
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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 1-12981

AMETEK, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

14-1682544
(I.R.S. Employer
Identification No.)

1100 Cassatt Road
Berwyn, Pennsylvania
(Address of principal executive offices)

19312-1177
(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock outstanding as of the latest practicable date was: Common Stock, \$0.01 Par Value, outstanding at July 25, 2018 was 231,897,163 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMETEK, Inc.
Consolidated Statement of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net sales	\$1,208,935	\$1,064,604	\$2,381,582	\$2,072,286
Cost of sales	791,248	702,191	1,568,048	1,369,593
Selling, general and administrative	147,601	132,864	285,280	255,697
Total operating expenses	938,849	835,055	1,853,328	1,625,290
Operating income	270,086	229,549	528,254	446,996
Interest expense	(20,784)	(24,552)	(42,470)	(49,068)
Other expense, net	(1,081)	(1,642)	(1,739)	(3,151)
Income before income taxes	248,221	203,355	484,045	394,777
Provision for income taxes	54,361	52,874	108,845	105,370
Net income	\$ 193,860	\$ 150,481	\$ 375,200	\$ 289,407
Basic earnings per share	\$ 0.84	\$ 0.65	\$ 1.62	\$ 1.26
Diluted earnings per share	\$ 0.83	\$ 0.65	\$ 1.61	\$ 1.25
Weighted average common shares outstanding:				
Basic shares	231,252	230,158	231,090	229,853
Diluted shares	233,297	231,588	233,131	231,296
Dividends declared and paid per share	\$ 0.14	\$ 0.09	\$ 0.28	\$ 0.18

See accompanying notes.

AMETEK, Inc.
Consolidated Statement of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Total comprehensive income	<u>\$154,538</u>	<u>\$188,319</u>	<u>\$350,296</u>	<u>\$337,498</u>

See accompanying notes.

AMETEK, Inc.
Consolidated Balance Sheet
(In thousands)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 557,693	\$ 646,300
Receivables, net	710,956	668,176
Inventories, net	614,390	540,504
Other current assets	135,087	79,675
Total current assets	<u>2,018,126</u>	<u>1,934,655</u>
Property, plant and equipment, net	490,126	493,296
Goodwill	3,252,002	3,115,619
Other intangibles, net	2,147,352	2,013,365
Investments and other assets	244,846	239,129
Total assets	<u>\$ 8,152,452</u>	<u>\$ 7,796,064</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt, net	\$ 307,661	\$ 308,123
Accounts payable	394,283	437,329
Customer advanced payments	136,945	—
Income taxes payable	35,567	34,660
Accrued liabilities	308,061	358,551
Total current liabilities	<u>1,182,517</u>	<u>1,138,663</u>
Long-term debt, net	1,838,224	1,866,166
Deferred income taxes	557,704	512,526
Other long-term liabilities	235,911	251,076
Total liabilities	<u>3,814,356</u>	<u>3,768,431</u>
Stockholders' equity:		
Common stock	2,637	2,631
Capital in excess of par value	680,863	660,894
Retained earnings	5,315,232	5,002,419
Accumulated other comprehensive loss	(454,080)	(429,176)
Treasury stock	(1,206,556)	(1,209,135)
Total stockholders' equity	<u>4,338,096</u>	<u>4,027,633</u>
Total liabilities and stockholders' equity	<u>\$ 8,152,452</u>	<u>\$ 7,796,064</u>

See accompanying notes.

AMETEK, Inc.
Condensed Consolidated Statement of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30,	
	2018	2017
Cash provided by (used for):		
Operating activities:		
Net income	\$ 375,200	\$ 289,407
Adjustments to reconcile net income to total operating activities:		
Depreciation and amortization	97,777	86,384
Deferred income taxes	(5,734)	(634)
Share-based compensation expense	12,955	14,113
Net change in assets and liabilities, net of acquisitions	(99,526)	3,404
Pension contributions	(1,404)	(51,716)
Other, net	1,274	450
Total operating activities	<u>380,542</u>	<u>341,408</u>
Investing activities:		
Additions to property, plant and equipment	(28,565)	(27,664)
Purchases of businesses, net of cash acquired	(374,644)	(518,634)
Other, net	1,481	(399)
Total investing activities	<u>(401,728)</u>	<u>(546,697)</u>
Financing activities:		
Net change in short-term borrowings	(44)	(6,816)
Repurchases of common stock	(4,007)	(5,474)
Cash dividends paid	(64,653)	(41,300)
Proceeds from stock option exercises	18,264	30,396
Other, net	(5,108)	—
Total financing activities	<u>(55,548)</u>	<u>(23,194)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(11,873)</u>	<u>27,707</u>
Decrease in cash and cash equivalents	<u>(88,607)</u>	<u>(200,776)</u>
Cash and cash equivalents:		
Beginning of period	<u>646,300</u>	<u>717,259</u>
End of period	<u>\$ 557,693</u>	<u>\$ 516,483</u>

See accompanying notes.

AMETEK, Inc.
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements are unaudited. AMETEK, Inc. (the “Company”) believes that all adjustments (which primarily consist of normal recurring accruals) necessary for a fair presentation of the consolidated financial position of the Company at June 30, 2018, the consolidated results of its operations for the three and six months ended June 30, 2018 and 2017 and its cash flows for the six months ended June 30, 2018 and 2017 have been included. Quarterly results of operations are not necessarily indicative of results for the full year. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the U.S. Securities and Exchange Commission.

As discussed below in Note 2, effective January 1, 2018, the Company adopted the requirements of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09 (Topic 606), *Revenue from Contracts with Customers* (“ASU 2014-09”) using the modified retrospective method. Also, effective January 1, 2018, the Company retrospectively adopted ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (“ASU 2017-07”). All amounts and disclosures set forth in this Form 10-Q reflect these changes.

2. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 and modified the standard thereafter within Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“ASC 606”). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective method. The adoption of ASU 2014-09 did not have a significant impact on the Company’s consolidated results of operations, financial position and cash flows. See Note 3.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018 and early adoption is permitted. ASU 2016-02 includes transitional guidance, as currently issued, that calls for a modified retrospective approach. The FASB has recently proposed adding a transition option to the current guidance and it includes optional practical expedients for ease of transition. The Company has formed a steering committee and the Company’s implementation project has begun. The Company has not determined the impact ASU 2016-02 may have on the Company’s consolidated results of operations, financial position, cash flows and financial statement disclosures, which could be significant to the Company’s financial position.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business* (“ASU 2017-01”). ASU 2017-01 provides a more robust framework to use in determining when a set of assets and activities is a business. ASU 2017-01 requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of assets is not a business. ASU 2017-01 requires that, to be a business, the set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The Company prospectively adopted ASU 2017-01 effective January 1, 2018 and the adoption did not have a significant impact on the Company’s consolidated results of operations, financial position, cash flows and financial statement disclosures.

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In March 2017, the FASB issued ASU 2017-07, which changes how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. ASU 2017-07 requires employers to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs. All other components of the net periodic benefit cost will be presented outside of operating income. The Company retrospectively adopted ASU 2017-07 effective January 1, 2018. For the three and six months ended June 30, 2017, the consolidated statement of income was restated to increase Cost of sales by \$2.5 million and \$4.9 million, increase Selling, general and administrative expenses by \$0.4 million and \$0.8 million, and decrease Other expense, net by \$2.8 million and \$5.7 million, respectively, for net periodic benefit income components other than service cost. For the three and six months ended June 30, 2017, the \$2.8 million and \$5.7 million, respectively, of net periodic benefit income components other than service cost were originally reported in operating income as follows: \$1.5 million and \$2.9 million in Electronic Instruments (“EIG”), \$1.0 million and \$2.0 million in Electromechanical (“EMG”), and \$0.4 million and \$0.8 million in Corporate administrative expense, respectively. The adoption of ASU 2017-07 did not have a significant impact on the Company’s consolidated results of operations, financial position, cash flows and financial statement disclosures.

In May 2017, the FASB issued ASU No. 2017-09, *Scope of Modification Accounting* (“ASU 2017-09”). ASU 2017-09 clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The Company prospectively adopted ASU 2017-09 effective January 1, 2018 and the adoption did not have a significant impact on the Company’s consolidated results of operations, financial position or cash flows.

3. Revenues

As discussed in Note 2, the Company adopted ASC 606 as of January 1, 2018 using the modified retrospective method. The cumulative adjustment made to the January 1, 2018 consolidated balance sheet for the adoption of ASC 606 was to increase Retained earnings by \$4.2 million, increase Total assets by \$7.9 million and increase Total liabilities by \$3.7 million. For the three and six months ended June 30, 2018, the effect of the changes in all financial statement line items impacted by ASC 606 was immaterial from the amount that would have been reported under the previous guidance. Updated disclosure of the Company’s significant accounting policy regarding revenue recognition is included in Part I, Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q.

Revenue is derived from products and services. The Company’s products and services are marketed and sold worldwide through two operating groups: EIG and EMG.

EIG manufactures advanced instruments for the process, power and industrial, and aerospace markets. It provides process and analytical instruments for the oil and gas, petrochemical, pharmaceutical, semiconductor, automation, and food and beverage industries. EIG also provides instruments to the laboratory equipment, ultraprecision manufacturing, medical, and test and measurement markets. It makes power quality monitoring and metering devices, uninterruptible power supplies, programmable power equipment, electromagnetic compatibility test equipment and gas turbines sensors. EIG also provides dashboard instruments for heavy trucks and other vehicles, as well as instrumentation and controls for the food and beverage industries. It supplies the aerospace industry with aircraft and engine sensors, monitoring systems, power supplies, fuel and fluid measurement systems, and data acquisition systems.

EMG is a differentiated supplier of automation solutions, thermal management systems, specialty metals and electrical interconnects. It manufactures highly engineered electrical connectors and electronic packaging used to protect sensitive electronic devices. EMG also makes precision motion control products for data storage, medical devices, business equipment, automation and other applications. It supplies high-purity powdered metals, strip and foil, specialty clad metals and metal matrix composites. EMG also manufactures motors used in commercial appliances, fitness equipment, food and beverage machines, hydraulic pumps and industrial blowers. It produces motor-blower systems and heat exchangers used in thermal management and other applications on a variety of military and commercial aircraft and military ground vehicles. EMG also operates a global network of aviation maintenance, repair and overhaul facilities.

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The majority of the Company's revenues on product sales are recognized at a point in time when the customer obtains control of the product. The transfer in control of the product to the customer is typically evidenced by one or more of the following: the customer having legal title to the product, the Company's present right to payment, the customer's physical possession of the product, the customer accepting the product, or the customer has benefit of ownership or risk of loss. Legal title transfers to the customer in accordance with the delivery terms of the order, usually upon shipment. For a small percentage of sales where title and risk of loss transfers at the point of delivery, the Company recognizes revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met.

Under ASC 606, the Company determined that revenues from certain of its customer contracts met the criteria of satisfying its performance obligations over time, primarily in the areas of the manufacture of custom-made equipment and for service repairs of customer-owned equipment. Prior to the adoption of the new standard, these revenues were recorded upon shipment or, in the case of those sales where title and risk of loss passes at the point of delivery, the Company recognized revenue upon delivery to the customer. Recognizing revenue over time for custom-manufactured equipment is based on the Company's judgment that, in certain contracts, the product does not have an alternative use and the Company has an enforceable right to payment for performance completed to date. This change in revenue recognition accelerated the revenue recognition and costs on the impacted contracts.

Applying the practical expedient available under ASC 606, the Company recognizes incremental cost of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company would have otherwise recognized is one year or less. These costs are included in Selling, general and administrative expenses in the consolidated statement of income.

Revenues associated with repairs of customer-owned assets were previously recorded upon completion and shipment of the repaired equipment to the customer. Under ASC 606, if the Company's performance enhances an asset that the customer controls as the asset is enhanced, revenue must be recognized over time. The revenue associated with the repair of a customer-owned asset meets this criterion.

The determination of the revenue to be recognized in a given period for performance obligations satisfied over time is based on the input method. The Company recognizes revenue over time as it performs on these contracts because the transfer of control to the customer occurs over time. Revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the total cost-to-cost input method of progress because it best depicts the transfer of control to the customer that occurs as costs are incurred. Under the cost-to-cost method, the extent of progress towards completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation. On certain contracts, labor hours is used as the measure of progress when it is determined to be a better depiction of the transfer of control to the customer due to the timing and pattern of labor hours incurred.

Performance obligations also include service contracts, installation and training. Service contracts are recognized over the contract life. Installation and training revenues are recognized over the period the service is provided. Warranty terms in customer contracts can also be considered separate performance obligations if the warranty provides services beyond assurance that a product complies with agreed-upon specification or if a warranty can be purchased separately. The Company does not incur significant obligations for customer returns and refunds.

Payment terms generally begin upon shipment of the product. The Company does have contracts with multiple billing terms that are all due within one year from when the product is delivered. As such, no significant financing component exists. Payment terms are generally 30-60 days from the time of shipment or customer acceptance, but negotiated terms can be shorter or longer. For customer contracts that have revenue recognized over time, revenue is generally recognized prior to a payment being due from the customer. In such cases, the Company recognizes a contract asset at the time the revenue is recognized. When payment becomes due based on the contract terms, the Company reduces the contract asset and records a receivable. In contracts with billing milestones or in other instances with a long production cycle or concerns about credit, customer advance payments are received. The Company may receive a payment in excess of revenue recognized to that date. In these circumstances, a contract liability is recorded.

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The outstanding contract asset and (liability) accounts were as follows:

	June 30, 2018	
	Unbilled Revenues	Customer Advanced Payments
	(In thousands)	
Balance at June 30, 2018	\$ 52,516	\$(144,613)
Revenues recognized during the period from:		
Amounts in Customer advanced payments		150,125
Performance obligations satisfied	85,358	
Transferred to Receivables from contract assets at the beginning of the period	(73,325)	
Increase related to acquired businesses	8,380	(840)
Increase due to cash received		(181,061)

Unbilled revenues are reported as a component of Other current assets in the consolidated balance sheet. At June 30, 2018, \$7.7 million of customer advanced payments were recorded in Other long-term liabilities in the consolidated balance sheet. In conjunction with the January 1, 2018 adoption of ASC 606, in the consolidated balance sheet, approximately \$14 million was reclassified to unbilled revenues that was previously reported in Other current assets at December 31, 2017. Also, at January 1, 2018, in the consolidated balance sheet, approximately \$114 million was reclassified to Customer advanced payments that was previously reported in Accounts payable of approximately \$76 million, Accrued liabilities of approximately \$26 million and other of approximately \$12 million at December 31, 2017.

The Company applied the practical expedient to exclude the value of remaining performance obligations for contracts with an original expected term of one year or less. Remaining performance obligations exceeding one year as of June 30, 2018 were \$179.2 million. Remaining performance obligations represent the transaction price of firm, noncancelable orders, with expected delivery dates to customers greater than one year from June 30, 2018, for which work has not been performed.

The Company has certain contracts with variable consideration in the form of volume discounts, rebates and early payment options, which may affect the transaction price used as the basis for revenue recognition. In these contracts, the amount of the variable consideration is not considered constrained and is allocated among the various performance obligations in the customer contract based on the relative standalone selling price of each performance obligation to the total standalone value of all the performance obligations.

Geographic Areas

Information about the Company's operations in different geographic areas is shown below. Net sales were attributed to geographic areas based on the location of the customer.

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	EIG	EMG	Total	EIG	EMG	Total
	(In thousands)					
United States	\$357,560	\$241,935	\$ 599,495	\$ 686,636	\$472,799	\$1,159,435
International:						
United Kingdom	15,588	33,166	48,754	29,328	68,549	97,877
European Union countries	95,778	98,585	194,363	188,080	206,399	394,479
Asia	191,169	55,435	246,604	382,654	106,498	489,152
Other foreign countries	84,363	35,356	119,719	174,186	66,453	240,639
Total international	386,898	222,542	609,440	774,248	447,899	1,222,147
Consolidated net sales	\$744,458	\$464,477	\$1,208,935	\$1,460,884	\$920,698	\$2,381,582

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Major Products and Services

The Company's major products and services in the reportable segments were as follows:

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	EIG	EMG	Total	EIG	EMG	Total
	(In thousands)					
Process and analytical instrumentation	\$515,854	\$ —	\$ 515,854	\$1,015,491	\$ —	\$1,015,491
Aerospace and Power	228,604	113,403	342,007	445,393	222,060	667,453
Electromechanical devices	—	351,074	351,074	—	698,638	698,638
Consolidated net sales	<u>\$744,458</u>	<u>\$464,477</u>	<u>\$1,208,935</u>	<u>\$1,460,884</u>	<u>\$920,698</u>	<u>\$2,381,582</u>

Timing of Revenue Recognition

The Company's timing of revenue recognition was as follows:

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	EIG	EMG	Total	EIG	EMG	Total
	(In thousands)					
Products transferred at a point in time	\$603,185	\$437,630	\$1,040,815	\$1,228,607	\$866,712	\$2,095,319
Products and services transferred over time	141,273	26,847	168,120	232,277	53,986	286,263
Consolidated net sales	<u>\$744,458</u>	<u>\$464,477</u>	<u>\$1,208,935</u>	<u>\$1,460,884</u>	<u>\$920,698</u>	<u>\$2,381,582</u>

Reportable Segments

The Company's EIG and EMG operating segments are identified based on the existence of segment managers. Certain of the Company's operating segments have been aggregated for segment reporting purposes primarily on the basis of product type, production processes, distribution methods and similarity of economic characteristics.

At June 30, 2018, there were no significant changes in identifiable assets of reportable segments from the amounts disclosed at December 31, 2017, other than those described in the acquisitions footnote (Note 9), nor were there any significant changes in the basis of segmentation or in the measurement of segment operating results. Operating information relating to the Company's reportable segments for the three and six months ended June 30, 2018 and 2017 can be found in the table included in Part I, Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10-Q.

