:	Accounts payable		681		(790)		
Net cash provided by operating activities         48,347         42,244           CASH FLOWS FROM INVESTING ACTIVITIES:         Purchases of property and equipment         (14,924)         (15,223)           Proceeds from sale of asset         5         21           Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock options         9,105         5,016           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, end of period         226,022         146,900           NON-CASH INVESTING ACTIVITIES         188,030 <td>Accrued liabilities</td> <td></td> <td>2,123</td> <td></td> <td>(1,236)</td>	Accrued liabilities		2,123		(1,236)		
CASH FLOWS FROM INVESTING ACTIVITIES:           Purchases of property and equipment         (14,924)         (15,223)           Proceeds from sale of asset         5         21           Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         Proceeds from exercise of stock options         9,105         5,016           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 2	Income taxes, including excess tax benefits and deferred income taxes		(3,098)		(5,094)		
Purchases of property and equipment         (14,924)         (15,223)           Proceeds from sale of asset         5         21           Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         9,105         5,016           Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030	Net cash provided by operating activities		48,347		42,244		
Proceeds from sale of asset         5         21           Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock options         2,485         2,457           Tax benefits from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         \$252,241         \$188,030           NON-CASH INVESTING ACTIVITIES         \$252,241         \$188,030	CASH FLOWS FROM INVESTING ACTIVITIES:						
Intangible asset additions         (709)         (839)           Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         ***         ***           Proceeds from exercise of stock options         9,105         5,016           Proceeds from employee stock purchase plan         2,485         2,457           Tax benefits from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030	Purchases of property and equipment		(14,924)		(15,223)		
Purchases of investment securities         (78,993)         (71,919)           Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         ***           Proceeds from exercise of stock options         9,105         5,016           Proceeds from employee stock purchase plan         2,485         2,457           Tax benefits from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030	Proceeds from sale of asset		5		21		
Proceeds from sale of investment securities         69,470         76,681           Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         ****         ****           Proceeds from exercise of stock options         9,105         5,016           Proceeds from employee stock purchase plan         2,485         2,457           Tax benefits from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030	Intangible asset additions		(709)		(839)		
Net cash used by investing activities         (25,151)         (11,279)           CASH FLOWS FROM FINANCING ACTIVITIES:         Proceeds from exercise of stock options         9,105         5,016           Proceeds from exercise of stock purchase plan         2,485         2,457           Tax benefits from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030	Purchases of investment securities		(78,993)		(71,919)		
CASH FLOWS FROM FINANCING ACTIVITIES:         Proceeds from exercise of stock options       9,105       5,016         Proceeds from employee stock purchase plan       2,485       2,457         Tax benefits from exercise of stock options       2,734       4,567         Purchase of treasury stock       (5,836)       (3,033)         Net cash provided by financing activities       8,488       9,007         Effect of exchange rate changes on cash       (5,465)       1,158         NET INCREASE IN CASH AND CASH EQUIVALENTS       26,219       41,130         CASH AND CASH EQUIVALENTS, beginning of period       226,022       146,900         CASH AND CASH EQUIVALENTS, end of period       \$ 252,241       \$ 188,030	Proceeds from sale of investment securities		69,470		76,681		
Proceeds from exercise of stock options         9,105         5,016           Proceeds from employee stock purchase plan         2,485         2,457           Tax benefits from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030	Net cash used by investing activities		(25,151)		(11,279)		
Proceeds from employee stock purchase plan         2,485         2,457           Tax benefits from exercise of stock options         2,734         4,567           Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030           NON-CASH INVESTING ACTIVITIES	CASH FLOWS FROM FINANCING ACTIVITIES:						
Tax benefits from exercise of stock options       2,734       4,567         Purchase of treasury stock       (5,836)       (3,033)         Net cash provided by financing activities       8,488       9,007         Effect of exchange rate changes on cash       (5,465)       1,158         NET INCREASE IN CASH AND CASH EQUIVALENTS       26,219       41,130         CASH AND CASH EQUIVALENTS, beginning of period       226,022       146,900         CASH AND CASH EQUIVALENTS, end of period       \$ 252,241       \$ 188,030	Proceeds from exercise of stock options		9,105		5,016		
Purchase of treasury stock         (5,836)         (3,033)           Net cash provided by financing activities         8,488         9,007           Effect of exchange rate changes on cash         (5,465)         1,158           NET INCREASE IN CASH AND CASH EQUIVALENTS         26,219         41,130           CASH AND CASH EQUIVALENTS, beginning of period         226,022         146,900           CASH AND CASH EQUIVALENTS, end of period         \$ 252,241         \$ 188,030           NON-CASH INVESTING ACTIVITIES	Proceeds from employee stock purchase plan		2,485		2,457		
Net cash provided by financing activities 8,488 9,007  Effect of exchange rate changes on cash (5,465) 1,158  NET INCREASE IN CASH AND CASH EQUIVALENTS 26,219 41,130  CASH AND CASH EQUIVALENTS, beginning of period 226,022 146,900  CASH AND CASH EQUIVALENTS, end of period \$252,241 \$188,030	Tax benefits from exercise of stock options		2,734		4,567		
Effect of exchange rate changes on cash(5,465)1,158NET INCREASE IN CASH AND CASH EQUIVALENTS26,21941,130CASH AND CASH EQUIVALENTS, beginning of period226,022146,900CASH AND CASH EQUIVALENTS, end of period\$ 252,241\$ 188,030	Purchase of treasury stock		(5,836)		(3,033)		
Effect of exchange rate changes on cash(5,465)1,158NET INCREASE IN CASH AND CASH EQUIVALENTS26,21941,130CASH AND CASH EQUIVALENTS, beginning of period226,022146,900CASH AND CASH EQUIVALENTS, end of period\$ 252,241\$ 188,030	Net cash provided by financing activities		8,488		9,007		
CASH AND CASH EQUIVALENTS, beginning of period CASH AND CASH EQUIVALENTS, end of period  NON-CASH INVESTING ACTIVITIES  226,022 146,900 \$ 252,241  NON-CASH INVESTING ACTIVITIES			(5,465)		1,158		
CASH AND CASH EQUIVALENTS, end of period \$ 252,241 \$ 188,030  NON-CASH INVESTING ACTIVITIES	NET INCREASE IN CASH AND CASH EQUIVALENTS		26,219		41,130		
CASH AND CASH EQUIVALENTS, end of period \$ 252,241 \$ 188,030  NON-CASH INVESTING ACTIVITIES	· · · · · · · · · · · · · · · · · · ·						
NON-CASH INVESTING ACTIVITIES		\$		\$			
	e. Bit 12 B. e. ibit Equit. iEE. vio, viid of period	<del>*</del>		- <u>-</u>			
Accrued habilities for property and equipment \$ 100 \$ 273		*	100	ď.	252		
	Accrued Habilities for property and equipment	\$	100	\$	273		

