

[CONFORMED COPY]

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-168

AMETEK, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 13-4923320
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

STATION SQUARE, PAOLI, PA 19301
(ADDRESS OF PRINCIPAL EXECUTIVE (ZIP CODE)
OFFICES)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, \$.01 PAR VALUE (VOTING)	NEW YORK STOCK EXCHANGE PACIFIC STOCK EXCHANGE
9 3/4% SENIOR NOTES DUE 2004	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE
(TITLE OF EACH CLASS)

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 X NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM
405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO
THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION
STATEMENTS OR ANY AMENDMENT TO THIS FORM 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 28, 1997, was \$675,774,520.

The number of shares of common stock outstanding as of February 28, 1997, was 32,758,125.

AMETEK, INC.

1996 FORM 10-K ANNUAL REPORT
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PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

AMETEK, Inc. ("AMETEK" or the "Company") was incorporated in Delaware in 1930 under the name of American Machine and Metals, Inc. and maintains its principal executive offices at Station Square, Paoli, Pennsylvania 19301.

AMETEK is a global manufacturer of electrical products, and materials engineered for niche markets. Operations are in North America, Europe, and Asia, with one-third of sales to international markets. The Company has a significant market share for many of its products. The Electromechanical Group is the world's largest independent producer of electric motors and blowers for vacuum cleaners and floor-care products; the Precision Instruments Group builds technologically advanced monitoring, sensing, calibration, and display devices for the aerospace, process, and heavy-vehicle industries; and the Industrial Materials Group produces specialty materials and water filtration products for consumer and industrial markets. The Company has grown through a focus on the manufacturing of electronic, electromechanical and electrical products, for niche markets where, based on technological or cost advantages, it has or it seeks to build a significant market share.

Continuation of Shareholder Value Enhancement Plan

In November 1993, the Company adopted a Shareholder Value Enhancement Plan (the "Plan") with the objective of improving AMETEK's earnings growth through a combination of financial and operating strategies.

The Plan's financial strategies consist of a share repurchase program (which is ongoing), a debt refinancing (completed in 1994) and a dividend reduction (which was adopted at the same time as the Plan). From the inception of the Plan through December 31, 1996, AMETEK has repurchased approximately 30% of its outstanding shares. This represents approximately 12.2 million shares of common stock at an aggregate repurchase price of \$171 million (or an average cost of \$14.01 per share). During 1996, AMETEK repurchased 698,000 shares at an aggregate repurchase price of \$12.5 million (or an average cost of \$17.92 per share). Also, during 1996, AMETEK's Board of Directors authorized a new share repurchase program of up to \$50 million.

Shortly after the Plan was adopted, AMETEK implemented certain of its operating strategies primarily by restructuring the Precision Instruments Group and, as a result, incurred after-tax charges of \$33.5 million in 1993. The Plan's other operating strategies, which are ongoing, consist of: (i) achieving operational excellence through improved asset management, increased operating synergies and reduced cycle time, (ii) intensifying new product development efforts, especially in the electric motor-blower, precision instruments and specialty metals product lines, (iii) completing strategic acquisitions and alliances which concentrate on enhancing AMETEK's technological and manufacturing advantages and market position in its core businesses, and (iv) pursuing global and market expansion, especially in Europe and Asia.

In continuing to carry out the financial and operating strategies of the Plan, AMETEK has sought to allocate its historically strong cash flow to those opportunities, including the furtherance of its operating strategies, additional share repurchases and further debt reductions, which appear to have the best potential for improving earnings growth and thereby enhancing

shareholder value.

AGREEMENT TO MERGE WATER FILTRATION BUSINESS INTO CULLIGAN

In a recent development the Company announced on February 5, 1997 that it had entered into an agreement to merge its water filtration business into Culligan Water Technologies, Inc., for a total purchase price of approximately \$155 million. The purchase price, less assumed debt (ranging from \$25 million to \$75 million at AMETEK's discretion), is payable in Culligan common stock valued at \$37.50 per share.

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The transaction, which utilizes a "Morris Trust" structure, will involve the tax-free spin-off to AMETEK's shareholders of an entity containing all of AMETEK's existing operations, except its water filtration business. This spun-off entity will retain the AMETEK name and its common stock will be traded on the New York and Pacific Stock Exchanges.

AMETEK's water filtration business consists of the Plymouth Products Division, based in Sheboygan, Wisconsin, and three international subsidiaries: AMETEK Filters Ltd., Teeside, England; APIC, S. A., Colombe, France; and AFIMO, S. A. M., Monaco. AMETEK's water filtration business had 1996 sales of approximately \$70 million.

Following the spin-off, AMETEK's water filtration business, assuming the expected \$25 million of retained debt, will be merged with Culligan in return for 3,466,667 shares of Culligan common stock (or, 0.11 shares of Culligan for each share of AMETEK, based on AMETEK's shares outstanding as of December 31, 1996). The new AMETEK stock and the Culligan stock issued in this transaction are intended to be distributed on a tax-free basis to AMETEK's shareholders. The transaction is subject to approval by AMETEK's shareholders and other regulatory approvals.

AMETEK has decided to postpone its annual meeting of shareholders, customarily held in April in order to combine it with the shareholders meeting to be held at a date to be determined to vote on the merger of the Water Filtration Business.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS, FOREIGN OPERATIONS AND EXPORT SALES

Business segment and geographic information is shown on pages 35-37 of this report.

Among the Company's growth strategies are global and market expansion, which are subject to certain risks inherent in conducting business outside the United States, such as fluctuation in currency exchange rates and controls; restrictions on the movement of funds, import and export controls; and other economic, political and regulatory policies of the countries in which business is conducted. The expansion results from a combination of increasing levels of export sales of products manufactured in the United States, sales from overseas operations, and strategic alliances.

NARRATIVE DESCRIPTION OF BUSINESS

PRODUCTS AND SERVICES

The Company's growth strategies are focused on its principal businesses: Electromechanical, Precision Instruments, and Industrial Materials. The products and markets of each business are described below:

ELECTROMECHANICAL GROUP

Overview

The Electromechanical Group ("EMG") is the world's largest independent producer of high-speed, air-moving electric motors for original equipment manufacturers ("OEMs") of floor-care products. The manufacture of small vacuum motors parts rotating at 25,000 to 40,000 RPM requires advanced manufacturing technology. EMG must address complex motor-blower dynamics including heat, noise, vibration, and wear, in designing its customized products. EMG's worldwide market leadership is based on core competencies developed over 80 years. EMG has a leading market share in North America and Western Europe and

a growing share in the Pacific Rim. Sales have more than quadrupled since 1981--increasing from approximately \$80 million to \$376 million in 1996.

EMG has grown its business by extending its technological expertise in manufacturing high-speed, air-moving electric motors to a variety of targeted markets, with the floor care market being its primary focus. EMG has formed alliances with OEM customers to design and manufacture cost-effective products for numerous floor care applications. EMG is also using its technological and marketing expertise in an effort to penetrate new markets, such as lawn and garden equipment, where it is seeking to establish alliances with its major customers.

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EMG is seeking to build on its market leadership in the floor care markets of North America and Europe, through initiatives in Eastern Europe, Latin America and the Pacific Rim. In addition to pursuing strategic alliances and joint ventures, EMG has expanded its presence in the Pacific Rim with a plant in Shanghai, Peoples' Republic of China (PRC). Such Shanghai operations plus facilities in the Czech Republic and Mexico are expected to contribute to manufacturing output in 1997. About 50% of EMG's sales are outside of the United States.

Consistent with its strategies for long-term global growth and low-cost producer status, EMG has increased its production capacity over the past three years with highly automated production lines at its Graham, North Carolina, facility. The recently initiated operations in Reynosa, Mexico, Shanghai, PRC; and the Czech Republic are focused on reducing costs and then market expansion.

EMG employs approximately 2,900 people and has thirteen manufacturing locations: six in the United States, three in Italy, two in Mexico, and one each in the PRC and the Czech Republic. EMG produced approximately 22 million motor products in 1996 with flexible, automated production lines designed for low-cost, high-volume operations. Technological resources provide EMG customers with custom-designed products.

Floor-Care Market and Product Line

About two thirds of EMG's sales are to floor-care markets, where it has a leading share through sales of air-moving electric motors to most of the world's major floor-care OEMs, including integrated OEMs that produce some of their own motors. EMG produces a full range of floor-care products, from hand-held, canister and upright vacuums to central vacuums for residential use. High performance vacuums are marketed for residential and commercial applications. Customers include Matsushita, Bissell, Royal, Eureka, and SEB-Rowenta.

Sales growth in the floor-care industry has been achieved by marketing products to vertically integrated vacuum cleaner manufacturers that decide to outsource motor production to realize the economic and operational advantages of reducing or discontinuing their own motor production. By purchasing EMG's motors, vacuum cleaner manufacturers can reduce the otherwise substantial capital expenditures they would incur to manufacture motors for changing consumer demands. The global consumer trend toward multiple floor-care products increases the variety and frequency of these investments by OEMs, which are striving to operate more economically.

EMG's new product development focuses on enhancing motor-blower cost-performance through advances in power, efficiency, size, weight, and quietness. EMG's world lamination design is gaining market share in the world lawn and garden market due to the motor's performance-to-weight ratio. A new line of high-efficiency fans complement this motor and are targeted for floor-care applications in Asia, representing one of EMG's major growth initiatives.

EMG has a significant position in the European floor-care market. The electric motors it produces in Italy are similar to those produced in the United States. Capacity and productivity in Italy have been increased through capital investment and such initiatives as manufacturing integration, automation, inventory management, and increased labor flexibility.

Technical Motor Market and Product Line

EMG formed the Technical Motor Division to capitalize upon its global

presence and technical expertise in floor-care products and to expand production and marketing of its brushless DC motor-blowers.

EMG's brushless motors are used in computer equipment, business machines and medical equipment. Brushless motors are free of static charges and have high reliability. They are increasingly popular in medical and other applications in which long life and speed control are desired. Continuing product developments include the use of brushless motors in systems designed to assist patients with sleep-breathing disorders, in hospital

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air-mattress systems as well as systems that recover gasoline fumes at automotive fueling stations. Customers include Thomas Industries, Gast, Rheem, Kinetic Concepts, and DevilBiss.

Commercial Motor Market and Product Line

EMG's leadership in air-moving electric motors, and its manufacturing infrastructure, technical expertise and global marketing strengths serve as the foundation for its future growth. EMG is capitalizing on its core competencies in air-moving electric motors to create opportunities in consumer appliances and in lawn and garden equipment, and outdoor power equipment, in consumer products such as leaf blowers and chainsaws as well as low-pressure paint sprayers, and high-pressure power washers. For example, EMG has received orders from most of the world's major producers of lawn and garden products. Customers include Poulan, American Kleener, Sunbeam, and Wagner Spray Tech.

Customers

EMG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on the Company's operations. Approximately 31% of EMG's sales for 1996 were made to its five largest customers.

PRECISION INSTRUMENTS GROUP

The Precision Instruments Group ("PI") applies its niche market focus and technology to produce monitoring, calibration and display instruments for the aerospace, process, and heavy vehicle industries.

PI's growth is based on competitive advantages, which include designing products for specific customer applications that are significantly differentiated from or are lower in cost than competitive products. Precision Instruments is number one or two in many of the niche markets it serves, including aerospace fuel-flow meters, heavy-vehicle instrument panels, oxygen analyzers, and pressure gauges. About 25% of sales are to markets outside the United States.

Aerospace Market and Product Line

Approximately one third of PI revenues are from the sale of aerospace products, including airborne-data and vibration-monitoring systems; turbine engine temperature measurement; indicators and displays; fuel and fluid measurements; and sensors, switches and electronic cable harnesses. PI's customers are the leading producers of airframes and jet engines, commercial airlines and aircraft operators. As a prime innovator with more than 50 years experience, PI serves all segments of commercial aerospace, including helicopters, business jets, commuter aircraft, and commercial airliners. Customer support includes parts warehousing and maintenance programs. Aerospace products are designed to customer specifications and manufactured to stringent operational and reliability requirements. Operations are in Binghamton, NY; Sellersville, PA; and Wilmington, MA. A repair and maintenance facility is in Seattle, WA.

The aerospace business operates in niche markets, where its products have a technological and/or cost advantage. Its 50 years of experience as a prime aerospace contractor and its long-standing customer relationships with global commercial aircraft OEMs and jet engine manufacturers are significant competitive advantages. Its new products are now in service on the Boeing 777 airliner, the Bombardier Global Express business jet, and the Agusta 109 helicopter. Other aircraft with PI products aboard include: Learjet 60, Boeing 737/747/757/767, Beechjet, Sikorsky S-64, Cessna Citation, Saab SK-60, Mitsubishi YS-11, and Bell 407. Jet engines with PI products include GE 90,

Pratt & Whitney 4000 series, Rolls Royce Trent 700/800 and GE CF6-50/80 series. Customers include Boeing, General Electric, Honeywell and the Federal Government.

In 1993, PI reduced costs and restructured operations to increase profitability in a weak aerospace market. Further initiatives include achieving additional efficiencies, improving asset management, and optimizing the benefits of prior actions. Demand in the aerospace market has strengthened significantly, as airlines replace aging fleets, passenger miles increase, and airline profits improve.

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Process and Analytical Instruments Market and Product Line

Approximately one half of PI sales are process and analytical instruments, and pressure sensors. This includes pressure gauges and products for industrial measurement and calibration; oxygen, moisture, combustion and liquid analyzers; and emission monitors. The market focus is on measurement and analysis for the process industry, which includes refining and petrochemical plants, power generation, specialty gas, water and waste treatment, and natural gas distribution. The Group also has products which serve the semiconductor market. PI is the leader in the North American pressure gauge market, which has been adversely affected by low-cost offshore products. PI has reduced costs through restructuring its Sellersville, PA, operations and refocusing its domestic manufacturing on more advanced pressure measurement products, such as its new Electronic Pressure Calibrator Model 2000.

In connection with its global expansion, PI has 50% ownership of a joint venture that manufactures low-cost pressure gauges in Taiwan and the PRC, where the joint venture also markets these products. For the remainder of the world, PI is the exclusive marketer of the joint venture's products, expanding PI's leadership in price-sensitive gauges.

The process industry has experienced lackluster market conditions in the United States, primarily due to reduced refinery and petrochemical plant construction and lower industry operating rates, resulting in part from increased environmental regulations. Worldwide process industry markets are benefiting from improved economic conditions and new construction in Europe and Asia, where increased growth and market expansion are expected. Customers in this segment include Exxon, DuPont, and Intel.

Heavy-Vehicle Market Product Line

Approximately one fifth of PI sales are electronic and mechanical instruments and panels for heavy vehicles, such as Class 8 heavy trucks. New products, acquisitions and the addition of construction and agricultural vehicle markets have increased the markets served. The strategic acquisition of privately held Dixson, Inc. in 1995 added to PI's number-one position in the U.S. heavy-truck market and increased market share in other heavy-vehicle instrument segments, including agricultural, construction and off-road vehicles. Dixson also has a complementary customer base in Europe and Asia and product development capabilities in solid-state instruments that monitor engine performance, efficiency and emissions. Dixson's market position in Europe enhances the global opportunities for this product line. Instrument demand in 1996 was reduced by a down cycle in the heavy-truck industry. Modest industry improvement is expected in 1997. Customers include Peterbilt and Kenworth, Mack, Volvo, Freightliner, Ford, Clark and Caterpillar.

Customers

The Precision Instruments Group is not dependent on any single customer such that the loss of that customer would have a material adverse effect on PI's operations. Approximately 27% of PI's 1996 sales were made to its five largest customers.

INDUSTRIAL MATERIALS GROUP

The Industrial Materials Group ("IMG") is a world leader in the manufacture of technology-based materials and products. It uses proprietary mechanical, metallurgical and plastics technology to develop differentiated products, including water filtration products, high-purity metal powders and products,

and materials for industrial and chemical processing.

Water Filtration Product Line

As previously noted, AMETEK has reached agreement to merge its water filtration business into Culligan Water Technologies, Inc., (see "Agreement to Merge Water Filtration Business Into Culligan", page 3 of this report). This business produces fluid cartridge filtration products for consumer, commercial, and industrial customers in the United States and over a hundred other countries. It offers a broad line of cartridge filters, ranging from whole-house to countertop water filtration systems; special-purpose filter housings; and

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replacement cartridges that improve the quality and taste of water. It is a leader in point-of-use drinking water filters, which are used in the removal of objectionable taste and odor, hazardous chemicals, bacteria, and heavy metals. It also has a branded line of filters, housings, and cartridges designed for plumbing professionals serving residential and commercial customers. Customers include major hardware chains, national home centers, water treatment distributors, OEMs and mass merchandisers, such as Home Depot, Wal-Mart, Ace Hardware, Manitowoc, Cotter, and Builder's Square.

Specialty Metals Markets and Product Line

This business manufactures high-purity, engineered metal powders; high-purity strip and wire manufactured from metal powders; and clad products with tailored metallurgical properties. Its niche market focus is based upon proprietary manufacturing technology and strong customer relations. Markets served include consumer products, electronics, telecommunications, automotive, and energy production. New product developments include patented ultra stainless steel metal powders and copper-based spinodal(R) alloys. Global and market expansion in Europe and Asia significantly increased sales in 1996. Customers include DuPont, Regal Ware, Inc., Stoddy Co., Smith International, and Pall Corp.

Chemical and Industrial Products

Products include silicas, phenolic resins, and Teflon(R) (a registered trademark of DuPont) polymer products for high-temperature and highly corrosive applications. Product applications include the filtering of molten metal, heat exchangers and protective welding curtains. Chemical Products Division also is a custom compounder of specialty resins and thermoplastics with enhanced properties, such as fire retardance and improved adhesion. Markets include automotive parts, electronics, appliances, and telecommunications housings. Customers include Exxon, Mytex, Kansetsu, DuPont, and Newport News Shipbuilding.

Customers

Although IMG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on IMG's operations, approximately 16% of IMG's 1996 sales were made to its five largest customers.

MARKETING

Generally, the Company's marketing efforts are organized and carried out at the Group and divisional levels. Given the similarity and technical nature of its many products as well as its significant worldwide market share, EMG conducts most of its domestic and international marketing activities through a direct sales force, and makes only limited use of sales agents in other countries.

Because of their relatively diverse product lines, PI and IMG make significant use of distributors and sales agents in marketing their products. With its specialized customer base of aircraft and jet engine manufacturers, and airlines, PI's aerospace products and services are marketed primarily by its sales engineers.

COMPETITION

Generally, most markets in which the Company operates are highly competitive. The principal elements of competition for the products

manufactured in each of the Company's business segments are price, product features, distribution, quality, and service.

EMG's primary competition in the U.S. floor-care market consists of a few competitors, each of which has a smaller market share but is part of a company with larger and greater resources than AMETEK. There is additional potential competition from vertically integrated manufacturers of floor-care products that produce their own motor-blowers. Many of these manufacturers are also potential EMG customers if they outsource their motors. In Europe, competition comes from a small group of very large competitors and from numerous small competitors.

In the markets served by PI, the Company believes that it is one of the world's largest pressure gauge manufacturers and ranks among the top 10 U.S. producers of certain measuring and control instruments. It is one of the leading instrument and sensor suppliers to commercial aviation. Competition is strong and could intensify for certain aerospace products. In the pressure gauge and heavy-vehicle markets served by PI, only a limited

number of companies compete on price and technology. In the process and analytical instrument markets, numerous companies in each market niche compete on the basis of product quality, performance and innovation.

Many of the products sold by IMG are made by a few competitors, and competition comes mainly from producers of substitute materials. IMG is one of several major producers of residential water filtration systems, a market with numerous competitors. In the industrial and commercial filtration markets, IMG does not have a major market share and faces competition from many sources. Specialty Metal Products is comprised of five niche product lines that have few competitors. The primary competition is from competitive materials and processes.

BACKLOG AND SEASONAL VARIATIONS OF BUSINESS

The Company's approximate backlog of unfilled orders, at the dates specified, by business segment, was as follows:

	DECEMBER 31,		
	1996	1995	1994
	(IN MILLIONS)		
Electromechanical.....	\$ 87.9	\$ 96.7	\$111.3
Precision Instruments.....	113.2	108.5	101.7
Industrial Materials.....	20.5	23.5	21.2
Total.....	\$221.6	\$228.7	\$234.2
	=====	=====	=====

Of the total backlog of unfilled orders at December 31, 1996, approximately 94% are expected to be shipped by December 31, 1997.

The Company believes that neither its business as a whole nor any of its business segments is subject to significant seasonal variations, although certain individual operations experience some seasonal variability.

RAW MATERIALS

The Company's business segments obtain raw materials and supplies from a variety of sources and generally from more than one supplier. However, in the Industrial Materials segment, certain items are available only from a limited number of suppliers. The Company believes its sources and supplies of raw materials are adequate for its needs.

RESEARCH, PRODUCT DEVELOPMENT AND ENGINEERING

The Company remains committed to appropriate research, product development and engineering activities that are designed to identify and develop potential

new and improved products or enhance existing products. Research, product development and engineering costs during the past three years were: 1996-\$37.4 million, 1995-\$33.2 million, 1994-\$32.8 million. Company-funded research and development costs included in total product development and engineering costs were: 1996-\$17.7 million, 1995-\$16.0 million, 1994-\$17.7 million. Product research and engineering activities are conducted by the various businesses of the Company in their respective technologies and markets.

ENVIRONMENTAL COMPLIANCE

Information with respect to environmental compliance by the Company is set forth on page 17 of this report in the section of Management's Discussion and Analysis of Financial Condition and Results of Operations entitled "Environmental Matters."

