

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
COMMISSION FILE NUMBER 1-168

AMETEK, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

13-4923320

(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

STATION SQUARE, PAOLI, PENNSYLVANIA 19301

(Address of principal executive offices)  
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE 610-647-2121

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL  
REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE  
SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS  
(OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED  
TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING  
REQUIREMENTS FOR THE PAST 90 DAYS.

YES  NO   
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THE NUMBER OF SHARES OF THE ISSUER'S COMMON STOCK OUTSTANDING AS  
OF THE LATEST PRACTICABLE DATE WAS:

COMMON STOCK, \$.01 PAR VALUE, OUTSTANDING AT OCTOBER 31, 1994. . .  
34,654,638 SHARES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMETEK, INC.  
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 CONSOLIDATED STATEMENT OF INCOME  
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 (Unaudited)  
 (Dollars in thousands except per-share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
Net sales	\$198,672	\$175,003	\$607,671	\$548,937
Expenses:				
Cost of sales (excluding depreciation)	152,099	138,182	467,381	428,878
Selling, general and administrative	19,322	19,079	60,332	59,291
Depreciation	7,009	6,867	20,824	21,145
Resizing charges	-	4,385	-	7,990
	178,430	168,513	548,537	517,304
Operating income	20,242	6,490	59,134	31,633
Other income (expenses):				
Interest expense	(6,064)	(4,338)	(16,261)	(13,431)
Other, net	1,679	1,961	3,331	5,559
	15,857	4,113	46,204	23,761
Income before income taxes	15,857	4,113	46,204	23,761
Provision for income taxes	5,631	2,133	17,502	9,463
	10,226	1,980	28,702	14,298
Income before extraordinary item and cumulative effect of accounting change	10,226	1,980	28,702	14,298
Extraordinary loss on early extinguishment of debt, net of taxes (Note 5)	-	-	(11,810)	-
Cumulative effect of accounting change, net of taxes (Note 4)	-	-	3,819	-
	-	-	3,819	-
Net income	\$10,226	\$1,980	\$20,711	\$14,298
Earnings (loss) per share (Note 2):				
Income before extraordinary item and cumulative effect of accounting change	\$0.29	\$0.05	\$0.76	\$0.33
Extraordinary loss on early extinguishment of debt (Note 5)	-	-	(0.31)	-
Cumulative effect of accounting change (Note 4)	-	-	0.10	-
	\$0.29	\$0.05	\$0.55	\$0.33
Cash dividends paid per share	\$0.06	\$0.17	\$0.18	\$0.51
Average common shares outstanding	34,838,972	43,637,840	37,947,309	43,989,141

See accompanying notes.

2

AMETEK, INC.  
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 CONDENSED CONSOLIDATED BALANCE SHEET  
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 (Dollars in thousands)

September 30,      December 31,  
 1994                      1993  
 -----  
 (Unaudited)

ASSETS  
 -----

Current assets:		
Cash and cash equivalents	\$18,879	\$40,468
Marketable securities (Note 4)	9,766	44,191
Receivables, net	118,608	108,068
Inventories (Note 3)	97,982	91,894
Deferred income taxes	13,252	13,346
Other current assets	8,839	4,100
	-----	-----
Total current assets	267,326	302,067
	-----	-----
Property, plant and equipment	397,341	384,435
Less accumulated depreciation	(217,445)	(199,626)
	-----	-----
	179,896	184,809
	-----	-----
Intangibles, investments and other assets (Note 4)	80,456	75,787
	-----	-----
Total assets	\$527,678	\$562,663
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$63,196	\$54,374
Accruals	111,241	98,987
Current portion of long-term debt (Note 5)	5,396	14,543
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Total current liabilities	179,833	167,904
Long-term debt (Note 5)	227,449	172,429
Deferred income taxes	28,723	27,948
Other long-term liabilities	26,652	29,056
Stockholders' equity (Note 6)	65,021	165,326
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Total liabilities and stockholders' equity	\$527,678	\$562,663
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See accompanying notes.

3

AMETEK, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)  
(Dollars in thousands)

	Nine months ended September 30,	
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	1994	1993
	-----	-----

Cash provided by (used for):

Operating activities:		
Net income	\$20,711	\$14,298
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary loss on early extinguishment of debt	11,810	-
Cumulative effect of accounting change	(3,819)	-

Depreciation and amortization	26,301	26,849
Deferred income taxes	1,370	8
Noncash portion of resizing charges	-	4,100
Net change in operating working capital	32,417	(9,228)
Other	(223)	(611)
	-----	-----
Total operating activities	88,567	35,416
	-----	-----
Investing activities:		
Additions to property, plant and equipment	(16,795)	(29,207)
Proceeds from sale of investments and other assets	7,271	4,353
Purchase of businesses and investments	(1,113)	(13,021)
Decrease in marketable securities	7,355	26,278
	-----	-----
Total investing activities	(3,282)	(11,597)
	-----	-----
Financing activities:		
Proceeds from issuance of long-term debt	306,000	-
Repayments of long-term debt	(260,227)	(18,829)
Debt prepayment premiums and debt issuance costs	(29,368)	-
Repurchases of common stock	(118,833)	(8,878)
Cash dividends paid	(6,827)	(22,477)
Other	2,381	1,382
	-----	-----
Total financing activities	(106,874)	(48,802)
	-----	-----
(Decrease) in cash and cash equivalents	(21,589)	(24,983)
Cash and cash equivalents:		
As of January 1	40,468	59,138
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As of September 30	\$18,879	\$34,155
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See accompanying notes.

4

AMETEK, INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SEPTEMBER 30, 1994  
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(UNAUDITED)

NOTE 1 - FINANCIAL STATEMENT PRESENTATION

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THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS ARE UNAUDITED, BUT THE COMPANY BELIEVES THAT ALL ADJUSTMENTS (WHICH CONSIST OF NORMAL RECURRING ACCRUALS) NECESSARY FOR FAIR PRESENTATION OF THE CONSOLIDATED FINANCIAL POSITION OF THE COMPANY AT SEPTEMBER 30, 1994 AND THE CONSOLIDATED RESULTS OF ITS OPERATIONS AND CASH FLOWS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1994 AND 1993 HAVE BEEN INCLUDED. QUARTERLY RESULTS OF OPERATIONS ARE NOT NECESSARILY INDICATIVE OF RESULTS FOR THE FULL YEAR. QUARTERLY FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES IN THE COMPANY'S 1993 ANNUAL REPORT.

NOTE 2 - EARNINGS PER SHARE

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THE COMPUTATION OF EARNINGS PER SHARE IS BASED ON THE AVERAGE NUMBER OF COMMON SHARES OUTSTANDING EACH PERIOD. NO MATERIAL DILUTION OF EARNINGS PER SHARE WOULD RESULT FOR THE THIRD QUARTER OR THE FIRST NINE MONTHS OF 1994 OR 1993 IF IT WERE ASSUMED THAT ALL OUTSTANDING STOCK OPTIONS WERE EXERCISED. THE SUM OF QUARTERLY EARNINGS PER SHARE WILL NOT EQUAL YEAR-TO-DATE EARNINGS PER SHARE FOR 1994 DUE TO THE EFFECTS OF COMMON STOCK REPURCHASES (SEE NOTE 6).

NOTE 3 - INVENTORIES

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THE ESTIMATED COMPONENTS OF INVENTORY STATED AT LOWER OF LIFO COST OR MARKET ARE:

	IN THOUSANDS	
	SEPTEMBER 30, 1994	DECEMBER 31, 1993
	(UNAUDITED)	
FINISHED GOODS AND PARTS	\$33,730	\$32,410
WORK IN PROCESS	24,411	23,683
RAW MATERIALS AND PURCHASED PARTS	39,841	35,801
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	\$97,982	\$91,894
	=====	=====

NOTE 4 - ACCOUNTING CHANGE

EFFECTIVE JANUARY 1, 1994, THE COMPANY ADOPTED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS) NO. 115, "ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES." THE CUMULATIVE EFFECT ON NET INCOME AS OF JANUARY 1, 1994, OF ADOPTING THIS STATEMENT FOR TRADING SECURITIES WAS TO INCREASE NET INCOME BY \$3.8 MILLION, NET OF INCOME TAXES, OR \$.10 PER SHARE. THE IMPACT ON STOCKHOLDERS' EQUITY OF ADOPTING THIS STATEMENT FOR ALL SECURITIES WAS NOT SIGNIFICANT. AS REQUIRED BY SFAS NO. 115, MANAGEMENT IS TO REEVALUATE THE APPROPRIATE CLASSIFICATION OF SECURITIES AT EACH BALANCE SHEET DATE, BASED ON ITS INTENT TO TRADE OR HOLD THE SECURITIES.

5

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

(UNAUDITED)

NOTE 4 - ACCOUNTING CHANGE (CONT'D)

ACCORDINGLY, AND AS A RESULT OF THE CONSUMMATION OF NEW DEBT AGREEMENTS BY THE COMPANY IN LATE MARCH 1994, WHICH CONTAIN RESTRICTIVE COVENANTS AS TO THE AMOUNT AND COMPOSITION OF THE COMPANY'S INVESTMENT PORTFOLIO, ALL SECURITIES CLASSIFIED AS TRADING SECURITIES ON MARCH 31, 1994 (PRIMARILY SECURITIES OF A CAPTIVE INSURANCE SUBSIDIARY) HAVING AN AGGREGATE FAIR VALUE OF \$16.7 MILLION WERE TRANSFERRED TO AVAILABLE-FOR-SALE SECURITIES EFFECTIVE APRIL 1, 1994. DUE TO THE RESTRICTIVE COVENANTS, MOST OF THE COMPANY'S TRADING SECURITIES PORTFOLIO WAS SOLD LATE IN MARCH 1994 AND NOT REPLACED. THEREFORE, UNDER MANAGEMENT'S REVISED INVESTMENT OBJECTIVES, MANAGEMENT DOES NOT INTEND TO ACTIVELY TRADE SECURITIES CURRENTLY HELD, AND AVAILABLE FOR SALE, OR SECURITIES TO BE ACQUIRED IN THE FUTURE. THE EFFECT OF THE TRANSFER OF ALL SECURITIES FROM THE TRADING PORTFOLIO TO AVAILABLE-FOR-SALE HAD NO EFFECT ON INCOME OR STOCKHOLDERS' EQUITY. AT SEPTEMBER 30, 1994, DEBT AND EQUITY SECURITIES CLASSIFIED AS AVAILABLE-FOR-SALE HAD AN AGGREGATE FAIR VALUE OF \$20.1 MILLION (\$19.9 MILLION COST).