Product Warranties

The Company provides limited warranties in connection with the sale of its products. The warranty periods for products sold vary among the Company's operations, but generally do not exceed one year. The Company calculates its warranty expense provision based on its historical warranty experience and adjustments are made periodically to reflect actual warranty expenses. Product warranty obligations are reported as a component of Accrued liabilities in the consolidated balance sheet.

Changes in the accrued product warranty obligation were as follows:

	Six Months Ended June 30,	
	2018	2017
	(In thousands)	
Balance at the beginning of the period	\$22,872	\$22,007
Accruals for warranties issued during the period	5,904	7,983
Settlements made during the period	(7,068)	(8,380)
Warranty accruals related to acquired businesses and other during the period	796	2,133
Balance at the end of the period	<u>\$22,504</u>	<u>\$23,743</u>

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4. Earnings Per Share

The calculation of basic earnings per share is based on the weighted average number of common shares considered outstanding during the periods. The calculation of diluted earnings per share reflects the effect of all potentially dilutive securities (principally outstanding stock options and restricted stock grants). The number of weighted average shares used in the calculation of basic earnings per share and diluted earnings per share was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Weighted average shares:				
Basic shares	231,252	230,158	231,090	229,853
Equity-based compensation plans	2,045	1,430	2,041	1,443
Diluted shares	<u>233,297</u>	<u>231,588</u>	<u>233,131</u>	<u>231,296</u>

5. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) consisted of the following:

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Foreign Currency Items and Other	Defined Benefit Pension Plans	Total	Foreign Currency Items and Other	Defined Benefit Pension Plans	Total
	(In thousands)					
Balance at the beginning of the period	\$(239,620)	\$(175,138)	\$(414,758)	\$(330,569)	\$(201,567)	\$(532,136)
Other comprehensive income (loss) before reclassifications:						
Translation adjustments	(70,217)	—	(70,217)	59,525	—	59,525
Change in long-term intercompany notes	(14,706)	—	(14,706)	15,988	—	15,988
Net investment hedge instruments	57,335	—	57,335	(63,933)	—	(63,933)
Gross amounts reclassified from accumulated other comprehensive income (loss)	—	2,952	2,952	—	3,512	3,512
Income tax benefit (expense)	(13,967)	(719)	(14,686)	24,067	(1,321)	22,746
Other comprehensive income (loss), net of tax	(41,555)	2,233	(39,322)	35,647	2,191	37,838
Balance at the end of the period	<u>\$(281,175)</u>	<u>\$(172,905)</u>	<u>\$(454,080)</u>	<u>\$(294,922)</u>	<u>\$(199,376)</u>	<u>\$(494,298)</u>

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Foreign Currency Items and Other	Defined Benefit Pension Plans	Total	Foreign Currency Items and Other	Defined Benefit Pension Plans	Total
	(In thousands)					
Balance at the beginning of the period	\$(251,805)	\$(177,371)	\$(429,176)	\$(338,631)	\$(203,758)	\$(542,389)
Other comprehensive income (loss) before reclassifications:						
Translation adjustments	(40,636)	—	(40,636)	64,204	—	64,204
Change in long-term intercompany notes	(9,302)	—	(9,302)	18,692	—	18,692
Net investment hedge instruments	27,193	—	27,193	(62,889)	—	(62,889)
Gross amounts reclassified from accumulated other comprehensive income (loss)	—	5,904	5,904	—	7,024	7,024
Income tax benefit (expense)	(6,625)	(1,438)	(8,063)	23,702	(2,642)	21,060
Other comprehensive income (loss), net of tax	(29,370)	4,466	(24,904)	43,709	4,382	48,091
Balance at the end of the period	<u>\$(281,175)</u>	<u>\$(172,905)</u>	<u>\$(454,080)</u>	<u>\$(294,922)</u>	<u>\$(199,376)</u>	<u>\$(494,298)</u>

Reclassifications for the amortization of defined benefit pension plans are included in Other expense, net in the consolidated statement of income. See Note 13 for further details.

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6. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. See Note 9 for discussion of acquisition date fair value of contingent payment liability.

The Company utilizes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the Company's assets that are measured at fair value on a recurring basis, consistent with the fair value hierarchy, at June 30, 2018 and December 31, 2017:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	<u>Fair Value</u>	<u>Fair Value</u>
	(In thousands)	
Fixed-income investments	\$ 7,865	\$ 8,060

The fair value of fixed-income investments, which are valued as level 1 investments, was based on quoted market prices. The fixed-income investments are shown as a component of long-term assets in the consolidated balance sheet.

For the six months ended June 30, 2018 and 2017, gains and losses on the investments noted above were not significant. No transfers between level 1 and level 2 investments occurred during the six months ended June 30, 2018 and 2017.

Financial Instruments

Cash, cash equivalents and fixed-income investments are recorded at fair value at June 30, 2018 and December 31, 2017 in the accompanying consolidated balance sheet.

The following table provides the estimated fair values of the Company's financial instrument liabilities, for which fair value is measured for disclosure purposes only, compared to the recorded amounts at June 30, 2018 and December 31, 2017:

	<u>June 30, 2018</u>		<u>December 31, 2017</u>	
	<u>Recorded</u>	<u>Fair Value</u>	<u>Recorded</u>	<u>Fair Value</u>
	<u>Amount</u>		<u>Amount</u>	
	(In thousands)			
Long-term debt, net (including current portion)	\$(2,145,885)	\$(2,135,828)	\$(2,174,289)	\$(2,210,466)

The fair value of short-term borrowings, net approximates the carrying value. Short-term borrowings, net are valued as level 2 liabilities as they are corroborated by observable market data. The Company's long-term debt, net is all privately held with no public market for this debt, therefore, the fair value of long-term debt, net was computed based on comparable current market data for similar debt instruments and is considered to be a level 3 liability.

Foreign Currency

At June 30, 2018, the Company had no forward contracts outstanding. At December 31, 2017, the Company had a Canadian dollar forward contract for a total notional value of 83.0 million Canadian dollars (\$1.5 million fair value unrealized gain at December 31, 2017) outstanding. For the three and six months ended June 30, 2018, realized gains and losses on foreign currency forward contracts were not significant. The Company does not typically designate its foreign currency forward contracts as hedges.

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7. Hedging Activities

The Company has designated certain foreign-currency-denominated long-term borrowings as hedges of the net investment in certain foreign operations. As of June 30, 2018, these net investment hedges included British-pound-and Euro-denominated long-term debt. These borrowings were designed to create net investment hedges in each of the designated foreign subsidiaries. The Company designated the British-pound- and Euro-denominated loans referred to above as hedging instruments to offset translation gains or losses on the net investment due to changes in the British pound and Euro exchange rates. These net investment hedges are evidenced by management's contemporaneous documentation supporting the hedge designation. Any gain or loss on the hedging instruments (the debt) following hedge designation is reported in accumulated other comprehensive income in the same manner as the translation adjustment on the hedged investment based on changes in the spot rate, which is used to measure hedge effectiveness.

At June 30, 2018, the Company had \$402.5 million of British-pound-denominated loans, which were designated as a hedge against the net investment in British pound functional currency foreign subsidiaries. At June 30, 2018, the Company had \$583.8 million in Euro-denominated loans, which were designated as a hedge against the net investment in Euro functional currency foreign subsidiaries. As a result of the British-pound- and Euro-denominated loans being designated and 100% effective as net investment hedges, \$27.2 million of pre-tax currency remeasurement gains have been included in the foreign currency translation component of other comprehensive income for the six months ended June 30, 2018.

8. Inventories, net

	June 30, 2018	December 31, 2017
	(In thousands)	
Finished goods and parts	\$ 90,084	\$ 84,789
Work in process	132,651	107,362
Raw materials and purchased parts	391,655	348,353
Total inventories, net	<u>\$614,390</u>	<u>\$ 540,504</u>

9. Acquisitions

The Company spent \$374.6 million in cash, net of cash acquired, to acquire FMH Aerospace ("FMH") in January 2018, SoundCom Systems ("SoundCom") in April 2018 and Motec GmbH in June 2018. FMH is a provider of complex, highly-engineered solutions for the aerospace, defense and space industries. SoundCom provides design, integration, installation and support of clinical workflow and communication systems for healthcare facilities, educational institutions and corporations. SoundCom also serves as a value-added reseller for Rauland-Borg Corporation ("Rauland") in the Midwest portion of the United States. Motec is a provider of integrated vision systems serving the high growth mobile machine vision market. Motec's ruggedized vision products and integrated software solutions provide customers with improved operational efficiency and enhanced safety across a variety of critical mobile machine applications in transportation, agriculture, logistics and construction. FMH is part of EMG. SoundCom and Motec are part of EIG.

The following table represents the preliminary allocation of the purchase price for the net assets of the 2018 acquisitions based on their estimated fair values at acquisition (in millions):

Property, plant and equipment	\$ 15.2
Goodwill	157.9
Other intangible assets	199.9
Long-term liabilities	(0.9)
Deferred income taxes	(43.7)
Net working capital and other ⁽¹⁾	46.2
Total cash paid	<u>\$374.6</u>

(1) Includes \$19.2 million in accounts receivable, whose fair value, contractual cash flows and expected cash flows are approximately equal.

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The amount allocated to goodwill is reflective of the benefits the Company expects to realize from the 2018 acquisitions as follows: FMH's products and solutions further broaden the Company's differentiated product offerings in the aerospace and defense markets. SoundCom expands Rauland's presence in the healthcare and education markets in the Midwest while providing customers with expanded value-added solutions and services. Motec's vision systems complement the Company's existing instrumentation businesses by expanding its portfolio of solutions to its customers. The Company expects approximately \$73 million of the goodwill recorded relating to the 2018 acquisitions will be tax deductible in future years.

At June 30, 2018, the purchase price allocated to other intangible assets of \$199.9 million consists of \$35.9 million of indefinite-lived intangible trade names, which are not subject to amortization. The remaining \$164.0 million of other intangible assets consists of \$127.7 million of customer relationships, which are being amortized over a period of 18 years, and \$36.3 million of purchased technology, which is being amortized over a period of 18 years. Amortization expense for each of the next five years for the 2018 acquisitions is expected to approximate \$8 million per year.

The Company is in the process of finalizing the measurement of certain tangible and intangible assets and liabilities for its 2018 acquisitions including inventory, property, plant and equipment, goodwill, trade names, customer relationships and purchased technology and the accounting for income taxes.

The 2018 acquisitions had an immaterial impact on reported net sales, net income and diluted earnings per share for the three and six months ended June 30, 2018. Had the 2018 acquisitions been made at the beginning of 2018 or 2017, unaudited pro forma net sales, net income and diluted earnings per share for the three and six months ended June 30, 2018 and 2017, respectively, would not have been materially different than the amounts reported.

In February 2017, the Company acquired Rauland. The Rauland acquisition included a potential \$30 million contingent payment due upon Rauland achieving a certain cumulative revenue target over the period October 1, 2016 to September 30, 2018. If Rauland achieves the target, the \$30 million contingent payment will be made; however, if the target is not achieved, no payment will be made. At the acquisition date, the estimated fair value of the contingent payment liability was \$25.5 million, which was based on a probabilistic approach using level 3 inputs. At June 30, 2018, the estimated fair value of the contingent payment liability was \$30.0 million, which was based on the Company's assessment of the probability of Rauland achieving the above mentioned target.

10. Goodwill

The changes in the carrying amounts of goodwill by segment were as follows:

	<u>EIG</u>	<u>EMG</u>	<u>Total</u>
		(In millions)	
Balance at December 31, 2017	\$2,077.0	\$1,038.6	\$3,115.6
Goodwill acquired	47.9	110.0	157.9
Purchase price allocation adjustments and other	(1.6)	—	(1.6)
Foreign currency translation adjustments	(10.9)	(9.0)	(19.9)
Balance at June 30, 2018	<u>\$2,112.4</u>	<u>\$1,139.6</u>	<u>\$3,252.0</u>

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11. Income Taxes

At June 30, 2018, the Company had gross unrecognized tax benefits of \$65.3 million, of which \$56.7 million, if recognized, would impact the effective tax rate.

The following is a reconciliation of the liability for uncertain tax positions (in millions):

Balance at December 31, 2017	\$60.3
Additions for tax positions	5.8
Reductions for tax positions	(0.8)
Balance at June 30, 2018	<u>\$65.3</u>

The Company recognizes interest and penalties accrued related to uncertain tax positions in income tax expense. The amounts recognized in income tax expense for interest and penalties during the three and six months ended June 30, 2018 and 2017 were not significant.

The effective tax rate for the three months ended June 30, 2018 was 21.9%, compared with 26.0% for the three months ended June 30, 2017. The effective tax rate for the six months ended June 30, 2018 was 22.5%, compared with 26.7% for the six months ended June 30, 2017. The three and six months ended June 30, 2018 effective tax rates primarily reflect the impact of the recently enacted U.S. Tax Cuts and Jobs Act (the "Act") including the reduction of the U.S. corporate income tax rate and the current impact of the global intangible low-taxed income ("GILTI") and the foreign-derived intangible income ("FDII") provisions.

In the fourth quarter of 2017, the Company recorded a net benefit of \$91.6 million in the consolidated statement of income as a component of Provision for income taxes related to the impact of the Act. The \$91.6 million net benefit consisted of a \$185.8 million benefit resulting from the remeasurement of the Company's net deferred tax liabilities in the U.S. based on the new lower corporate income tax rate and \$94.2 million expense mostly relating to the one-time mandatory tax on previously deferred earnings of certain non-U.S. subsidiaries that are owned either wholly or partially by a U.S. subsidiary of the Company as discussed further below.

Although the \$91.6 million net benefit represents what the Company believes is a reasonable estimate of the impact of the income tax effects of the Act on the Company's consolidated financial statements as of December 31, 2017, it should be considered provisional. As of June 30, 2018, the Company has not materially changed its estimate of the December 31, 2017 impact of the income tax effects of the Act. As additional guidance from the U.S. Department of Treasury is provided, the Company may need to adjust the provisional amounts after it finalizes the 2017 U.S. tax return and is able to conclude whether any further adjustments are required to its U.S. portion of net deferred tax liability of \$390.4 million as of December 31, 2017, as well as to the liability associated with the one-time mandatory tax. The currently recorded amounts include a variety of estimates of taxable earnings and profits, estimated taxable foreign cash balances, differences between U.S. GAAP and U.S. tax principles and interpretations of many aspects of the Act that may, if changed, impact the final amounts. Any adjustments to these provisional amounts will be reported as a component of Provision for income taxes in the reporting period in which any such adjustments are determined, which will be no later than the fourth quarter of 2018. As of June 30, 2018, the Company is still evaluating the potential future impact of GILTI and has not provided any provisional deferred tax liability for it. Under U.S. GAAP, the Company is permitted to make an accounting policy election to either treat taxes due on future inclusions in the U.S. taxable income related to GILTI as a current period expense when incurred or to factor such amounts into the Company's measurement of its deferred taxes. Due to the ongoing evaluation, the Company has not yet made the accounting policy decision as of June 30, 2018.

12. Share-Based Compensation

Under the terms of the Company's stockholder-approved share-based plans, performance restricted stock units ("PRSUs"), incentive and non-qualified stock options and restricted stock have been, and may be, issued to the Company's officers, management-level employees and members of its Board of Directors. Stock options granted prior to 2018 generally vest at a rate of one-fourth on each of the first four anniversaries of the grant date and have a maximum contractual term of seven years. Beginning in 2018, stock options granted generally vest at a rate of one-third on each of the first three anniversaries of the grant date and have a maximum contractual term of ten years. Restricted stock granted to employees prior to 2018 generally vests four years after the grant date (cliff vesting) and is subject to accelerated vesting due to certain events, including doubling of the grant price of the Company's common stock as of the close of business during any five consecutive trading days. Beginning in 2018, restricted stock granted to employees generally vests one-third on each of the first three anniversaries of the grant date. Restricted stock granted to non-employee directors generally vests two years after the grant date (cliff vesting) and is subject to accelerated vesting due to certain events, including doubling of the grant price of the Company's common stock as of the close of business during any five consecutive trading days.

In March 2018, the Company granted PRSUs to officers and certain key management-level employees an aggregate target award of approximately 52,000 shares of its common stock. The PRSUs vest three years from the grant date based on continuous service, with the number of shares earned (0% to 200% of the target award) depending upon the extent to which the Company achieves certain financial and market performance targets measured over the period from January 1, 2018 through December 31, 2020. Half of the PRSUs were valued in a manner similar to restricted stock as the financial targets are based on the Company's operating results. The grant date fair value of these PRSUs are recognized as compensation expense over the vesting period based on the number of awards expected to vest at each reporting date. The other half of the PRSUs were valued using a Monte Carlo model as the performance target is related to the Company's total shareholder return compared to a group of peer companies. The Company recognizes the grant date fair value of these awards as compensation expense ratably over the vesting period.

Total share-based compensation expense was as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In thousands)			
Stock option expense	\$ 3,115	\$ 2,754	\$ 5,543	\$ 4,967
Restricted stock expense	3,772	6,031	6,848	9,146
PRSU expense	497	—	564	—
Total pre-tax expense	<u>\$ 7,384</u>	<u>\$ 8,785</u>	<u>\$12,955</u>	<u>\$14,113</u>

Pre-tax share-based compensation expense is included in the consolidated statement of income in either Cost of sales or Selling, general and administrative expenses, depending on where the recipient's cash compensation is reported. In the second quarter of 2017, the Company recorded a \$2.5 million pre-tax charge in corporate administrative expenses related to the accelerated vesting of restricted stock grants in association with the retirement of the Company's Executive Chairman of the Board of Directors.