## Reconciliation of GAAP to Non-GAAP Financial Measures (Amounts in thousands, except per share data) (unaudited)

	Adjusted EBITDA  Q3			Adjusted EBITDA				
					er 30,			
		2014		2013		2014		2013
GAAP net income	\$	6,428	\$	11,034	\$	18,963	\$	27,086
Non-GAAP adjustments:								
Stock compensation expense (a)		2,531		1,311		6,990		4,133
Depreciation and amortization expense (b)		4,976		4,862		14,642		14,451
Restructuring and strategic transaction expense (c)		2,840		781		2,840		1,341
Provision for income taxes (d)		2,136		4,572		8,593		11,875
Total non-GAAP adjustments		12,483		11,526		33,065		31,800
Adjusted EBITDA	\$	18,911	\$	22,560	\$	52,028	\$	58,886
	Ad	justed dilut sh	ed ea	mings per	A	djusted dilu sh	ted ea	rnings per
	Q3				YTD September 30,			
		2014		2013		2014		2013
GAAP diluted earnings per share	\$	0.42	\$	0.72	\$	1.22	\$	1.79
Non-GAAP adjustments:								
Stock compensation expense (a)	\$	0.16	\$	0.09	\$	0.45	\$	0.27
Amortization expense (e)	\$	0.04	\$	0.04	\$	0.12	\$	0.13
Restructuring and strategic transaction expense (c)	\$	0.18	\$	0.05	\$	0.18	\$	0.09
Estimated income tax impact from adjustments (f)	\$	(0.14)	\$	(0.06)	\$	(0.26)	\$	(0.17)
Adjusted diluted earnings per share	\$	0.66		0.84	\$			(0.17)

<sup>(</sup>a) Stock-based compensation expense in accordance with ASC 718.

<sup>(</sup>b) Depreciation of fixed assets and amortization of intangible assets.

<sup>(</sup>c) Restructuring and strategic transaction expense

<sup>(</sup>d) Income tax expense recognized during the period.

<sup>(</sup>e) Amortization expense

<sup>(</sup>f) Estimated income tax effect on adjustments for stock compensation expense, amortization expense and restructuring and strategic transaction expense.

## Reconciliation of GAAP to Non-GAAP Financial Measures - Fiscal Year 2014 Outlook (Amounts in thousands, except per share data)

(unaudited)

GAAP net income	\$ 25,094	\$ 26,363
Non-GAAP adjustments:		
Stock compensation expense (a)	9,584	9,584
Depreciation and amortization expense (b)	19,640	19,640
Restructuring and strategic transaction expense (c)	2,840	2,840
Provision for income taxes (d)	11,894	12,577
Total non-GAAP adjustments	 43,958	44,641
Adjusted EBITDA	\$ 69,052	\$ 71,004
GAAP diluted earnings per share	\$ 1.62	\$ 1.70
Non-GAAP adjustments:		
Stock compensation expense (a)	\$ 0.62	\$ 0.62
Amortization expense (e)	\$ 0.16	\$ 0.16
Restructuring and strategic transaction expense (c)	\$ 0.18	\$ 0.18
Estimated income tax impact from adjustments (f)	\$ (0.33)	\$ (0.33)
Adjusted diluted earnings per share	\$ 2.25	\$ 2.33

<sup>(</sup>a) Stock-based compensation expense in accordance with ASC 718.

<sup>(</sup>b) Depreciation of fixed assets and amortization of intangible assets.

<sup>(</sup>c) Restructuring and strategic transaction expense.

<sup>(</sup>d) Income tax expense recognized during the period.

<sup>(</sup>e) Amortization expense

<sup>(</sup>f) Estimated income tax effect on adjustments for stock compensation expense, amortization expense and restructuring and strategic transaction expense.