NOTE 5 - LONG-TERM DEBT

LONG-TERM DEBT CONSISTS OF THE FOLLOWING:

IN THOUSANDS	
SEPTEMBER 30,	DECEMBER 31,

	1994	1993
	-----	-----
	(UNAUDITED)	
8.95% NOTES PAYABLE	\$ -	\$106,750
9.35% NOTES PAYABLE	-	75,000
9.75% SENIOR NOTES DUE 2004	150,000	-
FIXED/FLOATING RATE SECURED BANK TERM NOTES DUE 1995 TO 1999	50,000	-
FLOATING RATE REVOLVING LOANS DUE 1999	32,025	-
OTHER	820	5,222
	-----	-----
	232,845	186,972
LESS CURRENT PORTION	(5,396)	(14,543)
	-----	-----
	\$227,449	\$172,429
	=====	=====

ON MARCH 21, 1994, THE COMPANY COMPLETED AN OFFERING OF \$150 MILLION IN PRINCIPAL AMOUNT OF 9 3/4% SENIOR NOTES DUE MARCH 15, 2004. ALSO IN MARCH 1994, THE COMPANY ENTERED INTO A \$250 MILLION FIXED/FLOATING RATE SENIOR SECURED CREDIT AGREEMENT WITH A GROUP OF BANKS WHICH PROVIDED COMMITMENTS OF \$125 MILLION EACH FOR TERM LOANS AND REVOLVING LOANS.

6

AMETEK, INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

-----  
SEPTEMBER 30, 1994

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(UNAUDITED)

NOTE 5 - LONG-TERM DEBT (CONT'D)

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IN OCTOBER 1994, THE COMPANY AMENDED THE BANK CREDIT AGREEMENT, REDUCING THE TOTAL CREDIT FACILITY FROM \$250 MILLION TO \$200 MILLION. THE AMENDED AGREEMENT REDUCES THE TERM LOAN COMMITMENT FROM \$125 MILLION TO \$50 MILLION, ALL OF WHICH IS OUTSTANDING AT SEPTEMBER 30, 1994, AND IS TO BE REPAYED IN SEMI-ANNUAL INSTALLMENTS OVER FIVE YEARS BEGINNING IN 1995. THE AGREEMENT ALSO INCREASES THE REVOLVING LOAN COMMITMENT FROM \$125 MILLION TO \$150 MILLION, OF WHICH \$32 MILLION IS OUTSTANDING AT SEPTEMBER 30, 1994. THE REVOLVING LOAN COMMITMENT EXPIRES IN 1999, AND ANY LOANS OUTSTANDING THEREUNDER MATURE AT THAT TIME.

ADDITIONALLY, THE AMENDED AGREEMENT LOWERS INTEREST RATES AND REDUCES COMMITMENT FEES AND, SUBJECT TO AUTHORIZATION BY THE BOARD OF DIRECTORS, ALLOWS THE COMPANY TO SPEND UP TO \$25 MILLION TO REPURCHASE A PORTION OF ITS 9 3/4% SENIOR NOTES, OR TO MAKE ADDITIONAL REPURCHASES OF THE COMPANY'S COMMON STOCK (SEE NOTE 6), OR A COMBINATION THEREOF.

OUTSTANDING LOANS UNDER THE CREDIT FACILITY ARE SUBJECT TO INTEREST RATE SWAP AND CAP AGREEMENTS BASED ON A COMBINATION OF A FIXED RATE AND THE LONDON INTERBANK OFFERED RATE (LIBOR), PLUS A NEGOTIATED SPREAD OVER LIBOR. THE WEIGHTED INTEREST RATES ON LOANS UNDER THE AMENDED AGREEMENT IS 6.88% FOR TERM LOANS AND 6.07% FOR REVOLVING LOANS. THE COMPANY'S LOAN AGREEMENTS CONTAIN REQUIREMENTS, WHICH AMONG OTHER THINGS, PROVIDE FOR COMPLIANCE WITH CERTAIN FINANCIAL RATIOS. AT SEPTEMBER 30, 1994, THE COMPANY WAS IN COMPLIANCE WITH ALL SUCH REQUIREMENTS.

THE NET PROCEEDS FROM DEBT ISSUANCES IN MARCH 1994, TOGETHER WITH AVAILABLE CASH, WERE USED TO: (A) FINANCE THE COMPANY'S EARLY RETIREMENT OF DEBT IN MARCH 1994 AGGREGATING \$185.4 MILLION, (B) FUND PREPAYMENT PREMIUMS AND OTHER EXPENSES RELATED TO THE SALE OF THE SENIOR NOTES AND THE BANK CREDIT AGREEMENT TOTALLING \$29.4 MILLION, AND (C) REPURCHASE OUTSTANDING SHARES OF THE COMPANY'S COMMON STOCK (SEE NOTE 6).

IN CONNECTION WITH THE MARCH 1994 EARLY RETIREMENT OF DEBT, THE COMPANY RECORDED AN EXTRAORDINARY LOSS OF \$11.8 MILLION (NET OF TAX BENEFITS OF \$7.6

MILLION) OR \$.31 PER SHARE, FOR THE PREPAYMENT PREMIUMS PAID AND THE WRITE-OFF OF RELATED DEFERRED DEBT ISSUANCE COSTS.

7

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

(UNAUDITED)

NOTE 6 - STOCKHOLDERS' EQUITY

STOCKHOLDERS' EQUITY CONSISTS OF THE FOLLOWING:

	IN THOUSANDS	
	SEPTEMBER 30, 1994	DECEMBER 31, 1993
	(UNAUDITED)	
PREFERRED STOCK, \$1.00 PAR VALUE, AUTHORIZED: 5,000,000 SHARES; NONE ISSUED	\$ -	\$ -
COMMON STOCK, \$.01 PAR VALUE, AUTHORIZED: 100,000,000 SHARES; ISSUED: 1994 - 37,193,217 SHARES AND 1993 - 46,414,317 SHARES	372	46,414
CAPITAL IN EXCESS OF PAR VALUE	6,934	6,389
RETAINED EARNINGS	102,944	161,297
	-----	-----
NET UNREALIZED LOSSES	110,250	214,100
LESS: COST OF SHARES HELD IN TREASURY;	(19,525)	(21,632)
1994 - 2,621,469 SHARES AND		
1993 - 2,774,672 SHARES	(25,704)	(27,142)
	-----	-----
	\$ 65,021	\$165,326
	=====	=====

DURING THE FIRST NINE MONTHS OF 1994, THE COMPANY REPURCHASED 9,221,100 SHARES OF ITS COMMON STOCK UPON THE EXERCISE OF AN OPTION AND IN A COMBINATION OF PRIVATELY NEGOTIATED AND OPEN MARKET TRANSACTIONS FOR AN AGGREGATE PRICE OF \$118.8 MILLION, FINANCED BY A PORTION OF THE PROCEEDS FROM THE DEBT ISSUANCES DESCRIBED IN NOTE 5. THE STOCK REPURCHASES ARE BEING MADE UNDER A PREVIOUSLY ANNOUNCED PLAN INTENDED TO ENHANCE SHAREHOLDER VALUE. THE PLAN PERMITS THE COMPANY TO PURCHASE OUTSTANDING SHARES OF ITS COMMON STOCK FOR AN AGGREGATE PURCHASE PRICE OF UP TO \$150 MILLION. AS DESCRIBED IN NOTE 5, AN AMENDMENT TO THE COMPANY'S BANK CREDIT AGREEMENT EFFECTIVE IN OCTOBER 1994, AMONG OTHER THINGS, PERMITS THE COMPANY TO PURCHASE UP TO AN ADDITIONAL \$25 MILLION OF ITS COMMON STOCK, SUBJECT TO BOARD APPROVAL, FOR A MAXIMUM TOTAL POTENTIAL PURCHASE OF \$175 MILLION.

AS OF SEPTEMBER 30, 1994, ALL OF THE REPURCHASED SHARES HAVE BEEN RETIRED AS REQUIRED BY THE COMPANY'S LOAN AGREEMENTS, AND SUCH SHARES HAVE BEEN RETURNED TO THE STATUS OF AUTHORIZED BUT UNISSUED SHARES. AT SEPTEMBER 30, 1994, SHARES OUTSTANDING TOTALLED 34,571,748, COMPARED TO 43,639,645 SHARES OUTSTANDING AT DECEMBER 31, 1993.

AT THE ANNUAL MEETING OF STOCKHOLDERS ON APRIL 26, 1994, THE COMPANY'S SHAREHOLDERS APPROVED A REDUCTION IN THE PAR VALUE OF THE COMPANY'S COMMON STOCK FROM \$1.00 PER SHARE TO \$.01 PER SHARE. THIS CHANGE RESULTED IN A TRANSFER OF AN EQUAL AMOUNT FROM THE COMMON STOCK ACCOUNT TO THE CAPITAL IN EXCESS OF PAR VALUE ACCOUNT.

8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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AND RESULTS OF OPERATIONS  
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FINANCIAL CONDITION  
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LIQUIDITY AND CAPITAL RESOURCES  
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WORKING CAPITAL AT SEPTEMBER 30, 1994 AMOUNTED TO \$87.5 MILLION, A DECREASE OF \$46.7 MILLION FROM DECEMBER 31, 1993, DUE PRIMARILY TO THE DECREASE IN CASH AND SECURITIES FROM DEBT REPAYMENTS, AND AN INCREASE IN ACCOUNTS PAYABLE AND ACCRUALS CAUSED BY THE HIGHER LEVEL OF BUSINESS ACTIVITY. THE RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES AT SEPTEMBER 30, 1994 WAS 1.49 TO 1, COMPARED TO 1.80 TO 1 AT DECEMBER 31, 1993.

CASH GENERATED BY THE COMPANY'S OPERATING ACTIVITIES FOR THE FIRST NINE MONTHS OF 1994 TOTALLED \$88.6 MILLION, COMPARED TO \$35.4 MILLION IN THE FIRST NINE MONTHS OF 1993, AN INCREASE OF \$53.2 MILLION. CASH GENERATED SINCE THE BEGINNING OF 1994 INCLUDES \$32.4 MILLION WHICH WAS PROVIDED BY OPERATING WORKING CAPITAL, PRIMARILY DUE TO NET CASH INFLOWS OF \$31.6 MILLION FROM THE SALE OF TRADING SECURITIES IN THE FIRST QUARTER OF THIS YEAR (SEE NOTE 4). THE HIGHER INCOME AFTER ADJUSTING FOR NONRECURRING ITEMS ALSO CONTRIBUTED TO THE IMPROVED OPERATING CASH FLOW.