The fair value of each stock option grant is estimated on the grant date using a Black-Scholes-Merton option pricing model. The following weighted average assumptions were used in the Black-Scholes-Merton model to estimate the fair values of stock options granted during the periods indicated:

	Six Months Ended	Year Ended
	June 30, 2018	December 31, 2017
Expected volatility	17.3%	18.0%
Expected term (years)	5.0	5.0
Risk-free interest rate	2.81%	1.94%
Expected dividend yield	0.76%	0.60%
Black-Scholes-Merton fair value per stock option granted	\$ 14.12	\$ 11.05

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Expected volatility is based on the historical volatility of the Company's stock over the stock options' expected term. The Company used historical exercise data to estimate the stock options' expected term, which represents the period of time that the stock options granted are expected to be outstanding. Management anticipates that the future stock option holding periods will be similar to the historical stock option holding periods. The risk-free interest rate for periods within the expected term of the stock option is based on the U.S. Treasury yield curve at the time of grant. The expected dividend yield is calculated by dividing the Company's annual dividend, based on the most recent quarterly dividend rate, by the Company's closing common stock price on the grant date. Compensation expense recognized for all share-based awards is net of estimated forfeitures. The Company's estimated forfeiture rates are based on its historical experience.

The following is a summary of the Company's stock option activity and related information:

	Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Outstanding at December 31, 2017	5,583	\$ 48.99		
Granted	885	73.45		
Exercised	(450)	41.04		
Forfeited	(82)	55.12		
Outstanding at June 30, 2018	<u>5,936</u>	<u>\$ 53.15</u>	<u>4.7</u>	<u>\$ 114.0</u>
Exercisable at June 30, 2018	<u>3,381</u>	<u>\$ 47.00</u>	<u>3.1</u>	<u>\$ 85.1</u>

The aggregate intrinsic value of stock options exercised during the six months ended June 30, 2018 was \$15.6 million. The total fair value of stock options vested during the six months ended June 30, 2018 was \$10.1 million. As of June 30, 2018, there was approximately \$26 million of expected future pre-tax compensation expense related to the 2.6 million nonvested stock options outstanding, which is expected to be recognized over a weighted average period of approximately two years.

The fair value of restricted shares under the Company's restricted stock arrangement is determined by the product of the number of shares granted and the Company's closing common stock price on the grant date. Upon the grant of restricted stock, the fair value of the restricted shares (unearned compensation) at the grant date is charged as a reduction of capital in excess of par value in the Company's consolidated balance sheet and is amortized to expense on a straight-line basis over the vesting period, which is the same as the calculated derived service period as determined on the grant date.

The following is a summary of the Company's nonvested restricted stock activity and related information:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Nonvested restricted stock outstanding at December 31, 2017	932	\$ 53.53
Granted	222	73.50
Vested	(205)	52.77
Forfeited	(34)	54.40
Nonvested restricted stock outstanding at June 30, 2018	<u>915</u>	<u>\$ 58.56</u>

The total fair value of restricted stock vested during the six months ended June 30, 2018 was \$10.8 million. As of June 30, 2018, there was approximately \$35 million of expected future pre-tax compensation expense related to the 0.9 million nonvested restricted shares outstanding, which is expected to be recognized over a weighted average period of approximately two years.

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13. Retirement and Pension Plans

The components of net periodic pension benefit expense (income) were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(In thousands)			
Defined benefit plans:				
Service cost	\$ 1,793	\$ 1,883	\$ 3,607	\$ 3,738
Interest cost	6,421	6,857	12,903	13,662
Expected return on plan assets	(14,884)	(13,303)	(29,847)	(26,541)
Amortization of net actuarial loss and other	2,952	3,512	5,904	7,024
Pension income	(3,718)	(1,051)	(7,433)	(2,117)
Other plans:				
Defined contribution plans	6,944	5,924	15,343	12,958
Foreign plans and other	1,587	1,412	3,183	2,888
Total other plans	8,531	7,336	18,526	15,846
Total net pension expense	\$ 4,813	\$ 6,285	\$ 11,093	\$ 13,729

For the six months ended June 30, 2018 and 2017, contributions to the Company's defined benefit pension plans were \$1.4 million and \$51.7 million, respectively. The Company's current estimate of 2018 contributions to its worldwide defined benefit pension plans is in line with the range disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

14. Contingencies

Asbestos Litigation

The Company (including its subsidiaries) has been named as a defendant in a number of asbestos-related lawsuits. Certain of these lawsuits relate to a business which was acquired by the Company and do not involve products which were manufactured or sold by the Company. In connection with these lawsuits, the seller of such business has agreed to indemnify the Company against these claims (the "Indemnified Claims"). The Indemnified Claims have been tendered to, and are being defended by, such seller. The seller has met its obligations, in all respects, and the Company does not have any reason to believe such party would fail to fulfill its obligations in the future. To date, no judgments have been rendered against the Company as a result of any asbestos-related lawsuit. The Company believes that it has good and valid defenses to each of these claims and intends to defend them vigorously.

Environmental Matters

Certain historic processes in the manufacture of products have resulted in environmentally hazardous waste by-products as defined by federal and state laws and regulations. At June 30, 2018, the Company is named a Potentially Responsible Party ("PRP") at 13 non-AMETEK-owned former waste disposal or treatment sites (the "non-owned" sites). The Company is identified as a "de minimis" party in 12 of these sites based on the low volume of waste attributed to the Company relative to the amounts attributed to other named PRPs. In eight of these sites, the Company has reached a tentative agreement on the cost of the de minimis settlement to satisfy its obligation and is awaiting executed agreements. The tentatively agreed-to settlement amounts are fully reserved. In the other four sites, the Company is continuing to investigate the accuracy of the alleged volume attributed to the Company as estimated by the parties primarily responsible for remedial activity at the sites to establish an appropriate settlement amount. At the remaining site where the Company is a non-de minimis PRP, the Company is participating in the investigation and/or related required remediation as part of a PRP Group and reserves have been established sufficient to satisfy the Company's expected obligations. The Company historically has resolved these issues within established reserve levels and reasonably expects this result will continue. In addition to these non-owned sites, the Company has an ongoing practice of providing reserves for probable remediation activities at certain of its current or previously owned manufacturing locations (the "owned" sites). For claims and proceedings against the Company with respect to other environmental matters, reserves are established once the Company has determined that a loss is probable and

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estimable. This estimate is refined as the Company moves through the various stages of investigation, risk assessment, feasibility study and corrective action processes. In certain instances, the Company has developed a range of estimates for such costs and has recorded a liability based on the best estimate. It is reasonably possible that the actual cost of remediation of the individual sites could vary from the current estimates and the amounts accrued in the consolidated financial statements; however, the amounts of such variances are not expected to result in a material change to the consolidated financial statements. In estimating the Company's liability for remediation, the Company also considers the likely proportionate share of the anticipated remediation expense and the ability of the other PRPs to fulfill their obligations.

Total environmental reserves at June 30, 2018 and December 31, 2017 were \$28.9 million and \$30.1 million, respectively, for both non-owned and owned sites. For the six months ended June 30, 2018, the Company recorded \$2.5 million in reserves. Additionally, the Company spent \$3.6 million on environmental matters and the reserve decreased \$0.1 million due to foreign currency translation for the six months ended June 30, 2018. The Company's reserves for environmental liabilities at June 30, 2018 and December 31, 2017 included reserves of \$10.5 million and \$11.6 million, respectively, for an owned site acquired in connection with the 2005 acquisition of HCC Industries ("HCC"). The Company is the designated performing party for the performance of remedial activities for one of several operating units making up a Superfund site in the San Gabriel Valley of California. The Company has obtained indemnifications and other financial assurances from the former owners of HCC related to the costs of the required remedial activities. At June 30, 2018, the Company had \$12.0 million in receivables related to HCC for probable recoveries from third-party escrow funds and other committed third-party funds to support the required remediation. Also, the Company is indemnified by HCC's former owners for approximately \$19 million of additional costs.

The Company has agreements with other former owners of certain of its acquired businesses, as well as new owners of previously owned businesses. Under certain of the agreements, the former or new owners retained, or assumed and agreed to indemnify the Company against, certain environmental and other liabilities under certain circumstances. The Company and some of these other parties also carry insurance coverage for some environmental matters. To date, these parties have met their obligations in all material respects.

The Company believes it has established reserves for the environmental matters described above, which are sufficient to perform all known responsibilities under existing claims and consent orders. The Company has no reason to believe that other third parties would fail to perform their obligations in the future. In the opinion of management, based on presently available information and the Company's historical experience related to such matters, an adequate provision for probable costs has been made and the ultimate cost resulting from these actions is not expected to materially affect the consolidated results of operations, financial position or cash flows of the Company.

The Company has been remediating groundwater contamination for several contaminants, including trichloroethylene ("TCE"), at a formerly owned site in El Cajon, California. Several lawsuits have been filed against the Company alleging damages resulting from the groundwater contamination, including property damages and personal injury, and seeking compensatory and punitive damages. The Company believes that it has good and valid defenses to each of these claims and intends to defend them vigorously. The Company believes it has established reserves for these lawsuits that are sufficient to satisfy its expected exposure. The Company does not expect the outcome of these matters, either individually or in the aggregate, to materially affect the consolidated results of operations, financial position or cash flows of the Company.

15. Restructuring Charges

During the fourth quarter of 2016, the Company recorded pre-tax restructuring charges totaling \$25.6 million, which had the effect of reducing net income by \$17.0 million. The restructuring charges were reported in the consolidated statement of income as follows: \$24.0 million in Cost of sales and \$1.6 million in Selling, general and administrative expenses. The restructuring charges were reported in operating income as follows: \$12.4 million in EIG, \$11.6 million in EMG and \$1.6 million in corporate administrative expenses. The restructuring actions primarily related to \$19.3 million in severance costs for a reduction in workforce and \$6.2 million of asset write-downs in response to the impact of a weak global economy on certain of the Company's businesses and the effects of a continued strong U.S. dollar. The restructuring activities have been broadly implemented across the Company's various businesses with most actions expected to be completed in 2018.

During the fourth quarter of 2015, the Company recorded pre-tax restructuring charges totaling \$20.7 million, which had the effect of reducing net income by \$13.9 million. The restructuring charges were reported in the consolidated statement of income as follows: \$20.0 million in Cost of sales and \$0.7 million in Selling, general and administrative expenses. The restructuring charges were reported in operating income as follows: \$9.3 million in EIG, \$10.8 million in EMG and \$0.7 million in corporate administrative expenses. The restructuring actions primarily related to a reduction in workforce in response to the impact of a weak global economy on certain of the Company's businesses and the effects of a continued strong U.S. dollar. The restructuring activities have been broadly implemented across the Company's various businesses with all actions expected to be completed in 2018.

Accrued liabilities in the Company's consolidated balance sheet included amounts related to the fourth quarters of 2016 and 2015 restructuring charges as follows (in millions):

	Fourth Quarter of 2016 Restructuring	Fourth Quarter of 2015 Restructuring
Balance at December 31, 2017	\$ 12.8	\$ 6.7
Utilization	(3.3)	(0.5)
Foreign currency translation adjustments and other	(0.1)	(0.1)
Balance at June 30, 2018	<u>\$ 9.4</u>	<u>\$ 6.1</u>

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth net sales and income by reportable segment and on a consolidated basis:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(In thousands)				
Net sales(1):				
Electronic Instruments	\$ 744,458	\$ 657,663	\$1,460,884	\$1,277,432
Electromechanical	464,477	406,941	920,698	794,854
Consolidated net sales	<u>\$1,208,935</u>	<u>\$1,064,604</u>	<u>\$2,381,582</u>	<u>\$2,072,286</u>
Operating income and income before income taxes:				
Segment operating income(2):				
Electronic Instruments	\$ 193,831	\$ 163,755	\$ 377,190	\$ 319,016
Electromechanical	94,250	84,568	185,252	162,911
Total segment operating income	288,081	248,323	562,442	481,927
Corporate administrative expenses(2)	(17,995)	(18,774)	(34,188)	(34,931)
Consolidated operating income(2)	270,086	229,549	528,254	446,996
Interest expense	(20,784)	(24,552)	(42,470)	(49,068)
Other expense, net(2)	(1,081)	(1,642)	(1,739)	(3,151)
Consolidated income before income taxes	<u>\$ 248,221</u>	<u>\$ 203,355</u>	<u>\$ 484,045</u>	<u>\$ 394,777</u>

- (1) Effective January 1, 2018, the Company adopted the requirements of ASC 606 using the modified retrospective method. See Note 3 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and “Critical Accounting Policies” herein for further details.
- (2) In accordance with the retrospective adoption of ASU 2017-07, for the three and six months ended June 30, 2017, the consolidated statement of income was restated to increase Cost of sales by \$2.5 million and \$4.9 million, increase Selling, general and administrative expenses by \$0.4 million and \$0.8 million, and decrease Other expense, net by \$2.8 million and \$5.7 million, respectively, for net periodic benefit income components other than service cost. For the three and six months ended June 30, 2017, the \$2.8 million and \$5.7 million, respectively, of net periodic benefit income components other than service cost were originally reported in operating income as follows: \$1.5 million and \$2.9 million in EIG, \$1.0 million and \$2.0 million in EMG, and \$0.4 million and \$0.8 million in Corporate administrative expense, respectively. For the three and six months ended June 30, 2018, Other expense, net included \$5.7 million and \$10.9 million, respectively, for net periodic benefit income components other than service cost. See Note 2 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

For the quarter ended June 30, 2018, the Company posted record backlog, sales and operating income, as well as strong orders, operating income margins, net income, diluted earnings per share and operating cash flow. The Company achieved these results from organic sales growth in both EIG and EMG, contributions from the acquisitions of Motec in June 2018, SoundCom in April 2018, FMH in January 2018, Arizona Instrument LLC in December 2017 and MOCON in June 2017, as well as our Operational Excellence initiatives.

For 2018, positive market trends, the Company’s record backlog, the full year impact of the 2018 and 2017 acquisitions and continued focus on and implementation of Operational Excellence initiatives are expected to have a positive impact on the remainder of the Company’s 2018 results.

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Results of operations for the second quarter of 2018 compared with the second quarter of 2017

Net sales for the second quarter of 2018 were \$1,208.9 million, an increase of \$144.3 million or 13.6%, compared with net sales of \$1,064.6 million for the second quarter of 2017. The increase in net sales for the second quarter of 2018 was due to 7% organic sales growth, a 5% increase from acquisitions and favorable 2% effect of foreign currency translation.

Total international sales for the second quarter of 2018 were \$609.4 million or 50.4% of net sales, an increase of \$65.6 million or 12.1%, compared with international sales of \$543.8 million or 51.1% of net sales for the second quarter of 2017. The \$65.6 million increase in international sales was primarily driven by organic sales growth. Both reportable segments of the Company maintain strong international sales presences in Europe and Asia.

Orders for the second quarter of 2018 were \$1,230.8 million, an increase of \$93.4 million or 8.2%, compared with \$1,137.4 million for the second quarter of 2017. The increase in orders for the second quarter of 2018 was due to 5% organic order growth and a 6% increase from acquisitions, partially offset by an unfavorable 3% effect of foreign currency translation.

Segment operating income for the second quarter of 2018 was \$288.1 million, an increase of \$39.8 million or 16.0%, compared with segment operating income of \$248.3 million for the second quarter of 2017. Segment operating income, as a percentage of net sales, increased to 23.8% for the second quarter of 2018, compared with 23.3% for the second quarter of 2017. The increase in segment operating income and segment operating margins for the second quarter of 2018 resulted primarily from the increase in net sales noted above, as well as the benefits of the Company's Operational Excellence initiatives.

Cost of sales for the second quarter of 2018 was \$791.2 million or 65.4% of net sales, an increase of \$89.0 million or 12.7%, compared with \$702.2 million or 66.0% of net sales for the second quarter of 2017. Cost of sales increased primarily due to the increase in net sales noted above.

Selling, general and administrative expenses for the second quarter of 2018 were \$147.6 million or 12.2% of net sales, an increase of \$14.7 million or 11.1%, compared with \$132.9 million or 12.5% of net sales for the second quarter of 2017. Selling, general and administrative expenses increased primarily due to the increase in net sales noted above. In the second quarter of 2017, the Company recorded a \$2.5 million pre-tax charge in corporate administrative expenses related to the accelerated vesting of restricted stock grants in association with the retirement of the Company's Executive Chairman of the Board of Directors.

Consolidated operating income was \$270.1 million or 22.3% of net sales for the second quarter of 2018, an increase of \$40.6 million or 17.7%, compared with \$229.5 million or 21.6% of net sales for the second quarter of 2017.

Interest expense was \$20.8 million for the second quarter of 2018, a decrease of \$3.8 million or 15.4%, compared with \$24.6 million for the second quarter of 2017. Interest expense decreased primarily due to the repayment in full, at maturity, of \$270 million in aggregate principal amount of 6.20% private placement senior notes in the fourth quarter of 2017.

The effective tax rate for the second quarter of 2018 was 21.9%, compared with 26.0% for the second quarter of 2017. The second quarter of 2018 effective tax rate primarily reflects the impact of the recently enacted Act including the reduction of the U.S. corporate income tax rate and the current impact of GILTI and FDII provisions. See Note 11 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Net income for the second quarter of 2018 was \$193.9 million, an increase of \$43.4 million or 28.8%, compared with \$150.5 million for the second quarter of 2017.

Diluted earnings per share for the second quarter of 2018 were \$0.83, an increase of \$0.18 or 27.7%, compared with \$0.65 per diluted share for the second quarter of 2017.

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Segment Results

EIG's net sales totaled \$744.5 million for the second quarter of 2018, an increase of \$86.8 million or 13.2%, compared with \$657.7 million for the second quarter of 2017. The net sales increase was due to 6% organic sales growth, a 6% increase from the 2018 acquisitions of Motec and SoundCom, the 2017 acquisitions of Arizona Instrument and MOCON, and favorable 1% effect of foreign currency translation.