PATENTS, LICENSES, AND TRADEMARKS

The Company owns numerous unexpired United States patents, United States design patents, and foreign patents, including counterparts of its more important United States patents, in the major industrial countries of the world. The Company is a licensor or licensee under patent agreements of various types, and its products are marketed under various registered United States and foreign trademarks and trade names. However, the Company

does not consider any single patent or trademark, or any group thereof, essential either to its business as a whole or to any of its business segments. The annual royalties received or paid under license agreements are not significant to any single business segment or to the Company's overall operations.

EMPLOYEES

At December 31, 1996, the Company employed approximately 6,500 individuals.

WORKING CAPITAL PRACTICES

The Company does not have extraordinary working capital requirements in any of its business segments. Customers generally are billed at normal trade terms with limited extended payment provisions. Inventories are closely controlled and maintained at levels related to production cycles and are responsive to the normal delivery requirements of customers.

ITEM 2. PROPERTIES

The Company has 36 operating plant facilities in 13 states and 9 foreign countries. Of these facilities, 26 are owned by the Company and 10 are leased. The properties owned by the Company consist of approximately 419 acres, of which approximately 3,394,000 square feet are under roof, and include property recently purchased in the Czech Republic for its Electromechanical Group, where operations will begin during 1997. Under lease is a total of approximately 573,000 square feet. The leases expire over a range of years from 1997 to 2009, with renewal options for varying terms contained in most of the leases. Production facilities in Taiwan and the PRC provide the Company with additional production capacity through the Company's 50% ownership in a joint venture. The Company also owns certain property that is pending sale. The Company's executive offices in Paoli, Pennsylvania, occupy approximately 34,000 square feet under a lease that will expire in 2002.

The Company's machinery, plants, and offices are in satisfactory operating condition and are adequate for the uses to which they are put. The operating facilities of the Company by business segment are summarized in the following table:

NUMBER OF PLANT FACILITIES		SQUARE FEET UNDER ROOF	
OWNED	LEASED	OWNED	LEASED
-----	-----	-----	-----

Electromechanical.....	10	3	1,249,000	163,000
Precision Instruments.....	9	5	959,000	387,000
Industrial Materials.....	7	2	1,186,000	23,000
	-----	-----	-----	-----
TOTAL.....	26	10	3,394,000	573,000
	=====	=====	=====	=====

ITEM 3. LEGAL PROCEEDINGS

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders, through the solicitation of proxies or otherwise, during the last quarter of the fiscal year ended December 31, 1996.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market on which the Company's common stock is traded is the New York Stock Exchange. The Company's common stock is also listed on the Pacific Stock Exchange. On February 28, 1997, there were approximately 4,798 record holders of the Company's common stock.

Market price and dividend information with respect to the Company's common stock are set forth on page 38 in the section of the Notes to the Consolidated Financial Statements entitled "Quarterly Financial Data (Unaudited)." Future dividend payments by the Company will be dependent on future earnings, financial requirements, contractual provisions of debt agreements, and other relevant factors.

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ITEM 6. SELECTED FINANCIAL DATA

	1996	1995	1994	1993	1992
	-----	-----	-----	-----	-----
CONSOLIDATED OPERATING RESULTS (Years Ended December 31,)					
(DOLLARS AND SHARES IN MILLIONS, EXCEPT PER SHARE AMOUNTS)					
Net sales.....	\$ 868.7	\$ 837.5	\$ 774.7	\$ 701.8	\$ 738.7
Costs and expenses.....	773.6	748.2	699.4	703.1	662.1
	-----	-----	-----	-----	-----
Operating income (loss)...	95.1	89.3	75.3	(1.3)	76.6
Other expenses, net.....	(16.4)	(20.0)	(17.5)	(11.3)	(12.5)
	-----	-----	-----	-----	-----
Income (loss) from continuing operations before income taxes.....	78.7	69.3	57.8	(12.6)	64.1
Provision for (benefit from) income taxes.....	27.5	25.5	21.2	(4.5)	21.3
	-----	-----	-----	-----	-----
Income (loss) from continuing operations....	51.2	43.8	36.6	(8.1)	42.8
Special items (/1/).....	--	8.5	(5.6)	.8	1.6
	-----	-----	-----	-----	-----
Net income (loss).....	\$ 51.2	\$ 52.3	\$ 31.0	\$ (7.3)	\$ 44.4
	=====	=====	=====	=====	=====
Earnings per share:					
Income (loss) from continuing operations...	\$ 1.57	\$ 1.31	\$.99	\$ (.18)	\$.97
Special items (/1/).....	--	.25	(.15)	.01	.04
	-----	-----	-----	-----	-----
Net income (loss).....	\$ 1.57	\$ 1.56	\$.84	\$ (.17)	\$ 1.01
	=====	=====	=====	=====	=====
Dividends declared and paid per share.....	\$.24	\$.24	\$.24	\$.57	\$.68
	=====	=====	=====	=====	=====
CONSOLIDATED FINANCIAL					

POSITION (at December 31)

Working capital of continuing operations....	\$ 61.0	\$ 38.7	\$ 80.5	\$ 143.1	\$ 194.0
Property, plant and equipment, net.....	192.4	176.8	164.3	165.9	166.3
Net assets of discontinued operations.....	--	--	10.6	19.0	19.7
Intangibles, investments and other assets.....	98.6	100.6	72.9	75.8	89.2
	-----	-----	-----	-----	-----
Total.....	352.0	316.1	328.3	403.8	469.2
Long-term debt.....	150.3	150.4	190.3	172.4	187.2
Deferred income tax liability.....	35.2	31.9	26.1	25.9	40.2
Other long-term liabilities.....	37.0	46.7	38.7	40.2	31.5
	-----	-----	-----	-----	-----
Stockholders' equity.....	\$ 129.5	\$ 87.1	\$ 73.2	\$ 165.3	\$ 210.3
	=====	=====	=====	=====	=====

ADDITIONAL FINANCIAL DATA

Financial Ratios:

Return on beginning--					
Capital.....	21.6%	23.6%	12.7%	1.0%	13.3%
--Stockholders' equity....	58.8%	71.4%	18.8%	(3.5)%	21.0%
Return on net sales.....	5.9%	6.2%	4.0%	(1.0)%	6.0%
Total debt as a percentage of capitalization.....	58.5%	70.4%	73.4%	53.1 %	49.6%
Ratio of EBITDA to interest expense (/2/)..	6.8	5.8	4.9	5.0	5.6
Ratio of debt to EBITDA (/2/)... ..	1.4	1.7	1.8	2.1	1.8
Ratio of earnings to fixed charges.....	4.6	4.0	3.3	-- (/3/)	3.9

OTHER DATA

FOR THE YEAR:

Capital expenditures.....	\$ 41.2	\$ 31.7	\$ 22.8	\$ 35.8	\$ 23.8
Depreciation and amortization.....	\$ 34.9	\$ 34.5	\$ 35.5	\$ 33.7	\$ 34.6
EBITDA (/2/)... ..	\$ 131.4	\$ 123.7	\$ 113.1	\$ 88.8	\$ 112.4
Research and development expenses.....	\$ 17.7	\$ 16.0	\$ 17.7	\$ 14.6	\$ 14.1
Sales per employee (in thousands).....	\$ 135.5	\$ 135.4	\$ 131.0	\$ 118.6	\$ 123.2
Common stock trading range:					
High.....	22 1/4	19 1/2	18 3/4	17 1/2	18 1/8
Low.....	16	15 3/4	11 5/8	10 5/8	13 1/8
AT YEAR END:					
Number of shares outstanding.....	32.7	32.9	34.7	43.6	44.2
Stockholders' equity per share.....	\$ 3.96	\$ 2.65	\$ 2.11	\$ 3.79	\$ 4.76
Total assets.....	\$ 537.9	\$ 526.7	\$ 494.2	\$ 556.1	\$ 596.6
Number of stockholders of record.....	4,845	5,156	5,952	6,509	7,227
Number of employees.....	6,500	6,300	6,000	5,800	6,000

-
- (1) Special items in 1995 includes a \$10.4 million (\$.31 per share) gain from the sale of a discontinued operation and a \$2.7 million (\$.08 per share) after-tax loss related to debt agreements. Amounts in 1994 includes \$11.8 million (\$.32 per share) after-tax loss on the early extinguishment of debt, and an after-tax gain of \$3.8 million (\$.11 per share) from the effect of a change in accounting for certain marketable securities.
 - (2) EBITDA represents income from continuing operations before interest, taxes, depreciation and amortization, amortization of deferred financing costs, and nonrecurring items. It should not be considered, however, as an alternative to operating income as an indicator of the Company's operating performance, or as an alternative to cash flows as a measure of the Company's overall liquidity as presented in the Company's financial statements.
 - (3) Earnings from continuing operations in 1993 were insufficient to cover fixed charges by approximately \$13.5 million.

RESULTS OF OPERATIONS

Management's discussion and analysis of the Company's financial condition and results of operations set forth below should be read in conjunction with the consolidated financial statements of the Company and the related notes shown in the index on page 19 of this report.

YEAR ENDED DECEMBER 31, 1996, COMPARED TO YEAR ENDED DECEMBER 31, 1995

Results of Operations

For 1996, the Company's continuing operations achieved record sales, income, and earnings per share. The new record marked the third consecutive record year for such results from continuing operations. Sales for 1996 totaled \$868.7 million, an increase of \$31.2 million, or 3.7% from the 1995 total of \$837.5 million. All business segments reported increased sales, led by the Industrial Materials Group, stemming from higher domestic and export sales of water filtration and specialty metal products. The Precision Instruments Group sales increase was due primarily to higher sales of aerospace instruments, and the Electromechanical Group increase was due to higher domestic sales of floor-care and non-floor-care products. Sales by all segments to foreign markets totaled \$293.6 million compared to \$281.3 million in 1995, an increase of \$12.3 million or 4.4%, and represents approximately one-third of total sales in both years. Export shipments from the United States in 1996 continued trending upward, reaching \$151.0 million compared to \$139.1 million in 1995, an increase of 8.5%, due primarily to higher foreign shipments of aerospace products, water filters, and specialty metal products.

New orders during 1996 were \$861.6 million compared to \$832.0 million for 1995, an increase of \$29.6 million, or 3.6%. The backlog of orders was \$221.6 million at year-end 1996, a decrease of 3.1% from the end of 1995. Business segment operating profit for 1996 was \$116.4 million, compared to \$111.4 million in 1995, an increase of 4.5%. The increase in profit was primarily due to higher sales volume and continued production efficiency, as total segment operating profit margins for 1996 of 13.4% were essentially maintained at the 1995 level.

Corporate administrative and other expenses continued a decreasing trend in 1996, totaling \$21.3 million, compared to \$22.1 million in 1995, due to lower overall administrative expenses. Record operating income of \$95.1 million was achieved for 1996, compared to the 1995 record of \$89.3 million, an increase of \$5.8 million or 6.5%. Interest and other expenses, net were \$16.4 million for 1996, compared to \$20.0 million in 1995, a decrease of \$3.6 million, due to increased investment income from the Company's captive insurance subsidiary, and lower interest expense due to lower effective interest rates on lower outstanding borrowings. Also contributing to the lower net expenses for 1996 was lower amortization due to reduced deferred debt issuance costs, which were charged off as an extraordinary loss in the third quarter of 1995, in connection with the replacement of a prior revolving credit agreement.

The effective tax rate was 34.9% for 1996, compared to 36.8% for 1995. The reduced 1996 tax rate reflects the effect of a lower proportion of 1996 pretax income from the Company's Italian motor operations, which are taxed at rates higher than U.S. pretax income. The 1995 tax rate reflected a higher proportion of Italian income, and also included the impact on current and deferred taxes of a one percent increase in the Italian statutory income tax rate. The 1995 tax rate also reflected a lower state tax provision than in 1996 due to favorable settlements of prior tax years.

Income from continuing operations and net income for 1996 was \$51.2 million, an increase of 17%, or \$1.57 per share. The income from continuing operations and per share results were both new records compared to \$43.8 million or \$1.31 per share in 1995. Net income in 1995 was \$52.3 million, or \$1.56 per share, and reflected income from discontinued operations of \$.8 million or \$.02 per share, a gain of \$10.4 million or \$.31 per share related to the sale of the Microfoam Division in the second quarter of 1995, and also an extraordinary charge of \$2.7 million or \$.08 per share for the early repayment of debt in the third quarter of 1995.

The weighted average shares outstanding during 1996 was 32.7 million shares, compared to the average of 33.4 million shares for 1995, a reduction of 2.3%.

The reduced number of shares in 1996 resulted from the repurchase and retirement of shares under the Company's ongoing share repurchase program, which began in March 1994, net of shares issued in connection with the exercise of employee stock options. Shares outstanding at December 31, 1996 were 32.7 million shares, not significantly different from year-end 1995.

Business Segment Results

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(DOLLARS IN THOUSANDS)		
NET SALES (/1/):			
Electromechanical.....	\$375,633	\$372,038	\$340,358
Precision Instruments.....	308,737	301,440	280,638
Industrial Materials.....	184,291	164,012	153,742
	-----	-----	-----
Total net sales.....	\$868,661	\$837,490	\$774,738
	=====	=====	=====
INCOME:			
Segment operating profit (/2/)			
Electromechanical.....	\$ 44,238	\$ 48,858	\$ 46,203
Precision Instruments.....	37,253	34,803	29,189
Industrial Materials.....	34,874	27,741	23,251
	-----	-----	-----
Total segment operating profit.....	116,365	111,402	98,643
Corporate administrative and other expenses....	(21,307)	(22,104)	(23,351)
	-----	-----	-----
Consolidated operating income.....	95,058	89,298	75,292
Interest and other expenses, net.....	(16,398)	(20,041)	(17,529)
	-----	-----	-----
Consolidated income from continuing operations before income taxes.....	\$ 78,660	\$ 69,257	\$ 57,763
	=====	=====	=====

- -----
- (1) After elimination of intra- and intersegment sales, which are not significant in amount.
 - (2) Segment operating profit represents sales less all direct costs and expenses (including certain administrative and other expenses) applicable to each segment, but does not include interest expense.

The ELECTROMECHANICAL GROUP'S sales increased \$3.6 million or 1.0% to \$375.6 million for 1996. Higher domestic sales of both floor care and non-floor-care products were largely offset by reduced sales by the Group's Italian motor operations. Continuing recessionary conditions in Europe and highly competitive pricing adversely affected sales in Europe. Operating profit for the Group decreased \$4.6 million or 9.5% to \$44.2 million in 1996. Profit margins fell to 11.8% in 1996 from 13.1% in the prior year due to the lower European sales and reduced operating efficiencies in the Group's Italian motor operations caused by the sales reduction. Also contributing to the profit decline was the incurrence of start-up costs in 1996 for new motor production operations in the PRC, Mexico, and the Czech Republic. These reductions were mitigated somewhat by increased profits from the Group's domestic motor operations due to higher domestic sales and improved operating efficiencies.

The competitive situation in Europe caused a delay in implementing the Group's strategy to increase market penetration by offering its motor products as a low-cost outsourcing alternative to certain European vertically integrated floor care manufacturers. The Group expects to continue implementation of this strategy during 1997. During 1996, the Group continued initiatives to lower production costs, including both the start-up of the new motor production operations previously mentioned above and the purchase of a facility in the Czech Republic for operations to begin later in 1997. These new operations are expected to lower costs and create additional market share opportunities for the Group worldwide.

PRECISION INSTRUMENT GROUP sales in 1996 were \$308.7 million, an increase of \$7.3 million or 2.4% from 1995. Increased sales of aerospace instruments were partially offset by lower worldwide sales of heavy-truck

instruments caused by a continuing decline in industry-wide demand and by lower process instrument sales to European markets. Operating profit of the Group for 1996 increased \$2.5 million, or 7.0%, to \$37.3 million, compared to \$34.8 million in the prior year. Profit margins for the Group improved to 12.1% for 1996 from 11.5% in 1995 due primarily to significant profit improvements from the Group's aerospace operations. Such profit improvement was the result of a lower cost structure, due to restructuring activities in prior years; increased sales, and a favorable change in product mix. Also contributing to the increase was the full-year profit contribution from a 50%-owned joint venture in Asia, which was acquired in March 1995 and manufactures low-cost pressure gauges. The profit improvement was limited to some extent by the lower sales of heavy-truck instruments by the Dixon business which was also acquired in March 1995, and by reduced sales of process instruments in Europe.

INDUSTRIAL MATERIAL GROUP sales in 1996 were \$184.3 million, an increase of \$20.3 million or 12.4% from 1995. The sales increase was due primarily to higher domestic and export sales of water filtration products, resulting from increased market penetration into residential and retail markets, as well as the full-year sales contribution of a French water filter producer acquired late in 1995. Higher worldwide sales of specialty metal products due, in part, to the introduction of new products, also contributed to the sales increase. Group operating profit increased significantly by \$7.1 million or 25.7% to \$34.9 million in 1996; profit margins increased to 18.9% from 16.9% in the prior year. The profit improvement was due primarily to the sales increase, and in part to improved operating efficiencies resulting from cost containment initiatives throughout the Group. In June 1996, the Company announced it would retain the Group's Westchester Plastics Division, which was previously considered for sale. Westchester Plastics and the Haveg Division have been combined to form a new Chemical Products Division within the Group. In February 1997, the Company announced, subject to approval by its shareholders, that it had entered into an agreement with Culligan Water Technologies, Inc. to divest itself of its water filtration business through a merger of that business with Culligan for shares of Culligan stock to be distributed to the Company's shareholders. The transaction is expected to be completed in four to six months from the date of the announcement. The water filtration business consists of the Group's U.S.-based Plymouth Products Division and three foreign subsidiaries. Net sales of the water filtration business totaled approximately \$70 million in 1996 (see Note 15 to the financial statements).

YEAR ENDED DECEMBER 31, 1995, COMPARED TO YEAR ENDED DECEMBER 31, 1994

Results of Operations

For 1995, the Company achieved record sales and earnings. Sales were \$837.5 million for 1995, an increase of \$62.8 million or 8.1% from the 1994 total of \$774.7 million, which was also a record at that time. Sales and other amounts for years prior to 1995 have been restated for the May 1995 sale of the Microfoam Division, which is reported in the accompanying financial statements as a discontinued operation. All business segments reported increased sales, led by the Electromechanical Group, whose introduction of new products and entry into emerging markets benefited 1995. Softness in the U.S. floor-care markets experienced in the second half of 1995 reduced domestic sales growth. Precision Instruments Group 1995 sales increased due largely to the Company's acquisition of the heavy-vehicle instrumentation business of privately held Dixon, Inc. in late March 1995. In 1995, the Industrial Materials Group continued to benefit from improved business conditions in many of its markets, resulting in increased sales led by the Company's metal powder business. Sales by all business segments to foreign markets totaled \$281.3 million in 1995 compared to \$237.7 million in 1994, an increase of 18.3%. Export shipments from the United States in 1995 continued to increase, reaching \$139.1 million compared to \$116.2 million in 1994, an increase of 19.7%.

New orders during 1995 were \$832.0 million, compared to \$797.8 million for 1994, an increase of \$34.2 million or 4.3%. The backlog of orders was \$228.7 million at year-end 1995, a decrease of 2.4% from the end of 1994. Business segment operating profit was \$111.4 million in 1995 compared to \$98.6 million in 1994, an increase of 12.9%. The increase in profits was due to the higher sales volume and the successful implementation of cost reduction programs in the Precision Instruments and Industrial Materials groups. The Precision Instruments Group also benefited from the restructuring of the aerospace

business, which was initiated in 1993.

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Lower operating costs in the temperature- and corrosion-resistant-materials and plastics compounding businesses enhanced the profitability of the Industrial Materials Group.

Corporate administrative and other expenses were \$22.1 million in 1995, slightly lower than the \$23.4 million incurred in 1994. Operating income reached a record \$89.3 million in 1995, an increase of \$14.0 million or 19% over 1994. Interest and other expenses, net were \$20.0 million in 1995 compared to \$17.5 million in 1994, an increase of \$2.5 million. The increase in net expenses reflects lower interest expenses during 1995 due to lower effective interest rates on debt outstanding during the year, but it was more than offset by lower interest and other investment income.

The effective tax rate was approximately 37% for both 1995 and 1994. Both years reflect a lower net state tax provision, and the 1995 rate included foreign tax benefits related to certain capital investments.

Income from continuing operations improved 19.5% in 1995 to \$43.8 million, or \$1.31 per share, compared to \$36.6 million, or \$.99 per share in 1994. Income from discontinued operations was \$.8 million, or \$.02 per share in 1995, compared to \$2.4 million, or \$.06 per share in 1994. Results in 1995 also included an after-tax gain of \$10.4 million (\$.31 per share), due to the sale of the Microfoam Division in the second quarter of 1995.

Income before extraordinary items was \$55.0 million, or \$1.64 per share in 1995, and \$39.0 million, or \$1.05 per share in 1994, an income improvement of \$16.0 million or 41%. After an extraordinary after-tax charge in the third quarter of 1995 for the write-off of deferred debt issuance costs of \$2.7 million, or \$.08 per share, net income for 1995 was \$52.3 million, or \$1.56 per share, compared to 1994 net income of \$31.0 million, or \$.84 per share. Net income for 1994 included a first quarter after-tax charge for an extraordinary loss of \$11.8 million (\$.32 per share) due to the early extinguishment of debt, and a \$3.8 million (\$.11 per share) after-tax gain due to a change in accounting for certain marketable securities.

Weighted average shares outstanding during 1995 were 33.4 million shares, compared to the average of 37.1 million shares for 1994, a reduction of 3.7 million shares or 10%. The reduced number of shares in 1995 resulted from the repurchase and retirement of shares under the Company's ongoing share repurchase program, which began in March 1994. Shares outstanding at December 31, 1995 and 1994 were 32.9 million shares and 34.7 million shares, respectively.