CASH USED FOR BUSINESS RESTRUCTURING ACTIVITIES IN THE FIRST NINE MONTHS OF 1994, PRIMARILY FOR PERSONNEL REDUCTIONS, WAS NOT SIGNIFICANT. DURING THIS NINE MONTH PERIOD, CERTAIN DELAYS HAVE BEEN ENCOUNTERED IN IMPLEMENTING SPECIFIC PORTIONS OF THE RESTRUCTURING PLAN. THESE DELAYS INCLUDED FINDING A SUITABLE LOCATION AND SECURING A FACILITY IN BINGHAMTON, NEW YORK FOR THE RELOCATION OF THE SELLERSVILLE, PENNSYLVANIA AEROSPACE MANUFACTURING OPERATIONS, WHICH WAS ACCOMPLISHED IN SEPTEMBER 1994. IN ADDITION, THE COMPANY IS EXPERIENCING A DELAY IN THE TIMING OF CERTAIN PLANNED WORKFORCE REDUCTIONS AT THE SELLERSVILLE PLANT. HOWEVER, FOR ALL OF 1994, AND PRINCIPALLY IN THE FOURTH QUARTER, MANAGEMENT EXPECTS TO INCUR CASH EXPENDITURES FOR RESTRUCTURING OF APPROXIMATELY \$5 TO \$6 MILLION AGAINST ITS ORIGINAL ESTIMATE OF APPROXIMATELY \$24 MILLION FOR 1994 AND 1995 COMBINED. IN ADDITION TO THE EXPENDITURES FOR PERSONNEL REDUCTIONS MENTIONED ABOVE, THE TOTAL 1994 CASH OUTLAY WILL INCLUDE DISBURSEMENTS FOR THE RELOCATION OF AEROSPACE OPERATIONS AND FACILITIES COMBINATION. ALTHOUGH CASH EXPENDITURES RELATED TO THE RESTRUCTURING ACCRUAL ARE SLIGHTLY BEHIND THE ORIGINAL PLAN, MANAGEMENT STILL BELIEVES THAT THE RESTRUCTURING ACCRUAL IS ADEQUATE.

FINANCIAL CONDITION (CONT'D)  
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THE RESTRUCTURING PROGRAM IS PRODUCING THE ANTICIPATED BENEFITS WHICH ARE AHEAD OF SCHEDULE, RESULTING FROM REDUCED LABOR COSTS, IMPROVED PRODUCTIVITY AND OTHER LOWER OPERATING COSTS. WHEN THE ENTIRE RESTRUCTURING PROGRAM IS IMPLEMENTED, IT IS ANTICIPATED THAT THE BENEFITS WILL MORE THAN OFFSET THE CASH EXPENDITURES UNDER THE PLAN OVER TIME.

INVESTING ACTIVITIES USED CASH OF \$3.3 MILLION IN THE FIRST NINE MONTHS OF 1994, COMPARED TO \$11.6 MILLION IN THE SAME PERIOD LAST YEAR. CASH USED FOR INVESTING ACTIVITIES SINCE THE BEGINNING OF 1994 INCLUDED \$16.8 MILLION FOR CAPITAL EXPENDITURES, REDUCED BY CASH GENERATED FROM THE SALE OF INVESTMENTS, AN IDLE FACILITY, AND OTHER ASSETS TOTALLING \$13.5 MILLION. THE SALE OF THE NONINVESTMENT ASSETS WERE PART OF THE 1993 RESTRUCTURING PROGRAM. IN THE FIRST NINE MONTHS OF 1993, CAPITAL EXPENDITURES USED CASH OF \$29.2



MILLION, AND \$7.4 MILLION WAS EXPENDED FOR THE PURCHASE OF A BUSINESS, PARTIALLY OFFSET BY CASH GENERATED FROM THE SALE OF INVESTMENTS (NET OF PURCHASES) WHICH TOTALLED \$25.0 MILLION.

FINANCING ACTIVITIES USED CASH TOTALLING \$106.9 MILLION IN THE FIRST NINE MONTHS OF 1994, COMPARED TO \$48.8 MILLION USED IN THE FIRST NINE MONTHS OF 1993. BORROWINGS IN THE FIRST NINE MONTHS OF 1994 TOTALLED \$306 MILLION, AND CONSISTED OF THE PUBLIC SALE OF \$150 MILLION OF 9 3/4% SENIOR NOTES IN THE FIRST QUARTER, PLUS \$156 MILLION OF BORROWINGS UNDER THE COMPANY'S SENIOR SECURED BANK CREDIT AGREEMENT, WHICH WAS AMENDED IN OCTOBER, 1994 (SEE NOTE 5 TO THE FINANCIAL STATEMENTS). THESE BORROWED FUNDS, ALONG WITH AVAILABLE CASH, WERE USED TO (A) PREPAY DEBT OUTSTANDING IN MARCH 1994 TOTALLING \$185.4 MILLION, (B) TO FUND DEBT PREPAYMENT PREMIUMS AND DEBT ISSUANCE COSTS OF \$29.4 MILLION, (C) TO REPAY \$74.8 MILLION (\$40.0 MILLION IN SEPTEMBER 1994) WHICH WAS BORROWED PRIMARILY UNDER THE BANK CREDIT AGREEMENT SINCE MARCH 1994, (D) TO FUND \$6.8 MILLION IN DIVIDEND PAYMENTS, AND (E) TO REPURCHASE 9.2 MILLION SHARES OF THE COMPANY'S COMMON STOCK AT A COST OF \$118.8 MILLION UNDER THE COMPANY'S SHARE REPURCHASE PROGRAM, LESS \$2.3 MILLION OF CASH RECEIVED FROM EMPLOYEES UPON THE EXERCISE OF EMPLOYEE STOCK OPTIONS.

AS A RESULT OF THE ABOVE FINANCING ACTIVITIES, THE COMPANY'S DEBT CAPITALIZATION INCREASED TO \$232.9 MILLION AT SEPTEMBER 30, 1994, FROM \$187.0 MILLION AT DECEMBER 31, 1993, WHILE ITS EQUITY CAPITALIZATION DECREASED TO \$65.0 FROM \$165.3 MILLION DURING THE SAME NINE-MONTH PERIOD, RESULTING IN TOTAL CAPITALIZATION OF \$297.9 MILLION AT SEPTEMBER 30, 1994 COMPARED TO \$352.3 MILLION AT DECEMBER 31, 1993. THESE CHANGES RESULTED IN INCREASED LEVERAGE AND REDUCED FINANCIAL AND OPERATING FLEXIBILITY FOR THE COMPANY.

10

AMETEK, INC.  
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FINANCIAL CONDITION (CONT'D)  
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CONSEQUENTLY, A PORTION OF THE COMPANY'S CASH FLOW FROM OPERATIONS WILL BE REQUIRED TO SERVICE DEBT ON A CONTINUING BASIS, MAKING THESE FUNDS UNAVAILABLE FOR WORKING CAPITAL, CAPITAL EXPENDITURES, OR OTHER GENERAL CORPORATE PURPOSES. IN ADDITION, RESTRICTIVE COVENANTS IN THE COMPANY'S DEBT AGREEMENTS WILL RESTRICT THE COMPANY'S ABILITY TO ENGAGE IN CERTAIN TYPES OF INVESTING OR FINANCING ACTIVITIES, INCLUDING THE PURCHASE OR SALE OF ASSETS OUTSIDE THE ORDINARY COURSE OF BUSINESS, OR THE INCURRENCE OF FURTHER INDEBTEDNESS. THE COMPANY'S INCREASING CASH FLOWS FROM ITS OPERATIONS, ESTIMATED ANNUAL SAVINGS OF APPROXIMATELY \$21 MILLION IN REDUCED DIVIDEND PAYMENTS, AND LOWER NEAR-TERM REQUIRED DEBT PRINCIPAL PAYMENTS ARE EXPECTED TO MORE THAN COMPENSATE FOR THESE LIMITATIONS.

THE OCTOBER 1994 AMENDMENT TO THE BANK CREDIT AGREEMENT HAS INCREASED THE COMPANY'S OPERATING AND FINANCIAL FLEXIBILITY, BY REDUCING THE TOTAL CREDIT FACILITY, RESULTING IN REDUCED TERM LOAN COMMITMENTS, AND INCREASED REVOLVING LOAN COMMITMENTS, AS WELL AS LOWER INTEREST RATES AND REDUCED COMMITMENT FEES. IT ALSO PERMITS THE COMPANY TO SPEND UP TO \$25 MILLION TO REPURCHASE PART OF ITS SENIOR NOTES OR MAKE ADDITIONAL REPURCHASES OF ITS COMMON STOCK, OR A COMBINATION THEREOF, SUBJECT TO BOARD APPROVAL. THE COMPANY NOW HAS A TOTAL OF \$200 MILLION IN DOMESTIC BANK COMMITMENTS, OF WHICH \$105.5 MILLION ARE UNUSED AND AVAILABLE AFTER REDUCING THE COMMITMENT FOR OUTSTANDING LOANS AND LETTERS OF CREDIT.

AS A RESULT OF THE ABOVE OPERATING, INVESTING AND FINANCING ACTIVITIES, CASH AND CASH EQUIVALENTS AND SHORT-TERM MARKETABLE SECURITIES DECREASED \$56.0 MILLION SINCE DECEMBER 31, 1993, TO \$28.6 MILLION AT SEPTEMBER 30, 1994. MANAGEMENT BELIEVES THAT THE COMPANY HAS SUFFICIENT CASH FLOW FROM OPERATIONS, ADDITIONAL BORROWING CAPACITY, AND THE RETENTION OF A SUBSTANTIALLY GREATER PORTION OF CASH UNDER THE COMPANY'S NEW POLICY OF REDUCED DIVIDEND PAYMENTS ON ITS COMMON STOCK TO MEET ITS OPERATING OBJECTIVES, CAPITAL EXPENDITURE REQUIREMENTS, FINANCE THE SHARE REPURCHASE PROGRAM, AND SERVICE ITS DEBT OBLIGATIONS IN THE FORESEEABLE FUTURE.

AMETEK, INC.  
-----RESULTS OF OPERATIONS  
-----OPERATIONS FOR THE THIRD QUARTER OF 1994  
COMPARED TO THE THIRD QUARTER OF 1993

SALES FOR THE THIRD QUARTER OF 1994 WERE \$198.7 MILLION, COMPARED TO SALES OF \$175.0 MILLION FOR THE THIRD QUARTER OF 1993, AN INCREASE OF \$23.7 MILLION OR 13.5%. ALL BUSINESS SEGMENTS REPORTED SALES INCREASES. THE LARGEST PORTION OF THE SALES IMPROVEMENT CAME FROM THE COMPANY'S ELECTRO-MECHANICAL GROUP, IN WHICH SALES INCREASED \$17.2 MILLION OR 27.5%, DUE TO CONTINUED STRONG DEMAND FOR ELECTRIC MOTOR PRODUCTS IN THE U.S. AND IN EUROPE. THE PRECISION INSTRUMENTS GROUP'S SALES INCREASED \$3.6 MILLION OR 5.2%, DUE TO CONTINUING STRENGTH IN THE MARKET FOR HEAVY TRUCK INSTRUMENTS, WHILE THE INDUSTRIAL MATERIALS GROUP'S SALES INCREASED \$2.9 MILLION OR 6.6% LED BY INCREASED SALES OF SPECIALTY METALS AND WATER FILTRATION PRODUCTS.