EIG's operating income was \$193.8 million for the second quarter of 2018, an increase of \$30.0 million or 18.3%, compared with \$163.8 million for the second quarter of 2017. EIG's operating margins were 26.0% of net sales for the second quarter of 2018, compared with 24.9% of net sales for the second quarter of 2017. The increase in EIG's operating income and operating margins for the second quarter of 2018 was primarily due to the increase in net sales noted above, as well as the benefits of the Group's Operational Excellence initiatives.

EMG's net sales totaled \$464.5 million for the second quarter of 2018, an increase of \$57.6 million or 14.2%, compared with \$406.9 million for the second quarter of 2017. The net sales increase was due to 9% organic sales growth, a 3% increase from the 2018 acquisition of FMH and favorable 2% effect of foreign currency translation.

EMG's operating income was \$94.3 million for the second quarter of 2018, an increase of \$9.7 million or 11.5%, compared with \$84.6 million for the second quarter of 2017. The increase in EMG's operating income for the second quarter of 2018 was primarily due to the increase in net sales noted above. EMG's operating margins were 20.3% of net sales for the second quarter of 2018, compared with 20.8% of net sales for the second quarter of 2017.

Results of operations for the first six months of 2018 compared with the first six months of 2017

Net sales for the first six months of 2018 were \$2,381.6 million, an increase of \$309.3 million or 14.9%, compared with net sales of \$2,072.3 million for the first six months of 2017. The increase in net sales for the first six months of 2018 was due to 8% organic sales growth, a 5% increase from acquisitions and favorable 2% effect of foreign currency translation.

Total international sales for the first six months of 2018 were \$1,222.1 million or 51.3% of net sales, an increase of \$153.4 million or 14.4%, compared with international sales of \$1,068.7 million or 51.6% of net sales for the first six months of 2017. The \$153.4 million increase in international sales was primarily driven by organic sales growth. Both reportable segments of the Company maintain strong international sales presences in Europe and Asia.

Orders for the first six months of 2018 were \$2,575.7 million, an increase of \$318.0 million or 14.1%, compared with \$2,257.7 million for the first six months of 2017. The increase in orders for the first six months of 2018 was due to 8% organic order growth, a 5% increase from acquisitions and favorable 1% effect of foreign currency translation. As a result, the Company's backlog of unfilled orders at June 30, 2018 was \$1,590.2 million, an increase of \$194.1 million or 13.9%, compared with \$1,396.1 million at December 31, 2017.

Segment operating income for the first six months of 2018 was \$562.4 million, an increase of \$80.5 million or 16.7%, compared with segment operating income of \$481.9 million for the first six months of 2017. Segment operating income, as a percentage of net sales, increased to 23.6% for the first six months of 2018, compared with 23.3% for the first six months of 2017. The increase in segment operating income and segment operating margins for the first six months of 2018 resulted primarily from the increase in net sales noted above, as well as the benefits of the Company's Operational Excellence initiatives.

Cost of sales for the first six months of 2018 was \$1,568.0 million or 65.8% of net sales, an increase of \$198.4 million or 14.5%, compared with \$1,369.6 million or 66.1% of net sales for the first six months of 2017. Cost of sales increased primarily due to the increase in net sales noted above.

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Selling, general and administrative expenses for the first six months of 2018 were \$285.3 million or 12.0% of net sales, an increase of \$29.6 million or 11.6%, compared with \$255.7 million or 12.3% of net sales for the first six months of 2017. Selling, general and administrative expenses increased primarily due to the increase in net sales noted above. In the second quarter of 2017, the Company recorded a \$2.5 million pre-tax charge in corporate administrative expenses related to the accelerated vesting of restricted stock grants in association with the retirement of the Company's Executive Chairman of the Board of Directors.

Consolidated operating income was \$528.3 million or 22.2% of net sales for the first six months of 2018, an increase of \$81.3 million or 18.2%, compared with \$447.0 million or 21.6% of net sales for the first six months of 2017.

Interest expense was \$42.5 million for the first six months of 2018, a decrease of \$6.6 million or 13.4%, compared with \$49.1 million for the first six months of 2017. Interest expense decreased primarily due to the repayment in full, at maturity, of \$270 million in aggregate principal amount of 6.20% private placement senior notes in the fourth quarter of 2017.

The effective tax rate for the first six months of 2018 was 22.5%, compared with 26.7% for the first six months of 2017. The first six months of 2018 effective tax rate primarily reflects the impact of the recently enacted Act including the reduction of the U.S. corporate income tax rate and the current impact of GILTI and FDII provisions. See Note 11 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Net income for the first six months of 2018 was \$375.2 million, an increase of \$85.8 million or 29.6%, compared with \$289.4 million for the first six months of 2017.

Diluted earnings per share for the first six months of 2018 were \$1.61, an increase of \$0.36 or 28.8%, compared with \$1.25 per diluted share for the first six months of 2017.

Segment Results

EIG's net sales totaled \$1,460.9 million for the first six months of 2018, an increase of \$183.5 million or 14.4%, compared with \$1,277.4 million for the first six months of 2017. The net sales increase was due to 6% organic sales growth, a 6% increase from the 2018 acquisitions of Motec and SoundCom, the 2017 acquisitions of Arizona Instrument, MOCON and Rauland, and favorable 2% effect of foreign currency translation.

EIG's operating income was \$377.2 million for the first six months of 2018, an increase of \$58.2 million or 18.2%, compared with \$319.0 million for the first six months of 2017. EIG's operating margins were 25.8% of net sales for the first six months of 2018, compared with 25.0% of net sales for the first six months of 2017. The increase in EIG's operating income and operating margins for the first six months of 2018 was primarily due to the increase in net sales noted above, as well as the benefits of the Group's Operational Excellence initiatives.

EMG's net sales totaled \$920.7 million for the first six months of 2018, an increase of \$125.8 million or 15.8%, compared with \$794.9 million for the first six months of 2017. The net sales increase was due to 10% organic sales growth, a 2% increase from the 2018 acquisition of FMH and favorable 3% effect of foreign currency translation.

EMG's operating income was \$185.3 million for the first six months of 2018, an increase of \$22.4 million or 13.8%, compared with \$162.9 million for the first six months of 2017. The increase in EMG's operating income for the first six months of 2018 was primarily due to the increase in net sales noted above. EMG's operating margins were 20.1% of net sales for the first six months of 2018, compared with 20.5% of net sales for the first six months of 2017.

Financial Condition

Liquidity and Capital Resources

Cash provided by operating activities totaled \$380.5 million for the first six months of 2018, an increase of \$39.1 million or 11.5%, compared with \$341.4 million for the first six months of 2017. The increase in cash provided by operating activities for the first six months of 2018 was primarily due to higher net income and a \$50.3 million decrease in defined benefit pension plan contributions, driven by a discretionary \$50.1 million contribution to the Company's defined benefit pension plans in the first quarter of 2017, partially offset by higher overall operating working capital levels.

Free cash flow (cash flow provided by operating activities less capital expenditures) was \$352.0 million for the first six months of 2018, compared with \$313.7 million for the first six months of 2017. EBITDA (earnings before interest, income taxes, depreciation and amortization) was \$623.6 million for the first six months of 2018, compared with \$529.3 million for the first six months of 2017. Free cash flow and EBITDA are presented because the Company is aware that they are measures used by third parties in evaluating the Company.

Cash used for investing activities totaled \$401.7 million for the first six months of 2018, compared with \$546.7 million for the first six months of 2017. For the first six months of 2018, the Company paid \$374.6 million, net of cash acquired, to acquire Motec in June 2018, SoundCom in April 2018 and FMH in January 2018. For the first six months of 2017, the Company paid \$518.6 million, net of cash acquired, to acquire MOCON in June 2017 and Rauland in February 2017. Additions to property, plant and equipment totaled \$28.6 million for the first six months of 2018, compared with \$27.7 million for the first six months of 2017.

Cash used for financing activities totaled \$55.5 million for the first six months of 2018, compared with \$23.2 million for the first six months of 2017. At June 30, 2018, total debt, net was \$2,145.9 million, compared with \$2,174.3 million at December 31, 2017. For the first six months of 2018, the net change in short-term borrowings was not significant, compared with a \$6.8 million decrease in short-term borrowings for the first six months of 2017. At June 30, 2018, the Company had available borrowing capacity of \$1,102.4 million under its revolving credit facility, including the \$300 million accordion feature.

In the third quarter of 2018, \$80 million of 6.35% senior notes and \$160 million of 7.08% senior notes will mature and become payable. In the fourth quarter of 2018, \$65 million of 7.18% senior notes will mature and become payable. The debt-to-capital ratio was 33.1% at June 30, 2018, compared with 35.1% at December 31, 2017. The net debt-to-capital ratio (total debt, net less cash and cash equivalents divided by the sum of net debt and stockholders' equity) was 26.8% at June 30, 2018, compared with 27.5% at December 31, 2017. The net debt-to-capital ratio is presented because the Company is aware that this measure is used by third parties in evaluating the Company.

Additional financing activities for the first six months of 2018 included cash dividends paid of \$64.7 million, compared with \$41.3 million for the first six months of 2017. Effective February 1, 2018, the Company's Board of Directors approved a 56% increase in the quarterly cash dividend on the Company's common stock to \$0.14 per common share from \$0.09 per common share.

As a result of all of the Company's cash flow activities for the first six months of 2018, cash and cash equivalents at June 30, 2018 totaled \$557.7 million, compared with \$646.3 million at December 31, 2017. At June 30, 2018, the Company had \$450.1 million in cash outside the United States, compared with \$569.4 million at December 31, 2017. The Company utilizes this cash to fund its international operations, as well as to acquire international businesses. In June 2018, the Company acquired Motec for approximately \$93 million utilizing cash outside the United States. The Company is in compliance with all covenants, including financial covenants, for all of its debt agreements. The Company believes it has sufficient cash-generating capabilities from domestic and unrestricted foreign sources, available credit facilities and access to long-term capital funds to enable it to meet its operating needs and contractual obligations in the foreseeable future.

Critical Accounting Policies

The Company's critical accounting policies are detailed in Part II, Item 7 Management's Discussion and Analysis of Financial Condition of its Annual Report on Form 10-K for the year ended December 31, 2017. Primary disclosure of the Company's significant accounting policies is also included in Note 1 to the Consolidated Financial Statements included in Part II, Item 8 of its Annual Report on Form 10-K. Significant changes as a result of adopting ASC 606 are discussed below:

Revenue Recognition. The majority of the Company's revenues on product sales are recognized at a point in time when the customer obtains control of the product. The transfer in control of the product to the customer is typically evidenced by one or more of the following: the customer having legal title to the product, the Company's present right to payment, the customer's physical possession of the product, the customer accepting the product, or the customer has benefit of ownership or risk of loss. Legal title transfers to the customer in accordance with the delivery terms of the order, usually upon shipment. For a small percentage of sales where title and risk of loss transfers at the point of delivery, the Company recognizes revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met.

Under ASC 606, the Company determined that revenues from certain of its customer contracts met the criteria of satisfying its performance obligations over time, primarily in the areas of the manufacture of custom-made equipment and for service repairs of customer-owned equipment. Prior to the adoption of the new standard, these revenues were recorded upon shipment or, in the case of those sales where title and risk of loss passes at the point of delivery, the Company recognized revenue upon delivery to the customer. Recognizing revenue over time for custom-manufactured equipment is based on the Company's judgment that, in certain contracts, the product does not have an alternative use and the Company has an enforceable right to payment for performance completed to date. This change in revenue recognition accelerated the revenue recognition and costs on the impacted contracts.

Applying the practical expedient available under ASC 606, the Company recognizes incremental cost of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company would have otherwise recognized is one year or less. These costs are included in Selling, general and administrative expenses in the consolidated statement of income.

Revenues associated with repairs of customer-owned assets were previously recorded upon completion and shipment of the repaired equipment to the customer. Under ASC 606, if the Company's performance enhances an asset that the customer controls as the asset is enhanced, revenue must be recognized over time. The revenue associated with the repair of a customer-owned asset meets this criterion.

The determination of the revenue to be recognized in a given period for performance obligations satisfied over time is based on the input method. The Company recognizes revenue over time as it performs on these contracts because the transfer of control to the customer occurs over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the total cost-to-cost input method of progress because it best depicts the transfer of control to the customer that occurs as costs are incurred. Under the cost-to-cost method, the extent of progress towards completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation. On certain contracts, labor hours is used as the measure of progress when it is determined to be a better depiction of the transfer of control to the customer due to the timing and pattern of labor hours incurred.

Performance obligations also include service contracts, installation and training. Service contracts are recognized over the contract life. Installation and training revenues are recognized over the period the service is provided. Warranty terms in customer contracts can also be considered separate performance obligations if the warranty provides services beyond assurance that a product complies with agreed-upon specification or if a warranty can be purchased separately. The Company does not incur significant obligations for customer returns and refunds.

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Payment terms generally begin upon shipment of the product. The Company does have contracts with multiple billing terms that are all due within one year from when the product is delivered. As such, no significant financing component exists. Payment terms are generally 30-60 days from the time of shipment or customer acceptance, but negotiated terms can be shorter or longer. For customer contracts that have revenue recognized over time, revenue is generally recognized prior to a payment being due from the customer. In such cases, the Company recognizes a contract asset at the time the revenue is recognized. When payment becomes due based on the contract terms, the Company reduces the contract asset and records a receivable. In contracts with billing milestones or in other instances with a long production cycle or concerns about credit, customer advance payments are received. The Company may receive a payment in excess of revenue recognized to that date. In these circumstances, a contract liability is recorded.

The Company has certain contracts with variable consideration in the form of volume discounts, rebates and early payment options, which may affect the transaction price used as the basis for revenue recognition. In these contracts, the amount of the variable consideration is not considered constrained and is allocated among the various performance obligations in the customer contract based on the relative standalone selling price of each performance obligation to the total standalone value of all the performance obligations.

Forward-Looking Information

Information contained in this discussion, other than historical information, is considered “forward-looking statements” and is subject to various factors and uncertainties that may cause actual results to differ significantly from expectations. These factors and uncertainties include general economic conditions affecting the industries the Company serves; changes in the competitive environment or the effects of competition in the Company’s markets; risks associated with international sales and operations; the Company’s ability to consummate and successfully integrate future acquisitions; the Company’s ability to successfully develop new products, open new facilities or transfer product lines; the price and availability of raw materials; compliance with government regulations, including environmental regulations; and the ability to maintain adequate liquidity and financing sources. A detailed discussion of these and other factors that may affect the Company’s future results is contained in AMETEK’s filings with the U.S. Securities and Exchange Commission, including its most recent reports on Form 10-K, 10-Q and 8-K. AMETEK disclaims any intention or obligation to update or revise any forward-looking statements, unless required by the securities laws to do so.

Item 4. Controls and Procedures

The Company maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed, is accumulated and communicated to management in a timely manner. Under the supervision and with the participation of our management, including the Company’s principal executive officer and principal financial officer, we have evaluated the effectiveness of our system of disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of June 30, 2018. Based on that evaluation, the Company’s principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures are effective at the reasonable assurance level.

Such evaluation did not identify any change in the Company’s internal control over financial reporting during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchase of equity securities by the issuer and affiliated purchasers.

The following table reflects purchases of AMETEK, Inc. common stock by the Company during the three months ended June 30, 2018:

Period	Total Number of Shares Purchased (1)(2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
April 1, 2018 to April 30, 2018	—	\$ —	—	\$ 368,609,728
May 1, 2018 to May 31, 2018	53,051	73.30	53,051	364,720,912
June 1, 2018 to June 30, 2018	—	—	—	364,720,912
Total	53,051	73.30	53,051	

- (1) Represents shares surrendered to the Company to satisfy tax withholding obligations in connection with employees' share-based compensation awards.
- (2) Consists of the number of shares purchased pursuant to the Company's Board of Directors \$400 million authorization for the repurchase of its common stock announced in November 2016. Such purchases may be effected from time to time in the open market or in private transactions, subject to market conditions and at management's discretion.

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Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
10.1	<u>AMETEK, Inc. Deferred Compensation Plan, amended and restated as of June 15, 2018</u>
31.1*	<u>Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Chief Executive Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Chief Financial Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed electronically herewith.

SIGNATURES

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

AMETEK, Inc.
(Registrant)

By: /s/ THOMAS M. MONTGOMERY
Thomas M. Montgomery
Senior Vice President – Comptroller
(Principal Accounting Officer)

August 2, 2018

AMETEK, INC.
DEFERRED COMPENSATION PLAN

Amended and Restated as of June 15, 2018

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ARTICLE 1. PURPOSE

1.01. Purpose.

The AMETEK, Inc. Deferred Compensation Plan (the “Plan”), is intended to provide additional retirement benefits and increased financial security, on a tax-favored basis, to a select group of management and highly compensated employees of AMETEK, Inc. These individuals may defer a portion of their annual incentive bonus under the Plan if their compensation (as defined under the Plan) exceeds the compensation limits of section 401(a)(17) of the Code.

1.02. Effective Date.

The Plan, as hereby amended and restated, is effective with respect to amounts that were not deferred or vested (within the meaning of section 409A of the Code) before January 1, 2005, and any earnings on such amounts. Amounts deferred and vested (within the meaning of section 409A of the Code) before January 1, 2005 and earnings on such amounts are not affected by this amendment and restatement of the Plan—and remain subject to the terms of the October 1, 1999 plan document, as amended from time to time—which are set forth in Appendix A to this June 15, 2018, amendment and restatement. For recordkeeping purposes, the Company will establish separate accounts for each Participant for amounts deferred and vested before January 1, 2005, and amounts deferred and vested on or after that date.

ARTICLE 2. DEFINITIONS AND CONSTRUCTION

2.01. Definitions.

For the purpose of this Plan, the following terms shall have the meanings set forth below, unless the context clearly indicates otherwise.