Business Segment Results

The ELECTROMECHANICAL GROUP'S sales increased \$31.7 million or 9.3% to \$372.0 million, due primarily to increased market share, introduction of new products, and the 1994 completion of capacity expansion programs at two plants in North Carolina. Sales for 1995 from the Company's Italian operations increased 25.6% before currency translation effects, which were minimal. However, softness in the U.S. floor care markets experienced in the second half of 1995 limited domestic sales growth. Operating profit of the Group increased 5.7% to \$48.8 million in 1995 due primarily to the increase in sales volume. The Group's profit margin in 1995 was 13.1% compared to 13.6% in 1994. Higher material costs primarily in the Italian operations exceeded modest price increases and cost reductions, which reduced Group profitability. That condition was being moderated by additional cost-saving activities.

PRECISION INSTRUMENTS GROUP sales in 1995 were \$301.4 million, an increase of \$20.8 million or 7.4% from 1994. The increase was due largely to increased sales of heavy-vehicle instruments, resulting from acquisition of the Dixon business at the end of the first quarter of 1995. An expected market downturn started to affect fourth-quarter 1995 shipments of heavy-truck instruments, which was expected to be alleviated somewhat by improving sales of commercial aerospace products. Sales of process instruments also increased in 1995; however, that increase was mostly offset by lower first-half sales of aerospace instruments. Group operating profit in 1995 increased 19.2% to \$34.8 million, compared to \$29.2 million in 1994. A profit contribution by Dixon, a manufacturing joint venture in Asia, and increased operating efficiencies in the aerospace business resulting from the restructuring activities, along with

benefits from cost reduction programs initiated in prior years, accounted for the improved operating results. The cost savings being realized from the restructuring of the Group are expected to continue.

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INDUSTRIAL MATERIALS GROUP sales from continuing operations were \$164.0 million in 1995, an increase of \$10.3 million or 6.7% from 1994, due primarily to higher sales by the Company's metal powder business. Sales growth of water filtration products, which had been strong in prior years, was reduced due to softness in the U.S. retail market segment. Group operating profit in 1995 increased \$4.5 million or 19.3% to \$27.7 million. The increase in profitability was due in part to the higher sales volume, but mostly to cost reduction programs and improved operating efficiencies in the Company's temperature- and corrosion-resistant-materials business. The plastics compounding business benefited primarily from a third-quarter 1995 cost recovery from an insurance settlement. The overall profit increase was offset somewhat by reduced performance by the water filtration business. In May 1995 the Microfoam Division was sold. In November 1995, APIC/AFIMO, a French producer of filtration products, was acquired and added to the Group. The acquisition had no significant effect on the Group's results for 1995.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Working capital of continuing operations at December 31, 1996 amounted to \$61.0 million, an increase of \$22.3 million from December 31, 1995, largely reflecting the repayment of short-term borrowings. The ratio of current assets to current liabilities at December 31, 1996 was 1.33:1, compared to 1.18:1 at December 31, 1995. The Company's earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations was \$131.4 million in 1996, compared to \$123.7 million in 1995.

Cash provided by the Company's continuing operations totaled \$74.7 million in 1996 compared to \$68.0 million in 1995, a net increase of \$6.7 million. The net increase reflects higher income from continuing operations, and lower overall working capital requirements. Total cash provided by operating activities in 1995 was \$65.4 million, and included \$2.6 million of cash used for discontinued operations.

Total 1996 charges against reserves for restructuring and other unusual items amounted to \$7.2 million, compared to \$13.0 million in 1995. The charges were primarily for cash, and did not significantly affect the Company's liquidity. Charges in both years were for workforce reductions, relocation of aerospace operations, and facilities combination, which required cash outlays, and for the write-off of certain assets, which did not require the use of cash. In 1997, the Company expects to incur additional restructuring-related cash and noncash charges against its restructuring reserves. It anticipates substantial completion of the restructuring program by the end of 1997, except for certain longer-term pension-related aspects of the program. Once the restructuring program has been completed, it is anticipated that the benefits, which have already been substantial, will continue to more than offset the required cash expenditures under the plan.

Cash used for investing activities was \$41.5 million in 1996, compared to \$28.7 million in 1995, an increase of \$12.8 million. The primary reason for the increase was additions to property, plant, and equipment, which totaled \$41.2 million compared to \$31.7 million in 1995. Net cash expenditures for investing activities in 1995 also included the acquisition of two businesses and investment in a joint venture, requiring a total cash outlay of \$44.0 million, more than offset by \$47.4 million in cash proceeds, received primarily from the sale of the Microfoam Division and other assets.

Financing activities used cash totaling \$37.2 million in 1996, compared to \$36.9 million in 1995. During 1996, the Company made net repayments of short-term borrowings totaling \$24.4 million, repurchased 698,000 shares of the Company's common stock at a total cost of \$12.5 million, funded dividend payments of \$7.9 million, and received cash proceeds of \$7.0 million from the exercise of employee stock options. Financing activities for 1995 included net proceeds of \$54.5 million from short-term borrowings; repayment of \$50.0 million in term loans, of which \$5 million was required; expenditures of \$39.6 million for the repurchase of 2.3 million shares of the Company's common stock; funding of dividends totaling \$8.0 million; and net proceeds of \$5.6

million related to the exercise of employee stock options.

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On September 12, 1996, the Company amended its \$195 million Bank Credit Agreement. In addition to providing somewhat greater financial flexibility, the amended agreement also extended the maturity of the credit facility by one year, to 2001, and provided for slightly lower interest rates and fees on the total credit facility. At December 31, 1996, \$176.9 million of the domestic bank credit facility was unused and available, along with approximately \$8.8 million of unused foreign credit lines with European banks.

The stock repurchases mentioned previously were made under the Company's ongoing share repurchase programs. Since beginning the stock repurchase programs in March 1994, the Company has acquired a total of 12.2 million shares at a total cost of \$171.0 million as of December 31, 1996. Additional stock repurchases, if any, will be made under a new \$50 million authorization announced in June 1996, of which \$48.2 million was unexpended as of year-end 1996.

As a result of all 1996 cash flow activities, cash and cash equivalents at December 31, 1996 totaled \$3.1 million, compared to \$7.0 million at December 31, 1995. The Company believes it has sufficient cash-generating capabilities and available domestic and foreign credit facilities to enable it to meet its needs in the foreseeable future.

NEW ACCOUNTING STANDARDS

In the first quarter of 1996, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. Statement No. 121 establishes new accounting standards for measuring the impairment of long-lived assets. The adoption of the new statement did not have any impact on the Company's consolidated financial position or results of operations.

As of January 1, 1996, the Company adopted FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement No. 123 establishes a fair value method of accounting for stock-based awards issued to employees and others that includes expensing related compensation cost in the income statement; but it also allows companies the choice of continuing to measure compensation expense as it was previously measured prior to the effective date of adoption of Statement No. 123. The Company elected to continue to use the previous method of accounting for stock-based awards issued to employees, but to provide the disclosures required by Statement No. 123. Consequently, adoption of the statement did not have any impact on the Company's consolidated financial position or results of operations (see Note 7 to the consolidated financial statements).

INTERNAL REINVESTMENT

Capital Expenditures

Capital expenditures were \$41.2 million in 1996, compared to \$31.7 million in 1995, an increase of \$9.5 million or 29.9%. Approximately 83% of the 1996 expenditures were for additional manufacturing equipment to increase production efficiencies, and for expanded production capacity, primarily in the Electromechanical Group. The Company expects to increase its capital spending in 1997 slightly above 1996 levels, with continued emphasis on investment in production efficiencies and expansion, primarily in the Electromechanical Group.

Product Development and Engineering

Product development and engineering expenses in 1996 totaled \$37.4 million compared to \$33.2 million in 1995, and \$32.8 million in 1994. These amounts include expenses for research and development of \$17.7 million in 1996, \$16.0 million in 1995, and \$17.7 million in 1994. Such expenditures were directed toward the development of new products and processes, and the improvement of existing products and processes.

ENVIRONMENTAL MATTERS

The Company is subject to environmental laws and regulations as well as

stringent cleanup requirements and also has been named a potentially responsible party at several sites that are the subject of government-mandated cleanups. Provisions for environmental cleanup at those sites and other sites were approximately \$1.8 million in 1996, \$2.4 million in 1995, and \$1.6 million in 1994.

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It is not possible to accurately quantify the potential financial impact of actions regarding environmental matters, but the Company believes that based on past experience and current evaluations, the outcomes of these actions is not likely to have a material adverse effect on the future results of operations, financial position, or cash flows of the Company.

IMPACT OF INFLATION

The Company attempts to minimize the impact of inflation through cost reduction programs and by improving productivity. In addition, the Company uses the last-in, first-out (LIFO) method of accounting for inventories (whereby the cost of products sold approximates current costs), and therefore, the impact of inflation is substantially reflected in operating costs. In general, the Company believes programs are in place that are designed to monitor the impact of inflation and to take necessary steps to minimize inflation's effect on operations.

OTHER MATTERS

In cooperation with the Consumer Products Safety Commission, the Company, along with its supplier and customer, is participating in a voluntary recall of one water filter cartridge model involving 14,000 units which were sold, beginning in March 1996, through a mass merchandiser, when the filter cartridges were introduced. Although only a limited number of the filter cartridges may contain an incorrect form of carbon, all units are being recalled as a precautionary measure. Neither the Company, the carbon supplier, nor the distributors are aware of any consumer injuries related to the filter cartridge. The Company does not believe it is at fault in this matter and based upon the information available at this time, it is not expected that the outcome will have a material effect on the Company's financial position or results of operations.

RISK FACTORS

Except for historical information contained herein, certain matters discussed in this Form 10-K are "forward-looking statements" as defined in the Private Securities Litigation Reform Act (PSLRA) of 1995, which involve risk and uncertainties that exist in the Company's operations and business environment, and are subject to change based on various important factors. The Company wishes to take advantage of the "safe harbor" provisions of the PSLRA by cautioning readers that numerous important factors discussed below, among others, in some cases have caused, and in the future could cause, the Company's actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. The following includes some, but not all, of the factors or uncertainties that could cause actual results to differ from projections:

- . An economic slowdown in any one, or all of, the Company's global market segments.
- . Unforeseen selling price reductions in any one, or all of, the Company's global market segments, with adverse effects on profit margins. Currently, the most noticeable price pressure is in the electric motor market in which some competitors are scaling back prices, and new competitors are seeking to gain market entry.
- . The Company's ability to achieve cost reduction targets; due in part to varying prices and availability of certain raw materials and semifinished materials and components.
- . Underutilization of the Company's existing factories and plants, or plant expansions or new plants, possibly resulting in production inefficiencies, higher and unanticipated start-up expenses and production delays at new plants.
- . The unanticipated expenses of divesting businesses currently under

consideration, or of assimilating newly-acquired business into the Company's business structure; as well as, the impact of unusual expenses from on-going evaluations of business strategies, asset valuations, acquisitions, divestitures and organizational structures. Acquisition and divestiture strategies may face legal and regulatory delays and other unforeseeable obstacles beyond the Company's control.

- . Unpredictable delays or difficulties in the development of key new product programs.
- . The risk of not recovering major research and development expenses, and the risks associated with major technological shifts away from the Company's technologies and core competencies.
- . A slower than anticipated improvement in the build rate in the U.S. and Europe for heavy-trucks, construction and agricultural equipment and related instrumentation, as well as a restriction in the ability of heavy vehicle manufacturers to secure components manufactured by outside suppliers.
- . Rapid or unforeseen escalation of the cost of regulatory compliance and/or litigation, including but not limited to, environmental compliance, product-related liability, assertions related to intellectual property rights and licenses, adoption of new, or changes in, accounting policies and practices and the application of such policies and practices.
- . The effects, in the U.S. and abroad, of changes in trade practices; monetary and fiscal policies; laws and regulations; other activities of governments, agencies, and similar organizations; and social and economic conditions, such as trade restrictions or prohibitions; unforeseen inflationary pressures and monetary fluctuation; import and other charges or taxes; and the ability or inability of the Company to obtain, or hedge foreign currencies, foreign currency exchange rates and fluctuation in those rates. This would include extreme currency fluctuations in the Italian lira and German mark; protectionism and confiscation of assets; nationalizations and unstable governments and legal systems, and intergovernmental disputes.

The Company believes that it has the product offering, facilities, personnel and competitive and financial resources for continued business success. However, future revenues, costs, margins, product mix and profits are all influenced by a number of factors, as discussed above.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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FINANCIAL STATEMENT SCHEDULES (ITEM 14(A) 2)

Financial statement schedules have been omitted because either they are not applicable or the required information is included in the financial statements or the notes thereto.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of AMETEK, Inc.:

We have audited the accompanying consolidated balance sheets of AMETEK, Inc., as of December 31, 1996 and 1995, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMETEK, Inc., at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1994 the Company changed its method of accounting for marketable securities.

/s/ ERNST & YOUNG LLP

Philadelphia, PA
January 22, 1997,
except for Note 15, as to which the date is
February 5, 1997

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AMETEK, INC.

CONSOLIDATED STATEMENT OF INCOME
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Net sales.....	\$ 868,661	\$ 837,490	\$ 774,738
Expenses:			
Cost of sales (excluding depreciation)..	669,784	647,008	600,290
Selling, general and administrative.....	76,059	74,790	70,980
Depreciation.....	27,760	26,394	28,176
Total expenses.....	773,603	748,192	699,446
Operating income.....	95,058	89,298	75,292
Other income (expenses):			
Interest expense.....	(19,071)	(20,175)	(21,618)
Other, net.....	2,673	134	4,089
Income from continuing operations before income taxes.....	78,660	69,257	57,763
Provision for income taxes.....	27,470	25,500	21,144
Income from continuing operations.....	51,190	43,757	36,619
Discontinued operations, net of taxes:			

Income from discontinued operations.....	--	779	2,372
Gain on sale of discontinued operations.....	--	10,420	--
	-----	-----	-----
Income before extraordinary items and cumulative effect of accounting change...	51,190	54,956	38,991
Extraordinary loss on early extinguishment of debt, net of taxes.....	--	(2,676)	(11,810)
Cumulative effect of accounting change for marketable securities, net of taxes.....	--	--	3,819
	-----	-----	-----
Net income.....	\$ 51,190	\$ 52,280	\$ 31,000
	=====	=====	=====
Earnings (loss) per share:			
Income from continuing operations.....	\$ 1.57	\$ 1.31	\$.99
Discontinued operations:			
Income from discontinued operations...	--	.02	.06
Gain on sale of discontinued operations.....	--	.31	--
	-----	-----	-----
Income before extraordinary items and cumulative effect of accounting change.....	1.57	1.64	1.05
Extraordinary loss on early extinguishment of debt.....	--	(.08)	(.32)
Cumulative effect of accounting change..	--	--	.11
	-----	-----	-----
Net income.....	\$ 1.57	\$ 1.56	\$.84
	=====	=====	=====
Average common shares outstanding.....	32,670,726	33,426,436	37,125,569
	=====	=====	=====

See accompanying notes.

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AMETEK, INC.

CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)

	DECEMBER 31,	
	1996	1995
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 3,051	\$ 7,011
Marketable securities.....	6,441	5,694
Receivables, less allowance for possible losses.....	126,212	118,782
Inventories.....	94,413	101,515
Deferred income taxes.....	11,086	11,825
Other current assets.....	5,769	4,518
	-----	-----
Total current assets.....	246,972	249,345
Property, plant and equipment, net.....	192,356	176,838
Intangibles, investments and other assets.....	98,587	100,562
	-----	-----
	\$537,915	\$526,745
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt.....	\$ 31,898	\$ 56,374
Accounts payable.....	77,994	76,569
Income taxes payable.....	10,227	9,177
Accrued liabilities.....	65,852	68,556
	-----	-----
Total current liabilities.....	185,971	210,676
Long-term debt.....	150,333	150,430

Deferred income taxes.....	35,099	31,927
Other long-term liabilities.....	37,014	46,653
Stockholders' equity:		
Preferred stock, \$1.00 par value; authorized: 5,000,000 shares; none issued.....	--	--
Common stock, \$.01 par value; authorized: 100,000,000 shares; issued: 1996--34,208,095 shares; 1995-- 34,906,717 shares.....	342	349
Capital in excess of par.....	1,190	783
Retained earnings.....	157,843	124,503
	-----	-----
Net unrealized losses.....	159,375	125,635
Less: Cost of shares held in treasury: 1996--1,502,617 shares; 1995--2,049,194 shares.....	(15,375)	(18,691)
	-----	-----
Total stockholders' equity.....	129,498	87,059
	-----	-----
	\$537,915	\$526,745
	=====	=====

See accompanying notes.

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AMETEK, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	-----	-----	-----
CAPITAL STOCK			
Preferred Stock.....	\$ --	\$ --	\$ --
	-----	-----	-----
Common Stock, \$.01 par value:			
Balance at the beginning of the year.....	349	372	46,414
Common stock retirement.....	(7)	(23)	(6,988)
Reduction in par value from \$1.00 per share to \$.01 per share.....	--	--	(39,054)
	-----	-----	-----
Balance at the end of the year.....	342	349	372
	-----	-----	-----
CAPITAL IN EXCESS OF PAR VALUE			
Balance at the beginning of the year.....	783	7,382	6,389
Employee stock options and savings plan.....	2,943	2,093	976
Reduction in par value of common stock.....	--	--	39,054
Common stock retirement.....	(2,536)	(8,661)	(39,607)
Other.....	--	(31)	570
	-----	-----	-----
Balance at the end of the year.....	1,190	783	7,382
	-----	-----	-----
RETAINED EARNINGS			
Balance at the beginning of the year.....	124,503	111,150	161,297
Net income.....	51,190	52,280	31,000
Cash dividends paid.....	(7,853)	(7,983)	(8,910)
Common stock retirement.....	(9,997)	(30,944)	(72,237)
	-----	-----	-----
Balance at the end of the year.....	157,843	124,503	111,150
	-----	-----	-----
NET UNREALIZED LOSSES			
Foreign currency translation:			
Balance at the beginning of the year.....	(15,008)	(16,148)	(20,163)
Translation adjustments.....	1,281	1,140	4,015
	-----	-----	-----
Balance at the end of the year.....	(13,727)	(15,008)	(16,148)
	-----	-----	-----
Pension liability in excess of unrecognized			

prior service cost:			
Balance at the beginning of the year.....	(4,384)	(4,391)	(4,731)
Adjustments during the year.....	1,802	7	340
	-----	-----	-----
Balance at the end of the year.....	(2,582)	(4,384)	(4,391)
Other (principally valuation allowance for marketable securities):			
Balance at the beginning of the year.....	701	(683)	3,262
Appreciation (depreciation) in marketable securities.....	233	1,384	(2,547)
Other.....	--	--	(1,398)
	-----	-----	-----
Balance at the end of the year.....	934	701	(683)
	-----	-----	-----
Balance at the end of the year.....	(15,375)	(18,691)	(21,222)
TREASURY STOCK			
Balance at the beginning of the year.....	(19,885)	(24,502)	(27,142)
Employee stock options and savings plan.....	5,200	4,237	2,577
Other.....	183	380	63
	-----	-----	-----
Balance at the end of the year.....	(14,502)	(19,885)	(24,502)
	-----	-----	-----
Total Stockholders' Equity.....	\$129,498	\$ 87,059	\$ 73,180
	=====	=====	=====

See accompanying notes.

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AMETEK, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	-----	-----	-----
Cash provided by (used for):			
Operating activities:			
Income from continuing operations.....	\$ 51,190	\$ 43,757	\$ 36,619
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization.....	34,906	34,461	35,469
Deferred income taxes.....	2,424	3,989	4,585
Proceeds from sale of securities in trading portfolio.....	--	--	31,566
Changes in operating working capital:			
Increase in receivables.....	(4,092)	(3,511)	(7,902)
Decrease (increase) in inventories and other current assets.....	7,924	1,243	(9,703)
(Decrease) increase in payables, accruals and income taxes.....	(6,608)	(17,948)	20,323
(Decrease) increase in other long-term liabilities.....	(4,377)	6,273	(723)
Other.....	(6,667)	(304)	(3,289)
	-----	-----	-----
Cash provided by continuing operations.....	74,700	67,960	106,945
Cash (used for) provided by discontinued operations.....	--	(2,572)	7,645
	-----	-----	-----
Total operating activities.....	74,700	65,388	114,590
Investing activities:			
Additions to property, plant and equipment....	(41,247)	(31,746)	(22,798)
Proceeds from sale of assets and discontinued operations.....	4,023	42,709	8,428

Purchase of businesses and investments.....	(5,926)	(43,980)	(1,144)
Decrease in marketable securities and other...	1,649	4,293	5,611
	-----	-----	-----
Total investing activities.....	(41,501)	(28,724)	(9,903)
	-----	-----	-----
Financing activities:			
Net change in short-term borrowings.....	(24,357)	54,544	1,600
Cash dividends paid.....	(7,853)	(7,983)	(8,910)
Additional long-term borrowings.....	--	--	306,004
Repayment of long-term debt.....	--	(50,000)	(292,506)
Debt issuance costs and debt prepayment premiums.....	--	(166)	(29,211)
Repurchases of common stock.....	(12,540)	(39,628)	(118,832)
Proceeds from stock options.....	6,953	5,629	3,554
Other.....	638	706	400
	-----	-----	-----
Total financing activities.....	(37,159)	(36,898)	(137,901)
	-----	-----	-----
Decrease in cash and cash equivalents.....	(3,960)	(234)	(33,214)
Cash and cash equivalents:			
Beginning of year.....	7,011	7,245	40,459
	-----	-----	-----
End of year.....	\$ 3,051	\$ 7,011	\$ 7,245
	=====	=====	=====

See accompanying notes.