OPERATING INCOME FOR THE THIRD QUARTER OF 1994 INCREASED \$13.7 MILLION OR 211.9% TO \$20.2 MILLION FROM \$6.5 MILLION IN THE THIRD QUARTER OF 1993. THE THIRD QUARTER OF 1993 INCLUDED A \$4.4 MILLION PRETAX CHARGE FOR RESIZING THE COMPANY'S AEROSPACE AND GENERAL GAUGE OPERATIONS. THIS INCREASE IN OPERATING INCOME RESULTS FROM THE HIGHER SALES VOLUME, OVERALL IMPROVED OPERATING PERFORMANCE AND COST SAVINGS RESULTING FROM THE IMPLEMENTATION OF THE RESIZING AND RESTRUCTURING PROGRAMS WHICH BEGAN IN 1993. EACH BUSINESS SEGMENT REPORTED AN INCREASE IN OPERATING PROFIT.

INTEREST EXPENSE WAS \$6.1 MILLION IN THIS YEAR'S THIRD QUARTER, AN INCREASE OF 39.8% FROM THE THIRD QUARTER OF 1993 DUE TO THE HIGHER LEVEL OF TOTAL DEBT OUTSTANDING DURING THE CURRENT PERIOD. OTHER INCOME NET IN THE CURRENT THIRD QUARTER WAS \$1.7 MILLION, COMPARED TO \$2.0 MILLION IN THE SAME QUARTER OF 1993. THE 1994 QUARTER REFLECTS LOWER INTEREST INCOME, AND HIGHER AMORTIZATION OF DEFERRED DEBT ISSUANCE COSTS, PARTIALLY OFFSET BY A GAIN ON ASSET SALES WHICH WERE MADE IN THE SECOND QUARTER OF THIS YEAR.

THE EFFECTIVE INCOME TAX RATE WAS 35.5% DURING THE THIRD QUARTER OF 1994 COMPARED WITH 51.9% FOR THE SAME PERIOD IN 1993. THE LOWER 1994 RATE REFLECTS A FAVORABLE STATE TAX ADJUSTMENT, AND SLIGHTLY HIGHER FEDERAL TAX CREDITS, BOTH RELATED TO PRIOR TAX YEARS. THE 1993 TAX RATE INCLUDED A RETROACTIVE ADJUSTMENT FOR THE INCREASE IN THE U.S. FEDERAL STATUTORY INCOME TAX RATE FROM 34% TO 35%.

AMETEK, INC.  
-----RESULTS OF OPERATIONS (CONT'D)  
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THE WEIGHTED AVERAGE SHARES OUTSTANDING DURING THE THIRD QUARTER OF 1994 WAS 34.8 MILLION SHARES, COMPARED TO 43.6 MILLION SHARES FOR THE THIRD QUARTER OF 1993. THE REDUCED NUMBER OF SHARES IN THE CURRENT QUARTER REFLECTS THE COMPANY'S SHARE REPURCHASE PROGRAM WHICH BEGAN IN MARCH, 1994.

NET INCOME FOR THE THIRD QUARTER OF 1994 WAS \$10.2 MILLION OR \$.29 PER SHARE, AN INCREASE OF \$8.2 MILLION OVER THE \$2.0 MILLION OR \$.05 PER SHARE EARNED IN THE THIRD QUARTER OF 1993.

ELECTRO-MECHANICAL GROUP SALES TOTALLED \$79.6 MILLION IN THE  
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THIRD QUARTER OF 1994, AN INCREASE OF \$17.2 MILLION OR 27.5% FROM THE

THIRD QUARTER OF 1993, DUE TO INCREASED U.S. AND EUROPEAN DEMAND FOR ELECTRIC MOTOR PRODUCTS MANUFACTURED BY THE COMPANY'S DOMESTIC AND ITALIAN OPERATIONS.

THE ITALIAN OPERATIONS CONTINUE TO ACHIEVE SIGNIFICANT INCREASES IN SALES AND OPERATING PROFITS. SALES BY THESE BUSINESSES INCREASED 34% FROM THE THIRD QUARTER OF 1993, AND OPERATING PROFIT IMPROVED 68.1%, WITH MINIMAL FOREIGN CURRENCY EFFECT.

OPERATING PROFIT OF THIS GROUP INCREASED \$4.2 MILLION OR 62.0% TO \$11.1 MILLION IN THE THIRD QUARTER OF 1994. THE INCREASE WAS LARGELY DUE TO THE INCREASE IN SALES VOLUME. MARGINS IN THE THIRD QUARTER OF 1993 WERE SUPPRESSED SOMEWHAT BY THE START-UP OF THE ROCK CREEK PLANT, AND A PLANT REALIGNMENT OF THE GRAHAM FACILITY, BOTH IN NORTH CAROLINA. ALTHOUGH OPERATING MARGINS OF ALL BUSINESSES WITHIN THE GROUP IMPROVED IN THE CURRENT QUARTER, THEY CONTINUE TO BE LIMITED BY HIGHER COSTS ASSOCIATED WITH INCREASING PRODUCTION LEVELS AT THE ROCK CREEK PLANT AND BY OPERATING INEFFICIENCIES BEING EXPERIENCED AT THE GRAHAM FACILITY. MANAGEMENT EXPECTS TO SEE GROUP OPERATING MARGINS IMPROVE AS THESE PROBLEMS ARE RESOLVED.

IN THE PRECISION INSTRUMENTS GROUP, SALES INCREASED \$3.6 MILLION OR  
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5.2% TO \$71.9 MILLION IN THE THIRD QUARTER OF 1994. HIGHER SALES OF HEAVY TRUCK INSTRUMENTS WERE PARTIALLY OFFSET BY LOWER SALES OF AEROSPACE INSTRUMENTS. GROUP OPERATING PROFIT FOR THE THIRD QUARTER OF 1994 INCREASED \$4.6 MILLION TO \$9.3 MILLION, FROM \$4.7 MILLION IN THE SAME QUARTER OF 1993, BEFORE A \$4.4 MILLION RESIZING CHARGE IN 1993 FOR AEROSPACE AND GENERAL GAUGE OPERATIONS.

13

AMETEK, INC.  
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RESULTS OF OPERATIONS (CONT'D)  
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THE BUSINESS RESTRUCTURING PLAN ANNOUNCED IN THE FOURTH QUARTER OF 1993 IS STARTING TO PRODUCE IMPROVED RESULTS FOR THIS GROUP, AS COST REDUCTIONS FROM THE RELOCATION OF AEROSPACE MANUFACTURING OPERATIONS AND FACILITIES COMBINATION, AS WELL AS SELECTED WORKFORCE REDUCTIONS AND PRODUCTION EFFICIENCIES, HAVE CONTRIBUTED SIGNIFICANTLY TO THE INCREASE IN GROUP PROFITABILITY. THE COST SAVINGS BEING REALIZED FROM THE RESTRUCTURING PROGRAMS ARE AHEAD OF SCHEDULE, AND ARE EXPECTED TO CONTINUE. UNDER THE RESTRUCTURING PROGRAM, THIS GROUP IS EXPERIENCING A DELAY IN THE TIMING OF CERTAIN PLANNED WORKFORCE REDUCTIONS, DUE TO AN EXTENSION OF THE CURRENT LABOR CONTRACT AT A FACILITY IN SELLERSVILLE, PENNSYLVANIA. HOWEVER, THE RESTRUCTURING PROGRAM AFFECTING THE BUSINESSES IN THIS GROUP IS STILL EXPECTED TO BE FULLY IMPLEMENTED. IN ADDITION, IMPROVED OVERALL OPERATING EFFICIENCIES AND OTHER COST REDUCTION PROGRAMS WHICH HAVE BEEN PUT INTO EFFECT, ARE ALSO CONTRIBUTING TO THE IMPROVED PROFITABILITY OF THIS GROUP.

THE INDUSTRIAL MATERIALS GROUP'S THIRD QUARTER 1994 SALES  
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INCREASED \$2.9 MILLION OR 6.6% TO \$47.2 MILLION. THE INCREASES IN GROUP SALES WERE DUE TO IMPROVED GENERAL BUSINESS CONDITIONS, AS ALL BUT ONE DIVISION REPORTED A SALES INCREASE. GROUP OPERATING PROFIT FOR THE THIRD QUARTER OF 1994 INCREASED \$1.5 MILLION, OR 30.2%, TO \$6.5 MILLION, DUE TO THE HIGHER SALES VOLUME, AND WAS LED BY THE PLASTIC COMPOUNDING AND WATER FILTRATION BUSINESSES.

ON NOVEMBER 3, 1994, THE COMPANY ANNOUNCED THAT, AS PART OF ITS STRATEGIC FOCUS, IT IS PRESENTLY SEEKING BIDS FOR THE SALE OF ITS MICROFOAM PACKAGING DIVISION, WHICH IS PART OF THIS GROUP. THE COMPANY DOES NOT EXPECT TO INCUR A LOSS FROM THE SALE OF THIS BUSINESS.

OPERATIONS FOR THE FIRST NINE MONTHS OF 1994  
COMPARED TO THE FIRST NINE MONTHS OF 1993

SALES FOR THE FIRST NINE MONTHS OF 1994 WERE \$607.7 MILLION, COMPARED TO

SALES OF \$548.9 MILLION FOR THE FIRST NINE MONTHS OF 1993, AN INCREASE OF \$58.7 MILLION OR 10.7%. ALL BUSINESS SEGMENTS REPORTED IMPROVED SALES, LED BY THE COMPANY'S ELECTRO-MECHANICAL GROUP, WHICH INCREASED \$45.2 MILLION OR 21.9%. THE PRECISION INSTRUMENTS GROUP'S SALES INCREASED \$5.9 MILLION OR 2.8%, WHILE THE INDUSTRIAL MATERIALS GROUP'S SALES INCREASED \$7.6 MILLION OR 5.7%.

14

AMETEK, INC.  
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RESULTS OF OPERATIONS (CONT'D)  
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OPERATING INCOME FOR THE FIRST NINE MONTHS OF 1994 INCREASED \$19.5 MILLION OR 49.2% TO \$59.1 MILLION, COMPARED TO \$39.6 MILLION IN THE FIRST NINE MONTHS OF 1993 BEFORE INCLUDING A 1993 PRETAX CHARGE OF \$8.0 MILLION PRIMARILY FOR RESIZING THE COMPANY'S AEROSPACE AND GENERAL GAUGE OPERATIONS. THIS INCREASE IN OPERATING INCOME REFLECTS OVERALL IMPROVED OPERATING PERFORMANCE AND THE BENEFITS FROM THE IMPLEMENTATION OF THE RESIZING AND RESTRUCTURING PROGRAMS WHICH BEGAN IN 1993. ALL OPERATING GROUPS CONTRIBUTED TO THE INCREASE IN OPERATING INCOME.