- (a) **Account.** “Account” or “Accounts” means the hypothetical Retirement Distribution Account and/or In-Service Distribution Account established on the books of the Company pursuant to Section 5.01.
- (b) **Article.** “Article” means an article of this Plan.
- (c) **Beneficiary.** “Beneficiary” means the person, persons or entity as designated by the Participant, entitled under Article 7 to receive any Plan benefits payable after the Participant’s death.
- (d) **Board.** “Board” means the Board of Directors of AMETEK, Inc.
- (e) **Bonus Compensation.** “Bonus Compensation” means the portion of an Eligible Employee’s Compensation consisting of the amount of the incentive to be paid to an Eligible Employee under the Company’s incentive compensation plan for a Plan Year, other than any bonus paid to an Eligible Employee that is characterized by the Company as a “sign on bonus” or other non-recurring incentive bonus.
- (f) **Bonus Compensation Deferral.** “Bonus Compensation Deferral” means that portion of Eligible Bonus Compensation as to which an Eligible Employee has made an annual irrevocable election to defer receipt until the date specified under the In-Service Distribution Option and/or the Retirement Distribution Option.
- (g) **Change in Control.** A “Change in Control” shall occur if:
 - (1) Any one Person or more than one Person acting as a group (as defined in section 1.409A-3(i)(5)(v)(B) of the Treasury Regulations) acquires ownership of stock of the Company that, together with the stock held by such Person or group of Persons, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. However, if such Person or group of Persons is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company before this transfer of the Company’s stock, the acquisition of additional stock by the same Person or group of Persons shall not be considered to cause a Change in Control of the Company; or
 - (2) Any one Person or more than one Person acting as a group (as defined in section 1.409A-3(i)(5)(v)(B) of the Treasury Regulations) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or group of Persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company. However, if such Person or group of Persons is considered to own 30 percent or more of the total voting power of the stock of the Company before this acquisition, the acquisition of additional control or stock of the Company by the same Person or group of Persons shall not cause a Change in Control of the Company; or

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- (3) A majority of members of the Company's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board before the date of the appointment or election; or
 - (4) Any one Person or more than one Person acting as a group (as defined in section 1.409A-3(i)(5)(v)(B) of the Treasury Regulations) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or group of Persons) assets from the Company that have a total gross fair market value equal to substantially all but in no event less than 40 percent of the total fair market value of all assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. A transfer of assets by the Company will not result in a Change in Control under this Section 2.01(g)(4), if the assets are transferred to:
 - (A) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;
 - (B) An entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company immediately after the transfer of assets;
 - (C) A Person or more than one Person acting as a group (as defined in section 1.409A-3(i)(5)(v)(B) of the Treasury Regulations) that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or
 - (D) An entity, at least 50 percent of the total value or voting power of which is owned directly or indirectly, by a person described in Section 2.01(g)(4)(C), above.

For purposes of this Section 2.01(g), no acquisition, either directly or indirectly, by the Participant, his affiliates and associates, the Company, any subsidiary of the Company, any employee benefit plan of the Company or of any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such employee benefit plan shall constitute a Change in Control.

For purposes of this Section 2.01(g), the following terms shall have the meanings set forth below:

- (1) "Company" shall mean AMETEK, Inc., except that, if a Participant is employed by a majority-controlled subsidiary of the Company, for purposes of Sections 2.01(g)(1), 2.01(g)(2), and 2.01(g)(4), "Company" shall mean such subsidiary.

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- (2) "Person" shall mean any individual or individuals other than the Participant, his affiliates and associates, the Company, any subsidiary of the Company, any employee benefit plan of the Company or of any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such employee benefit plan.
- (h) **Code.** "Code" means the Internal Revenue Code of 1986, as amended.
- (i) **Committee.** "Committee" means the Committee appointed by the Board (or its delegee) to administer the Plan pursuant to Article 8.
- (j) **Company.** "Company" means AMETEK, Inc., a Delaware corporation, and any directly or indirectly affiliated subsidiary corporations, any other affiliate designated by the Board, or any successor to the business thereof.
- (k) **Compensation.** "Compensation" means "compensation" as such term is defined in Treas. Reg. § 1.415(c)-2(d)(4) without regard to the limitations of Code § 415, excluding reimbursements or other expense allowances, fringe benefits, moving expenses, deferred compensation, welfare benefits, sign-on bonuses, imputed income with respect to split dollar life insurance, severance benefits (paid in any form), and amounts described in Treas. Reg. § 1.415(c)-2(c) but including (1) (a) amounts contributed by a Participant to a Plan that is "qualified" under Section 401(a) of the Code and (b) amounts otherwise excludible from the Participant's gross income under Section 125 of the Code and Section 132(f)(4) of the Code and (2) not including Bonus Compensation paid during that year but earned in the preceding year.
- (l) **Disability.** "Disability" means a medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months that (1) renders a Participant unable to engage in any substantial gainful activity or (2) results in a Participant receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company. The Committee shall determine the existence of Disability, in its sole discretion, and may rely on advice from a medical examiner satisfactory to the Committee in making the determination. A Participant will also be considered disabled if he has been determined to be totally disabled by the Social Security Administration. The term "Disability" is intended to comply with section 409A(a)(2)(C) of the Code and shall be interpreted to permit a Participant to take a distribution in any circumstance that would be permitted under section 409A(a)(2)(C) of the Code.
- (m) **Distribution Option.** "Distribution Option" means the two distribution options that are available under the Plan: the Retirement Distribution Option and the In-Service Distribution Option.
- (n) **Eligible Bonus Compensation.** "Eligible Bonus Compensation" is the amount calculated under the following formula:
- (1) "Total Plan Year Compensation" is an Eligible Employee's Bonus Compensation that is earned (not paid) during a Plan Year *plus* the Eligible

Employee's Compensation for that same year, provided that the same Bonus Compensation shall not be included in Total Plan Year Compensation more than once.

- (2) If the Eligible Employee's Total Plan Year Compensation is less than or equal to the compensation limit in effect under section 401(a)(17) of the Code for the Plan Year, then the Eligible Employee's Eligible Bonus Compensation for that year shall be \$0.
 - (3) If the Eligible Employee's Total Plan Year Compensation is greater than the compensation limit in effect under section 401(a)(17) for the Plan Year, then the Eligible Employee's Eligible Bonus Compensation for that year shall be the lesser of (A) the Eligible Employee's Bonus Compensation or (B) the amount by which the Eligible Employee's Total Plan Year Compensation exceeds the compensation limit in effect under section 401(a)(17) of the Code for that year.
- (o) **Eligible Employee.** "Eligible Employee" means an employee of the Company who is designated by the Committee, in its sole discretion, to be eligible to participate in the Plan pursuant to Section 3.01.
 - (p) **Investment Funds.** "Investment Funds" means the separate deemed investment funds identified on Exhibit A of the Plan that a Participant may direct be used as a method to measure the growth of the Participant's Bonus Compensation Deferrals, if any, while credited to the Participant's Accounts.
 - (q) **In-Service Distribution Account.** "In-Service Distribution Account" means the Account maintained for a Participant to which Bonus Compensation Deferrals are credited pursuant to the In-Service Distribution Option.
 - (r) **In-Service Distribution Option.** "In-Service Distribution Option" means the Distribution Option pursuant to which benefits are payable in accordance with Section 6.02.
 - (s) **Participant.** "Participant" means any employee who is eligible and has become a participant pursuant to Section 3.01. Such employee shall remain a Participant in this Plan until such time as all benefits payable under this Plan have been paid in accordance with the provisions hereof.
 - (t) **Plan.** "Plan" means this AMETEK, Inc. Deferred Compensation Plan, as it may be amended from time to time.
 - (u) **Plan Year.** "Plan Year" means the 12-month period beginning on each January 1 and ending on the following December 31.
 - (v) **Pre-2018 Sub-Account.** A type of Sub-Account described in Section 5.01 that is established and maintained within each Account for all Bonus Compensation Deferrals, if any, made by a Participant before June 15, 2018, and any earnings on such amounts.
 - (w) **Retirement.** "Retirement" or "Retires" means a Participant's Separation from Service with the Company (for reasons other than death) at or after attaining age 55 and completing 10 or more Years of Service.

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- (x) **Retirement Distribution Account.** “Retirement Distribution Account” means the Account maintained for a Participant to which Bonus Compensation Deferrals are credited pursuant to the Retirement Distribution Option.
 - (y) **Retirement Distribution Option.** “Retirement Distribution Option” means the Distribution Option pursuant to which benefits are payable in accordance with Section 6.01.
 - (z) **Section.** “Section” means a section of this Plan.
 - (aa) **Separation from Service.** “Separates from Service” or “Separation from Service” means separation from service within the meaning of section 409A of the Code.
 - (bb) **Sub-Account.** “Sub-Account” means a hypothetical sub-account within a Retirement Distribution Account or In-Service Distribution Account established on the books of the Company pursuant to Section 5.01. A Sub-Account within a Retirement Distribution Account is a “Retirement Distribution Sub-Account,” and a Sub-Account within an In-Service Distribution Account is an “In-Service Distribution Sub-Account.” Sub-Account includes a Pre-2018 Sub-Account.
 - (cc) **Valuation Date.** Effective October 1, 2018, “Valuation Date” means:
 - (1) the distribution date if the distribution date is a business day; or
 - (2) the next business day following the distribution date if the distribution date is not a business day (*e.g.*, falls on a weekend or holiday).From June 15, 2018 through September 30, 2018, “Valuation Date” means the last business day of the calendar month preceding the date of payment, except for Section 6.06, “Valuation Date” means the last business day of the Plan Year preceding the date of payment.
 - (dd) **Voting Securities.** “Voting Securities” means the common securities of AMETEK, Inc. that carry the right to vote generally in the election of directors.
 - (ee) **Year of Service.** “Year of Service” means the 12-month period following the date that the Participant first performs an hour of service for the Company and each consecutive 12-month period following the anniversary of that date that is completed before the Participant Separates from Service.

2.02. Construction.

For purposes of the Plan, unless the contrary is clearly indicated by the context,

- (a) the use of the masculine gender shall also include within its meaning the feminine and vice versa,
- (b) the use of the singular shall also include within its meaning the plural and vice versa, and
- (c) the word “include” shall mean to include without limitation.

ARTICLE 3. ELIGIBILITY AND PARTICIPATION

3.01. Eligibility and Participation.

Eligibility to participate in the Plan shall be limited to that select group of management and/or highly compensated employees of the Company whom the Committee designates as eligible to participate in the Plan. An Eligible Employee shall become a Participant in the Plan when he first makes a Bonus Compensation Deferral election pursuant to Article 4.

3.02. Change in Employment Status.

If the Committee determines that a Participant's position is no longer at a level that warrants reward through participation in this Plan, but does not terminate the Participant's employment with the Company, (1) the Participant shall not be permitted to make a Bonus Compensation Deferral election for the Plan Year specified by the Committee and each Plan Year thereafter until the Committee determines that the Participant has again become employed in a position that warrants full participation in the Plan; and (2) the Participant's benefits under this Plan shall be limited to the balance in the Participant's Accounts as of the date so specified by the Committee, which shall be adjusted each subsequent year that the Participant remains an active employee of the Company (and does not again become employed in a position that warrants full participation in the Plan) by the deemed earnings on the Investment Funds elected by the Participant.

If the Committee, in its sole discretion, determines that the Participant no longer qualifies as a member of a select group of management or highly compensated employees, as determined in accordance with ERISA, the Committee may, in its sole discretion, take any action permitted under section 409A of the Code as it deems necessary to preserve the status of the Plan as a "top hat" plan under ERISA.

ARTICLE 4. ELECTION REQUIREMENTS

4.01. Bonus Compensation Deferral Election Filing Deadline.

- (a) Except as provided in Sections 4.02 and 4.03, below, an election to defer an amount equal to all or part of an Eligible Employee's Eligible Bonus Compensation shall be filed with the Committee at least six months before the end of the Plan Year in which the Bonus Compensation is earned (i.e. by June 30th); provided that, if the Bonus Compensation is not "performance-based compensation" within the meaning of section 409A of the Code, the Bonus Compensation Deferral election shall be filed with the Committee no later than the last day of the Plan Year preceding the Plan Year in which the Bonus Compensation is earned. The election, once filed, shall be irrevocable and shall remain in effect until the end of the Plan Year to which it pertains.
- (b) An election made pursuant to Section 4.01(a) shall be in writing, in a form acceptable to the Committee, and shall specify such information as required by the Committee. The Committee may establish minimum or maximum amounts that may be deferred under this Section 4.01 and may change such standards from time to time. Any such limits shall be communicated by the Committee to the Participants before the commencement of a Plan Year.

4.02. New Eligible Employees.

The Committee may, in its discretion, permit an employee who first becomes an Eligible Employee after the beginning of a Plan Year to make a Bonus Compensation Deferral for that Plan Year by filing a completed and fully executed deferral election form, in accordance with Section 4.01(a), within thirty (30) days following the date the employee becomes an Eligible Employee, unless he was previously eligible to participate in another account-based deferred compensation arrangement of the Company. If the Eligible Employee was previously eligible to participate in another account-based deferred compensation arrangement of the Company, the Eligible Employee shall not be permitted to make a Bonus Compensation Deferral under this Section 4.02 or Section 4.01 for the Plan Year in which he is hired but shall be permitted to make a Bonus Compensation Deferral pursuant to Section 4.01 for the Plan Year after the Plan Year in which he is hired and each subsequent Plan Year. Any Bonus Compensation Deferral made under this Section 4.02 shall apply only to Eligible Bonus Compensation earned for services performed after the election is made.

4.03. 2005 Plan Year Re-Deferral Election.

For the 2005 Plan Year, an Eligible Employee may file the requisite deferral election form by March 15, 2005, to defer Bonus Compensation actually or constructively received during the 2005 Plan Year after the date the election is filed.

ARTICLE 5. ACCOUNTS

5.01. Accounts and Sub-Accounts.

The Committee shall establish and maintain separate Accounts and Sub-Accounts with respect to each Participant. There are two types of Accounts: a Retirement Distribution Account and/or an In-Service Distribution Account. Each Account consists of one or more Sub-Accounts. A new Sub-Account shall be established under an Account for each Bonus Compensation Deferral that is made on or after June 15, 2018. Effective June 15, 2018, a Pre-2018 Sub-Account shall be established and maintained within each Account for all Bonus Compensation Deferrals, if any, made before June 15, 2018, and earnings on those amounts.

The amount of the Bonus Compensation Deferral pursuant to Sections 4.01, 4.02, or 4.03 shall be credited by the Company to the Participant's Sub-Accounts on the day such Bonus Compensation would otherwise have been paid, in accordance with the Distribution Options elected by the Participant on his deferral election form. The Participant's Accounts (and Sub-Accounts) shall be reduced by the amount of payments made by the Company to the Participant or the Participant's Beneficiary pursuant to this Plan and shall be adjusted to reflect investment gains and losses.

5.02. Amounts Allocated to Accounts.

An Eligible Employee shall allocate his Bonus Compensation Deferrals between the Distribution Options; provided, however that 100% of such Deferrals may be allocated to one or the other of the Distribution Options.

5.03. Earnings on Accounts.

A Participant's Accounts shall be credited with earnings from time to time in accordance with the deemed earnings on Investment Funds elected by the Participant. Participants may allocate their Retirement Distribution Account and their In-Service Distribution Account among the Investment Funds available under the Plan in increments and at times specified by the Committee. The deemed rate of return, positive or negative, credited under each Investment Fund is based upon the actual investment performance of the applicable Investment Funds listed on Exhibit A of the Plan. The Company reserves the right, on a prospective basis, to add or delete Investment Funds.

5.04. Vesting of Accounts.

A Participant's Accounts shall be 100% vested at all times.

5.05. No Actual Investment.

Notwithstanding that the returns credited to Participants' Accounts are based upon the actual performance of the corresponding deemed Investment Funds selected by a Participant, the Company shall not be obligated to invest any Bonus Compensation Deferrals by Participants under this Plan and the Participant shall have no interest in any amounts that are actually invested to pay benefits under this Plan.

5.06. Statement of Accounts.

The Committee shall provide to each Participant, not less frequently than annually, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Accounts.

5.07. Distributions from Sub-Accounts.

Any distribution made to or on behalf of a Participant from one or more of the Participant's Sub-Accounts in an amount that is less than the entire balance of any such Sub-Account shall be made pro rata from each of the Investment Funds to which such Sub-Account is then allocated except, and only to the extent, that the Participant (or Beneficiary, if applicable) elects, before the scheduled distribution date, to receive a distribution in shares of Voting Securities, up to the value of the amount to be distributed. Distributions shall be in the form of cash, except that a Participant may elect to receive deemed investments in Voting Securities (including deemed investments in the AMETEK Company Stock Fund) in shares of Voting Securities.