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AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries, after elimination of all significant intercompany transactions in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents, Securities, and Other Investments

All highly liquid investments with maturities of three months or less when purchased are considered cash equivalents. In January 1994, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 115, Accounting for Certain Investment in Debt and Equity Securities. SFAS No. 115 requires that equity securities and fixed income securities be carried at market value, and that the unrealized gains and losses on securities, less deferred income taxes, be reflected as a component of stockholders' equity for securities considered available for sale, and be reflected in income for securities held for trading purposes. The cumulative effect on net income of adopting that standard for securities, then classified in a trading portfolio, was to increase net income for 1994 by \$3.8 million (net of taxes), or \$.11 per share. At December 31, 1996 and 1995, all of the Company's equity securities and fixed income securities (primarily those of a captive insurance subsidiary) are considered available-for-sale. The aggregate market value of such securities at December 31, 1996 and 1995 was: 1996--\$14.9 million (\$13.5 million amortized cost), and 1995--\$12.2 million (\$10.9 million amortized cost). The Company's other investments are accounted for by the equity method.

Inventories

Inventories are stated at the lower of cost or market, cost being determined principally by the last-in, first-out (LIFO) method of inventory valuation, and market on the basis of the lower of replacement cost or estimated net

proceeds from sales. The excess of the first-in, first-out (FIFO) method over the LIFO value was \$35.0 million and \$36.4 million at December 31, 1996 and 1995.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for additions to plant facilities, or that extend their useful lives, are capitalized. The cost of tools, jigs and dies, and maintenance and repairs is charged to operations as incurred. Depreciation of plant and equipment is calculated principally on a straight-line basis over the estimated useful lives of the related assets.

Revenue Recognition

The Company's revenues are recorded as products are shipped and services are rendered. The policy with respect to sales returns and allowances generally provides that a customer may not return products, or be given allowances, except at the Company's option. The aggregate provisions for estimated warranty costs (not significant in amount) are recorded at the time of sale and periodically adjusted to reflect actual experience.

Research and Development

Company-funded research and development costs are charged to operations as incurred and during the past three years were: 1996--\$17.7 million, 1995--\$16.0 million, and 1994--\$17.7 million.

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AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Earnings Per Share

Earnings per share are based on the average number of common shares outstanding during the period. No material dilution of earnings per share would result for the periods if it were assumed that all outstanding stock options were exercised.

Foreign Currency Translation

Assets and liabilities of foreign operations are translated by using exchange rates in effect at the balance sheet date, and their results of operations are translated by using average exchange rates for the year.

Certain transactions of the Company and its subsidiaries are made in currencies other than their functional currency. Gains and losses from those transactions (not significant in amount) are included in operating results for the year.

In addition, the Company utilizes various financial instruments to hedge firm commitments for certain export sales, thereby minimizing its exposure to foreign currency fluctuation. Foreign exchange contracts, foreign currency options, and foreign currency swaps may be entered into for periods consistent with the Company's exposure, generally one year or less. Gains and losses from those arrangements are deferred and are reflected as adjustments of the related foreign currency transaction.

Interest Rate Swap and Cap Agreements

The Company enters into interest rate swap and cap agreements to modify the interest characteristics of certain of its revolving credit loans, and to reduce the impact of increases in interest rates on its floating-rate loans. Such agreements generally involve the exchange of fixed- and floating-rate interest payments periodically over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change, and it is recognized as an adjustment to interest expense related to the debt over the life of the agreements. Under interest rate cap agreements, the interest rate on a specified percentage of certain revolving credit loans outstanding, which is subject to the floating interest rate, cannot exceed a fixed percentage. The

Company also uses foreign currency and interest rate swaps in its selective hedging of certain foreign currency and interest rate risk exposure.

Intangible Assets

The excess of cost over net assets acquired (goodwill) is being amortized on a straight-line basis over periods of 20 to 30 years. The Company reviews the carrying value of goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Patents are being amortized on a straight-line basis over their estimated useful lives of 9 to 10 years. Other acquired intangibles are being amortized on a straight-line basis over their estimated useful lives of 5 to 30 years.

Reclassifications

Certain amounts appearing in the prior year's financial statements and supporting footnote disclosures have been reclassified to conform to the current year's presentation.

2. RESTRUCTURING

As of December 31, 1996, charges against a restructuring reserve of \$45.1 million established in 1993 (primarily for the Company's Precision Instruments Group) totaled approximately \$32.2 million, of which \$7.2 million was charged in 1996, \$13 million in 1995 and \$7.9 million in 1994. The charges were for costs related to workforce reductions, a facility combination and asset write-downs. The remaining reserves of \$12.9 million at December 31, 1996, related primarily to certain pension and employee-related obligations and product line

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AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

relocation, are currently anticipated to be fully utilized with no material change in the estimates. Except for certain long-term pension obligations, the significant portion of these actions are expected to be completed by the end of 1997.

3. ACQUISITIONS

On November 1, 1995, the Company acquired APIC and AFIMO (APIC), a French and Monaco based manufacturer of water filtration products, for cash. This acquisition was completed in early 1996 upon the determination of fair values of the assets acquired and the liabilities assumed. On March 31, 1995, the Company purchased the heavy-vehicle instrumentation business of privately held Dixon, Inc. also for cash. These acquisitions were accounted for by the purchase method and the results of their operations are included in the Company's consolidated results from their respective acquisition dates. The acquisitions of Dixon and APIC would not have had a material effect on the Company's sales or earnings for 1995 or 1994 had they been made at the beginning of the respective periods.

On March 1, 1995, the Company acquired a 50% ownership interest in a joint venture established with a Taiwanese supplier to manufacture low-cost pressure gauges in China and Taiwan for worldwide markets. The investment is accounted for by the equity method, and the Company's 50% share of the operating results since March 1, 1995 (not material in amount) is included in the earnings of its domestic gauge manufacturing Division.

The aggregate purchase price of the above mentioned acquisitions and investment in the joint venture totaled \$46.8 million, consisting of cash paid at closing and minor deferred payment obligations over periods of up to three years. The investment in the joint venture is reported with Intangibles, Investments and Other Assets in the accompanying balance sheet.

4. DISCONTINUED OPERATIONS

On May 18, 1995, the Company sold its foam packaging business (Microfoam Division) for approximately \$37 million in cash. The sale of the assets of Microfoam, after providing for certain costs related to the sale, resulted in a second quarter 1995 gain of \$10.4 million, net of taxes of \$6.4 million. As a result of the transaction, the Company's prior period financial statements

were restated to report Microfoam as a discontinued operation.

Summary operating results of discontinued operations, excluding the gain on sale, were as follows:

	YEAR ENDED DECEMBER 31,	
	1995	1994

	(IN THOUSANDS)	
Net sales.....	\$12,153	\$33,226
	=====	=====
Income before income taxes.....	\$ 1,291	\$ 4,044
Provision for income taxes.....	512	1,672
	-----	-----
Net income.....	\$ 779	\$ 2,372
	=====	=====

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

5. OTHER BALANCE SHEET INFORMATION

	(IN THOUSANDS)	
	1996	1995

	(IN THOUSANDS)	
INVENTORIES		
Finished goods and parts.....	\$ 28,565	\$ 31,628
Work in process.....	18,829	23,491
Raw materials and purchased parts.....	47,019	46,396
	-----	-----
	\$ 94,413	\$ 101,515
	=====	=====
PROPERTY, PLANT AND EQUIPMENT, at cost		
Land.....	\$ 8,840	\$ 8,107
Buildings.....	99,515	95,249
Machinery and equipment.....	340,242	304,694
	-----	-----
	448,597	408,050
Less accumulated depreciation.....	(256,241)	(231,212)
	-----	-----
	\$ 192,356	\$ 176,838
	=====	=====
INTANGIBLES, INVESTMENTS AND OTHER ASSETS		
Intangibles, at cost:		
Patents.....	\$ 20,698	\$ 20,993
Goodwill.....	33,872	30,626
Other acquired intangibles.....	48,529	48,455
Less accumulated amortization.....	(61,190)	(54,818)
	-----	-----
	41,909	45,256
Investments.....	36,437	35,806
Other.....	20,241	19,500
	-----	-----
	\$ 98,587	\$ 100,562
	=====	=====
ACCRUED LIABILITIES		
Accrued employee compensation and benefits.....	\$ 23,753	\$ 22,572
Restructuring.....	5,556	11,208
Other.....	36,543	34,776

-----	-----
\$ 65,852	\$ 68,556
=====	=====

ALLOWANCES FOR POSSIBLE LOSSES ON ACCOUNTS AND NOTES RECEIVABLE

	(IN THOUSANDS)		
	1996	1995	1994
	-----	-----	-----
Balance at beginning of year.....	\$ 6,373	\$3,921	\$2,394
Additions charged to expense.....	169	2,723	1,601
Recoveries credited to allowance.....	38	6	110
Write-offs.....	(1,246)	(432)	(219)
Currency translation adjustment and other.....	41	155	35
	-----	-----	-----
Balance at end of year.....	\$ 5,375	\$6,373	\$3,921
	=====	=====	=====

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

6. LONG-TERM DEBT

At December 31, 1996 and 1995, long-term debt consisted primarily of \$150 million in 9 3/4% senior notes due 2004. The annual future payments required by the terms of the long-term debt for the years 1997 through 2001 are not significant.

In March 1994, the Company entered into a \$250 million senior secured credit agreement with a group of banks led by The Chase Manhattan Bank, N.A. The net proceeds from these debt issues, together with available cash were used, among other things, to finance the Company's early retirement of debt in March 1994. In October 1994, the Company amended the agreement by reducing the total credit facility from \$250 million to \$200 million. In connection with this early retirement of debt, the Company recorded a first quarter 1994 extraordinary charge of \$11.8 million (net of tax benefits of \$7.6 million), or \$.32 per share, for the prepayment premiums paid and the write-off of related deferred debt issuance costs.

On August 2, 1995, the Company replaced its \$200 million secured bank credit facility with a new Bank Credit Agreement with a group of banks led by The Chase Manhattan Bank, N.A. The five-year revolving credit facility was unsecured, and provided up to \$195 million in revolving credit loans, with scheduled reductions in the total credit facility to \$150 million by August 1, 2000. In connection with the August 2, 1995 Bank Credit Agreement, the Company recorded a third quarter 1995 noncash extraordinary charge of \$2.7 million (net of tax benefits of \$1.7 million), or \$.08 per share, for the write-off of deferred debt issuance costs related to the previous bank credit agreement.

On September 12, 1996, the Company amended the \$195 million Bank Credit Agreement, extending the maturity of the facility by one year, to 2001. In addition, the amended agreement provides somewhat greater financial flexibility, and slightly lower interest rates and fees on the entire credit facility.

Among other things, the agreements place certain restrictions on cash payments, including the payment of cash dividends. At December 31, 1996, retained earnings of approximately \$12 million were not subject to the dividend limitation.

Outstanding loans under the credit facility are subject to interest rate swap and cap agreements based on the combination of a fixed rate and the London Interbank Offered Rate (LIBOR), plus a negotiated spread over LIBOR. Under the new Bank Credit Agreement, at December 31, 1996 the Company had

\$18.1 million in revolving credit loans outstanding at a blended interest rate of 7.4%.

Foreign subsidiaries of the Company had lines of credit with European banks of approximately \$22.5 million, of which \$8.8 million was unused at December 31, 1996. The revolving credit loans, along with the foreign bank borrowings totaling \$13.7 million at December 31, 1996, are classified on the accompanying balance sheet as short-term borrowings. The weighted average interest rate on all short-term borrowings outstanding at December 31, 1996 was 8.6%. The Company also has outstanding letters of credit totaling \$13.6 million at December 31, 1996.

7. STOCKHOLDERS' EQUITY

In June 1996, the Company announced a new \$50 million stock repurchase authorization, and rescinded the unused portion (\$5.8 million) of the previous authorizations, which had totaled \$175 million. During 1996, the Company repurchased 698,000 shares of its common stock at an aggregate cost of \$12.5 million. As of December 31, 1996, shares repurchased since the inception of the stock repurchase programs in March 1994 totaled 12.2 million shares at an aggregate cost of \$171 million. At December 31, 1996, \$48.2 million was unexpended under the outstanding stock repurchase authorization.

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AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

All of the repurchased shares have been retired as required by the Company's loan agreements, and such retired shares are considered authorized but unissued shares. At December 31, 1996, shares outstanding totaled 32,705,478 shares, compared to 32,857,523 shares outstanding at December 31, 1995.

In 1995 a Stock Incentive Plan was adopted by the Company, providing for the grant of up to 2.2 million shares of common stock to eligible employees and nonemployee Directors of the Company. Under the Plan, the awards may include the grant of stock options, stock appreciation rights, restricted stock awards, and phantom stock awards.

In certain circumstances, the Company provides for restricted stock awards of its common stock to eligible employees and nonemployee Directors of the Company at such cost to the recipient as the Stock Incentive Plan Committee of the Board of Directors may determine. Such shares are issued subject to certain conditions, with transfer and other restrictions as prescribed by the Plan. No restricted stock was awarded during 1996 or 1995. In 1994, the Company awarded 20,000 shares of restricted common stock to certain nonemployee Directors under the Plan. Upon issuance of restricted stock, unearned compensation, equivalent to the excess of the market value of the shares awarded over the price paid by the recipient at the date of the grant, is charged to stockholders' equity and is amortized to expense over the periods until the restrictions lapse. Amortization expense in 1996, 1995, and 1994 for awards under the Plan was not significant.

The Company has a Shareholder Rights Plan, under which the Board of Directors declared a dividend in 1989 of one Right for each share of Company common stock owned. The Plan provides, under certain conditions involving acquisition of the Company's common stock, that holders of Rights, except for the acquiring entity, would be entitled (i) to purchase shares of preferred stock at a specified exercise price, or (ii) to purchase shares of common stock of the Company, or the acquiring company, having a value of twice the Rights exercise price. The Rights under the Plan expire in 1999.

As of January 1, 1996, the Company adopted the disclosure provisions of Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation. As permitted by Statement No. 123, the Company elected to continue to account for stock options under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, whereby compensation expense is not recognized for fixed-price stock options when the exercise price of the employee stock option is equal to the market price of the underlying stock on the date of grant.

Total compensation expense recognized by the Company for all stock-based

employee compensation awards for 1996, 1995, and 1994 was not significant. Had compensation expense for the Company's stock option plans been determined by Statement No. 123, the pro forma effects on the Company's net income and earnings per share for the years ended December 31, 1996 and 1995 would not have been materially different from the amounts reported. The effects of applying Statement No. 123 in 1996 for providing pro forma compensation expense disclosure may not be representative of the effects on reported net income, or earnings per share in future years.

At December 31, 1996, 3,786,623 (4,402,164 in 1995) shares of common stock were reserved under all of the Company's incentive and nonqualified stock plans. The options are exercisable at prices not less than market price value on dates of grant, and in installments over four to ten-year periods from such dates. The Company also has outstanding 32,500 (48,500 in 1995) stock appreciation rights exercisable for cash and/or shares of the Company's common stock when the related option is exercised. Subject to certain limitations, each right relates to the excess of the market value of the Company's common stock over the exercise price of the related option. Charges and credits, immaterial in amount, are made to income for these rights and certain related options.

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	1996		1995		1994	
	SHARES	PRICE RANGE	SHARES	PRICE RANGE	SHARES	PRICE RANGE
Outstanding at beginning of year.....	2,714,540	\$11.69-\$17.69	2,689,961	\$ 8.94-\$16.50	2,046,225	\$ 8.94-\$16.50
Granted.....	705,150	17.38- 19.56	610,900	17.00- 17.69	1,152,600	12.31- 15.19
Exercised.....	(603,975)	11.69- 17.50	(542,626)	8.94- 15.44	(302,146)	8.94- 15.44
Canceled.....	(48,413)	12.19- 19.19	(43,695)	12.19- 17.50	(206,718)	12.19- 15.44
Outstanding at end of year.....	2,767,302*	11.69- 19.56*	2,714,540	11.69- 17.69	2,689,961	8.94- 16.50
Exercisable at end of year.....	1,154,663	\$11.69-\$17.69	1,203,097	\$11.69-\$16.31	1,102,064	\$ 8.94-\$16.50

* Expiring from 1997 through 2006.

The weighted average fair value of options granted during 1996 and 1995 was \$4.98 and \$5.08, respectively. The fair value for the option grants was estimated on the date of grant by using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1996 and 1995 respectively: a risk-free interest rate of 5.94% for each year, dividend yields of 1.4% for each year, expected volatility of the market price of the Company's common stock of 22.8% and 25.5%; and a weighted average expected life of options granted of five years.

8. LEASES

Minimum aggregate rental commitments under noncancelable leases in effect at December 31, 1996 (principally for production and administrative facilities and equipment) amounted to \$11.4 million consisting of annual payments of \$3.2 million in 1997, \$2.8 million in 1998, and decreasing amounts thereafter. Rental expense was \$6.3 million in 1996, \$4.9 million in 1995 and \$4.4 million in 1994.

9. INCOME TAXES

The components of income from continuing operations before income taxes and

the details of the provision for income taxes are as follows:

	(IN THOUSANDS)		
	1996	1995	1994
Income from continuing operations before income taxes:			
Domestic.....	\$72,005	\$51,470	\$42,995
Foreign.....	6,655	17,787	14,768
Total.....	\$78,660	\$69,257	\$57,763
Provision for income taxes:			
Current:			
Federal.....	\$19,837	\$12,764	\$10,963
Foreign.....	2,640	7,378	5,860
State.....	2,580	1,423	258
Total current.....	25,057	21,565	17,081
Deferred:			
Federal.....	227	1,851	1,214
Foreign.....	1,495	1,410	2,209
State.....	691	674	640
Total deferred.....	2,413	3,935	4,063
Total provision.....	\$27,470	\$25,500	\$21,144

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AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Significant components of the Company's deferred tax (asset) liability as of December 31 are as follows:

	(IN THOUSANDS)	
	1996	1995
Current deferred tax asset:		
Reserves not currently deductible.....	\$ (9,171)	\$ (9,825)
Other.....	(1,915)	(2,000)
Net current deferred tax asset.....	(11,086)	(11,825)
Long-term deferred tax (asset) liability:		
Differences in basis of property and accelerated depreciation.....	23,508	21,547
Purchased tax benefits.....	10,110	13,268
Reserves not currently deductible.....	(11,528)	(13,798)
Other.....	13,009	10,910
Net long-term deferred tax liability.....	35,099	31,927
Net deferred tax liability.....	\$ 24,013	\$ 20,102

The effective rate of the provision for income taxes reconciles to the statutory rate as follows:

	1996	1995	1994
	----	----	----
Statutory rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit.....	2.7	2.0	0.9
Foreign Sales Corporation and other tax credits.....	(2.7)	(2.7)	(3.2)
Effect of foreign operations.....	0.9	3.9	4.7
Other.....	(1.0)	(1.4)	(0.8)
	----	----	----
	34.9%	36.8%	36.6%
	====	====	====

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$33.1 million at December 31, 1996. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. deferred taxes has been made. Upon distribution of those earnings to the U.S., the Company would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred income tax liability is not practicable.

10. RETIREMENT AND PENSION PLANS

The Company maintains noncontributory defined benefit retirement and pension plans. Benefits for eligible United States salaried and hourly employees are funded through trusts established in conjunction with the plans. Employees of certain foreign operations participate in various local plans that in the aggregate are not significant.

The Company also has nonqualified unfunded retirement plans for its Directors and certain retired employees, as well as contractual arrangements with a current and certain former executives that provide for supplemental pension benefits in excess of those provided by the Company's primary pension plan. Fifty percent of the projected benefit obligation of the supplemental pension benefit arrangements with the executives has been funded by grants of restricted shares of the Company's common stock. The remaining 50% is unfunded. The Company is providing for those arrangements by charges to earnings (included in net pension expense below) over the periods to age 65 of the participants.

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AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Company's funding policy with respect to its qualified plans is to contribute amounts determined annually on an actuarial basis that provide for current and future benefits in accordance with the funding requirements of federal law and regulations. Assets of funded benefit plans are invested in a variety of equity and debt instruments and in pooled temporary funds, as well as the Company's common stock, not material to total plan assets.

Net pension expense, excluding plan administrative expenses, consists of the following components:

	(IN THOUSANDS)		
	1996	1995	1994
	-----	-----	-----
Service cost for benefits earned during the period.....	\$ 6,320	\$ 5,999	\$ 6,676
Interest cost on projected benefit obligation...	16,292	15,446	14,742
Actual return on plan assets.....	(21,780)	(23,665)	(17,922)
Net amortization and deferrals.....	3,460	6,894	215
	-----	-----	-----
Net pension expense.....	\$ 4,292	\$ 4,674	\$ 3,711

=====

In addition to pension expense shown in the table above, the Company also incurs other pension-related expenses, including plan administrative expenses prior to 1996. Such additional expense for the past three years was not material in amount.

Net pension expense reflects an expected long-term rate of return on plan assets of 9 1/4% for 1996, 1995, and 1994. The actual return has been adjusted to defer gains and losses that differ from the expected return. The present value of projected benefit obligations was determined by using an assumed discount rate of 7 3/4% for 1996, 7 1/2% for 1995, and 7 3/4% for 1994. The assumed rate of compensation increase used in determining the present value of projected benefit obligations was 5% for 1996 and 1995, and 5 1/4% for 1994.