INTEREST EXPENSE OF \$16.3 MILLION IN THIS YEAR'S FIRST NINE MONTHS INCREASED 21.1% FROM THE PRIOR YEAR BECAUSE OF THE HIGHER LEVEL OF TOTAL DEBT OUTSTANDING DURING THE CURRENT PERIOD. OTHER INCOME NET DECLINED \$2.2 MILLION TO \$3.3 MILLION IN THE FIRST NINE MONTHS OF 1994 PRIMARILY BECAUSE OF LOWER INTEREST INCOME, DUE TO A LOWER AVERAGE LEVEL OF INVESTED CASH, AND HIGHER AMORTIZATION OF DEFERRED DEBT ISSUANCE COSTS ASSOCIATED WITH NEW DEBT AGREEMENTS.

THE WEIGHTED AVERAGE SHARES OUTSTANDING DURING THE FIRST NINE MONTHS OF 1994 WAS 37.9 MILLION SHARES, COMPARED TO 44.0 MILLION SHARES FOR THE FIRST NINE MONTHS OF 1993. THE REDUCED NUMBER OF SHARES IN 1994 REFLECTS THE COMPANY'S SHARE REPURCHASE PROGRAM WHICH BEGAN IN MARCH, 1994.

INCOME BEFORE AN EXTRAORDINARY CHARGE AND A GAIN FROM THE CUMULATIVE EFFECT OF AN ACCOUNTING CHANGE FOR THE FIRST NINE MONTHS OF 1994 WAS \$28.7 MILLION, OR \$.76 PER SHARE, COMPARED WITH THE FIRST NINE MONTHS OF 1993, WHEN EARNINGS BEFORE RESIZING CHARGES WERE \$19.2 MILLION OR \$.44 PER SHARE, AN IMPROVEMENT OF 49.7%.

AFTER AN EXTRAORDINARY LOSS OF \$11.8 MILLION AFTER-TAX (\$.31 PER SHARE), FROM THE EARLY EXTINGUISHMENT OF DEBT, AND A \$3.8 MILLION AFTER-TAX GAIN (\$.10 PER SHARE) DUE TO A REQUIRED CHANGE IN ACCOUNTING FOR CERTAIN MARKETABLE SECURITIES, NET INCOME FOR THE FIRST NINE MONTHS OF 1994 WAS \$20.7 MILLION OR \$.55 PER SHARE. THIS COMPARES TO NET INCOME OF \$14.3 MILLION OR \$.33 PER SHARE FOR THE NINE MONTHS OF 1993, WHICH INCLUDED A \$.11 PER SHARE CHARGE FOR BUSINESS RESIZING.

15

AMETEK, INC.  
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RESULTS OF OPERATIONS (CONT'D)  
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ELECTRO-MECHANICAL GROUP SALES TOTALLED \$252.2 MILLION IN THE FIRST  
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NINE MONTHS OF 1994, AN INCREASE OF \$45.2 MILLION OR 21.9% FROM THE SAME PERIOD OF LAST YEAR, DUE TO INCREASED U.S. AND EUROPEAN DEMAND FOR ELECTRIC MOTOR PRODUCTS MANUFACTURED BY THE COMPANY'S DOMESTIC AND ITALIAN OPERATIONS. BEFORE CURRENCY EFFECTS, THE ITALIAN OPERATIONS REPORTED A 33.8% INCREASE IN SALES FROM THE FIRST NINE MONTH PERIOD OF 1993. AFTER CURRENCY TRANSLATION, SALES OF THE ITALIAN BUSINESSES INCREASED 27.3%.

OPERATING PROFIT OF THIS GROUP INCREASED \$7.0 MILLION OR 26.2% TO \$33.5 MILLION IN THE FIRST NINE MONTHS OF 1994, PRIMARILY BECAUSE OF THE HIGHER SALES VOLUME. SIGNIFICANT INCREASES IN OPERATING MARGINS BY THE ITALIAN OPERATIONS WERE PARTIALLY OFFSET BY OPERATING INEFFICIENCIES EXPERIENCED BY THE COMPANY'S TWO PLANTS IN NORTH CAROLINA, RELATED TO HIGHER COSTS ASSOCIATED WITH INCREASING PRODUCTION LEVELS AT THE ROCK CREEK PLANT, AND OPERATING INEFFICIENCIES FROM THE RECONFIGURATION AND EXPANSION OF THE GRAHAM FACILITY.

IN THE PRECISION INSTRUMENTS GROUP, SALES IN THE FIRST NINE MONTHS OF  
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1994 WERE \$214.8 MILLION, AN INCREASE OF \$5.9 MILLION OR 2.8% FROM THE SAME PERIOD OF 1993. HIGHER SALES OF HEAVY TRUCK INSTRUMENTS WERE SIGNIFICANTLY REDUCED BY LOWER SALES OF AEROSPACE AND PROCESS MEASUREMENT INSTRUMENTS.

GROUP OPERATING PROFIT FOR THE FIRST NINE MONTHS OF 1994 INCREASED \$10.7 MILLION TO \$23.4 MILLION, FROM 1993 NINE MONTH TOTALS OF \$12.7 MILLION, BEFORE REFLECTING A 1993 RESIZING CHARGE OF \$8.0 MILLION. CONTINUED SOFT BUSINESS CONDITIONS IN THE AEROSPACE AND PROCESS INDUSTRIES MARKETS SERVED BY THIS GROUP WERE MORE THAN OFFSET BY SIGNIFICANT IMPROVEMENTS IN OPERATING PROFITS REALIZED DUE TO COST SAVINGS RESULTING FROM THE IMPLEMENTATION OF THE RESTRUCTURING PROGRAMS INITIATED IN 1993.

THE BUSINESS RESTRUCTURING PLAN ANNOUNCED IN THE FOURTH QUARTER OF 1993 IS PRODUCING IMPROVED RESULTS FOR THIS GROUP, AS COST REDUCTIONS FROM THE RELOCATION OF AEROSPACE MANUFACTURING OPERATIONS AND FACILITIES COMBINATION, AS WELL AS SELECTED WORKFORCE REDUCTIONS AND PRODUCTION EFFICIENCIES HAVE CONTRIBUTED SIGNIFICANTLY TO THE INCREASE IN GROUP PROFITABILITY. THE COST SAVINGS BEING REALIZED FROM THE RESTRUCTURING PROGRAMS ARE AHEAD OF PLAN, AND ARE EXPECTED TO CONTINUE.

16

AMETEK, INC.  
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RESULTS OF OPERATIONS (CONT'D)  
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UNDER THE RESTRUCTURING PROGRAM, THIS GROUP IS EXPERIENCING A DELAY IN THE TIMING OF CERTAIN PLANNED WORKFORCE REDUCTIONS, DUE TO AN EXTENSION OF THE CURRENT LABOR CONTRACT AT A FACILITY IN SELLERSVILLE, PENNSYLVANIA. HOWEVER, THE RESTRUCTURING PROGRAM AFFECTING THE BUSINESSES IN THIS GROUP IS STILL EXPECTED TO BE FULLY IMPLEMENTED. IN ADDITION, IMPROVED OVERALL OPERATING EFFICIENCIES AND OTHER COST REDUCTION PROGRAMS WHICH HAVE BEEN IMPLEMENTED ARE ALSO CONTRIBUTING TO THE IMPROVED PROFITABILITY OF THIS GROUP.

THE INDUSTRIAL MATERIALS GROUP'S SALES FOR THE FIRST NINE MONTHS OF  
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1994 INCREASED \$7.6 MILLION OR 5.7% TO \$140.7 MILLION. THE GROUP BENEFITTED FROM INCREASED SALES DUE TO IMPROVEMENT IN THE GENERAL ECONOMY, AS ALL BUT ONE BUSINESS REPORTED A SALES INCREASE. GROUP OPERATING PROFIT FOR THE FIRST NINE MONTHS OF 1994 INCREASED \$3.4 MILLION, OR 20.2%, TO \$20.4 MILLION. THE INCREASE IN OPERATING PROFIT WAS DUE TO THE HIGHER SALES VOLUME, AS WELL AS BETTER PERFORMANCE BY MOST BUSINESSES IN THE GROUP, LED BY THE WATER FILTRATION, PLASTICS COMPOUNDING AND FOAM PACKAGING BUSINESSES.

17

AMETEK, INC.  
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PART II. OTHER INFORMATION  
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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K  
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A) EXHIBITS:

EXHIBIT NUMBER -----	DESCRIPTION -----
10	SECOND AMENDMENT TO CREDIT AGREEMENT, DATED AS OF OCTOBER 13, 1994, AMONG THE COMPANY, VARIOUS LENDING INSTITUTIONS, BANK OF MONTREAL, CORESTATES BANK, N.A., AND PNC BANK, NATIONAL ASSOCIATION, AS CO-AGENTS, AND THE CHASE MANHATTAN BANK, N.A., AS ADMINISTRATIVE AGENT.
27	FINANCIAL DATA SCHEDULE

B) REPORTS ON FORM 8-K: THE COMPANY DID NOT FILE ANY REPORTS ON  
FORM 8-K DURING THE QUARTER ENDED SEPTEMBER 30, 1994.

18

AMETEK, INC.  
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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.

AMETEK, INC.  
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(REGISTRANT)

BY /S/ OTTO W. RICHARDS  
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OTTO W. RICHARDS  
VICE PRESIDENT AND COMPTROLLER  
(PRINCIPAL ACCOUNTING OFFICER)

NOVEMBER 10, 1994

19

SECOND AMENDMENT TO CREDIT AGREEMENT  
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SECOND AMENDMENT (the "Amendment"), dated as of October 13, 1994, among AMETEK, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Credit Agreement referred to below (the "Banks"), BANK OF MONTREAL, CORESTATES BANK, N.A. and PNC BANK, NATIONAL ASSOCIATION, as Co-Agents, and THE CHASE MANHATTAN BANK, N.A., as Administrative Agent. All capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Credit Agreement.