ARTICLE 6. PAYMENT OF PLAN BENEFITS

6.01. Payments from the Retirement Distribution Account.

Except as provided in Sections 6.03, 6.04, 6.05, and 6.06, benefits under the Retirement Distribution Option shall be paid to a Participant as follows:

- (a) **General.** Unless otherwise elected pursuant to Section 6.01(b) or modified pursuant to Section 6.01(c), a Participant who Retires shall receive his Retirement Distribution Account in the form of a lump sum on the later of (1) the January 31 following the Participant's Retirement or (2) the first day of the seventh month following the Participant's Retirement.
- (b) **Distribution Election.** A Participant may elect a form or time of payment other than those provided in Section 6.01(a) for a Retirement Distribution Sub-Account, other than a Pre-2018 Sub-Account, by filing a distribution election form for the Retirement Distribution Sub-Account with the Committee at the same time he makes a Bonus Compensation Deferral under the Plan to the Retirement Distribution Sub-Account. The distribution election for any Pre-2018 Sub-Account of a Retirement Distribution Account is the distribution election on file for the Sub-Account as of June 15, 2018. The distribution election shall determine the time and manner of the distribution from the Participant's Retirement Distribution Sub-Account under this Section 6.01 if the Participant Retires, unless the election is modified pursuant to Section 6.01(c).
 - (1) **Optional Forms of Distribution.** A Participant who does not wish to receive a Retirement Distribution Sub-Account in the form of a lump sum may elect to receive the Retirement Distribution Sub-Account in the form of up to fifteen (15) annual installments.
 - (2) **Optional Times for Distribution.** A Participant who does not wish to receive a Retirement Distribution Sub-Account as provided in Section 6.01(a) may elect for distribution of the Retirement Distribution Sub-Account to commence on one of the following: (A) January 31 of the second, third, fourth or fifth Plan Year following the Participant's Retirement or (B) the latest of (i) January 31 of the Plan Year following the Participant's Retirement, (ii) January 31 of the Plan Year following the year in which the Participant becomes age 65, or (iii) the first day of the seventh month after the Participant's Retirement.
- (c) **Modification of Distribution Election.** After making his initial distribution election pursuant to Section 6.01(b) or making a Bonus Compensation Deferral that is subject to the default distribution rule set forth in Section 6.01(a), a Participant may file an election with the Committee, in a form satisfactory to the Committee, to modify the payment date or to specify that a Retirement Distribution Sub-Account be paid in installments rather than a lump sum or in a greater number of annual installments (but not more than fifteen (15) annual installments); provided, however, that such election:
 - (1) is filed with the Committee at least twelve (12) months prior to the date of the first scheduled payment;

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- (2) is not effective until at least twelve (12) months after the date on which the election is made;
 - (3) defers the lump sum payment or the first installment payment with respect to which such election is made for a period of not less than five (5) years from the date such payment would have otherwise been made;
 - (4) does not accelerate payment of the Retirement Distribution Sub-Account; and
 - (5) does not request more than fifteen (15) annual installments.

(d) **Amount of Payments.**

- (1) **Lump sum payment.** Any lump-sum benefit payable from a Retirement Distribution Sub-Account in accordance with this Section 6.01 shall be paid in an amount equal to the value of the Retirement Distribution Sub-Account as of the Valuation Date.
 - (2) **Installment Payments.** If annual installments are elected for a Retirement Distribution Sub-Account in accordance with this Section 6.01, the amount of the first annual installment payment shall equal (A) the value of the Retirement Distribution Sub-Account as of the Valuation Date, divided by (B) the number of annual installment payments elected by the Participant. The remaining annual installments shall be paid on January 31 of each succeeding Plan Year in an amount equal to (C) the value of the Retirement Distribution Sub-Account as of the Valuation Date divided by (D) the number of installments remaining.
- (e) **Benefits Upon Separation from Service.** Any Retirement Distribution Sub-Account of a Participant who Separates from Service (other than by reason of the Participant's death or Retirement) before the date on which the Retirement Distribution Sub-Account would otherwise be distributed shall be distributed in a lump sum on the later of (1) the January 31 following the Participant's Separation from Service or (2) the first day of the seventh month after the Participant's Separation from Service.

6.02. Payments from the In-Service Distribution Account.

Except as provided in Sections 6.03, 6.04, 6.05, and 6.06, benefits under the In-Service Distribution Option shall be paid to a Participant as follows:

- (a) **General.** Except as provided in Section 6.02(e), otherwise elected pursuant to Section 6.02(b), or otherwise modified in accordance with Section 6.02(c), a Participant's In-Service Distribution Sub-Account shall be paid in a lump sum on the date that occurs two years after the Participant elects to allocate a portion of his Bonus Compensation Deferral to the In-Service Distribution Sub-Account.
- (b) **Distribution Election.** A Participant may elect a form or time of payment other than those provided in Section 6.02(a) for an In-Service Distribution Sub-Account by filing a distribution election form for the In-Service Distribution Sub-Account with the Committee at the same time that he makes a Bonus Compensation Deferral to

the In-Service Distribution Sub-Account. Except as provided in Section 6.02(e), this distribution election shall determine the time and manner of the distribution from the Participant's In-Service Distribution Sub-Account unless the election is modified pursuant to Section 6.02(c).

- (1) **Optional Forms of Distribution.** A Participant who does not wish to receive an In-Service Distribution Sub-Account in the form of a lump sum may elect to receive the In-Service Distribution Sub-Account in the form of up to fifteen (15) annual installments.
 - (2) **Optional Times for Distribution.** A Participant who does not wish to receive an In-Service Distribution Sub-Account as provided in Section 6.02(a) may elect for distribution of the In-Service Distribution Sub-Account to commence on any specified future date occurring no earlier than January 1 of the Plan Year following the first anniversary of the Bonus Compensation Deferral related to the Sub-Account.
- (c) **Modification of Distribution Election.** After making his initial distribution election pursuant to Section 6.02(b) or making a Bonus Compensation Deferral that is subject to the default distribution rule set forth in Section 6.02(a), a Participant may file an election with the Committee, in a form satisfactory to the Committee, to modify the payment date or to specify that his In-Service Distribution Account be paid in installments rather than a lump sum or in a greater number of annual installments (but not more than fifteen (15) annual installments); provided, however, that such election:
- (1) is filed with the Committee at least twelve (12) months prior to the date of the first scheduled payment;
 - (2) is not effective until at least twelve (12) months after the date on which the election is made;
 - (3) defers the lump sum payment or the first installment payment with respect to which such election is made for a period of not less than five (5) years from the date such payment would have otherwise been made;
 - (4) does not accelerate payment of the In-Service Distribution Account; and
 - (5) does not request more than fifteen (15) annual installments.
- (d) **Amount of Payments.**
- (1) **Lump Sum.** Any lump-sum amount payable from an In-Service Distribution Sub-Account in accordance with this Section 6.02 shall be paid in an amount equal to the value of the In-Service Distribution Sub-Account as of the Valuation Date.
 - (2) **Installment Payments.** If annual installment payments are elected for an In-Service Distribution Sub-Account in accordance with this Section 6.02, the first annual installment payment shall equal (A) the value of the In-Service Distribution Sub-Account as of the Valuation Date, divided by (B) the number of annual installment payments elected by the Participant. The

remaining annual installments shall be paid on January 31 of each succeeding Plan Year in an amount equal to (A) the value of the In-Service Distribution Sub-Account as of the Valuation Date divided by (B) the number of installments remaining.

- (e) **Benefits Upon Separation from Service.** If a Participant Separates from Service prior to the date on which an In-Service Distribution Sub-Account would otherwise be distributed, other than by reason of his death, any amounts credited to the In-Service Distribution Sub-Account shall be distributed in a lump sum on the later of (1) January 31 following the Participant's Separation from Service or (2) the first day of the seventh month after the Participant's Separation from Service.

6.03. Payments Upon Death of Participant.

- (a) **Death of Participant Before the Commencement of Benefits.**

If a Participant dies before he begins to receive his benefits from one or more Sub-Accounts in accordance with Section 6.01 or 6.02, the sum of benefits due from all such Sub-Accounts shall be paid to the Participant's Beneficiary in a single lump sum on the first day of the month following the Participant's death, in lieu of any benefits otherwise payable under the Plan to or on behalf of such Participant. The amount of any lump sum benefit payable in accordance with this Section 6.03 shall equal the value of such Sub-Accounts as of the Valuation Date.

- (b) **Death of Participant After Benefits Have Commenced.**

If a Participant dies after annual installments payable under Section 6.01 or 6.02 from a Sub-Account has commenced, but before the entire balance of any such Sub-Account has been paid, any remaining installments shall be paid in lump sum on the first day of the month following the Participant's death. If installments remain to be paid from more than one Sub-Account, a single lump sum payment will be made on the first day of the month following the Participant's death equal to the sum of the remaining installments for all such Sub-Accounts.

6.04. Payments in the Event of an Emergency.

- (a) **Eligibility for Emergency Benefit.**

If the Committee, in its sole discretion, determines, upon written request of a Participant, that the Participant has suffered an unforeseeable financial emergency (within the meaning of section 409A of the Code), the Company shall pay to the Participant from the Participant's Accounts, within thirty (30) days following such determination, an amount necessary to meet the emergency, after deduction of any and all taxes as may be required pursuant to Section 6.08 (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness or accident of the Participant, the Participant's spouse or dependent; loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. It is intended that the Committee's determination as to whether a Participant has suffered an "unforeseeable financial

emergency” shall be made consistent with the requirements under section 409(A) of the Code. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency.

(b) Source of Payment.

Emergency Benefits shall be paid first from the Participant’s In-Service Distribution Account, if any, to the extent the balance of such In-Service Distribution Account is sufficient to meet the emergency. If the distribution exhausts the In-Service Distribution Account, the Retirement Distribution Account may be accessed. Emergency Benefits shall be paid from the Sub-Accounts within each Account in sequential order based on distribution date starting with the Sub-Account with the earliest distribution date. With respect to that portion of any Account that is distributed to a Participant as an Emergency Benefit in accordance with this Section 6.04, no further benefit shall be payable to the Participant under this Plan.

(c) Restriction on Deferrals.

Notwithstanding anything in this Plan to the contrary and to the extent permitted by section 409A of the Code, a Participant who receives an Emergency Benefit in any Plan Year shall not be entitled to make a Bonus Compensation Deferral for such Plan Year.

6.05. Payments Upon Disability of Participant.

If a Participant becomes disabled before he begins to receive his benefits in accordance with Section 6.01 or 6.02, benefits shall be paid to the Participant in a lump sum within thirty (30) days after the Committee finds, in its sole discretion, that the Participant has a Disability.

6.06. Payments Upon a Change in Control.

If there is a Change in Control, a Participant will receive the full amount credited to all Pre-2018 Sub-Accounts within the Participant’s Retirement Distribution Account and In-Service Distribution Account in a lump sum. Any lump-sum benefit payable in accordance with this paragraph shall be paid in, but not later than January 31 of, the Plan Year following the Plan Year in which such Change in Control occurs, in an amount equal to the value of such Retirement Distribution Account and In-Service Distribution Account as of the Valuation Date.

6.07. Administrative Acceleration or Delay of Payment.

A payment is treated as being made on the date when it is due under the Plan if the payment is made (a) no earlier than thirty (30) days before the due date specified by the Plan or (b) on a date no later than the due date specified by the Plan that is either (1) in the same Plan Year (for a payment whose specified due date is on or before September 30) or (2) by the fifteenth (15th) day of the third calendar month following the date specified by the Plan (for a payment whose specified due date is on or after October 1).

6.08. Withholding.

The Company shall withhold from any payment made pursuant to this Plan any taxes the Company reasonably believes are required to be withheld from such payments under local, state, or federal law. Unless otherwise determined by the Company, withholding obligations on Voting Securities shall be settled with Voting Securities, including Voting Securities that are part of a distribution that gives rise to the withholding obligation.

6.09. Payment to Guardian.

If a Plan benefit is payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of the property, the Committee may direct payment to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution. Such distribution shall completely discharge the Committee and Company from all liability with respect to such benefit.

6.10. Effect of Payment.

The full payment of the applicable benefit under this Article 6 shall completely discharge all obligations on the part of the Company to the Participant (and the Participant's Beneficiary) with respect to the operation of this Plan, and the Participant's (and Participant's Beneficiary's) rights under this Plan shall terminate.

ARTICLE 7. BENEFICIARY DESIGNATION

7.01. Beneficiary Designation.

Each Participant shall have the right, at any time, to designate one (1) or more persons or entities as Beneficiary (both primary and secondary) to whom benefits under this Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account. Each Beneficiary designation shall be in a written form prescribed by the Committee and shall be effective only if filed with the Committee during the Participant's lifetime.

7.02. Changing Beneficiary.

Any Beneficiary designation may be changed without the consent of the previously named Beneficiary by the filing of a new Beneficiary designation with the Committee.

7.03. No Beneficiary Designation.

If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:

- (a) the Participant's surviving spouse;
- (b) the Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves surviving issue, then such issue shall take by right of representation the share the deceased child would have taken if living; or
- (c) the Participant's estate.

7.04. Effect of Payment.

Payment to the Beneficiary shall completely discharge the Company's obligations under this Plan.

ARTICLE 8. ADMINISTRATION OF THE PLAN

8.01. **Committee Duties.**

This Plan shall be administered by the Committee, which shall consist of not less than three (3) persons, who may also be Participants in this Plan, and are named as the initial Committee in this Plan or as subsequently appointed by the Board or its delegee, except in the event of a Change in Control as provided in Section 8.05 below. The Committee shall have the full discretionary authority to (a) make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as they may arise in such administration, and (b) establish and maintain an investment policy for the Plan, select appropriate Investment Funds to implement the investment policy, monitor the performance of such Investment Funds, and change the selection of Investment Funds from time to time in a manner consistent with the objectives of the investment policy. A Committee member who is also a Participant in this Plan shall be prohibited from voting on any matter which may, in the opinion of the balance of the Committee, directly affect the Committee member's individual rights or benefits under this Plan. A majority vote of the Committee members permitted to vote shall control any decision.

8.02. **Agents.**

The Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

8.03. **Binding Effect of Decisions.**

The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

8.04. **Indemnity of Committee.**

The Company shall indemnify and hold harmless each member of the Committee from any and all claims, losses, damages, expenses (including counsel fees) and liability (including any amounts paid in settlement of any claim or any other matter with the consent of the Board) arising from any act or omission of such member, except when the same is due to gross negligence or willful misconduct.

8.05. **Election of Committee After Change in Control.**

After a Change in Control, vacancies on the Committee shall be filled by majority vote of the remaining Committee members and Committee members may be removed only by such a vote. If no Committee members remain, a new Committee shall be elected by majority vote of the Participants in the Plan immediately preceding such Change in Control. No amendment shall be made to Article 8 or other Plan provisions regarding Committee authority with respect to the Plan without prior approval by the Committee.

ARTICLE 9. CLAIMS PROCEDURE

9.01. Claim.

Any person or entity claiming a benefit, requesting an interpretation or ruling under the Plan (hereinafter referred to as "Claimant"), or requesting information under the Plan shall present the request in writing to the Corporate Human Resources Department, which shall respond in writing as soon as practical, but not later than ninety (90) days after receipt of the claim, unless the Corporate Human Resources Department notifies the Claimant that special circumstances require an additional period of time (not to exceed 90 days) to review the claim properly.

9.02. Denial of Claim.

If the claim or request is denied, the written notice of denial shall state:

- (a) the reasons for denial, with specific reference to the Plan provisions on which the denial is based;
- (b) a description of any additional material or information required and an explanation of why it is necessary; and
- (c) an explanation of the Plan's claim review procedure, including a statement of the Claimant's right to bring a civil action under section 502(a) of ERISA if the claim denial is denied (in whole or in part) on appeal.

9.03. Review of Claim.

Any Claimant whose claim or request is denied or who has not received a response within the time limits set forth above may request a review by notice given in writing to the Committee. Such request must be made within sixty (60) days after receipt by the Claimant of the written notice of denial, or, in the event Claimant has not received a timely response, within 60 days after the date the Corporate Human Resources Department was required to respond to the claim under Section 9.01. The claim or request shall be reviewed by the Committee which may, but shall not be required to, grant the Claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

9.04. Final Decision.

The decision on review shall normally be made within sixty (60) days after the Committee's receipt of claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the Claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reasons and the relevant Plan provisions. All decisions on review shall be final and bind all parties concerned.

9.05. Claims for Disability Benefits.

To the extent required by law, the Committee shall develop alternative claims procedures that shall apply with respect to claims for Disability benefits.

ARTICLE 10. AMENDMENT AND TERMINATION OF PLAN

The Plan may be amended, suspended, discontinued or terminated at any time by the Board; provided, however, that no such amendment, suspension, discontinuance or termination shall reduce or in any manner adversely affect the rights of any Participant with respect to benefits that are payable or may become payable under the Plan based upon the balance of the Participant's Retirement Account and In-Service Distribution Account as of the effective date of such amendment, suspension, discontinuance or termination.

ARTICLE 11. MISCELLANEOUS

11.01. Hypothetical Accounts.

Each account, sub-account and investment established under the Plan shall be hypothetical in nature and shall be maintained for bookkeeping purposes only. The accounts and sub-accounts established under the Plan shall hold no actual funds or assets. Any liability of the Company to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by the Plan. Neither the Company, the Board, nor any other person shall be deemed to be a trustee of any amounts to be paid under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between or among the Company, a Participant, or any other person.

11.02. Company Obligation.

The Company shall not be required to fund any obligations under the Plan. Except as provided in Section 11.03, any assets that may be accumulated by the Company to meet its obligations under the Plan shall for all purposes be part of the general assets of the Company. To the extent that any Participant or Beneficiary acquires a right to receive payments under the Plan for which the Company is liable, such rights shall be no greater than the rights of any unsecured general creditor of the Company.

11.03. Trust Fund.

The Company shall be responsible for the payment of all benefits provided under the Plan. Before a Change in Control, at its discretion, the Company may establish one (1) or more trusts, with such trustees as the Committee may approve, for the purpose of assisting in the payment of such benefits. Following a Change in Control, the Company shall establish one (1) or more trusts, with such trustees as the Committee may approve, for the purpose of assisting in the payment of such benefits, including for the purpose of paying any such benefits that are not required to be paid immediately following a Change in Control in accordance with Section 6.06. If, as a result of a Change in Control, Voting Securities will no longer exist, the Committee may, in its sole discretion, allocate the value of each Participant's Voting Securities to an Investment Fund. Although such a trust may be irrevocable, its assets shall be held for payment of all Company's general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such trust, Company shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of Company. No assets of the trust or the Company shall become restricted to provide benefits under the Plan in connection with a change in the Company's financial health.

11.04. Nonassignability.

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgements, alimony or separate

maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency, except that the Committee may recognize a domestic relations order in accordance with procedures that it may establish for this purpose.

11.05. Not a Contract of Employment.

This Plan shall not constitute a contract of employment between Company and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of Company or to interfere with the right of the Company to discipline or discharge a Participant at any time.