For pension plans with accumulated benefits in excess of assets at December 31, 1996, the balance sheet reflects an additional long-term pension liability of \$7.4 million (\$11.5 million in 1995), a long-term intangible asset of \$3.5 million (\$4.8 million in 1995), and a charge in stockholders' equity (net of deferred taxes) of \$2.6 million in 1996, and \$4.4 million in 1995 and 1994. The charge in stockholders' equity represents the excess of the additional long-term liability over unrecognized prior service cost. No balance sheet recognition is given to pension plans with assets in excess of accumulated benefits.

The following table sets forth the funded status of the plans:

	(IN THOUSANDS)			
	DECEMBER 31, 1996		DECEMBER 31, 1995	
	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
Actuarial present value of benefit obligations:				
Vested benefit obligation....	\$138,083	\$ 66,157	\$115,129	\$ 84,780
Accumulated benefit obligation.....	\$143,946	\$ 71,987	\$118,348	\$ 91,750
Projected benefit obligation.....	\$156,626	\$ 72,068	\$130,038	\$ 93,617
Plan assets at fair value....	164,038	61,870	132,370	75,520
Plan assets in excess (less than) projected benefit obligation.....	7,412	(10,198)	2,332	(18,097)
Unrecognized prior service cost.....	1,302	3,963	1,479	4,145
Unrecognized net loss.....	5,091	2,563	6,016	8,876
Unrecognized net transition (asset) obligation, net of amortization.....	(3,641)	574	(4,207)	621
Prepaid (accrued) pension expense.....	\$ 10,164	\$ (3,098)	\$ 5,620	\$ (4,455)

certain retirees and a small number of employees. Benefits under these arrangements are not significant. The Company also provides limited postemployment benefits for former or inactive employees after employment but before retirement. Those benefits, which are not significant in amount, have always been accounted for on the accrual basis, thereby meeting the current accounting requirement for postemployment benefits.

11. FINANCIAL INSTRUMENTS

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. Such instruments are generally used to manage well-defined interest rate risks and to hedge firm commitments related to certain export sales denominated in a foreign currency.

Interest rate swap and cap agreements are used to reduce the potential impact of increases in interest rates on the Company's floating-rate revolving credit loans. Accordingly, the Company enters into those agreements to effectively convert floating-rate loans to fixed-rate loans and to cap certain interest rates that are indexed to LIBOR rates to reduce the Company's risk of incurring higher interest costs due to rising interest rates. At December 31, 1996, the Company was party to one interest rate swap agreement with a notional amount of \$19.4 million, which decreases by \$2.2 million semiannually through the May 1997 termination date. The interest rate cap agreement entitles the Company to receive amounts from counterparties on a quarterly basis if specified market interest rates rise above fixed cap rates. The fair value of both agreements at December 31, 1996 and 1995 was not significant.

Cross currency and interest rate agreements are in effect to hedge a portion of the Company's net investment in two of its smaller foreign subsidiaries, whereby the Company agreed to swap certain European currencies for an equivalent amount of U.S. dollars totaling \$7.1 million. The agreements provide for the Company to make floating interest payments while receiving interest at fixed and floating rates, and capping a portion of floating rate payments. The swap agreements will terminate with settlement of the contracts in 1997. At December 31, 1996 and 1995, the fair value of the swaps was not significant.

Forward currency contracts are entered into to hedge certain firm export sales commitments denominated in deutsche marks, and in 1996, certain firm purchase commitments denominated in Japanese yen. The purpose of such hedging activities is to protect the Company from the risk that the eventual net cash dollar inflows and outflows resulting from the sale of products to foreign customers and from the purchase of parts and materials from foreign suppliers respectively, will be adversely affected by changes in exchange rates. At December 31, 1996 and 1995, the notional values of the contracts were \$1.1 million and \$6.4 million, respectively. The terms of the currency contracts are dependent on the firm commitment and generally do not exceed one year. Deferred gains and losses on the contracts at December 31, 1996 and 1995 were not significant and are recognized in operations as the related sales and purchases occur.

The estimated fair values of the Company's other financial instruments are compared below to the recorded amounts at December 31. Cash, cash equivalents, and marketable securities are recorded at fair value at December 31, 1996 and 1995 in the accompanying balance sheet.

	ASSET (LIABILITY) (IN THOUSANDS)			
	DECEMBER 31, 1996		DECEMBER 31, 1995	
	RECORDED AMOUNT	FAIR VALUE	RECORDED AMOUNT	FAIR VALUE
Fixed income and equity investments.....	33,933	33,933	30,106	30,106
Short-term borrowings.....	(31,837)	(31,837)	(56,143)	(56,143)
Long-term debt (Including current portion).....	(150,394)	(160,000)	(150,661)	(167,000)

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The fair values of fixed income and equity investments are based on quoted market prices. The fair value of short-term borrowings is based on the carrying value at year end. The fair value of the Company's long-term debt, which consists primarily of publicly traded notes, is based on the quoted market price for such notes and borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of forward currency contracts, which are not reflected in the financial statements, is based on quoted market prices for comparable contracts, and is not material.

12. ADDITIONAL INCOME STATEMENT AND CASH FLOW INFORMATION

Included in other income is interest and other investment income of \$4.7 million, \$2.4 million, and \$5.0 million for 1996, 1995, and 1994, respectively. Income taxes paid in 1996, 1995, and 1994 were \$22.9 million, \$30.3 million, and \$13.6 million, respectively. Cash paid for interest for each of the three years approximated interest expense.

13. SEGMENT AND GEOGRAPHIC INFORMATION

The Company classifies its operations into three business segments: Electromechanical, Precision Instruments, and Industrial Materials. The Electromechanical Group produces motor blower systems for manufacturers of floor care appliances and produces fractional horsepower motors and motor blowers for computer, business machine, medical equipment, and high-efficiency heating equipment producers. Sales of fractional horsepower electric motors and blowers represented 43.2% in 1996, 44.4% in 1995, and 43.9% in 1994 of the Company's consolidated net sales.

The Precision Instruments Group produces aircraft cockpit instruments and displays, in addition to pressure, temperature, flow, and liquid level sensors for aircraft and jet engine manufacturers and for airlines, as well as airborne electronics systems that monitor and record flight and engine data. The Group also produces instruments and complete instrument panels for heavy truck manufacturers and heavy construction vehicles; process monitoring and display systems; combustion gas analysis; moisture and emissions monitoring systems; force and speed measuring instruments; air and noise monitors; pressure and temperature calibrators; and pressure-indicating and digital manometers.

The Industrial Materials Group produces high-temperature-resistant materials and textiles; corrosion-resistant heat exchangers; tanks and piping for process systems; drinking water filter and treatment systems; industrial and commercial filters for other liquids; replacement filter cartridges; liquid bag filters and multiple cartridge filter housings; high-purity metals and alloys in powder; strip and wire form for high-performance aircraft, automotive and electronics requirements; and thermoplastic compounds and concentrates for automotive, appliance, and telecommunication applications.

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Business Segment Financial Information

(IN THOUSANDS)

	1996	1995	1994
NET SALES (/1/)			
Electromechanical.....	\$375,633	\$372,038	\$340,358
Precision Instruments.....	308,737	301,440	280,638
Industrial Materials.....	184,291	164,012	153,742

Total Consolidated.....	\$868,661	\$837,490	\$774,738
OPERATING INCOME AND INCOME BEFORE INCOME TAXES:			
Operating income:			
Electromechanical.....	\$ 44,238	\$ 48,858	\$ 46,203
Precision Instruments.....	37,253	34,803	29,189
Industrial Materials.....	34,874	27,741	23,251
Total segments operating income(/2/)	116,365	111,402	98,643
Corporate administrative and other expenses....	(21,307)	(22,104)	(23,351)
Consolidated operating income.....	95,058	89,298	75,292
Interest and other expenses, net.....	(16,398)	(20,041)	(17,529)
Consolidated income from continuing operations			
before income taxes.....	\$ 78,660	\$ 69,257	\$ 57,763
IDENTIFIABLE ASSETS			
Electromechanical.....	\$217,793	\$196,805	\$190,339
Precision Instruments.....	166,286	180,837	142,403
Industrial Materials.....	83,327	77,222	75,509
Total segments.....	467,406	454,864	408,251
Corporate and discontinued operations.....	70,509	71,881	85,936
Total Consolidated.....	\$537,915	\$526,745	\$494,187
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT(/3/)			
Electromechanical.....	\$ 27,881	\$ 19,891	\$ 11,922
Precision Instruments.....	7,293	10,417	6,633
Industrial Materials.....	6,303	5,567	4,073
Total segments.....	41,477	35,875	22,628
Corporate.....	294	583	170
Total Consolidated.....	\$ 41,771	\$ 36,458	\$ 22,798
DEPRECIATION AND AMORTIZATION			
Electromechanical.....	\$ 14,967	\$ 13,454	\$ 12,430
Precision Instruments.....	14,270	15,915	15,253
Industrial Materials.....	5,411	4,895	7,636
Total segments.....	34,648	34,264	35,319
Corporate.....	258	197	150
Total Consolidated.....	\$ 34,906	\$ 34,461	\$ 35,469

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- (1) After elimination of intra and intersegment sales, which are not significant in amount. Such sales are generally based on prevailing market prices.
 - (2) Segment operating income represents sales less all direct costs and expenses (including certain administrative and other expenses) applicable to each segment, but does not include an allocation of interest expense.
 - (3) Includes \$.5 million in 1996 and \$4.7 million in 1995 from acquired businesses.

(IN THOUSANDS)

1996	1995	1994
------	------	------

NET SALES (based on destination):			
United States.....	\$575,099	\$556,236	\$537,048
International (including United States exports shown below):			
Europe.....	189,043	201,179	171,088
Asia.....	48,582	35,160	25,143
Canada.....	33,976	30,273	25,031
Other.....	21,961	14,642	16,428
	-----	-----	-----
Total International.....	293,562	281,254	237,690
	-----	-----	-----
Total Consolidated.....	\$868,661	\$837,490	\$774,738
	=====	=====	=====
INCOME (LOSS) BEFORE INCOME TAXES:			
United States.....	\$107,454	\$ 93,047	\$ 82,504
International:			
Europe.....	10,539	18,514	16,290
Asia, Canada, and other.....	(1,628) (a)	(159)	(151)
Corporate administrative and other expenses.....	(21,307)	(22,104)	(23,351)
Interest and other expenses, net.....	(16,398)	(20,041)	(17,529)
	-----	-----	-----
Total Consolidated.....	\$ 78,660	\$ 69,257	\$ 57,763
	=====	=====	=====
IDENTIFIABLE ASSETS			
United States.....	\$333,449	\$339,594	\$315,242
International:			
Europe.....	120,584	107,314	92,907
Asia, Canada, and other (principally Asia).....	13,373	7,956	102
Corporate.....	70,509	71,881	85,936
	-----	-----	-----
Total Consolidated.....	\$537,915	\$526,745	\$494,187
	=====	=====	=====
UNITED STATES EXPORT SALES (reported in international sales above)			
Europe.....	\$ 57,966	\$ 59,928	\$ 50,165
Asia.....	44,326	35,160	25,140
Canada.....	33,974	30,273	25,031
Other.....	14,707	13,729	15,869
	-----	-----	-----
Total Consolidated.....	\$150,973	\$139,090	\$116,205
	=====	=====	=====

(a) Includes start-up costs for operations in Mexico.

AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL YEAR
	-----	-----	-----	-----	-----
1996					
Net sales.....	\$227,633	\$223,998	\$212,763	\$204,267	\$868,661
Operating income.....	\$ 23,474	\$ 24,144	\$ 23,692	\$ 23,748	\$ 95,058
Income from continuing operations.....	\$ 12,216	\$ 12,967	\$ 12,956	\$ 13,051	\$ 51,190
Net income.....	\$ 12,216	\$ 12,967	\$ 12,956	\$ 13,051	\$ 51,190
Earnings per share:					
Income from continuing operations.....	\$.37	\$.40	\$.40	\$.40	\$ 1.57
Net income.....	\$.37	\$.40	\$.40	\$.40	\$ 1.57

Dividends paid per share.....	\$.06	\$.06	\$.06	\$.06	\$.24
Common stock trading range:(a)					
High.....	18 7/8	22 1/4	21 5/8	22 1/4	22 1/4
Low.....	16	17 3/8	18 1/4	17 3/4	16
1995					
Net sales.....	\$211,527	\$219,111	\$204,922	\$201,930	\$837,490
Operating income.....	\$ 21,506	\$ 24,470	\$ 21,476	\$ 21,846	\$ 89,298
Income from continuing operations.....	\$ 10,149	\$ 11,929	\$ 10,830	\$ 10,849	\$ 43,757
Net income.....	\$ 10,662	\$ 22,615	\$ 8,154 (b)	\$ 10,849	\$ 52,280 (c)
Earnings per share:(d)					
Income from continuing operations.....	\$.30	\$.36	\$.33	\$.33	\$ 1.31
Net income.....	\$.31	\$.68	\$.25 (b)	\$.33	\$ 1.56 (c)
Dividends paid per share.....	\$.06	\$.06	\$.06	\$.06	\$.24
Common stock trading range:(a)					
High.....	18 5/8	18 1/8	19 1/2	19 1/4	19 1/2
Low.....	15 3/4	16 1/4	16 1/8	16 5/8	15 3/4

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- (a) Trading ranges are based on the New York Stock Exchange composite tape.
(b) Includes an extraordinary loss of \$2.7 million (\$.08 per share) associated with debt agreements.
(c) Includes income from discontinued operations in the first and second quarters of 1995. The second quarter of 1995 also includes a gain on the sale of discontinued operations of \$10.4 million (\$.32 per share).
(d) The sum of quarterly earnings per share will not equal total year earnings per share due to the effect of the Company's purchasing shares of its outstanding common stock.

15. SUBSEQUENT EVENT

On February 5, 1997, the Company announced that it had entered into an agreement and Plan of Merger ("the Merger") whereby its water filtration business would be merged with and into Culligan Water Technologies, Inc. ("Culligan") for a total purchase price to Culligan of approximately \$155 million. The Company's water filtration business consists of the Plymouth Products Division, a U.S. operation, and three foreign subsidiaries: AMETEK Filters Ltd., a U.K. subsidiary; APIC, S.A., a French subsidiary; and AFIMO, S.A.M., a Monaco subsidiary. For 1996, the water filtration business had approximately \$70 million in sales, \$12 million in operating income, and total assets of \$40 million.

The purchase price less assumed debt is payable in Culligan common stock valued at \$37.50 per share. Following the Merger, Culligan will assume between \$25 million and \$75 million of the Company's debt. Based

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AMETEK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

on the expected assumption of \$25 million of the Company's debt, Culligan will distribute 3,466,667 shares of its common stock to AMETEK's shareholders, or .11 shares of Culligan stock for each outstanding share of AMETEK common stock (based on shares outstanding as of December 31, 1996).

The Merger is subject to approval by the shareholders and lenders of the Company and to certain other conditions, including the receipt of an Internal Revenue Service ruling that the Merger and stock distribution qualify as a tax-free reorganization. It is presently expected that it will take from four to six months from the aforementioned date to complete the transaction.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors of the Registrant

Directors are elected at the annual meeting of stockholders to hold office until the next annual meeting of stockholders and until their respective successors have been duly elected and qualified. Information on directors of the Company is shown below:

NAME OF DIRECTOR -----	AGE ---	PRINCIPAL OCCUPATION OR POSITION, OTHER DIRECTORSHIPS (/1/) -----	DIRECTOR CONTINUOUSLY SINCE -----
Walter E. Blankley++....	61	Chairman of the Board and Chief Executive Officer of the Company since April 1993 (/2/)	1990
Lewis G. Cole*.....	66	Senior Partner, Stroock & Stroock & Lavan LLP, Attorneys	1987
Helmut N. Friedlaender.*.....	83	Private investor	1955
Sheldon S. Gordon*+++....	61	Chairman of Union Bancaire Privee International, Inc. since May 1996. Mr. Gordon was a General Partner of The Blackstone Group, L.P. from April 1991 to May 1995 and a Limited Partner until May 1996. Mr. Gordon is also a director of Anangel-American Shipholdings Limited, and Energy Ventures, Inc.	1989
Charles D. Klein+.++....	58	A Managing Director of American Securities, L.P. and an executive officer of the corporate general partner of several affiliated entities	1980
James R. Malone+.....	54	Chairman of the Board of HMI Industries, Inc. since December 1996; Chairman of the Board of Anchor Resolution Corp. (formerly Anchor Glass Container Corp.) from January 1996 to February, 1997; and Chairman of the Board of Intek Capital Corporation since September 1990 (/3/)	1994
David P. Steinmann*.....	55	A Managing Director of American Securities, L.P. and an executive officer of the corporate general partner of several affiliated entities	1993
Elizabeth Rosenwald Varet+++.....	53	A Managing Director of American Securities, L.P. and chairman of the corporate general partner of several affiliated entities	1987

* Member of the Audit Committee.

+ Member of the Compensation Committee.

. Member of the Nominating Committee.

++ Member of the Executive Committee.

- (1) Except as noted, each nominee has held his or her present occupation for a period in excess of five years.
- (2) Mr. Blankley has been Chief Executive Officer since April 1990. From April 1990 to April 1993, Mr. Blankley also served as President of the Company. Mr. Blankley is also a Director of AMCAST Industrial Corporation and CDI Corporation.
- (3) Mr. Malone was President and Chief Executive Officer of Anchor Glass Container Corporation from May 1993 to January 1996 and was Chairman, President and Chief Executive Officer of Grimes Aerospace Co. from September 1990 to May 1993. Mr. Malone is also a director of Amsouth Bank N.A.

Executive Officers of the Registrant

Officers are appointed by the Board of Directors to serve for the ensuing year and until their successors have been elected and qualified. Information on executive officers of the Company is shown below:

NAME ----	AGE ---	PRESENT POSITION WITH THE COMPANY -----
Walter E. Blankley.....	61	Chairman of the Board and Chief Executive Officer
Frank S. Hermance.....	48	President and Chief Operating Officer
John J. Molinelli.....	50	Senior Vice President--Chief Financial Officer
Albert J. Neupaver.....	46	President of the Electromechanical and Industrial Materials Groups
Robert W. Chlebek.....	53	President of the Precision Instruments Group
George E. Marsinek.....	59	Senior Vice President--Electromechanical Group
Philip A. Goodrich.....	39	Senior Vice President--Corporate Development
Robert R. Mandos, Jr.....	38	Comptroller
Deirdre D. Saunders.....	49	Treasurer and Assistant Secretary
Robert W. Yannarell.....	63	Secretary

WALTER E. BLANKLEY'S employment history with the Company and other directorships currently held are included under the section "Directors and Executive Officers of the Registrant."

FRANK S. HERMANCE was elected President and Chief Operating Officer on November 21, 1996. He previously had been Executive Vice President--Chief Operating Officer since January 1, 1996 and most recently he served as President of the Precision Instruments Group, a position he was elected to on September 23, 1994. He joined the Company as a Group Vice President in November 1990.

JOHN J. MOLINELLI was named Senior Vice President--Chief Financial Officer on April 29, 1994. Previously he had served as Vice President and Comptroller of AMETEK since April 1993. He was elected Comptroller in 1991.

ALBERT J. NEUPAVER was elected President of the Electromechanical Group on January 10, 1997, and was elected President of the Industrial Materials Group on September 23, 1994. Previously he had served as a Group Vice President since May 1994. He was elected Vice President of AMETEK in 1991 and was General Manager of the Specialty Metal Products Division since 1989.

ROBERT W. CHLEBEK joined the Company as President of the Precision Instruments Group on March 1, 1997. Prior to joining AMETEK, Mr. Chlebek had been president of Phillips Components North America, a subsidiary of Phillips Electronics, N.V., ("Phillips") since 1993. Previously, he held general management positions with Phillips.

GEORGE E. MARSINEK became Senior Vice President--Electromechanical Group effective January 10, 1997. For health reasons, he stepped aside from his previous position as President of the Electromechanical Group which he had held since September 23, 1994. He had been a Group Vice President since April 1990.

PHILIP A. GOODRICH joined the Company as Senior Vice President--Corporate Development on August 28, 1996. Prior to joining AMETEK, Mr. Goodrich had been Vice President of Corporate Development at General Signal Corporation for seven years.

ROBERT R. MANDOS, JR. was elected Comptroller of the Company effective April 1, 1996. Mr. Mandos's more than 15 years of experience with the Company includes various corporate financial positions and divisional controllership assignments. Most recently he served as Director of Financial Information at

the corporate office and previously was Division Vice President--Finance for the multiplant operations of the U. S. Gauge Division.

DEIRDRE D. SAUNDERS has served as Treasurer and Assistant Secretary since April 1993. Ms. Saunders joined AMETEK in 1987 as Assistant Treasurer.

ROBERT W. YANNARELL has served as Secretary of the Company since April 1993. Previously he had served as Treasurer and Assistant Secretary since 1987. Mr. Yannarell will retire on April 30, 1997.