W I T N E S S E T H :  
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WHEREAS, the Borrower, the Banks, the Co-Agents and the Administrative Agent are parties to a Credit Agreement dated as of March 11, 1994, as amended by a First Amendment to Credit Agreement, dated as of April 21, 1994 (as so amended, the "Credit Agreement"); and

WHEREAS, the parties hereto wish to further amend the Credit Agreement as herein provided;

NOW, THEREFORE, it is agreed:

I. AMENDMENTS TO CREDIT AGREEMENT  
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1. Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"1.01 Loan Commitments. Subject to and upon the terms and conditions  
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set forth herein, each Bank severally agrees as follows:

(a) (i) to maintain, on and immediately after giving effect to, the Second Amendment Effective Date, outstanding Term Loans made by such Bank to the Borrower pursuant to this Agreement (or acquired by such Bank by way of assignment and assumption prior to the Second Amendment Effective Date) in an aggregate principal amount equal to such Bank's Term Loan Maintenance Amount, if any; and (ii) the Term Loans maintained by

the Banks pursuant to clause (i) of this Section 1.01(a), shall initially be maintained (subject to the Borrower's option to subsequently convert such Term Loans pursuant to Section 1.06) as a single Borrowing of the same Type of Loans as in effect immediately prior to the Second Amendment Effective Date. Once repaid, Term Loans borrowed hereunder may not be reborrowed;

(b) (i) to convert, on and immediately after giving effect to, the Second Amendment Effective Date, outstanding Term Loans made by such Bank to the Borrower pursuant to this Agreement (or acquired by such Bank by way of assignment and assumption prior to the Second Amendment Effective Date) prior to giving effect to the Second Amendment Effective Date in an aggregate principal amount equal to such Bank's Loan Conversion Amount, if any, into a Borrowing of Revolving Loans hereunder (such Term Loans as so converted, together with all Revolving Loans made or maintained pursuant to the following clause (c), the "Revolving Loans" and each, a "Revolving Loan"); provided, that the Revolving Loans converted pursuant to this  
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clause (i) of this Section 1.01(b) on the Second Amendment Effective Date shall be subject to the limitations provided in Section 1.01(d); and (ii) Loans converted by the Banks pursuant to clause (i) of this Section 1.01(b) shall initially be maintained (subject to the Borrower's option to

subsequently convert such Revolving Loans pursuant to Section 1.06) as the same number of Borrowings and the same Types of such Loans so converted as in effect immediately prior to the Second Amendment Effective Date; provided that after giving effect to the conversion by the Banks pursuant

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to clause (i) of this Section 1.01(b), each such Bank shall have (and shall be deemed to have) outstanding Revolving Loans pursuant to each outstanding Borrowing of Revolving Loans in an amount equal to its Percentage of such Borrowing;

(c) (i) to maintain, on and immediately after giving effect to, the Second Amendment Effective Date, Revolving Loans made by such Bank to the Borrower pursuant to this Agreement (or acquired by such Bank by way of assignment and assumption prior to the Second Amendment Effective Date) and then outstanding in an aggregate principal amount equal to such Bank's Percentage of the aggregate principal amount of Revolving Loans outstanding immediately prior to the Second Amendment Effective Date and (ii) at any time and from time to time on and after the Second Amendment

-2-

Effective Date after giving effect thereto and prior to the Revolving Credit Facility Maturity Date, to make (after giving effect to the Term Loans being converted into Revolving Loans pursuant to the preceding clause (b) of this Section 1.01 and to the maintenance of Revolving Loans pursuant to the preceding clause (i) of this Section 1.01(c)) one or more Revolving Loans to the Borrower, which Revolving Loans made by the Banks shall, except as hereinafter provided, at the option of the Borrower, be maintained as and/or converted into, Base Rate Loans or Eurodollar Loans; provided, that, except as otherwise specifically provided herein, all

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Revolving Loans incurred pursuant to this Section 1.01(c) comprising the same Borrowing shall at all times be of the same Type; provided further,

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that the amount of Revolving Loans made pursuant to this clause (c) of Section 1.01 shall be subject to the limitations provided in Section 1.01(d); and

(d) Revolving Loans converted and/or made or maintained by the Banks pursuant to clauses (b) and (c) of this Section 1.01: (i) may be repaid and borrowed in accordance with the provisions hereof; (ii) shall not exceed in aggregate principal amount for any Bank at any time outstanding the amount which, when combined with such Bank's Percentage of the Letter of Credit Outstandings at such time, equals the Revolving Commitment of such Bank at such time and (iii) shall not exceed in aggregate principal amount for all Banks at any time outstanding the amount which, when added to the aggregate amount of Letter of Credit Outstandings at such time, equals the lesser of (x) the Borrowing Base then in effect and (y) the Total Revolving Commitment at such time."

2. Section 1.05 of the Credit Agreement is hereby amended by deleting clauses (b) and (c) thereof in their entirety and inserting in lieu thereof the following new clauses:

"(b) The Term Note, if any, issued to each Bank shall (i) be executed by the Borrower, (ii) be payable to the order of such Bank and be dated the Initial Borrowing Date, (iii) be in a stated principal amount equal to the Term Loan Maintenance Amount of such Bank as set forth on Schedule I hereto and be payable in the principal amount of the Term Loans evidenced thereby from time to time, (iv) mature on the Final Maturity Date, (v) bear interest as provided in the appropriate

-3-

clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to mandatory repayment as provided in Section 4.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) The Revolving Note, if any, issued to each Bank shall (i) be executed by the Borrower, (ii) be payable to the order of such Bank and be dated the Initial Borrowing Date, (iii) be in a stated principal amount equal to the Revolving Commitment of such Bank and be payable in the



principal amount of the Revolving Loans evidenced thereby from time to time, (iv) mature on the Revolving Credit Facility Maturity Date, (v) bear interest as provided in the appropriate clause of Section 1.08 in respect of the Base Rate Loans and Eurodollar Loans, as the case may be, evidenced thereby, (vi) be subject to mandatory repayment as provided in Section 4.02 and (vii) be entitled to the benefits of this Agreement and the other Credit Documents."

3. Section 3.01(a) of the Credit Agreement is hereby amended by (i) deleting the text "date the Total Commitment has been terminated" appearing therein and inserting "Second Amendment Effective Date," in lieu thereof, and (ii) inserting at the end of the first sentence thereof immediately after the text "Aggregate Unutilized Commitment" the following new text:

"and for the period from and including the Second Amendment Effective Date to but not including the date the Total Commitment has been terminated, computed at a rate for each day equal to the Applicable Commitment Commission Percentage on the daily average of such Bank's Aggregate Unutilized Commitment".

4. Section 4.02(A)(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) On each date set forth below, the Borrower shall be required to repay the principal amount of Term Loans as is set forth opposite such date (each a "Scheduled Repayment"):

-4-

Date ----	Amount -----
April 15, 1995	\$5,000,000
October 15, 1995	5,000,000
April 15, 1996	5,000,000
October 15, 1996	5,000,000
April 15, 1997	5,000,000
October 15, 1997	5,000,000
April 15, 1998	5,000,000
October 15, 1998	5,000,000
April 15, 1999	5,000,000
Final Maturity Date	5,000,000

5. Section 4.02(A)(f) of the Credit Agreement is hereby amended by deleting such clause in its entirety and inserting the following new text in lieu thereof:

"(f) [Intentionally deleted.]"

6. Section 6.05(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) The proceeds of Revolving Loans (other than Loans converted into Revolving Loans pursuant to Section 1.01(b)) shall be utilized for general corporate purposes of the Borrower and its Subsidiaries, provided that (i)

-----  
proceeds of Revolving Loans in an aggregate principal amount not to exceed \$32,000,000 may be utilized on or prior to March 21, 1996 to finance, in part, the Common Stock Repurchase, (ii) proceeds of Revolving Loans may be utilized to finance, in whole or in part, repurchases of Common Stock (other than under the Repurchase Program) in compliance with Section 8.06(e), and (iii) proceeds of Revolving Loans may be utilized to finance, in whole or in part, Permitted Senior Note Repurchases in compliance with Section 8.12(i) and the definition thereof."

7. Section 7.01(g) of the Credit Agreement is hereby amended by (i) deleting the word "five" contained in the introductory provision of such Section and inserting the number "15" in lieu thereof, and (ii) deleting the figure "\$250,000" contained in each of clauses (i) and (ii) thereof and inserting in lieu thereof the figure "\$1,000,000."

8. Section 7.01(h) of the Credit Agreement is hereby amended by deleting clause (ii) thereof in its entirety and inserting in lieu thereof the following:

-5-

"(ii) promptly and in any event within five Business Days following a request from the Administrative Agent or any Bank for same, a copy of the annual and quarterly statements furnished to the Borrower with respect to its Permitted Existing Investments listed as Items 1 and 2 on Schedule X hereto,".

9. Section 7.11 of the Credit Agreement is hereby amended by (i) deleting the first sentence of clause (a) thereof in its entirety and inserting in lieu thereof the following:

"Prior to the Target Date, as and to the extent requested from time to time by the Administrative Agent or the Required Banks, the Borrower will, and will cause each of its Domestic Subsidiaries to, grant to the Collateral Agent, for the benefit of the Secured Creditors, security interests and mortgages in such assets and properties of the Borrower or its Subsidiaries acquired after the Second Amendment Effective Date and not otherwise covered by the original Security Documents, excluding assets encumbered by Liens permitted by Section 8.02(i); provided, however, the Borrower shall  
-----  
not be required to take any additional action to create or perfect a security interest in any equipment, machinery or intellectual property acquired after the Second Amendment Effective Date with a fair market value (as determined in good faith by senior management of the Borrower) of less than \$3,000,000 at the time of the acquisition of such equipment, machinery or intellectual property by the Borrower."

and (ii) inserting the text "(collectively, the "Additional Security Documents")" immediately after the text "to the Administrative Agent" appearing in the second sentence of clause (a) thereof.

10. Section 8.03 of the Credit Agreement is hereby amended by (i) deleting the word "and" appearing at the end of clause (n) thereof, (ii) deleting the period at the end of clause (o) thereof and inserting the text "; and" in lieu thereof and (iii) adding the following new clause (p) thereto:

"(p) Indebtedness of AMETEK Italia S.r.l. evidenced by a bank guaranty denominated in Lira made by a financial institution on behalf of AMETEK Italia S.r.l. for the benefit of such Persons identified by AMETEK

-6-

Italia S.r.l. as the seller under the Permitted AMETEK Italia Acquisition in connection with the Permitted AMETEK Italia Acquisition, provided that  
-----

(i) the sole obligor thereunder is AMETEK Italia S.r.l. and neither the Borrower nor any Subsidiary of the Borrower (other than AMETEK Italia S.r.l.) is obligated (whether directly or indirectly through a guarantee, keep-well arrangement or otherwise) in respect thereof, (ii) such Indebtedness shall not contain any provision in the documents governing or evidencing the same which, in the reasonable opinion of the Administrative Agent, would permit a default or event of default to occur under such Indebtedness based upon the occurrence of a Default or Event of Default under this Agreement unless any such Event of Default has resulted in an acceleration under this Agreement, and (iii) the aggregate principal amount thereof at any one time outstanding shall not exceed 30 billion Lira (it being understood and agreed that the incurrence of such Indebtedness shall be deemed to be a representation and warranty by the Borrower that all conditions thereto have been satisfied and that the same is permitted in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder, including, without limitation, Sections 5.02 and 9)." ."