11.06. Protective Provisions.

A Participant will cooperate with Company by furnishing any and all information requested by Company, in order to facilitate the payment of benefits hereunder, and by taking such other action as may be requested by Company.

11.07. Governing Law.

The Plan shall be construed and enforced in accordance with applicable federal law and, to the extent not preempted by federal law, the laws of the Commonwealth of Pennsylvania (without regard to the legislative or judicial conflict of laws rules of any state or other jurisdiction).

11.08. Severability.

If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan. In addition, if any provision of the Plan shall be found to violate section 409A of the Code or otherwise result in benefits under the Plan being subject to income tax prior to distribution, such provision shall be void and unenforceable, and the Plan shall be administered without regard to such provision.

11.09. Headings.

Headings are inserted in this Plan for convenience of reference only and are to be ignored in the construction of the provisions of the Plan.

11.10. Notice.

Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered mail, certified mail, or reputable overnight delivery service. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail or overnight delivery, as of the date shown on the postmark on the receipt for registration or certification or on the records of the overnight delivery company. Mailed notice to the Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in Company's records.

11.11. Successors.

The provisions of this Plan shall bind the Company and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Company, and successors of any such corporation or other business entity.

IN WITNESS WHEREOF, and as evidence of the adoption of this Plan by the Company, AMETEK, Inc. has executed the same this 15th day of June, 2018.

AMETEK, INC.

BY: /s/ HENRY POLICARE
Henry Policare

DATE: June 15, 2018

ATTEST

BY: /s/ LYNN CARINO
Assistant Corporate Secretary
Lynn Carino

EXHIBIT A TO AMETEK, INC. DEFERRED COMPENSATION PLAN

LIST OF INVESTMENT FUNDS

Effective June 15, 2018 through September 28, 2018

1. The "**AMETEK Fund**" which consists of deemed investments in whole and fractional shares of Voting Securities based on the average closing price of the shares on the principal exchange on which the shares are traded for the last 10 trading days of the month preceding the deemed investment. Deemed dividends on the shares allocated to the AMETEK Fund shall be credited to the Fund during a Plan Year when dividends are actually paid on shares of Voting Securities and shall be deemed to be invested in additional shares of Voting Securities on the last business day of such Plan Year based on the closing price of the shares on the principal exchange on which the shares are traded for the first 10 trading days of December preceding the deemed investment.

The AMETEK Fund shall be closed to new deemed investments, effective September 28, 2018 (the "Closing Date"). Any cash representing deemed dividends credited to the AMETEK Fund during 2018 on or before the Closing Date shall be transferred to the AMETEK Company Stock Fund on October 1, 2018 ("Transferred Dividend Credits"). Likewise, the value of a Participant's deemed investment in Voting Securities in the AMETEK Fund shall be transferred to the AMETEK Company Stock Fund on October 1, 2018, and converted to unitized shares under the AMETEK Company Stock Fund as described below.

2. The "**Interest Fund**" which shall be deemed to earn compound interest on principal at one and one-half percent higher than the 10-year Treasury Note rate as set forth in The Wall Street Journal as of the first business day of each calendar quarter.

The Interest Fund with quarterly interest as described in this paragraph shall be closed to new deemed investments, effective September 28, 2018. The interest rate for the third quarter of 2018 shall be equal to (1) the sum of one and one-half percent *plus* the 10-year Treasury Note rate as set forth in The Wall Street Journal as of October 1, 2018, *divided by* (2) a fraction determined by dividing the number of days in the third quarter (92) by the number of days in the year (365). Any interest due or owing under the Interest Fund as of September 28, 2018, shall be credited on September 28, 2018, prior to closing the Interest Fund. All deemed investments in the Interest Fund will be transferred to the daily interest version of the Interest Fund (described below) effective October 1, 2018.

Effective October 1, 2018

1. "**AMETEK Retirement and Savings Plan Investment Options**": The deemed investments in the investment funds offered under the AMETEK, Inc. Retirement and Savings Plan, including the AMETEK Company Stock Fund.

A Participant's closing deemed investment balance in the AMETEK Fund as of the Closing Date, shall be deemed invested in the AMETEK Company Stock Fund as of October 1, 2018. A Participant's opening deemed investment balance in the AMETEK Company Stock Fund as of October 1, 2018 shall consist of:

- (a) Unitized shares in the AMETEK Company Stock Fund equal to the deemed value of the Participant's hypothetical investment in Voting Securities in the AMETEK Fund on the Closing Date, determined using the closing price of the shares on the principal exchange on which the shares are traded as of the Closing Date; and

(b) Unitized shares in the AMETEK Company Stock Fund equal to the deemed value of the Participant's Transferred Dividend Credits divided by the closing price of the unitized shares as of the Closing Date.

2. The "**Interest Fund**" which shall be deemed to earn compound interest on principal at one and one-half percent higher than the 10-year Treasury Note rate as set forth in The Wall Street Journal as of each business day.

A Participant's opening deemed investment balance in this daily interest version of the Interest Fund as of October 1, 2018, shall equal the Participant's deemed closing balance, if any, in the quarterly interest version of the Interest Fund as of September 28, 2018.

APPENDIX A

The following Plan provisions apply only to amounts earned and vested (within the meaning of Section 409A of the Code) before January 1, 2005, and any earnings on such amounts ("Grandfathered Amounts"). Amounts earned and vested after December 31, 2004, and any earnings thereon, are subject to the provisions of the Plan as amended and restated, effective January 1, 2005, or any subsequent amendment and restatement of the Plan.

The purpose of this Appendix A is to preserve the terms of the Plan that govern Grandfathered Amounts, and to prevent the Grandfathered Amounts from becoming subject to Section 409A of the Code. No amendment to this Appendix A that would constitute a "material modification" for purposes of Section 409A shall be effective unless the amending instrument specifically provides that it is intended to materially modify this Appendix A and to cause the Grandfathered Amounts to become subject to Section 409A of the Code.

Although this Appendix A is intended to prevent the Grandfathered Amounts from being subject to Section 409A, neither the Company nor any Employer (nor any representative of the Company) shall be liable for any adverse tax consequence suffered by a Participant or Beneficiary if a Grandfathered Amount becomes subject to Section 409A.

**AMETEK, Inc.
Deferred Compensation Plan**

Effective October 1, 1999

**ARTICLE 1
PURPOSE**

In recognition of the services provided by certain key employees, the Board of Directors of AMETEK, Inc. hereby adopts the AMETEK, Inc. Deferred Compensation Plan (the "Plan") to make additional retirement benefits and increased financial security, on a tax-favored basis, available to those individuals, effective October 1, 1999.

**ARTICLE 2
DEFINITIONS**

Affiliate. "Affiliate" means any firm, partnership, or corporation that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with AMETEK. "Affiliate" also includes any other organization similarly related to the Company that is designated as such by the Board.

AMETEK. "AMETEK" means AMETEK, Inc.

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Section 12.3.

Board. “Board” means the Board of Directors of AMETEK.

Bonus Compensation. “Bonus Compensation” means the portion of an Eligible Employee’s Compensation consisting of the amount of the incentive to be paid to an Eligible Employee under the Company’s incentive compensation plan for a Plan Year which does not include any bonus paid to an Eligible Employee and characterized by the Company as a “sign on bonus” or other “non-recurring incentive bonus.”

Bonus Compensation Deferral. “Bonus Compensation Deferral” means that portion of Bonus Compensation as to which an Eligible Employee has made an annual irrevocable election to defer receipt until the date specified under the In-Service Distribution Option and/or the Retirement Distribution Option.

Change of Control. “Change of Control” means:

1. Any person (except the Participant, the Participant’s affiliates and associates, the Company, any subsidiary of the Company, any employee benefit plan of the Company or of any subsidiary of the Company, or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such employee benefit plan), together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, in the aggregate of 20% or more of the value of the outstanding equity or combined voting power of the then outstanding Voting Securities; or
2. The stockholders of AMETEK approve a merger or consolidation the result of which is that the stockholders of AMETEK do not own or control at least 50% or more of the value of the outstanding equity or combined voting power of the then outstanding Voting Securities, or there occurs a sale or other disposition of all or substantially all of AMETEK’s assets or a plan of liquidation is approved; provided, however, that an internal reorganization, even if the employment of the Participant is transferred to another company, shall not constitute a “Change of Control” if the stockholders of AMETEK own or control, directly or indirectly, at least 50% or more of the value of the outstanding equity or combined voting power of the then outstanding voting securities of the new company entitled to vote generally in the election of directors of that company.

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

Committee. “Committee” means the persons appointed by the Board to administer the Plan and which also may act for the Company or the Board in making decisions and performing specified duties under the Plan.

Company. “Company” means AMETEK and any Affiliate which is authorized by the Board to adopt the Plan and cover its Eligible Employees and whose designation as such has become effective upon acceptance of such status by the board of directors of the Affiliate. An Affiliate may revoke its acceptance of such designation at any time, but until such acceptance has been revoked, all the provisions of the Plan and amendments thereto shall apply to the Eligible Employees of the Affiliate. In the event the designation is revoked by the board of directors of an Affiliate, the Plan shall be deemed terminated only with respect to such Affiliate.

Compensation. “Compensation” shall mean Bonus Compensation earned in a Plan Year plus the total remuneration paid to the Eligible Employee for the Plan Year in which the Bonus Compensation is earned, in excess of the compensation limit of section 401(a)(17) of the Code, as in effect from time to time (\$160,000 on the Effective Date).

Disabled. “Disabled” means a mental or physical condition which would qualify a Participant for benefits under the AMETEK Long Term Disability Plan if he or she were a participant in that plan.

Distribution Option. “Distribution Option” means the two distribution options which are available under the Plan, consisting of the Retirement Distribution Option and the In-Service Distribution Option.

Distribution Option Account. “Distribution Option Account” or “Accounts” means, with respect to a Participant, the Retirement Distribution Account and/or the In-Service Distribution Account established on the books of account of the Company, pursuant to Section 5.1.

Earnings Crediting Options. “Earnings Crediting Options” means the deemed Investment Funds that may be selected by the Participant from time to time pursuant to which deemed earnings are credited to the Participant’s Distribution Option Accounts.

Effective Date. “Effective Date” means the effective date of the Plan which is October 1, 1999.

Eligible Employee. “Eligible Employee” means an Employee who (i) the Committee determines is scheduled, in the next Plan Year, to have Compensation, and (ii) is designated by the Committee, acting on behalf of the Company, as eligible to participate in the Plan.

Employee. “Employee” means any individual employed by the Company on a regular, full-time basis (in accordance with the personnel policies and practices of the Company), including citizens of the United States employed outside of their home country and resident aliens employed in the United States; provided, however, that to qualify as an “Employee” for purposes of the Plan, the individual must be a member of a group of “key management or other highly compensated employees” within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended.

Enrollment Agreement. “Enrollment Agreement” means the authorization form which an Eligible Employee files with the Committee to participate in the Plan.

Investment Funds. “Investment Funds” means the separate deemed investments which a Participant may direct be used to value the growth of the Participant’s Bonus Compensation Deferrals while credited to the Participant’s Accounts. On the Effective Date through September 28, 2018 there shall be two Investment Funds. One Investment Fund shall be the “AMETEK Fund” consisting of deemed investments in whole and fractional shares of Voting Securities based on the average closing price of the shares on the principal exchange on which the shares are traded for the last 10 trading days of the month preceding the deemed investment. Deemed dividends on the shares allocated to the AMETEK Fund shall be credited to the Fund during a Plan Year when dividends are actually paid on shares of Voting Securities and shall be deemed to be invested in additional shares of Voting Securities on the last business day of such Plan Year based on the closing price of the shares on the principal exchange on which the shares are traded for the first 10 trading days of December preceding the deemed investment. The second Investment Fund shall be the “Interest Fund” which shall be deemed to earn compound interest on principal at one and one-half percent higher than the 10-year Treasury Note rate as set forth in The Wall Street Journal as of the first business day of each calendar quarter. Effective October 1, 2018, the Investment Funds shall be those set forth in Exhibit A of the Plan as amended and restated on or after June 15, 2018 (“Exhibit A”), and transfers of deemed investments in the investment funds in effect on September 28, 2018 to those in effect on October 1, 2018, shall occur as described in Exhibit A.

In-Service Distribution Account. “In-Service Distribution Account” means the Account maintained for a Participant to which Bonus Compensation Deferrals are credited pursuant to the In-Service Distribution Option.

In-Service Distribution Option. “In-Service Distribution Option” means the Distribution Option pursuant to which benefits are payable in accordance with Section 7.2.

Participant. “Participant” means an Eligible Employee who has filed a completed and executed Enrollment Agreement with the Committee or its designee and is participating in the Plan in accordance with the provisions of Article 4. In the event of the death or incompetency of a Participant, the term shall mean the Participant’s personal representative or guardian. An individual shall remain a Participant until that individual has received full distribution of any amount credited to the Participant’s Account.

Plan. “Plan” means this plan, called the AMETEK, Inc. Deferred Compensation Plan, as amended from time to time.

Plan Year. “Plan Year” means the 12 month period beginning on each January 1 and ending on the following December 31 except that the first Plan Year shall begin on the Effective Date.

Retirement. “Retirement” means the termination of the Participant’s Service with the Company (for reasons other than death) at or after age 65, or, if the Participant has 10 or more years of Service, at or after age 55.

Retirement Distribution Account. “Retirement Distribution Account” means the Account maintained for a Participant to which Bonus Compensation Deferrals are credited pursuant to the Retirement Distribution Option.

Retirement Distribution Option. “Retirement Distribution Option” means the Distribution Option pursuant to which benefits are payable in accordance with Section 7.1.

Service. “Service” means the period of time during which an employment relationship exists between an Employee and the Company ending on the Participant’s Termination Date, but including any period during which the Employee is on an approved leave of absence, whether paid or unpaid. “Service” also includes employment with an Affiliate if an Employee transfers directly between the Company and the Affiliate.

Termination Date. “Termination Date” means the date of termination of a Participant’s Service with the Company and its Affiliates and shall be determined without reference to any compensation continuation arrangement or severance benefit arrangement that may be applicable.

Valuation Date. Effective October 1, 2018, “Valuation Date” means (1) the distribution date if the distribution date is a business day; or (2) the next business day following the distribution date if the distribution date is not a business day (e.g., falls on a weekend or holiday). On the Effective Date through September 28, 2018, “Valuation Date” means the last business day of the Plan Year preceding the date of payment, except for Sections 8.2 and 8.3, “Valuation Date” means the last business day of the calendar month immediately preceding the date on which the benefit is paid.

Voting Securities. “Voting Securities” means the common securities of AMETEK which carry the right to vote generally in the election of directors.

**ARTICLE 3
ADMINISTRATION OF THE PLAN AND DISCRETION**

3.1 The Committee shall have full power and authority to interpret the Plan, to prescribe, amend and rescind any rules, forms and procedures as it deems necessary or appropriate for the proper administration of the Plan and to make any other determinations and to take any other such actions as it deems necessary or advisable in carrying out its duties under the Plan. All action taken by the Committee arising out of, or in connection with, the administration of the Plan or any rules adopted thereunder, shall, in each case, lie within its sole discretion, and shall be final, conclusive and binding upon the Company, the Board, all Employees, all Beneficiaries and all persons and entities having an interest therein.

3.2 All expenses of administering the Plan shall be paid by the Company.

3.3 The Company shall indemnify and hold harmless each member of the Committee from any and all claims, losses, damages, expenses (including counsel fees) and liability (including any amounts paid in settlement of any claim or any other matter with the consent of the Board) arising from any act or omission of such member, except when the same is due to gross negligence or willful misconduct.

3.4 Any decisions, actions or interpretations to be made under the Plan by the Company, the Board or Committee, acting on behalf of either, shall be made in its respective sole discretion, not as a fiduciary and need not be uniformly applied to similarly situated individuals and shall be final, binding and conclusive on all persons interested in the Plan.

**ARTICLE 4
PARTICIPATION**

4.1 Election to Participate. Annually, each Eligible Employee shall be offered the opportunity to elect a Bonus Compensation Deferral. Any Eligible Employee may enroll in the Plan effective as of the first day of a Plan Year by filing a completed and fully executed Enrollment Agreement with the Committee by March 31 of the Plan Year during which such Bonus Compensation is to be earned. Pursuant to said Enrollment Agreement, the Eligible Employee shall irrevocably elect (a) the percentage, in a whole percentage, or the dollar amount the Eligible Employee desires to be the Eligible Employee’s Bonus Compensation Deferral (as a result of payroll reduction), (b) the Distribution Option Account(s), in 25% increments, to which such amounts will be credited, (c) the Investment Fund(s) selected by the Participant and (d) such other information as the Committee shall require. The Enrollment Agreement filed by an Eligible Employee must also set forth the Participant’s initial election as to the time and manner of distribution of amounts credited to, and related earnings from, the Retirement Distribution Account and/or the In-Service Distribution Account established pursuant to that Enrollment Agreement. The Committee may establish minimum or maximum amounts that may be deferred under this Section and may change such standards from time to time. Any such limits shall be communicated by the Committee to the Participants prior to the commencement of a Plan Year.

4.2 New Eligible Employees. The Committee may, in its discretion, permit Employees who first become Eligible Employees after the beginning of a Plan Year to enroll in the Plan for that Plan Year by filing a completed and fully executed Enrollment Agreement, in accordance with Section 4.1, as soon as practicable following the date the Employee becomes an Eligible Employee but, in any event, within 30 days after such date.

ARTICLE 5 DISTRIBUTION OPTION ACCOUNTS

5.1 Distribution Option Accounts. The Committee shall establish and maintain separate Distribution Option Accounts with respect to each Participant. A Participant's Distribution Option Accounts shall consist of the Retirement Distribution Account and/or an In-Service Distribution Account. The amount of the Bonus Compensation Deferral pursuant to Section 4.1 or Section 4.2 shall be credited by the Company to the Participant's Distribution Option Accounts on the day such Bonus Compensation would otherwise have been paid, in accordance with the Distribution Option(s) irrevocably elected by the Participant in the Enrollment Agreement. Any amount once taken into account as Compensation for purposes of this Plan shall not be taken into account thereafter. The Participant's Distribution Option Accounts shall be reduced by the amount of payments made by the Company to the Participant or the Participant's Beneficiary pursuant to this Plan.