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ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain information for the fiscal year ended December 31 in each of 1996, 1995 and 1994 concerning compensation paid or accrued for the Chairman of the Board and Chief Executive Officer and for the four other most highly compensated executive officers of the Company serving at December 31, 1996.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS			
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	RESTRICTED STOCK AWARDS (\$)	SECURITIES UNDERLYING OPTIONS/SARS (#)	ALL OTHER COMPENSATION (\$)/(1/)
Walter E. Blankley.....	1996	487,000	440,000	--	--	80,000	2,736
Chairman of the Board	1995	472,000	400,000	--	--	75,000	1,752
and Chief Executive Of- ficer	1994	457,500	335,000	--	--	125,000	1,656
Frank S. Hermance.....	1996	300,000	225,000	--	--	100,000	1,776
President and	1995	228,000	152,000	--	--	30,000	1,332
Chief Operating Offi- cer.....	1994	220,000	125,000	--	--	50,000	1,326
George E. Marsinek(/2/)	1996	225,000	150,000	--	--	30,000	3,096
Senior Vice President--	1995	215,000	165,000	--	--	30,000	1,620
Electromechanical Group	1994	205,500	150,000	--	--	50,000	1,554
John J. Molinelli.....	1996	200,000	140,000	--	--	30,000	1,872
Senior Vice President--	1995	182,500	125,000	--	--	25,000	1,356
Chief Financial Officer	1994	157,933	100,000	--	--	40,000	1,350
Albert J. Neupaver(/2/)	1996	197,500	140,000	--	--	25,000	1,680
President of the Electromechanical	1995	180,000	110,000	--	--	25,000	1,302
and Industrial Materials Groups	1994	170,000	75,000	--	--	40,000	1,284

- (1) The amounts reported represent the Company's contribution (\$1,200 each) to The AMETEK Savings and Investment Plan for each of the individuals listed above and the dollar value of premiums paid by the Company with respect to term life insurance for the benefit of each of the named executive officers.
- (2) Refer to page 41 for present position with the Company effective January 10, 1997.

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STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

The following table provides details regarding stock options granted to the named executive officers in 1996. In addition, the table provides the hypothetical gains or "option spreads" that would result for the respective options based on assumed rates of annual compounded stock price appreciation of 5% and 10% from the date the options were granted through their expiration dates. No stock appreciation rights ("SARs") were granted to the named executive officers in 1996.

STOCK OPTION/SAR GRANTS IN 1996

POTENTIAL
REALIZABLE VALUE AT
ASSUMED ANNUAL
RATES OF STOCK
PRICE APPRECIATION
FOR OPTION TERM(2/)

NAME	INDIVIDUAL GRANTS		MARKET PRICE AND EXERCISE PRICE (\$/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2/)	
	NUMBER OF SECURITIES UNDERLYING OPTION/SARS GRANTED (#) (1/)	PERCENTAGE OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR			5% (\$)	10% (\$)
Walter E. Blankley.....	80,000	11.35	17.375	04/08/2006	874,164	2,215,302
Frank S. Hermance.....	100,000	14.18	17.375	04/08/2006	1,092,704	2,769,128
George E. Marsinek.....	30,000	4.25	17.375	04/08/2006	327,811	830,738
John J. Molinelli.....	30,000	4.25	17.375	04/08/2006	327,811	830,738
Albert J. Neupaver.....	25,000	3.55	17.375	04/08/2006	273,176	692,282

- (1) The options granted in 1996 to Messrs. Blankley, Hermance, Marsinek, Molinelli, and Neupaver are exercisable after the first anniversary of the date of the grant (April 8, 1996) during each of the four succeeding twelve-month periods only to the extent of twenty-five percent of the total number of shares optioned. In all cases, optioned shares that may have been but were not purchased during any one twelve-month period may be purchased during any one or more succeeding twelve-month periods up to the expiration date of the option. Options generally become fully exercisable in the event of the holder's death, retirement or termination of employment in connection with a change in control.
- (2) The amounts represent certain assumed rates of appreciation. Actual gains, if any, on stock option exercises are dependent on future performance of the Company's Common Stock. There can be no assurance that the rates of appreciation reflected in this table will be achieved.

The following table illustrates stock option and SARs exercised by the named executive officers during 1996 and the aggregate amounts realized by each such officer. In addition, the table shows the aggregate number of unexercised options and SARs that were exercisable and unexercisable as of December 31, 1996, and the values of "in-the-money" stock options and SARs on December 31, 1996, which represent the positive difference between the market price of the Company's Common Stock and the exercise price of such options/SARs.

AGGREGATED OPTION/SAR EXERCISES IN 1996
AND OPTION/SAR VALUES AT DECEMBER 31, 1996

NAME	SHARES		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT DECEMBER 31, 1996		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 31, 1996 (\$)	
	ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Walter E. Blankley.....	93,750	761,719	201,250	211,250	1,463,281	1,203,750
Frank S. Hermance.....	20,000	151,719	77,500	147,500	611,562	743,750
George E. Marsinek.....	0	0	57,500	77,500	417,187	428,750
John J. Molinelli.....	6,000	44,000	63,750	68,750	515,468	373,281
Albert J. Neupaver.....	12,000	102,000	53,250	63,750	413,656	350,781

DEFINED BENEFIT AND ACTUARIAL PLANS

The Employees' Retirement Plan of AMETEK, Inc. (the "Retirement Plan") is a noncontributory defined benefit pension plan under which contributions are actuarially determined. The following table sets forth the estimated annual benefits, expressed as a single life annuity, payable upon retirement (assuming normal retirement at age 65) under the Retirement Plan for individuals with the indicated years of service and at the indicated

compensation levels (without taking into account statutory restrictions incorporated in the Retirement Plan and described below):

PENSION PLAN TABLE

AVERAGE COMPENSATION	ANNUAL BENEFITS BASED ON YEARS OF SERVICE AT NORMAL RETIREMENT AGE (1)				
	15	20	25	30	35
\$150,000.....	58,800	62,600	66,500	66,500	66,500
200,000.....	79,200	84,300	89,400	89,400	89,400
250,000.....	99,600	106,000	112,400	112,400	112,400
300,000.....	120,000	127,700	135,300	135,300	135,300
350,000.....	140,400	149,300	158,300	158,300	158,300
400,000.....	160,800	171,000	181,200	181,200	181,200
450,000.....	181,200	192,700	204,200	204,200	204,200
500,000.....	201,600	214,400	227,100	227,100	227,100
550,000.....	222,000	236,000	250,100	250,100	250,100
600,000.....	242,400	257,700	273,000	273,000	273,000
650,000.....	262,800	279,400	296,000	296,000	296,000
700,000.....	283,200	301,100	318,900	318,900	318,900

(1) Benefit amounts assume a participant reaches age 65 in 1997; for younger participants, the benefit amounts are less than the amounts indicated above.

The annual compensation taken into account for any plan year is generally equal to the participant's salary and any bonus accrued during the plan year as reported in the Summary Compensation Table. Compensation in excess of certain amounts prescribed by the Secretary of the Treasury (\$160,000 for 1997) cannot be taken into account under the Retirement Plan. The individuals named in the Summary Compensation Table are subject to this limitation. However, in accordance with a nonqualified supplemental pension arrangement, the Company has agreed to provide to Mr. Blankley a benefit in an amount equal to the excess of the annual pension benefit that would be payable to him under the terms of the Retirement Plan in the absence of statutory restrictions over the amount actually payable under the Retirement Plan. The benefit is limited to the projected excess payable at age 65 determined as of May 21, 1991. Pursuant to an agreement entered into with Mr. Blankley, a restricted stock award has been granted under the 1991 Stock Incentive Plan of AMETEK, Inc. for a number of shares of the Company's Common Stock having a fair market value on the date of grant equal to 50% of the present value of the projected benefit under the supplemental pension arrangement; the remaining portion of the benefit will be payable in cash, directly out of the Company's general assets. At December 31, 1996, the executives named in the Summary Compensation Table had the following years of credited service under the Retirement Plan: Mr. Blankley--37; Mr. Hermance--6; Mr. Marsinek--32; Mr. Molinelli--28, and Mr. Neupaver--20.

In addition, for retirements occurring in 1997, the maximum annual pension benefit payable at normal retirement age is restricted, by law, to the greater of \$125,000 or the amount of such benefit determined under the Retirement Plan and prior existing law as of December 31, 1982. The \$125,000 limit is adjusted annually by the Secretary of the Treasury to reflect increases in the cost of living.

Compensation of Directors

The annual rate of compensation for services as a nonemployee director of the Company was revised effective January 1, 1996, to \$35,000 per year plus \$2,500 for each meeting attended. Mr. Blankley, the only employee director of the Company in 1996, did not receive any compensation for his services as a director.

Pursuant to a Retirement Plan for Directors (the "Directors Plan"), the Company has agreed to provide retirement benefits and death benefits to those directors who have not accrued benefits under the Employees' Retirement Plan

of AMETEK, Inc. and who have completed at least three years of service as a director or officer of the Company. Effective January 1, 1997, the Directors Plan was amended to limit participation to those Directors who became members of the Board of Directors prior to January 1, 1997. The retirement benefit payable under the Directors Plan is an annual amount equal to 100% of the highest annual rate of compensation for directors during the director's period of service on the Board of Directors; however, the benefit is reduced proportionately if the participant has less than five years of service. The Company shall satisfy its obligations arising under the Directors Plan exclusively from its general assets. All of the current directors other than Mr. Blankley are participants in the Directors Plan and each of these participants, other than Messrs. Malone and Steinmann, has accrued an annual retirement benefit of \$50,000. Mr. Steinmann has accrued an annual retirement benefit of \$30,000, and Mr. Malone has not yet accrued any benefit under the Directors Plan.

Pursuant to a Death Benefit Program for Directors (the "Directors Program"), the Company has entered into individual agreements with certain directors. The agreements require the Company to pay death benefits to directors' designated beneficiaries and to pay benefits to the directors under certain circumstances. The Directors Program currently provides for a benefit, payable for ten years, in an annual amount equal to 100% of the highest annual rate of compensation during the director's period of service on the Board of Directors, commencing at death or the later of age 70 or retirement; however, with respect to directors who became participants after January 1, 1989, the directors must complete at least five years of service as a director before they become eligible to receive a benefit upon the later of age 70 or retirement. Active directors also have a group term life insurance benefit of \$50,000. To fund benefits under the Directors Program, the Company has purchased individual life insurance policies on the lives of certain of the covered directors. The Company retains the right to terminate any or all of the Directors Program agreements under certain circumstances. All of the current directors other than Mr. Blankley are participants in the Directors Program.

Employment Contracts and Termination, Severance and Change-In-Control Arrangements

Pursuant to an agreement with the Company, Mr. Blankley will be entitled to a severance benefit in the event that his employment is terminated either by the Company without cause or by Mr. Blankley for good reason within 18 months after a Change-In-Control (as defined below), in an amount equal to 2.99 times his average taxable compensation (as defined under Section 280G of the Internal Revenue Code of 1986, as amended ("the Code")) from the Company during the five preceding taxable years. The benefit is subject to reduction, if necessary, to prevent any "excess parachute payment" within the meaning of Section 280G of the Code. For purposes of the agreement, a "Change-In-Control" means the acquisition of 30% or more of the voting stock of the Company by any party other than the Company (or its affiliates), or a change in the members of the Board of Directors, within any two-year period, such that the members at the beginning of the period cease to constitute a majority (unless the change is approved by two-thirds of those who are members at the beginning of the period). Assuming that a Change-In-Control, followed by a termination of employment, occurred on January 31, 1997, \$2,629,030 would be payable to Mr. Blankley pursuant to the agreement.

Pursuant to a Supplemental Senior Executive Death Benefit Program (the "Program"), the Company has entered into individual agreements with certain executives. The agreements require the Company to pay death benefits to their designated beneficiaries and to pay benefits to the executives under certain circumstances. If a covered executive dies before retirement or before age 65 while on disability retirement, the executive's beneficiary will receive monthly payments from the date of the executive's death until the date he or she would have attained age 80, but not less than for 15 years (the 15-year minimum guarantee does not apply to executives whose inclusion in the Program is approved after December 31, 1986). The specified dollar amount of the payments is determined on the basis of the executive's salary and age. In addition, the standard death benefit payable for participants in the Program from the Company's group term life insurance policy was revised effective January 1, 1996, to two times the executive's annual salary, limited to \$200,000. If a covered executive retires, or reaches age 65 while on disability retirement, the Program provides for an annual benefit of one-tenth of an amount equal to the lesser of (a) twice the executive's average annual base salary for the last five full years

of service, rounded off to the next highest multiple of \$50,000 or (b) a maximum amount specified in the agreement. The highest maximum amount specified in the existing agreements is \$1,000,000. The benefit is payable monthly over a period of 10 years to the executive or the executive's beneficiary. The payments will commence for retirees at age 70 or death, whichever is earlier. However, if the executive retires after age 70, the payments commence on retirement.

To fund benefits under the Program, the Company has purchased individual life insurance policies on the lives of certain of the covered executives. The Company retains the right to terminate all of the Program agreements under certain circumstances. Messrs. Blankley, Hermance, Marsinek, Molinelli, and Neupaver are participants in the Program.

Compensation Committee Interlocks and Insider Participation

Sheldon S. Gordon, Charles D. Klein, James R. Malone and Elizabeth R. Varet constitute the Compensation Committee. Mr. Klein and Ms. Varet are managing directors of American Securities, L.P., an investment banking firm.

The law firm of Stroock & Stroock & Lavan LLP, of which Mr. Cole is a member, rendered during 1996 and continues to render services as General Counsel to the Company and its subsidiaries. For 1996, Stroock & Stroock & Lavan LLP received \$438,000 for such services. The investment banking firm of American Securities, L.P., and affiliates of American Securities, L.P., including Oak Hall Capital Advisors, L.P., rendered during 1996 and continue to render financial advisory, investment management and other services to the Company. For 1996, American Securities, L.P. and its affiliates received \$907,088 in the aggregate for such services. American Securities, L.P. is owned indirectly, through family trusts of which Ms. Varet and Mr. Cole are cotrustees, by Ms. Varet and members of her family.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Stock Ownership

The following table sets forth the number of shares of Common Stock of the Company beneficially owned at January 31, 1997, by each director, by each of the executive officers included in the Summary Compensation Table, and by all directors and executive officers of the Company as a group, and the percentage of the outstanding shares of Common Stock so owned by each such person and such group.

NAME	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (/1/) (NUMBER OF SHARES)			TOTAL	PERCENTAGE OF CLASS
	SOLE VOTING AND INVESTMENT POWER (/2/)	SHARED VOTING OR INVESTMENT POWER (/3/)	RIGHT TO ACQUIRE (/4/)		
Walter E. Blankley.....	84,952	48,567	178,750	312,269	*
Lewis G. Cole/(5)/(11)/.....	10,000	514,588	--	524,588	1.6%
Helmut N. Friedlaender/(6)/.....	48,500	30,400	--	78,900	*
Sheldon S. Gordon.....	30,000	--	--	30,000	*
Frank S. Hermance.....	20,000	--	77,500	97,500	*
Charles D. Klein/(7)/(11)/.....	50,000	6,600	--	56,600	*
James R. Malone/(8)/.....	20,000	--	--	20,000	*
George E. Marsinek.....	5,218	--	57,500	62,718	*
John J. Molinelli.....	22,892	--	63,750	86,642	*
Albert J. Neupaver.....	9,840	--	53,250	63,090	*
David P. Steinmann/(9)/(11)/.....	34,700	94,264	--	128,964	*
Elizabeth Rosenwald					

Varet/(10)/(11)/.....	65,800	1,071,808	--	1,137,608	3.5%
All directors and executive officers as a group, consisting of 16 persons, including individuals named above/(11)/.....	425,314	1,162,319	463,575	2,051,208	6.3%

- -----

- * Represents less than 1% of the outstanding shares of Common Stock of the Company.
- (1) Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, beneficial ownership of a security consists of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose or direct the disposition) with respect to the security through any contract, arrangement, understanding, relationship or otherwise. Unless otherwise indicated, beneficial ownership disclosed consists of sole voting and investment power.
- (2) Reported in this column are shares (including certain restricted shares) with respect to which directors and officers have sole voting and investment power.
- (3) Reported in this column are other shares with respect to which directors and officers have or share voting and/or investment power, including shares directly owned by certain relatives with whom they are presumed to share voting and/or investment power; however, beneficial ownership may be disclaimed. Although shared beneficial ownership is included in each of the individual totals, these shares are reported only once in the total for all directors and executive officers as a group.
- (4) Reported in this column are shares that executive officers have a present right to acquire or are acquirable within 60 days of January 31, 1997, through the exercise of stock options awarded under AMETEK, Inc. Stock Option Plans.
- (5) Mr. Cole has shared voting and investment power with respect to 514,588 shares, as to 4,000 shares of which such power is shared with Messrs. Klein and Steinmann and others, and as to 510,588 shares of which such power is shared with Ms. Varet and others.
- (6) Mr. Friedlaender has shared voting and investment power with respect to 30,400 shares. Of these, 15,200 shares are owned by a trust of which Mr. Friedlaender is a trustee; Mr. Friedlaender disclaims beneficial ownership of such shares.
- (7) Mr. Klein has shared voting and investment power with respect to 6,600 shares, as to 4,000 shares of which such power is shared with Messrs. Cole and Steinmann and others and as to 2,600 shares of which such power is shared with Mr. Steinmann and others.
- (8) Includes 6,667 shares held pursuant to a restricted stock award under the 1991 Stock Incentive Plan.
- (9) Mr. Steinmann has shared voting and investment power with respect to 94,264 shares, as to 82,720 shares of which such power is shared with Ms. Varet and others, as to 2,600 shares of which such power is shared with Mr. Klein and others, as to 4,944 shares of which such power is shared with others and as to 4,000 shares of which such power is shared with Messrs. Cole, and Klein and others.
- (10) Includes 10,000 shares owned by a trust of which Ms. Varet's husband is a beneficiary and as to which Ms. Varet disclaims any beneficial ownership. Ms. Varet has shared voting and investment power with respect to 1,061,808 shares, as to 510,588 shares of which such power is shared with Mr. Cole and others as to 468,500 shares of which such power is shared with others, and as to 82,720 shares of which such power is shared with Mr. Steinmann and others.
- (11) Mr. Steinmann is an executive officer and director and Mr. Klein is a portfolio manager of Oak Hall Capital Advisors, L.P., an investment manager of (i) the AMETEK, Inc. Employees' Master Retirement Trust, which holds among its assets 571,400 shares, and (ii) AMETEK Foundation, Inc., which holds among its assets 55,800 shares; none of these shares has been included in the above table. Oak Hall Capital Advisors, L.P. is an affiliate of American Securities, L.P.

The following table sets forth the only entities known to the Company to be beneficial owners of more than five percent of the outstanding Common Stock of the Company:

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP -----	PERCENTAGE OF CLASS -----
FMR Corp. 82 Devonshire Street Boston, MA 02109-3614	Sole dispositive, but no voting power for(/1/)... 3,982,100 shares	12.4%
	Sole voting and dispositive power for..... 76,200	
	TOTAL(/1/)... 4,058,300 shares =====	
Gabelli Asset Management Company International Advisory Services Ltd. c/o Appleby, Spurling & Kempe Cedar House, 41 Cedar Avenue Hamilton HM12, Bermuda	Sole voting and dispositive power for..... 2,500 shares	
Gabelli Funds, Inc. One Corporate Center Rye, NY 10580-1434	Sole voting and dispositive power for..... 774,700 shares	
GAMCO Investors, Inc. One Corporate Center Rye, NY 10580-1434	Sole voting power for 3,495,900 shares but sole dispositive power for..... 3,790,900 shares -----	
	TOTAL(/2/)... 4,568,100 shares =====	14.0%

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- (1) Based on Schedule 13(G) filed on February 14, 1997.
(2) Based on Schedule 13(D) filed on January 16, 1996, Mr. Mario J. Gabelli is deemed to have beneficial ownership of these shares.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to the disclosure provided under Compensation Committee Interlocks and Insider Participation on page 46.

Indebtedness of Management

Subsequent to December 31, 1996, an interest-free \$500,000 loan was made to Philip A. Goodrich, Senior Vice President--Corporate Development as an equity advance to purchase a home near the Corporate Office in Paoli, Pennsylvania as part of his relocation arrangements. This loan is currently outstanding and is similar to others granted to relocated employees under the Company's Relocation Policy. Such a loan is usually settled immediately upon sale of a relocated employee's former residence.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

- (a) Financial Statements, Financial Statement Schedules and Exhibits filed.

1. and 2.

Financial statements and schedules are shown in the index and other information on page 19 of this report.

3. Exhibits

Exhibits are shown in the index on page 51 of this report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1996.

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) 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.