11. Section 8.03(k) of the Credit Agreement is hereby amended by deleting the figure "\$100,000" contained therein and inserting the figure "\$1,000,000" in lieu thereof.

12. Section 8.05(n) of the Credit Agreement is hereby amended by

deleting the text "the Performance Target" appearing in clause (x) thereof and inserting the ratio "1.00:1" in lieu thereof.

13. Section 8.06(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) so long as there shall exist no Default or Event of Default (both before and after giving effect thereto), (x) on or after the Second Amendment Effective Date and prior to June 30, 1995, the Borrower may effect Common Stock Repurchases pursuant to the Repurchase Program so long as the Borrower promptly retires any such shares of Common Stock so repurchased and (y) on or after June 30, 1995 and prior to the second anniversary of the Initial Borrowing Date, the Borrower may effect

-7-

Common Stock Repurchases pursuant to the Repurchase Program, so long as (A) at the time of any such Common Stock Repurchase pursuant to this clause (b)(y), the Fixed Charge Coverage Ratio is equal to or better than the Performance Target for the then most recently ended Test Period and (B) the Borrower promptly retires any such shares of Common Stock so repurchased;"

14. Section 8.06 of the Credit Agreement is hereby amended by (i) deleting the word "and" appearing at the end of clause (c) thereof, (ii) deleting the period appearing at the end of clause (d) thereof and inserting the text "; and" in lieu thereof, and (iii) adding the following new clause:

"(e) so long as there shall exist no Default or Event of Default (both before and after giving effect thereto), (x) on or after the Second Amendment Effective Date and prior to the Specified Target Date, the Borrower may repurchase shares of its Common Stock pursuant to open market and/or privately negotiated purchases and/or a cash tender offer for an amount for any such purchase not to exceed (i) \$25,000,000 less (ii) the sum of (A) the aggregate amount expended by the Borrower in connection with all repurchases of shares of its Common Stock previously effected pursuant to this clause (x) during such period and (B) the aggregate amount expended by the Borrower in connection with all Permitted Senior Note Repurchases effected during such period, (y) on or after the Specified Target Date, the Borrower may repurchase shares of its Common Stock pursuant to open market and/or privately negotiated purchases and/or a cash tender offer for an amount for any such purchase on or after the Specified Target Date not to exceed (i) \$25,000,000 less (ii) the aggregate amount expended by the Borrower in connection with all repurchases of shares of its Common Stock previously effected pursuant to the preceding clause (x) and this clause (y), and (z) the Borrower promptly retires any such shares of Common Stock so repurchased pursuant to this clause (e)."

15. Section 8.12 of the Credit Agreement is hereby amended by inserting the following text at the end of clause (i) thereof:

", provided, further that the Borrower may effect Permitted Senior  
-----  
Note Repurchases so long as (x) the consideration paid in connection with any such Permitted Senior Note Repurchase will not exceed the Available

-8-

Senior Note Repurchase Amount and (y) no Default or Event of Default then exists or would result therefrom,"

16. The definition of "Applicable Base Rate Margin" appearing in Section 10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Applicable Base Rate Margin" shall mean 0%.

17. The definition of "Applicable Eurodollar Margin" appearing in Section 10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Applicable Eurodollar Margin" shall mean, at any time during the relevant Category Period set forth below, the margin set forth below opposite such relevant Category Period:

Category Period -----	Applicable Eurodollar Margin -----
Category A Period	0.3125%
Category B Period	0.5000%
Category C Period	0.7500%
Category D Period	1.0000%
Category E Period	1.1250%
Category F Period	1.2000%

18. The definition of "Category D Period" appearing in Section 10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Category D Period" shall mean any period during which at all times the Credit Rating is BB or above but lower than BBB- (to the extent that the Credit Rating at the time of determination is the Applicable Credit Rating assigned by S&P) or Ba2 or above but lower than Baa3 (to the extent that the Credit Rating at the time of determination is the Applicable Credit Rating assigned by Moody's).

-9-

19. The definition of "Category E Period" appearing in Section 10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Category E Period" shall mean any period during which at all times the Credit Rating is BB- (to the extent that the Credit Rating at the time of determination is the Applicable Credit Rating assigned by S&P) or Ba3 (to the extent that the Credit Rating at the time of determination is the Applicable Credit Rating assigned by Moody's).

20. The definition of "Credit Rating" appearing in Section 10 of the Credit Agreement is hereby amended by deleting the word "lower" appearing in clause (ii) thereof and inserting the word "higher" in lieu thereof.

21. The definition of "Final Maturity Date" appearing in Section 10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Final Maturity Date" shall mean the fifth anniversary of the Second Amendment Effective Date."

22. The definition of "Revolving Credit Facility Maturity Date" appearing in Section 10 of the Credit Agreement is hereby amended by deleting the text "Initial Borrowing Date" appearing therein and inserting the text "Second Amendment Effective Date" in lieu thereof.

23. The definition of "Term Loan" appearing in Section 10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Term Loan" shall mean each term Loan made under this Agreement immediately prior to the Second Amendment Effective Date.

24. Section 10 of the Credit Agreement is hereby further amended by adding thereto in appropriate alphabetical order the following new definitions:

"Applicable Commitment Commission Percentage" shall mean, at any time during the relevant Category Period set forth below, the commitment commission percentage set forth below opposite such relevant Category Period:

-10-

Category Period -----	Applicable Commitment Commission Percentage -----
Category A Period	0.1250%
Category B Period	0.1500%
Category C Period	0.1875%
Category D Period	0.2000%
Category E Period	0.2500%
Category F Period	0.3125%

"Available Senior Note Repurchase Amount" shall mean (x) at any time on or after the Second Amendment Effective Date and prior to the Specified Target Date, an amount equal to (i) \$25,000,000 less (ii) the sum of (A) the aggregate amount expended by the Borrower in connection with all Permitted Senior Note Repurchases previously effected during such period and (B) the aggregate amount expended by the Borrower in connection with all repurchases of shares of its Common Stock previously effected pursuant to Section 8.06(e) (x) during such period, and (y) at any time on or after the Specified Target Date, an amount equal to (i) \$150,000,000 less (ii) the sum of (A) without duplication, the aggregate amount of all repayments of principal of all Senior Notes and all Permitted Refinancing Debt and (B) the aggregate amount expended by the Borrower in connection with all Permitted Senior Note Repurchases previously effected pursuant to the preceding clause (x) and this clause (y).

"Loan Conversion Amount" shall mean, for each Bank, the amount set forth opposite such Bank's name on Schedule I hereto directly below the column entitled "Loan Conversion Amount."

"Permitted AMETEK Italia Acquisition" shall mean the acquisition by AMETEK Italia S.r.l. of a business involving the design, manufacture and/or sale of motors, on terms and conditions (including, without limitation, documentation, purchase price, type of consideration and security in connection therewith) satisfactory to the Administrative Agent and the Required Banks.

-11-

"Permitted Senior Note Repurchase" shall mean the repurchase and retirement of any Senior Notes or Permitted Refinancing Debt being so repurchased in compliance with Section 8.12(i).

"Second Amendment" shall mean the Second Amendment to the Credit Agreement, dated as of October 13, 1994, among the Borrower and the Banks party thereto.

"Second Amendment Effective Date" shall have the meaning provided for such term in the Second Amendment.

"Specified Target Date" shall mean the first date upon which both (i) the Credit Rating is BBB (to the extent that the Credit Rating at the time of determination is the Applicable Credit Rating assigned by S&P) or Baa2 (to the extent that the Credit Rating at the time of determination is the Applicable Credit Rating assigned by Moody's) and (ii) no Default or Event of Default exists.

"Term Loan Maintenance Amount" shall mean, for each Bank, the amount set forth opposite such Bank's name on Schedule I hereto directly below the column entitled "Term Loan Maintenance Amount."

25. The Credit Agreement is hereby amended by deleting Schedule I thereto in its entirety and by inserting in lieu thereof a new Schedule I in the form of Annex A to this Amendment.

II. MISCELLANEOUS PROVISIONS.

1. Each of the Banks signatory hereto hereby consents to and authorizes the Administrative Agent to enter into an amendment to the Security Agreement and the Pledge Agreement in the form attached hereto as Annex B and Annex C, respectively, to this Amendment.

2. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Document.

3. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete

-12-

set of counterparts shall be lodged with the Borrower and the Administrative Agent.

4. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

5. This Amendment shall become effective on the date (the "Second Amendment Effective Date") when (i) each of the Borrower and each Bank shall have signed a copy hereof (whether the same or different copies) and shall have delivered (including by way of telecopier) the same to the Administrative Agent at its Notice Office, (ii) each of the Borrower, the Domestic Subsidiaries of the Borrower and the Administrative Agent shall have executed and delivered an amendment to the Security Agreement in the form of Annex B to this Amendment and an amendment to the Pledge Agreement in the form of Annex C to this Amendment, (iii) the Borrower shall have executed and delivered to the Administrative Agent for the account of each Bank, the appropriate Note or Notes in the amount, maturity and as otherwise provided in the Credit Agreement as amended by this Amendment, (iv) the Administrative Agent shall have received an opinion, addressed to each of the Banks, the Co-Agents and the Administrative Agent and dated the Second Amendment Effective Date, from Stroock & Stroock & Lavan, counsel to the Credit Parties, covering such matters as the Administrative Agent may request in connection with the transactions contemplated by the Second Amendment, (v) the Administrative Agent shall have received from the Borrower a certificate, dated the Second Amendment Effective Date, signed by an Authorized Officer of the Borrower certifying as to such matters and documents as the Administrative Agent may request in connection with the execution and delivery of the Second Amendment and the transactions contemplated thereby, and (vi) the Borrower shall have paid all costs, fees and expenses and all other compensation contemplated by the Credit Agreement and this Amendment to the extent due to the Administrative Agent, any Co-Agent or the Banks (including, without limitation, legal fees and expenses).

6. In order to induce the Banks to enter into this Amendment, the Borrower hereby makes each of the representations, warranties and agreements contained in the Credit Agreement on the Second Amendment Effective Date both before and after giving effect to this Amendment.

7. In order to induce the Banks to enter into this Amendment, the Borrower hereby represents and warrants that

-13-

no Default or Event of Default is in existence as of the Second Amendment Effective Date both before and after giving effect thereto.

8. From and after the Second Amendment Effective Date, all references in the Credit Agreement and each of the Credit Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended hereby.

-14-

IN WITNESS WHEREOF, each of the parties hereto has caused a

counterpart of this Amendment to be duly executed and delivered as of the date first above written.

AMETEK, INC.