5.2 Earnings on Distribution Option Accounts. A Participant's Distribution Option Accounts shall be credited with earnings in accordance with the Earnings Crediting Options elected by the Participant from time to time. Participants may allocate their Retirement Distribution Account and their In-Service Distribution Account among the Earnings Crediting Options available under the Plan in increments and at times specified by the Committee. The deemed rate of return, positive or negative, credited under each Earnings Crediting Option is based upon the actual investment performance of the applicable Investment Fund. The Company reserves the right, on a prospective basis, to add or delete Investment Funds.

5.3 Earnings Crediting Options. Notwithstanding that the returns credited to Participants' Distribution Option Accounts under the Earnings Crediting Options are based upon the actual performance of the corresponding deemed Investment Funds selected by a Participant, the Company shall not be obligated to invest any Bonus Compensation Deferrals by Participants under this Plan.

5.4 Statement of Accounts. The Committee shall provide to each Participant, not less frequently than annually, a statement in such form as the Committee deems desirable setting forth the balance standing to the credit of each Participant in each of his Distribution Option Accounts.

5.5 Distributions from Accounts. Any distribution made to or on behalf of a Participant from one or more of the Participant's Distribution Option Accounts in an amount which is less than the entire balance of any such Account shall be made pro rata from each of the Earnings Crediting Options to which such Account is then allocated except, and only to the extent, that the Participant (or Beneficiary, if applicable) elects to receive a distribution in shares of Voting Securities (including deemed investments in the AMETEK Company Stock Fund), up to the value of the amount to be distributed.

**ARTICLE 6
DISTRIBUTION OPTIONS**

6.1 Election of Distribution Option. In the first completed and fully executed Enrollment Agreement filed with the Committee, an Eligible Employee shall elect the time and manner of payment for each of the Eligible Employee's Distribution Option Accounts. Annually, the Eligible Employee shall allocate his or her Bonus Compensation Deferrals between the Distribution Options in increments of 25%; provided, however that 100% of such Deferrals may be allocated to one or the other of the Distribution Options.

6.2 Retirement Distribution Option. Subject to Section 7.1, distribution of the Participant's Retirement Distribution Account, if any, shall commence upon January 31st of (a) the Plan Year following the Participant's Retirement, (b) the second Plan Year following the Participant's Retirement or (c) the later of the Plan Year following the Participant's Retirement or the Plan Year following the year in which the Participant becomes age 65, as elected by the Participant in the Enrollment Agreement pursuant to which such Retirement Distribution Account was established or otherwise as permitted under Section 7.1(a).

6.3 In-Service Distribution Option. Subject to Section 7.2, the Participant's In-Service Distribution Account shall be distributed commencing in the Plan Year elected by the Participant in the Enrollment Agreement pursuant to which such In-Service Distribution Account was established. Notwithstanding the foregoing, a Participant shall not be entitled to allocate any Bonus Compensation Deferrals to an In-Service Distribution Account for the two Plan Years preceding the Plan Year which includes the date on which the In-Service Distribution Account is to be distributed.

**ARTICLE 7
BENEFITS TO PARTICIPANTS**

7.1 Benefits Under the Retirement Distribution Option. Benefits under the Retirement Distribution Option shall be paid to a Participant as follows:

(a) Benefits Upon Retirement. In the case of a Participant whose Service with the Company terminates on account of Retirement, the Participant's Retirement Distribution Account shall be distributed pursuant to one of the following methods, as elected by the Participant in writing either in the Enrollment Agreement or in a separate election made as provided below: (i) in a lump sum; or (ii) in up to 5 annual installments. Payments shall commence in accordance with the Participant's election pursuant to Section 6.2. Any lump-sum benefit payable in accordance with this paragraph shall be paid in an amount equal to the value of such Retirement Distribution Account as of the Valuation Date. If annual installments are elected in accordance with this paragraph, the amount of the first annual installment payment shall equal (i) the value of such Retirement Distribution Account as of the Valuation Date, divided by (ii) the number of annual installment payments elected by the Participant. The remaining annual installments shall be paid not later than January 31 of each succeeding Plan Year in an amount equal to (i) the value of such Retirement Distribution Account as of the Valuation Date divided by (ii) the number of installments remaining. A Participant may change the election regarding the manner of payment of the Participant's Account, as described in Section 6.1, at any time prior to the earlier of (i) the date of Retirement or (ii) June 30 of the Plan Year in which occurs the Participant's Retirement.

(b) Benefits Upon Termination of Employment. In the case of a Participant whose Service with the Company terminates prior to the earliest date on which the Participant is eligible for Retirement, other than by reason of death, a Participant's Retirement Distribution Account shall be distributed in lump sum on (i) the January 31 following the Participant's Termination Date or (ii) such other date as is mutually agreed upon by the Company and the Participant.

7.2 Benefits Under the In-Service Distribution Option. Benefits under the In-Service Distribution Option shall be paid to a Participant as follows:

(a) In-Service Distributions. In the case of a Participant who continues in Service with the Company, the Participant's In-Service Distribution Account shall be paid to the Participant commencing on January 31 of the Plan Year irrevocably elected by the Participant in the Enrollment Agreement pursuant to which such In-Service Distribution Account was established, which may be no earlier than the third Plan Year following the end of the last Plan Year in which Bonus Compensation Deferrals are to be credited to that In-Service Distribution Account, in one lump sum or in annual installments payable over 2, 3, or 4 years. Any lump-sum benefit payable in accordance with this paragraph shall be paid on January 31 of the Plan Year elected by the Participant in accordance with Section 6.3, in an amount equal to the value of such In-Service Distribution Account as of the Valuation Date. Annual installment payments, if any, shall commence not later than January 31 of the Plan Year as elected by the Participant in accordance with Section 6.3, in an amount equal to (i) the value of such In-Service Distribution Account as of the Valuation Date, divided by (ii) the number of annual installment payments elected by the Participant in the Enrollment Agreement pursuant to which such In-Service Distribution Account was established. The remaining annual installments shall be paid not later than January 31 of each succeeding Plan Year in an amount equal to (i) the value of such In-Service Distribution Account as of the Valuation Date divided by (ii) the number of installments remaining.

(b) Benefits Upon Termination of Employment. In the case of a Participant whose Service with the Company terminates prior to the date on which the Participant's In-Service Distribution Account would otherwise be distributed, other than by reason of death, such In-Service Distribution Account shall be distributed in a lump sum (i) on January 31 following the Participant's Termination Date; or (ii) such other date as is mutually agreed upon by the Company and the Participant.

ARTICLE 8 SURVIVOR BENEFITS

8.1 Death of Participant Prior to the Commencement of Benefits. In the event of a Participant's death prior to the commencement of benefits in accordance with Article 7, benefits shall be paid to the Participant's Beneficiary, as determined under Section 12.3, pursuant to Section 8.2 or 8.3, whichever is applicable, in lieu of any benefits otherwise payable under the Plan to or on behalf of such Participant.

8.2 Survivor Benefits Under the Retirement Distribution Option. In the case of a Participant with respect to whom the Company has established a Retirement Distribution Account, and who dies prior to the commencement of benefits under such Retirement Distribution Account pursuant to Section 7.1, distribution of such Retirement Distribution Account shall be made in a lump sum (a) as soon as practicable following the Participant's death, or (b) such other date as is mutually agreed upon by the Company and the Beneficiary. The amount of any lump sum benefit payable in accordance with this Section shall equal the value of such Retirement Distribution Account as of the Valuation Date.

8.3 Survivor Benefits Under the In-Service Distribution Option. In the case of a Participant with respect to whom the Company has established an In-Service Distribution

Account, and who dies prior to the date on which such In-Service Distribution Account is to be paid pursuant to Section 7.2, distribution of such In-Service Distribution Account shall be made in a lump sum (a) as soon as practicable following the Participant's death, or (b) such other date as is mutually agreed upon by the Company and the Beneficiary. The amount of any lump sum benefit payable in accordance with this Section shall equal the value of such In-Service Distribution Account as of the Valuation Date.

8.4 Death of Participant After Benefits Have Commenced. In the event a Participant dies after annual installment benefits payable under Section 7.1 or 7.2 from the Participant's Accounts has commenced, but before the entire balance of any such Account has been paid, any remaining installments shall be paid in lump sum (a) as soon as practicable following the Participant's death, or (b) such other date as is mutually agreed upon by the Company and the Beneficiary.

ARTICLE 9 EMERGENCY BENEFIT

In the event that the Committee, upon written request of a Participant, determines, in its sole discretion, that the Participant has suffered an unforeseeable financial emergency, the Company shall pay to the Participant from the Participant's Distribution Option Account, as soon as practicable following such determination, an amount necessary to meet the emergency, after deduction of any and all taxes as may be required pursuant to Section 12.9 (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. Emergency Benefits shall be paid first from the Participant's In-Service Distribution Account, if any, to the extent the balance of such In-Service Distribution Account is sufficient to meet the emergency. If the distribution exhausts the In-Service Distribution Account, the Retirement Distribution Account may be accessed. With respect to that portion of any Distribution Option Account which is distributed to a Participant as an Emergency Benefit, in accordance with this Article, no further benefit shall be payable to the Participant under this Plan. Notwithstanding anything in this Plan to the contrary, a Participant who receives an Emergency Benefit in any Plan Year shall not be entitled to make any further deferrals for the remainder of such Plan Year. It is intended that the Committee's determination as to whether a Participant has suffered an "unforeseeable financial emergency" shall be made consistent with the requirements under section 457(d) of the Code.

ARTICLE 10 ACCELERATED DISTRIBUTION

10.1 Availability of Withdrawal Prior to Retirement. Upon the Participant's written election, the Participant may elect to withdraw all or a portion of the Participant's Distribution Option Account at any time prior to the time such Distribution Option Account otherwise becomes payable under the Plan, provided the conditions specified in Section 10.3, Section 10.4, and Section 10.5 are satisfied.

10.2 Acceleration of Periodic Distributions. Upon the Participant's written election, the Participant or Participant's Beneficiary who is receiving installment payments under the Plan may elect to have all or a percentage of the remaining installments distributed in the form of an immediately payable lump sum, provided the condition specified in Section 10.3 is satisfied.

10.3 Forfeiture Penalty. In the event of a withdrawal pursuant to Section 10.1, or an accelerated distribution pursuant to Section 10.2, the Participant shall forfeit from his Distribution Option Account from which the withdrawal is made an amount equal to 10% of the amount of the withdrawal or accelerated distribution, as the case may be. The forfeited amount shall be deducted from the applicable Distribution Option Account prior to giving effect to the requested withdrawal or acceleration. The Participant and the Participant's Beneficiary shall not have any right or claim to the forfeited amount, and the Company shall have no obligation whatsoever to the Participant, the Participant's Beneficiary or any other person with regard to the forfeited amount.

10.4 Minimum Withdrawal. In no event shall the amount withdrawn in accordance with Section 10.1 be less than 25% of the amount credited to the Participant's Distribution Option Account immediately prior to the withdrawal.

10.5 Suspension from Deferrals. In the event of a withdrawal pursuant to Section 10.1, a Participant who is otherwise eligible to make deferrals under Article 4 shall be prohibited from making any deferrals with respect to the Plan Year immediately following the Plan Year during which the withdrawal was made, and any election previously made by the Participant with respect to deferrals for the Plan Year of the withdrawal shall be void and of no effect with respect to subsequent deferrals for such Plan Year.

ARTICLE 11 CHANGE OF CONTROL

In the case of a Change of Control, a Participant may make a one-time irrevocable election, within 60 days after the closing of the transaction pursuant to which the Change of Control was occasioned, to receive the full amount credited to the Participant's Retirement Distribution Account and In-Service Distribution Account in a lump sum. Any lump-sum benefit payable in accordance with this paragraph shall be paid in, but not later than January 31 of, the Plan Year following the Plan Year in which such closing occurs, in an amount equal to the value of such Retirement Distribution Account and In-Service Distribution Account as of the Valuation Date.

ARTICLE 12 MISCELLANEOUS

12.1 Amendment and Termination. The Plan may be amended, suspended, discontinued or terminated at any time by the Board; provided, however, that no such amendment, suspension, discontinuance or termination shall reduce or in any manner adversely affect the rights of any Participant with respect to benefits that are payable or may become payable under the Plan based upon the balance of the Participant's Retirement Account and In-Service Distribution Account as of the effective date of such amendment, suspension, discontinuance or termination.

12.2 Claims Procedure.

a. Claim

A person who believes that he is being denied a benefit to which he is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Committee, setting forth the claim.

b. Claim Decision

Upon receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Committee may, however, extend the reply period for an additional ninety (90) days for reasonable cause.

If the claim is denied in whole or in part, the Claimant shall be provided a written opinion, using language calculated to be understood by the Claimant, setting forth:

- (a) The specific reason or reasons for such denial;
- (b) The specific reference to pertinent provisions of this Agreement on which such denial is based;
- (c) A description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary;
- (d) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and
- (e) The time limits for requesting a review under subsection (c) and for review under subsection (d) hereof.

c. Request for Review

Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Committee review the determination. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such sixty (60) day period, the Claimant shall be barred and estopped from challenging the determination.

d. Review of Decision

Within sixty (60) days after the Committee's receipt of a request for review, it will review the initial determination. After considering all materials presented by the Claimant, the Committee will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Agreement on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

12.3 Designation of Beneficiary. Each Participant may designate a Beneficiary or Beneficiaries (which Beneficiary may be an entity other than a natural person) to receive any payments which may be made following the Participant's death. Such designation may be changed or canceled at any time without the consent of any such Beneficiary. Any such

designation, change or cancellation must be made in a form approved by the Committee and shall not be effective until received by the Committee, or its designee. If no Beneficiary has been named, or the designated Beneficiary or Beneficiaries shall have predeceased the Participant, the Beneficiary shall be the Participant's estate. If a Participant designates more than one Beneficiary, the interests of such Beneficiaries shall be paid in equal shares, unless the Participant has specifically designated otherwise.

12.4 Limitation of Participant's Right. Nothing in this Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company, nor shall it interfere with the rights of the Company to terminate the employment of any Participant and/or to take any personnel action affecting any Participant without regard to the effect which such action may have upon such Participant as a recipient or prospective recipient of benefits under the Plan. Any amounts payable hereunder shall not be deemed salary or other compensation to a Participant for the purposes of computing benefits to which the Participant may be entitled under any other arrangement established by the Company for the benefit of its employees.

12.5 No Limitation on Company Actions. Nothing contained in the Plan shall be construed to prevent the Company from taking any action which is deemed by it to be appropriate or in its best interest. No Participant, Beneficiary, or other person shall have any claim against the Company as a result of such action.

12.6 Obligations to Company. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company under a legally binding written instrument, then the Company may offset such amount owed to it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

12.7 Nonalienation of Benefits. Except as expressly provided herein, no Participant or Beneficiary shall have the power or right to transfer (otherwise than by will or the laws of descent and distribution), alienate, or otherwise encumber the Participant's interest under the Plan. The Company's obligations under this Plan are not assignable or transferable except to (a) any corporation or partnership which acquires all or substantially all of the Company's assets or (b) any corporation or partnership into which the Company may be merged or consolidated. The provisions of the Plan shall inure to the benefit of each Participant and the Participant's Beneficiaries, heirs, executors, administrators or successors in interest.

12.8 Withholding Taxes. The Company may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Company is required by any law or regulation of any governmental authority, whether Federal, state or local, to withhold in connection with any benefits under the Plan, including, but not limited to, the withholding of appropriate sums from any amount otherwise payable to the Participant (or his Beneficiary). Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits. Unless otherwise determined by the Company, withholding obligations on Voting Securities shall be settled with Voting Securities, including Voting Securities that are part of a distribution that gives rise to the withholding obligation.

12.9 Unfunded Status of Plan. The Plan is intended to constitute an "unfunded" plan of deferred compensation for Participants. Benefits payable hereunder shall be payable out of the general assets of the Company, and no segregation of any assets whatsoever for such benefits shall be made. Notwithstanding any segregation of assets or transfer to a grantor trust, with respect to any payments not yet made to a Participant, nothing contained herein shall give any such Participant any rights to assets that are greater than those of a general creditor of the Company.

12.10 Severability. If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

12.11 Governing Law. The Plan shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania, without reference to the principles of conflict of laws.

12.12 Headings. Headings are inserted in this Plan for convenience of reference only and are to be ignored in the construction of the provisions of the Plan.

12.13 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

12.14 Notice. Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Human Resources Department, or to such other entity as the Committee may designate from time to time. Such notice shall be deemed given as to the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

CERTIFICATIONS

I, David A. Zapico, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AMETEK, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 2, 2018

/s/ DAVID A. ZAPICO

David A. Zapico
Chairman of the Board and Chief Executive Officer

CERTIFICATIONS

I, William J. Burke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AMETEK, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 2, 2018

/s/ WILLIAM J. BURKE

William J. Burke

Executive Vice President – Chief Financial Officer

AMETEK, Inc.

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of AMETEK, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Zapico, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID A. ZAPICO

David A. Zapico
Chairman of the Board and Chief Executive Officer

Date: August 2, 2018

A signed original of this written statement required by Section 906 has been provided to AMETEK, Inc. and will be retained by AMETEK, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

AMETEK, Inc.

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of AMETEK, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Burke, Executive Vice President – Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM J. BURKE

William J. Burke
Executive Vice President – Chief Financial Officer

Date: August 2, 2018

A signed original of this written statement required by Section 906 has been provided to AMETEK, Inc. and will be retained by AMETEK, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