Dated: March 7, 1997

By /s/ Walter E. Blankley

WALTER E. BLANKLEY, CHAIRMAN OF
THE BOARD AND CHIEF EXECUTIVE
OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Walter E. Blankley	Chairman of the	March 7, 1997
----- WALTER E. BLANKLEY	Board and Chief Executive Officer (Principal Executive Officer)	
/s/ Frank S. Hermance	President and Chief	March 7, 1997
----- FRANK S. HERMANCE	Operating Officer	
/s/ John J. Molinelli	Senior Vice	March 7, 1997
----- JOHN J. MOLINELLI	President-- Chief Financial Officer (Principal Financial Officer)	
/s/ Robert R. Mandos, Jr.	Comptroller (Principal	March 7, 1997
----- ROBERT R. MANDOS, JR.	Accounting Officer)	
/s/ Lewis G. Cole	Director	March 7, 1997
----- LEWIS G. COLE		
/s/ Helmut N. Friedlaender	Director	March 7, 1997
----- HELMUT N. FRIEDLAENDER		
/s/ Sheldon S. Gordon	Director	March 7, 1997
----- SHELDON S. GORDON		
/s/ Charles D. Klein	Director	March 7, 1997
----- CHARLES D. KLEIN		
/s/ James R. Malone	Director	March 7, 1997
----- JAMES R. MALONE		
/s/ David P. Steinmann	Director	March 7, 1997

DAVID P. STEINMANN

/s/ Elizabeth R. Varet

Director

March 7, 1997

ELIZABETH R. VARET

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INDEX TO EXHIBITS
ITEM 14(A) 3)

EXHIBIT NUMBER -----	DESCRIPTION -----	INCORPORATED HEREIN BY REFERENCE TO -----	FILED WITH ELECTRONIC SUBMISSION -----
3.1	Composite Certificate of Incorporation of AMETEK, Inc., as amended to and including April 26, 1994.	Exhibit 3 to June 30, 1994 10-Q, SEC File No. 1-168.	
3.2	By-laws of the Company.	Exhibit (3)b) to 1987 10-K, SEC File No. 1-168.	
4.1	Rights Agreement, dated July 26, 1989, between the Company and the Chase Manhattan Bank, N.A. (the "Rights Agreement").	Exhibit 4 to Form 8-K dated July 28, 1989, SEC File No. 1-168.	
4.2	Amendment No. 1 to the Rights Agreement.	Exhibit 4.5 to 1992 10-K, SEC File No. 1-168.	
4.3	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock.	Exhibit (4b) to June 30, 1989 10-Q, SEC File No. 1-168.	
4.4	Indenture dated as of March 15, 1994 between the Company and Corestates Bank N.A., as Trustee, relating to the Company's 9 3/4% Senior Notes due 2004.	Exhibit 4 to March 31, 1994 10-Q, SEC File No. 1-168.	
4.5	Credit Agreement among the Company, Various Lending Institutions, Bank of Montreal, Corestates Bank, N.A., and PNC Bank, National Association, as Co-Agents, and the Chase Manhattan Bank, N.A., as Administrative Agent (the "Credit Agreement").	Exhibit 10.36 to 1993 10-K.	
4.6	First Amendment to the Credit Agreement.	Exhibit 10 to March 31, 1994 10-Q.	
4.7	Second Amendment to the Credit Agreement.	Exhibit 10 to September 30, 1994 10-Q, SEC File No. 1-168.	
4.8	Third Amendment to the Credit Agreement.	Exhibit 4 to March 31, 1995 10-Q, SEC File No. 1-168.	
4.9	Fourth Amendment to the Credit Agreement.	Exhibit 4.1 to March 31, 1995 10-Q, SEC File No. 1-168.	
4.10	Credit Agreement dated August 2, 1995, among the Company, Various Lending Institutions, Bank of Montreal, Corestates Bank, N.A., and PNC Bank, National Association, as Co-Agents, and The Chase Manhattan Bank, N.A., as Administrative Agent.	Exhibit 4 to September 30, 1995 10-Q, SEC File No. 1-168.	
4.11	First Amendment to Credit Agreement dated August 22, 1995.	Exhibit 4.1 to September 30, 1995 10-Q, SEC File No. 1-168.	
4.12	Credit Agreement dated August 2, 1995, amended and restated as of September 12, 1996.	Exhibit 4 to September 30, 1996 10-Q, SEC File No. 1-168.	

EXHIBIT NUMBER -----	DESCRIPTION -----	INCORPORATED HEREIN BY REFERENCE TO -----	FILED WITH ELECTRONIC SUBMISSION -----
10.1	The 1991 Stock Incentive Plan of AMETEK, Inc. (the "1991 Plan").*	Annex A to 1991 Proxy Statement, SEC File No. 1-168.	
10.2	Amendment No. 1 to the 1991 Plan.*	Exhibit 10.2 to 1993 10-K, SEC File No. 1-168.	
10.3	Amendment No. 2 to the 1991 Plan.*	Exhibit 10.3 to 1994 10-K.	
10.4	Amendment No. 3 to the 1991 Plan. *		X
10.5	The 1987 Employees' Non-Qualified Stock Option and Stock Appreciation Rights Plan (the "1987 Plan").*	Annex B to 1991 Proxy Statement.	
10.6	Amendment No. 1 to the 1987 Plan.*	Exhibit 10.4 to 1993 10-K.	
10.7	Amendment No. 2 to the 1987 Plan. *		X
10.8	The 1983 Employees' Incentive Stock Option Plan (the "1983 Plan").*	Exhibit 10.5 to 1993 10-K.	
10.9	Amendment No. 1 to the 1983 Plan.*	Exhibit (19)a) to September 30, 1987 10-Q, SEC File No. 1-168.	
10.10	Amendment No. 2 to the 1983 Plan.*	Exhibit (10)e) to 1987 10-K.	
10.11	Amendment No. 3 to the 1983 Plan.*	Exhibit (10)h) to 1989 10-K, SEC File No. 1-168.	
10.12	Amendment No. 4 to the 1983 Plan.*	Exhibit 10.9 to 1993 10-K.	
10.13	The 1981 Employees' Non-Qualified Stock Option and Stock Appreciation Rights Plan (the "1981 Plan").*	Exhibit 10.7 to 1991 10-K.	
10.14	Amendment No. 1 to the 1981 Plan.*	Exhibit (10)g) to 1987 10-K.	
10.15	Amendment No. 2 to the 1981 Plan.*	Exhibit (10)k) to 1989 10-K.	
10.16	Amendment No. 3 to the 1981 Plan.*	Exhibit (10)i) to 1988 10-K, SEC File No. 1-168.	
10.17	Amendment No. 4 to the 1981 Plan.*	Exhibit 10.14 to 1993 10-K.	
10.18	Amendment No. 5 to the 1981 Plan.*		X
10.19	Employees' Retirement Plan of AMETEK, Inc., as restated January 1, 1989 and amended to December 31, 1993 (the "Retirement Plan").*	Exhibit 10.15 to 1993 10-K.	
10.20	Amendment No. 1 to the Retirement Plan.*	Exhibit 10.17 to 1994 10-K.	
10.21	Amendment No. 2 to the Retirement Plan.*	Exhibit 10.18 to 1994 10-K.	
10.22	Amendment No. 3 to the Retirement Plan.*	Exhibit 10.19 to 1995 10-K.	
10.23	Amendment No. 4 to the Retirement Plan.*		X
10.24	Amendment No. 5 to the Retirement Plan.*		X
10.25	AMETEK, Inc. Retirement Plan for Directors, dated April 28, 1983 (the "Directors Plan").*	Exhibit 10.16 to 1993 10-K.	
10.26	Amendment to the Directors Plan.*	Exhibit 10.20 to 1994 10-K.	
10.27	Second Amendment to the Directors Plan.*		X

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EXHIBIT NUMBER -----	DESCRIPTION -----	INCORPORATED HEREIN BY REFERENCE TO -----	FILED WITH ELECTRONIC SUBMISSION -----
10.28	Third Amendment to the Directors Plan.*	Exhibit (10)v) to 1987 10-K.	
10.29	AMETEK, Inc. Death Benefit Program for Directors,	Exhibit (10)y) to 1987 10-K.	

pursuant to which the Company has entered into agreements, restated January 1, 1987, with certain directors and one former director of the Company (the "Directors Program").*

10.30	Amendment No. 1 to the Directors Program.*	Exhibit (10)z) to 1987 10-K.	
10.31	The AMETEK Savings and Investment Plan, as restated and amended to October 1, 1992 (the "Savings Plan").*	Exhibit 10.31 to 1992 10-K.	
10.32	Amendment No. 1 to the Savings Plan.*	Exhibit 10.23 to 1993 10-K.	
10.33	Amendment No. 2 to the Savings Plan.*	Exhibit 10.27 to 1994 10-K.	
10.34	Amendment No. 3 to the Savings Plan.*	Exhibit 10.28 to 1994 10-K.	
10.35	Amendment No. 4 to the Savings Plan.*	Exhibit 10.29 to 1994 10-K.	
10.36	Amendment No. 5 to the Savings Plan.*	Exhibit 10.30 to 1994 10-K.	
10.37	Amendment No. 6 to the Savings Plan.*	Exhibit 10.32 to 1995 10-K.	
10.38	Amendment No. 7 to the Savings Plan.*	Exhibit 10.33 to 1995 10-K.	
10.39	The AMETEK Savings and Investment Plan, as restated and amended to January 1, 1997 (the "Savings Plan").*		X
10.40	Reorganization and Distribution Agreement by and between the Company and Ketema, Inc. (the "Reorganization and Distribution Agreement").	Exhibit (2) to Form 8-K dated November 30, 1988, SEC File No. 1-168.	
10.41	Agreements between the Company and Ketema, Inc. amending certain provisions of the Reorganization and Distribution Agreement.	Exhibit 10.56 to 1991 10-K.	
10.42	Benefits Agreement by and between the Company and Ketema, Inc.	Exhibit (10)ss) to 1988 10-K.	
10.43	Tax Agreement by and between the Company and Ketema, Inc.	Exhibit (10)tt) to 1988 10-K.	
10.44	Support Services Agreement by and between the Company and Ketema, Inc.	Exhibit (10)uu) to 1988 10-K.	
10.45	Form of Severance Benefit Agreement between the Company and certain executives of the Company.*	Exhibit (10)ww) to 1989 10-K.	
10.46	Form of Restricted Stock Agreement between the Company and certain directors of the Company, dated as of February 27, 1991.*	Exhibit 10.59 to 1991 10-K.	
10.47	Form of Restricted Stock Agreement between the Company and certain executives of the Company, dated as of May 21, 1991.*	Exhibit 10.60 to 1991 10-K.	
10.48	Form of Supplemental Retirement Benefit Agreement between the Company and certain executives of the Company, dated as of May 21, 1991.*	Exhibit 10.61 to 1991 10-K.	

EXHIBIT NUMBER -----	DESCRIPTION -----	INCORPORATED HEREIN BY REFERENCE TO -----	FILED WITH ELECTRONIC SUBMISSION -----
10.49	Supplemental Senior Executive Death Benefit Plan, effective as of January 1, 1992 (the "Senior Executive Plan").*	Exhibit 10.41 to 1992 10-K.	
10.50	Amendment No. 1 to the Senior Executive Plan.*	Exhibit 10.42 to 1992 10-K.	
10.51	Senior Executive Split Dollar Death Benefit Plan, dated as of December 15, 1992.*	Exhibit 10.43 to 1992 10-K.	
10.52	The 1995 Stock Incentive Plan of Ametek, Inc. (the "1995 Plan").*	Annex A to 1995 Proxy Statement.	
10.53	Amendment No. 1 to the 1995 Plan.*	Exhibit 10 to June 30, 1995 10-Q, SEC File No.	

	1-168.	
10.54	Amendment No. 2 to the 1995 Plan.*	X
10.55	Amendment No. 3 to the 1995 Plan.*	X
12	Statement regarding computation of ratio of earnings to fixed charges.	X
21	Subsidiaries of the Registrant.	X
23	Consent of Independent Auditors.	X
27	Financial Data Schedule.	X
99	Letter to the holders of the Company's Common Stock, dated July 31, 1989 (including Summary of Rights).	Exhibit (21) to June 30, 1989 10-Q.

- -----

* Management contract or compensatory plan required to be filed pursuant to Item 601 of Regulation S-K.

Amendment No. 3
to the
1991 Stock Incentive Plan of
AMETEK, Inc.

WHEREAS, AMETEK, Inc. (the "Corporation") has adopted the 1991 Stock Incentive Plan of AMETEK, Inc. (the "Plan"); and

WHEREAS, Section 19 of the Plan permits the Corporation to amend the Plan; and

WHEREAS, the Corporation now desires to amend the Plan in certain respects;

NOW THEREFORE, the Plan is hereby amended as follows:
follows:

NOW THEREFORE, the Plan is hereby amended as follows:

1. The first sentence of Section 13 of the Plan is amended to read, in its entirety, as follows:

"If a holder of an Option and/or Rights shall voluntarily or involuntarily leave the employ of the Corporation and its Affiliates, the Option and Rights of such holder shall terminate forthwith, except that the holder shall have until the expiration of 3 months (3 business days in the case of Incentive Stock Options granted before November 20, 1996) from the cessation of the holder's employment with the Corporation and its Affiliates (without

regard to any period of severance) to exercise any unexercised Option and/or Rights the holder could have exercised on the day on which he left the employ of the Corporation and Affiliates."

2. The provisions of this Amendment No. 3 shall be effective for terminations occurring on and after November 20, 1996.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed, in its corporate name, by its duly authorized officer, and its corporate seal to be affixed on this 12th day of December, 1996.

AMETEK, Inc.

By: /s/ Robert W. Yannarell

Robert W. Yannarell

Attest:

/s/ Donna F. Winquist

Donna F. Winquist
(Seal)

Amendment No. 2
to the
1987 Employees' Incentive Stock Option Plan
of AMETEK, Inc.

WHEREAS, AMETEK, Inc. (the "Corporation") has adopted the 1987 Employees' Incentive Stock Option Plan of AMETEK, Inc. (the "Plan"); and

WHEREAS, Section 19 of the Plan permits the Corporation to amend the Plan; and

WHEREAS, the Corporation now desires to amend the Plan in certain respects;

NOW THEREFORE, the Plan is hereby amended as follows:

1. The first sentence of Section 13 of the Plan is amended to read, in its entirety, as follows:

"If a holder of an Option and/or Rights shall voluntarily or involuntarily leave the employ of the Corporation and its Affiliates, the Option and Rights of such holder shall terminate forthwith, except that the holder shall have until the expiration of 3 months (3 business days in the case of Incentive Stock Options granted before November 20, 1996) from the cessation of the holder's employment with the Corporation and its Affiliates (without regard to any period of severance) to exercise any unexercised Option and/or Rights the holder could have

exercised on the day on which he left the employ of the Corporation and Affiliates."

2. The provisions of this Amendment No. 2 shall be effective for terminations occurring on and after November 20, 1996.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed, in its corporate name, by its duly authorized officer, and its corporate seal to be affixed on this 12th day of December, 1996.

AMETEK, Inc.

By: /s/ Robert W. Yannarell

Robert W. Yannarell

Attest:

/s/ Donna F. Winqvist

Donna F. Winqvist
(Seal)

Amendment No. 5
to the
AMETEK, Inc. 1981 Employees' Nonqualified
Stock Option and Stock Appreciation Rights Plan

WHEREAS, AMETEK, Inc. (the "Corporation") has adopted the AMETEK, Inc. 1981 Employees' Nonqualified Stock Option and Stock Appreciation Rights Plan (the "Plan"); and

WHEREAS, Section 16 of the Plan permits the Corporation to amend the Plan; and

WHEREAS, the Corporation now desires to amend the Plan in certain respects;

NOW THEREFORE, the Plan is hereby amended as follows:

1. The first sentence of Section 13 of the Plan is amended to read, in its entirety, as follows:

"If a holder of an Option and/or Rights shall voluntarily or involuntarily leave the employ of the Corporation and its Affiliates, the Option and Rights of such holder shall terminate forthwith, except that the holder shall have until the expiration of 3 months (3 business days in the case of Incentive Stock Options granted before November 20, 1996) from the cessation of the holder's employment with the Corporation and its Affiliates (without regard to any period of severance) to exercise any unexercised Option and/or Rights the holder could have exercised on the day on which he left the employ of the Corporation and Affiliates."

2. The provisions of this Amendment No. 5 shall be effective for terminations occurring on and after November 20, 1996.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed, in its corporate name, by its duly authorized officer, and its corporate seal to be affixed on this 12th day of December, 1996.

AMETEK, Inc.

By: /s/ Robert W. Yannarell

Robert W. Yannarell

Attest:

/s/ Donna F. Winquist

Donna F. Winquist
(Seal)

AMENDMENT

to the

EMPLOYEES' RETIREMENT PLAN OF AMETEK, INC.

Amendment No. 4

WHEREAS, there was adopted and made effective as of December 29, 1942, the Employees' Retirement Plan of AMETEK, Inc. (the "Plan"); and

WHEREAS, the Plan was amended and restated in its entirety most recently effective January 1, 1989; and

WHEREAS, Section 9.2 of the Plan provides that AMETEK, Inc. ("AMETEK") may amend the Plan at any time, and from time to time; and

WHEREAS, AMETEK now desires to amend the Plan in certain respects;

NOW, THEREFORE, the Plan is hereby amended as follows:

FIRST: Section 1.2 of the Plan is amended by adding the following at -----
the end of the section to read as follows:

"Notwithstanding the foregoing, in the case of a lump sum distribution pursuant to Section 4.5(d) or an involuntary lump sum payment pursuant to Section 4.4(e), the single sum present value shall be calculated using the applicable mortality table promulgated under Code Section 417(e)(3) as in effect on the first day of the Plan Year and the applicable interest rate promulgated under Code Section 417(e)(3) for the fourth calendar month preceding the first day of the plan quarter during which the annuity starting date occurs."

SECOND: Section 3.5 is amended by adding the following sentence -----
to read in its entirety as follows:

"Notwithstanding the foregoing, if a Participant incurs a termination, is entitled to a Deferred Vested Pension pursuant to Section 4.4(a), receives an Immediate Lump Sum Payment pursuant to Section 4.4(e) and subsequently resumes service with the Employer or an Affiliated Company, his Credited Service accumulated prior to his Severance Period shall be restored to him for the sole purpose of determining his nonforfeitable right to his Accrued Annual Pension (but not the amount of his Accrued Annual Pension) and, to the extent required to obtain five years of Compensation in order to compute Average Annual Compensation, compensation earned during his prior service with the Employer or an Affiliated Company shall be considered as having been received from the Company."

THIRD: Section 4.4 is amended by adding a new subsection (e) -----
to read in its entirety as follows:

"(e) Involuntary Lump Sum Payment. If at any time a Participant or -----
Former Participant has incurred a termination but has not begun to receive payments and is entitled to a Deferred Vested Pension that has an Actuarial Equivalent present value of less than \$3,500, the Actuarial Equivalent present value of the Accrued Annual Pension payable at Normal Retirement Date for the life of the Participant or Former Participant shall be paid to such Participant or Former Participant in a lump sum in lieu of, and in full satisfaction of, his benefit under this Plan. Neither the consent of the Participant, Former Participant nor his spouse shall be necessary to make such payment. Upon the making of such payment, neither the

Participant, Former Participant nor his spouse shall have any further benefit under this Plan.

Effective as of December 1st of each Plan Year, the Committee shall recalculate the Actuarial Equivalent present value of the benefit of each Participant or Former Participant who has incurred a termination and is entitled to a Deferred Vested Pension, but whose benefits are not yet in pay status, to determine whether the Actuarial Equivalent present value of the benefit is less than \$3,500 in

which case such benefit shall be paid to the Participant or Former Participant in accordance with the provisions of this Section 4.4(e)."

FOURTH: The last sentence of subsection 4.5(d) is deleted and the

following is substituted:

"In no event shall the lump sum payable under Subsection (d) be less than the lump sum applicable to the Accrued Annual Pension as of November 30, 1996, where such lump sum is calculated using the mortality table that would have been used under the Plan as of November 30, 1996 and on interest rate equal to less of (i) 8% compounded annually, or (ii) the interest rate that would be used by the Pension Benefit Guaranty Corporation to determine the present value of a lump sum distribution upon a plan termination as of the last date of the calendar quarter preceding the distribution."

FIFTH: The provisions of this Amendment 4 shall be effective December

1, 1996.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed, in its corporate name, by its duly authorized officer, and its corporate seal to be affixed on this 13th day of November, 1996.

AMETEK, Inc.

By: /s/ Robert W. Yannarell

Robert W. Yannarell

Attest:

/s/ Donna F. Winquist

Donna F. Winquist

(Seal)

(Seal)

AMENDMENT

to the

EMPLOYEES' RETIREMENT PLAN OF AMETEK, INC.

Amendment No. 5

WHEREAS, there was adopted and made effective as of December 29, 1942, the Employees' Retirement Plan of AMETEK, Inc. (the "Plan"); and

WHEREAS, the Plan was amended and restated in its entirety most recently effective January 1, 1989; and

WHEREAS, Section 9.2 of the Plan provides that AMETEK, Inc. ("AMETEK") may amend the Plan at any time, and from time to time; and

WHEREAS, AMETEK now desires to amend the Plan in certain respects;

NOW, THEREFORE, the Plan is hereby amended as follows:

FIRST: Section 1.18 of the Plan is amended in its entirety to read as

follows:

"1.18. 'Employee' shall mean each person who is included on a

salaried payroll of the Employer and who receives Compensation from the Employer, which is subject to withholding for United States federal income tax purposes; provided, however, that the term 'Employee' shall in no event include any person who is a leased employee with respect to the Employer within the meaning of Section 414(n) or (o) of the Code or an Employee employed at the Dixson Division. Notwithstanding the foregoing, 'Employee' shall not include any person whose date of hire is on and after January 1, 1997 nor any person who returns to

employment with the Employer or Affiliated Company following a Severance From Service Date occurring on and after January 1, 1997. Notwithstanding the foregoing, the term 'Employee' shall not include any individual characterized by the Company as an 'independent contractor,' no matter how characterized by the Internal Revenue Service, other governmental agency or court."

SECOND: Article II of the Plan is amended in its entirety to read as

follows:

"ARTICLE II"

PARTICIPATION

2.1. Participation as of January 1, 1997. Subject to Section 2.3,

each Employee who was eligible to participate in the Plan as of December 31, 1996 shall be a Participant in the Plan as of January 1, 1997, provided he is still an Employee as of such date.

2.2. Other Employees. Subject to Section 2.3, any Employee, who is

hired by the Employer or an Affiliated Company prior to January 1, 1997 and not referred to in Section 2.1 shall become a Participant on the January 1st or July 1st next following the date on which:

(a) the Employee has attained age 21, and

(b) completed one year of Credited Service taking into consideration the provisions of Article VI;

provided, that such person is an Employee as of such January 1st or July 1st, as the case may be.

2.3. Employees Not Eligible to Participate. Notwithstanding any

other provision of the Plan to the contrary, an Employee shall not be eligible to participate in the Plan if he is a participant in, eligible to participate in, or covered by any other pension, stock bonus or profit sharing plan (including participation as a Retirement Participant, but not including participation as a Participant, in The AMETEK Savings and Investment Plan) which is qualified under the provisions of Section 401(a) of the Code and which is maintained by the Employer or to which the Employer contributes.