By: /s/ Deirdre Saunders

-----  
Title: Treasurer

THE CHASE MANHATTAN BANK,  
N.A.,  
Individually and as  
Administrative Agent

By: /s/ Marc D. Galligan

-----  
Title: Vice President

BANK OF MONTREAL,  
Individually and as  
Co-Agent

By: /s/ Kanu Modi

-----  
Title: Director

CORESTATES BANK, N.A.,  
Individually and as  
Co-Agent

By: /s/ Robert M. Cordell

-----  
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION,  
Individually, as Co-Agent and  
as Letter of Credit Issuer

By: /s/ Vicky Randolph Ziff

-----  
Title: Vice President

-15-

BANK OF AMERICA ILLINOIS

By: /s/ Brock T. Harris

-----  
Title: Vice President

FLEET BANK OF MASSACHUSETTS, N.A.

By: /s/ Thomas J. Bullard

-----  
Title: Vice President

MELLON BANK, N.A.

By: /s/ John R. Fell III

-----  
Title: Vice President

NBD BANK, N.A.

By: /s/ Nancy Russell

-----  
Title: Vice President

THE LONG-TERM CREDIT BANK OF JAPAN  
LIMITED, NY BRANCH

By: /s/ Mitsuo Matsunaga

-----  
Title: Vice President

THE YASUDA TRUST AND BANKING CO.,  
LTD. NY BRANCH

By: /s/ Neil T. Chau

-----  
Title: First Vice President

CARIPLO-CASSA DI RISPARMIO DELLE  
PROVINCIE LOMBARDE S.P.A.

By: /s/ Charles W. Kennedy

-----  
Title: Vice President

By: /s/ Renato Bassi

-----  
Title: First Vice President

-16-

ANNEX A  
to  
Second Amendment  
-----

SCHEDULE I  
-----

COMMITMENTS/LOANS  
-----

Bank -----	Term Loan Maintenance Amount -----	Loan Conversion Amount -----	Revolving Commitment -----
The Chase Manhattan Bank, N.A.	\$6,350,000	\$4,219,586.26	\$19,050,000
Bank of Montreal	6,800,000	4,355,400.00	20,400,000
Corestates Bank, N.A.	6,800,000	4,355,400.00	20,400,000
PNC Bank, National Association	6,800,000	4,355,400.00	20,400,000
Bank of America	4,200,000	2,690,100.00	12,600,000
Fleet Bank of Massachusetts, N.A.	4,200,000	2,690,100.00	12,600,000
Mellon Bank, N.A.	4,200,000	2,690,100.00	12,600,000
NBD Bank, N.A.	4,200,000	2,690,100.00	12,600,000
The Long-Term Credit	2,600,000	1,665,300.00	7,800,000



Bank of Japan Limited,  
NY Branch

The Yasuda Trust and Banking Co., Ltd. NY Branch	2,600,000	1,665,300.00	7,800,000
--	-----------	--------------	-----------

CARIPLLO-Cassa di Risparmio Delle Provincie Lombarde	1,250,000	648,213.74	3,750,000
--	-----------	------------	-----------

=====	=====	=====
\$50,000,000	\$32,025,000	\$150,000,000

[CONFORMED COPY]

ANNEX B  
to Second Amendment  
to Credit Agreement  
-----

FIRST AMENDMENT TO SECURITY AGREEMENT  
-----

FIRST AMENDMENT TO SECURITY AGREEMENT (the "Amendment"), dated as of October 19, 1994, among AMETEK, INC., a Delaware corporation, and certain of its subsidiaries listed on the signature pages hereto (each an "Assignor" and collectively, the "Assignors") and THE CHASE MANHATTAN BANK, N.A., as Collateral Agent. All capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H :  
- - - - -

WHEREAS, AMETEK, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Credit Agreement referred to below (the "Banks"), BANK OF MONTREAL, CORESTATES BANK, N.A. and PNC BANK, NATIONAL ASSOCIATION, as Co-Agents, and THE CHASE MANHATTAN BANK, N.A., as Administrative Agent are parties to a Credit Agreement dated as of March 11, 1994, as amended by a First Amendment to Credit Agreement, dated as of April 21, 1994 and a Second Amendment to Credit Agreement, dated as of October 13, 1994 (as so amended, the "Credit Agreement");

WHEREAS, the Assignors and the Collateral Agent are parties to a Security Agreement dated as of March 21, 1994 (the "Security Agreement"); and

WHEREAS, the parties hereto wish to amend the Security Agreement as herein provided;

NOW, THEREFORE, it is agreed:

I. AMENDMENT TO SECURITY AGREEMENT  
-----

1. Article X of the Security Agreement is hereby amended by adding the following new Section 10.11 immediately after Section 10.10:

"10.11 Certain Exemptions. Notwithstanding anything to the contrary  
-----  
contained herein, no Assignor

shall be required to take any further action to create or perfect a security interest in any Equipment, Mark, Patent or Copyright acquired after the Second Amendment Effective Date (as such term is defined in the Credit Agreement) with a fair market value (as determined in good faith by senior management of the Borrower) of less than \$3,000,000 at the time of the acquisition of such Equipment, Mark, Patent or Copyrights by such Assignor."

II. MISCELLANEOUS PROVISIONS.

1. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Security Agreement or any other Credit Document.

2. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Borrower on behalf of each Assignor and the Collateral Agent.

3. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

4. This Amendment shall become effective on the date when (i) each of the Assignors and the Collateral Agent shall have signed a copy hereof (whether the same or different copies) and shall have delivered (including by way of telecopier the same to the Administrative Agent at its Notice Office and (ii) the Second Amendment Effective Date shall have otherwise occurred.

5. In order to induce the Collateral Agent to enter into this Amendment, each Assignor hereby makes each of the representations, warranties and agreements contained in the Security Agreement on the date hereof both before and after giving effect to this Amendment.

6. From and after the Second Amendment Effective Date, all references in the Credit Agreement, Security Agreement and each of the other Credit Documents to the Security Agreement shall be deemed to be references to the Security Agreement as amended hereby.

-2-

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

AMETEK, INC.,  
as an Assignor

By: /s/ Deirdre Saunders

-----  
Title: Treasurer

AMESPACE, INC.,  
as an Assignor

By: /s/ Deirdre Saunders

-----  
Title: Treasurer

AMETEK AEROSPACE PRODUCTS, INC.,  
as an Assignor

By: /s/ Deirdre Saunders

-----  
Title: Treasurer

EMA CORPORATION,  
as an Assignor

By: /s/ Deirdre Saunders

-----

Title: Treasurer

AMETEK (JAPAN) LTD.,  
as an Assignor

By: /s/ Deirdre Saunders

-----  
Title: Treasurer

THE CHASE MANHATTAN BANK, N.A.,  
as Collateral Agent

By: /s/ Marc D. Galligan

-----  
Title: Vice President

-3-

[CONFORMED COPY]

ANNEX C  
to Second Amendment  
to Credit Agreement  
-----

FIRST AMENDMENT TO PLEDGE AGREEMENT  
-----

FIRST AMENDMENT TO PLEDGE AGREEMENT (the "Amendment"), dated as of October 19, 1994, among AMETEK, INC., a Delaware corporation, and certain of its subsidiaries listed on the signature pages hereto (each a "Pledgor" and collectively, the "Pledgors") and THE CHASE MANHATTAN BANK, N.A., as Collateral Agent. All capitalized terms used herein and not otherwise defined shall have the respective meanings provided such terms in the Credit Agreement referred to below.

W I T N E S S E T H :  
-----

WHEREAS, AMETEK, INC., a Delaware corporation (the "Borrower"), the financial institutions party to the Credit Agreement referred to below (the "Banks"), BANK OF MONTREAL, CORESTATES BANK, N.A. and PNC BANK, NATIONAL ASSOCIATION, as Co-Agents, and THE CHASE MANHATTAN BANK, N.A., as Administrative Agent are parties to a Credit Agreement dated as of March 11, 1994, as amended by a First Amendment to Credit Agreement, dated as of April 21, 1994 and a Second Amendment to Credit Agreement, dated as of October 13, 1994 (as so amended, the "Credit Agreement");

WHEREAS, the Pledgors and the Collateral Agent are parties to a Pledge Agreement dated as of March 21, 1994 (the "Pledge Agreement"); and

WHEREAS, the parties hereto wish to amend the Pledge Agreement as herein provided;

NOW, THEREFORE, it is agreed:

I. AMENDMENT TO PLEDGE AGREEMENT  
-----

1. Section 21 of the Pledge Agreement is hereby amended by adding the following new clause (e) immediately after clause (d) appearing in Section 21:

"(e) Notwithstanding anything to the contrary contained herein, any issued and outstanding shares of

capital stock of Ametek GmbH shall not constitute Stock for purposes of

this Agreement until such time as 100% of such issued and outstanding shares of capital stock may be pledged hereunder by any Pledgor without triggering the tax consequences described in Section 7.16 of the Credit Agreement."

II. MISCELLANEOUS PROVISIONS.  
-----

1. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Pledge Agreement or any other Credit Document.

2. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Borrower on behalf of each Pledgor and the Collateral Agent.

3. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

4. This Amendment shall become effective on the date when (i) each of the Pledgors and the Collateral Agent shall have signed a copy hereof (whether the same or different copies) and shall have delivered (including by way of telecopier the same to the Administrative Agent at its Notice Office and (ii) the Second Amendment Effective Date shall have otherwise occurred.

5. In order to induce the Collateral Agent to enter into this Amendment, each Pledgor hereby makes each of the representations, warranties and agreements contained in the Pledge Agreement on the date hereof both before and after giving effect to this Amendment.

6. From and after the Second Amendment Effective Date, all references in the Credit Agreement, Pledge Agreement and each of the other Credit Documents to the Pledge Agreement shall be deemed to be references to the Pledge Agreement as amended hereby.

-2-

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

AMETEK, INC.,  
as a Pledgor

By: /s/ Deirdre Saunders  
-----  
Title: Treasurer

AMESPACE, INC.,  
as a Pledgor

By: /s/ Deirdre Saunders  
-----  
Title: Treasurer

AMETEK AEROSPACE PRODUCTS, INC.,  
as a Pledgor

By: /s/ Deirdre Saunders  
-----  
Title: Treasurer

EMA CORPORATION,  
as a Pledgor

By: /s/ Deirdre Saunders

-----  
Title: Treasurer

AMETEK (JAPAN) LTD.,  
as a Pledgor

By: /s/ Deirdre Saunders

-----  
Title: Treasurer

THE CHASE MANHATTAN BANK, N.A.,  
as Collateral Agent

By: /s/ Marc D. Galligan

-----  
Title: Vice President

<ARTICLE> 5

<LEGEND> This schedule contains summary financial information extracted from the Condensed Consolidated Balance Sheet of AMETEK, Inc. at September 30, 1994, and the Consolidated Statement of Income of AMETEK, Inc. for the nine months ended September 30, 1994, and is qualified in its entirety by reference to such financial statements.

</LEGEND>

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