2.4. Participation - One Year Period of Severance. If an individual

is reemployed as an Employee after he incurs a One Year Period of Severance and:

(a) the Credited Service earned by the individual prior to his Severance from Service Date is disregarded pursuant to Section 3.6, he shall be deemed a new Employee and he shall not qualify for participation in this Plan.

(b) the Credited Service earned by the individual prior to his Severance from Service Date is restored pursuant to Section 3.6, he shall qualify for participation in this Plan on the date he again becomes an Employee (subject to Section 2.3), provided that he completes a year of Credited Service after he is reemployed in the one year period beginning with the first date following his Severance From Service Date on which he performs an Hour of Service.

2.5. Transfer of Employment. If an Employee would be a Participant

but for his being a participant in, eligible to participate in, or covered by, any other pension, stock bonus or profit sharing plan (including participation as a Retirement Participant, but not including participation as a Participant, in The AMETEK Savings and Investment Plan) which is qualified under the provisions of Section 401(a) of the Code and which is maintained by the Employer or to which the Employer contributes, he shall immediately become a Participant in this Plan on the first day he ceases being a participant in, eligible to participate in, or covered by such other qualified plan, provided he is still an Employee on such date.

2.6. Termination of Participation. A Participant shall cease to be a

Participant as of the earliest of (a) the date he ceases to be an Employee, (b) the date he becomes a participant in, eligible to participate in, or in a category of employees covered by, any other pension, stock bonus or profit-sharing plan (other than as a Participant, but not a Retirement Participant in The AMETEK Savings and Investment Plan) which is qualified under the provisions of Section 401(a) of the Code and which is maintained by the Employer or to which the Employer contributes, or (c) his Severance From Service Date, and he shall be entitled to such benefits, if any, as he is entitled to under this Plan based upon his Credited Service and Accrued Annual Pension as of the date he ceases to be a Participant.

2.7. Participant Information. The Employer shall from time to time

furnish the Committee with relevant information with regard to the Employees eligible for participation in this Plan, including, without limitation, information as to their names, dates of birth, Employment Commencement Dates, compensation and periods of service. The Committee shall rely upon such information and shall be under no obligation to make inquiry with regard to the accuracy thereof."

THIRD: Subsection 3.6 of the Plan is amended in its entirety to

read as follows:

"3.6. Credited Service for Certain Absences. Notwithstanding

anything to the contrary contained in this Article III, periods of absence of a Participant or Former Participant on or after January 1, 1976 due to (a) an authorized leave of absence in excess of twelve months but not in excess of twenty-four months, either with or without pay, or (b) voluntary or involuntary service in the Armed Forces of the United States in excess of twelve months, shall be deemed to be Credited Service (and no Severance From Service Date shall be deemed to have occurred), provided that the Participant or Former Participant returns to service with the Employer or an Affiliated Company as an Employee (subject to Section 2.3) immediately after such authorized leave of absence or within the time after his discharge from the Armed Forces in which, as a matter of law, he has re-employment rights, as the case may be. Failure of the Participant or Former Participant to return to service with the Employer or an Affiliated Company as an Employee (subject to Section 2.3) within the time specified in this Section 3.7 shall cause such period of absence to be treated as if the Participant's service was severed pursuant to Subsection 3.2(a)(ii)."

FOURTH: The provisions of this Amendment 5 shall be effective January

1, 1997.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed, in its corporate name, by its duly authorized officer, and its corporate seal to be affixed on this third day of January, 1997.

AMETEK, Inc.

By: /s/ Robert W. Yannarell

Robert W. Yannerell

Attest:

/s/ Donna F. Winquist

Donna F. Winquist
(Seal)

Second Amendment
to the
AMETEK, INC.
RETIREMENT PLAN FOR DIRECTORS

WHEREAS, the AMETEK, Inc. Retirement Plan for Directors (the "Plan") was adopted, effective January 1, 1983; and

WHEREAS, Section 7 of the Plan provides that AMETEK, Inc. (the "Company") may amend the Plan at any time or from time to time; and

WHEREAS, the Company now desires to amend the Plan in certain respects;

NOW, THEREFORE, the Plan is hereby amended as follows:

FIRST: Section 3 is hereby amended by deleting the last paragraph thereof

and by substituting the following paragraph in its stead:

"Notwithstanding the foregoing, a Participant's monthly benefit shall be reduced one-fifth (1/5) for each Year of Service less than five (5)."

SECOND: Subsection (b) of Section 4 is hereby amended to read in its

entirety as follows:

"(b) In the event that a Participant dies after he has attained age 55 and completed 5 Years of Service but before payment of his benefits has commenced, and the Participant was married on the date of his death, his surviving spouse shall receive a monthly benefit for the remainder of her lifetime equal to the benefit the surviving spouse would have received if payment of the Participant's benefit had commenced on the day before his death in the form of a joint and 50% survivor annuity pursuant to Section 4(a) of the Plan. If a Participant dies (i) prior to attaining age 55 and completing 5 Years of Service; (ii) who was not married on the date of his death or, (iii) after payment of his benefits has commenced, and such benefits are being paid for his life only, all benefit payments shall cease and no death or additional benefits shall be provided under the Plan."

THIRD: The amendments contained herein shall be effective as of October 1,

1986 for Participants who first become eligible for the payment of benefits or who die on or after that date.

FOURTH: Except to the extent hereinabove set forth, the Plan shall remain

in full force and effect without change or modification.

IN WITNESS WHEREOF, the Company has caused this amendment to be duly executed this 25th day of March, 1987.

AMETEK, INC.

By: /s/ Allan Kornfeld

Allan Kornfeld

Amendment and Restatement

of

THE AMETEK SAVINGS AND INVESTMENT PLAN

WHEREAS, there was adopted and made effective as of October 1, 1984, The AMETEK Savings and Investment Plan (the "Plan"); and

WHEREAS, the Plan was subsequently amended and restated in its entirety, effective October 1, 1992; and

WHEREAS, Section 10.1 of the Plan provides that AMETEK, Inc. ("AMETEK") may amend the Plan at any time or from time to time; and

WHEREAS, AMETEK now desires to amend and restate the Plan, in its entirety, to incorporate a profit-sharing feature in the Plan to benefit certain employees, to incorporate all prior amendments and to conform the Plan to recent changes in applicable law;

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety, effective January 1, 1997, to incorporate a profit-sharing feature in the Plan to benefit certain employees, to incorporate all prior amendments and to conform the Plan to recent changes in applicable law. To the extent that an earlier effective date of a Plan provision is required by applicable law, the provision shall be effective as of such earlier date. The provisions of the Plan as in effect prior to January 1, 1997, shall continue to be applicable to all persons who retired or otherwise terminated their employment with AMETEK prior to January 1, 1997.

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THE AMETEK SAVINGS AND INVESTMENT PLAN

ARTICLE I

DEFINITIONS AND CONSTRUCTION

The following words and phrases shall have the meanings set forth below unless the context clearly indicates otherwise:

- 1.1. "Accounts" shall mean the Deferral Election Account, the Employer

Matching Contribution Account, the Retirement Account and the Rollover Contribution Account, or as many as are applicable, maintained on behalf of a Participant or Retirement Participant in accordance with this Plan.
- 1.2. "Average Contribution Percentage" shall mean the average of the

Contribution Percentages of a group of Participants.
- 1.3. "Average Deferral Percentage" shall mean the average of the Deferral

Percentages of a group of Participants.
- 1.4. "Adjustment Factor" shall mean the cost-of-living adjustment factor

prescribed by the Secretary of the Treasury under Section 415(d) of the Code as applied for Plan Years beginning after December 31, 1987 and as applied to such items and in such manner as the Secretary shall provide.
- 1.5. "Affiliate" shall mean any corporation that is, along with the

Company, a member of a controlled group of corporations as defined in Section 414(b) of the Code) or any other trade or business (whether or not incorporated) which, along with the Company, is under common control (as defined in Section 414(c) of the Code) or any other trade or business which is a member of an "affiliated service group" (as such term is defined in Section 414(m) of the Code or in regulations under Section 414(o) of the Code) of which the Company is also a member.
- 1.6. "Alternate Payee" shall mean an "alternate payee"

as defined in Section 414(p) of the Code.
- 1.7. "Annual Valuation Date" shall mean the 31st day of December in each

year.
- 1.8. "Beneficiary" shall mean the person or persons designated by a

Participant, Former Participant, Retirement Participant or Former Retirement Participant, in accordance with Section 6.3, as the person or persons entitled to receive upon the death of such Participant, Former Participant, Retirement Participant or Former Retirement Participant any benefit under the provisions of this Plan.
- 1.9. "Board of Directors" shall mean the Board of Directors of the

Company.
- 1.10. "Code" shall mean the Internal Revenue Code of 1986, as amended from

time to time.

1.11. "Committee" shall mean the Administrative Committee appointed and

serving pursuant to Article VIII.

1.12. "Common Stock Fund" shall have the meaning set forth in Section 9.6.

1.13. "Company" shall mean AMETEK, Inc., a Delaware corporation.

1.14. "Compensation" shall mean an Employee's fixed salary, base pay,

commissions, bonuses and overtime paid or made available to the Employee during the Plan Year in consideration for his personal services actually rendered to the Employer, unreduced by any amounts contributed to the Plan on behalf of a Participant pursuant to the Participant's Deferral Election under Section 4.1 hereof. Compensation shall not include merit awards, gifts, loans, fees, insurance and pension benefits, severance benefits (paid in any form), stock or stock options, or stock appreciation rights. Notwithstanding the foregoing, Compensation is intended to qualify as compensation determined under regulations published at 1.415-2(d)(2) and 1.415-2(d)(3) under the Code and modified by regulations published at 1.414(s)-(1)(c)(3) and 1.414(s)-(1)(c)(4) under the Code.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1994, the annual Compensation of each Employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is \$150,000 as adjusted by the Commissioner for increases in the cost of living in accordance with section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

Any reference in this Plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

1.15. "Contribution Percentage" shall mean the ratio of the sum of

Employer Matching Contributions and the Employer Retirement Incentive Contributions made on behalf of a Participant or a Retirement Participant for a Plan Year to the

Participant's or the Retirement Participant's Compensation for such Plan Year.

1.16. "Deferral Amount" shall mean the amount by which a Participant has

reduced his Compensation pursuant to a Deferral Election.

1.17. "Deferral Election" shall mean an election which a Participant has

made to contribute to the Plan pursuant to Section 4.1.

1.18. "Deferral Election Account" shall mean a separate Account maintained

for each Participant who has elected to make a Deferral Election, consisting of the amount contributed pursuant to the Participant's Deferral Election plus any earnings of the Trust and realized and unrealized gains and losses allocable to such Account, but less any amounts previously distributed to the Participant, Former Participant or Beneficiary for whom the Account is maintained.

1.19. "Deferral Percentage" shall mean the ratio of the Deferral Amount

for the Plan Year to the Participant's Compensation for such Plan Year.

1.20. "Disability" shall mean a disability of a Participant or a

Retirement Participant as determined under the terms of the defined benefit

pension plan maintained by the Company or an Affiliate under which the Participant or Retirement Participant participated in immediately prior to his disability. If a Participant or Retirement Participant does not participate in a defined benefit pension plan immediately prior to his disability, Disability shall mean a disability which entitles the Participant or the Retirement Participant to disability benefits from Social Security; provided, however, that the Participant's or the Retirement Participant's disability occurs while he is employed by the Company or an Affiliate.

1.21. "Effective Date" shall mean October 1, 1984.

1.22. "Employee" shall mean any person classified as a regular Employee,

who is on the payroll of the Employer and whose wages from the Employer are subject to withholding for United States Federal income tax purposes; provided, however, that Employee shall not include any person who is hired as a Temporary Employee or Intern. Notwithstanding the foregoing, the term Employee shall not include any individual characterized by the Company or Affiliate as an "independent contractor," no matter how characterized by the Internal Revenue Service, other governmental agency or a court.

1.23. "Employer" shall mean the Company and any Affiliate of the Company

which adopts this Plan pursuant to Section 10.4 hereof.

1.24. "Employer Contributions" shall mean the contributions made by the

Employer pursuant to Section 4.2(b), Section 4.3(a) and 4.3(b).

1.25. "Employer Matching Contribution Account" shall mean a separate

Account maintained for each Participant, consisting of the Participant's share of Employer Matching Contributions, plus any earnings of the Trust and any realized or unrealized gains and losses allocable to such Account, but less any amounts previously distributed to the Participant, Former Participant or Beneficiary for whom the Account is maintained.

1.26. "Employer Matching Contribution" shall mean a profit-sharing

contribution made to a Participant's Employer Contribution Account pursuant to Section 4.2(b).

1.27. "Employer Incentive Retirement Contribution" shall mean a profit-

sharing contribution made to a Retirement Participant's Retirement Account pursuant to Section 4.3(b).

1.28. "Employer Retirement Contribution" shall mean a profit-sharing

contribution made to a Retirement Participant's Retirement Account pursuant to Section 4.3(a).

1.29. "Employment Commencement Date" shall mean the date (whether before

or after the Effective Date) on which the Employee first performs an Hour of Service as an Employee, except as otherwise provided in Section 3.5 with respect to a One Year Period of Severance.

1.30. "Entry Date" shall mean the first day of January, April, July and

October of any Plan Year.

1.31. "ERISA" shall mean the Employee Retirement Income Security Act of

1974, as amended from time to time.

1.32. "Former Participant" shall mean a person who has ceased to be a

Participant but who is entitled to immediate or deferred benefits under this Plan.

1.33. "Former Retirement Participant" shall mean a person who has ceased

to be a Retirement Participant but who is entitled to immediate or deferred benefits under this Plan.

1.34. "Highly Compensated Employee" shall mean, for Plan Years commencing -----
on and after January 1, 1997, an Employee of the Company or an Affiliate who performs an Hour of Service and who:

(a) was at any time a Five Percent Owner (within the meaning of Section 11.1(c)) during the Plan Year or the Look-Back Year; or

(b) for the Look-Back Year (i) received Total Compensation in excess of \$80,000 multiplied by the Adjustment Factor.

An Employee is not taken into account for purposes of this Section 1.29 if he has completed a Period of Service of less than six months, is normally credited with less than 17-1/2 Hours of Service per week, normally works less than six months during the year, has not reached age 21.

For purposes of this Section 1.29, the following definitions shall apply:

"Total Compensation" shall mean the Employee's "compensation" as defined in Subsection 5.5(f); and

"Look-Back Year" shall mean the twelve (12) month period immediately preceding the Plan Year.

1.35. "Hour of Service" shall have the meaning defined in Section 3.2.

1.36. "Insurance Contract" shall mean an insurance policy issued to the -----
Trustee for the benefit of a Participant pursuant to Section 9.5.

1.37. "Intern" shall mean a student who is employed by the Company or -----
Affiliate while attending school or during his or her breaks from school or any other individual who is classified as an "intern" in accordance with the Company's or Affiliate's regular employment practices and policies.

1.38. "Investment Funds" shall mean the funds comprising the Trust Fund.

1.39. "Leased Employees" shall mean those individuals described in Section -----
414(n)(2) of the Code employed by the Company or any Affiliate; provided, however, if such individual employees constitute 20% or less of such non-highly compensated work force of the Company or any Affiliate then the term "Leased Employees" means only those individuals who are not covered by a plan described in Section 414(n)(5) of the Code.

1.40. "Limitation Year" shall mean the Plan Year.

1.41. "Mandatory Distribution Date" shall have the meaning set forth in -----
Section 6.5(a).

1.42. "Normal Retirement Age" shall mean a Participant's or Former -----
Participant's 65th birthday. For purposes of a Retirement Participant, Normal Retirement Age shall mean shall mean the later of a Retirement Participant's 65th birthday or the fifth

(5th) anniversary of the Retirement Participant's commencement of participation in the Plan.

1.43. "One Year Period of Severance" shall have the meaning set forth in -----
Section 3.5.

1.44. "Participant" shall mean an Employee who has met the requirements -----

for participation in, and has signified his acceptance of, this Plan, pursuant to the provisions of Article II.

1.45. "Period of Service" shall mean a period of service performed for an

Employer by an Employee commencing on the Employee's Employment Commencement Date and ending on his Severance from Service Date.

1.46. "Period of Severance" shall mean the period commencing on an

Employee's Severance From Service Date and ending on the date he again performs an Hour of Service for the Employer as an Employee.

1.47. "Plan" shall mean The AMETEK Savings and Investment Plan, as it is

embodied herein and as it may be amended from time to time.

1.48. "Plan Administrator" shall mean the person, group of persons, firm

or corporation serving as plan administrator pursuant to Section 8.11.

1.49. "Plan Year" shall mean the twelve consecutive month period

commencing January 1st and ending the following December 31st.

1.50. "Qualified Domestic Relations Order" shall mean a judgment, decree

or order (including approval of a property settlement agreement) made pursuant to a state domestic relations law (including a community property law) which:

(a) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of a Participant or a Retirement Participant (the "Alternate Payee");

(b) creates or recognizes the existence of the Alternate Payee's right to, or assigns to the Alternate Payee the right to receive all or a portion of the benefits payable to a Participant or a the Retirement Participant under this Plan;

(c) specifies (A) the name and last known mailing address (if any) of the Participant or the Retirement Participant and each Alternate Payee covered by the order, (B) the amount or percentage of the Participant's or the Retirement Participant's Plan benefits to be paid to the Alternate Payee, or the manner in which such amount or percentage is to be determined, and (C) the

number of payments or the period to which the order applies and each plan to which the order relates; and

(d) does not require the Plan to (A) provide any type or form of benefit, or any option not otherwise provided under the Plan, (B) provide increased benefits, or (C) pay benefits to the Alternate Payee under a prior Qualified Domestic Relations Order. A Qualified Domestic Relations Order may provide that distribution commence on or after the date on which the Participant or Retirement Participant attains, or would have attained the earlier of (A) the date on which the Participant or the Retirement Participant is entitled to a distribution under the Plan or (B) the date on which the Participant or Retirement Participant attains age 50, regardless of whether the Participant or Retirement Participant has incurred a Severance From Service Date. Notwithstanding the foregoing, a Qualified Domestic Relations Order may provide that distribution commence as soon as administratively practicable following its determination as a Qualified Domestic Relations Order regardless of whether the Participant or Retirement Participant has incurred a Severance From Service Date, if the Order directs (A) that the payment of the benefits be determined as if the Participant or Retirement Participant had retired on the date on which payment is to begin under such Order, taking into account only the balance standing to the Participant's or Retirement Participant's credit in his Accounts on such date, and (B) that the payment be made in a form in which such benefits may be paid under the Plan to the Participant or Retirement Participant other than in the form of a joint and survivor annuity with respect to the Alternate Payee and his subsequent spouse.

1.51. "Retirement Account" shall mean a separate Account maintained for

each Retirement Participant or Former Retirement Participant, consisting of the

Employer Retirement Contribution and the Company Incentive Retirement Contribution made pursuant to pursuant to Section 4.3 plus any earnings of the Trust and realized or unrealized gains or losses allocable to such Retirement Account, but less any amounts previously distributed to the Retirement Participant, Former Retirement Participant or Beneficiary for whom the Account is maintained.

1.52. "Retirement Participant" shall mean an Employee who has met the requirements set forth in Sections 2.2(b) and 2.3(b).

1.53. "Rollover Contribution" shall mean a contribution which meets the requirements of Section 4.5(b) as modified by Section 4.5(c).

1.54. "Rollover Contribution Account" shall mean a separate Account maintained for each Participant or Retirement Participant who has elected to make a Rollover Contribution pursuant to Section 4.5, consisting of the Rollover Contribution plus any earnings of the Trust and realized or unrealized gains or losses allocable to such Account, but less any amounts previously distributed to the Participant, Former Participant, Retirement

Participant, Former Retirement Participant or Beneficiary for whom the Account is maintained.

1.55. "Severance From Service Date" shall have the meaning set forth in Section 3.3.

1.56. "Taxable Wage Base" for a Plan Year with respect to a Retirement Participant shall mean the contribution and benefit base in effect under Section 230 of the Social Security Act on the first day of the Plan Year for which allocations of Employer Contributions are made. The Taxable Wage Base level shall be deemed to be the full amount of such Taxable Wage Base even though (a) a Retirement Participant's Compensation may include less than a full year's Compensation because of either his participation commencing after the first day of the Plan Year or his experiencing a Severance From Service Date prior to the end of the Plan Year or (b) because a Retirement Participant's Compensation for a Plan Year does not exceed the Taxable Wage Base.

1.57. "Temporary Employee" shall mean an individual who is hired by the Company or Affiliate (rather than an agency) for a specific position for a designated length of time which is normally not more than 24 consecutive months in duration and who is committed to leave the employment of the Company or Affiliate at the conclusion of such period.

1.58. "Trust" shall mean The AMETEK Savings and Investment Trust, as amended from time to time.

1.59. "Trust Fund" shall mean the assets held by the Trustee for the benefit of the Participants, Retirement Participants, Former Participants, Former Retirement Participants and their Beneficiaries, but not including any Plan assets theretofore set aside for distribution of benefits to or with regard to Participants, Retirement Participants, Former Participants, Former Retirement Participants or Beneficiaries.

1.60. "Trustee" shall mean the trustee or trustees appointed by the Company to hold the assets of the Plan, as provided in Section 9.1 and the Trust, and any successor trustee or trustees as the Company from time to time may designate.

1.61. "Valuation Date" shall mean the last business day of each month, and any other date as determined by the Committee, that is closer to the event requiring valuation of a Participant's or Retirement Participant's Accounts under the Plan.

1.62. "Year of Service" shall have the meaning set forth in Section 3.1.

Except when otherwise indicated by the context, any masculine terminology used herein also includes the feminine and neuter, and vice versa, and the definition of any term herein in

the singular shall also include the plural, and vice versa. The words "hereof," "herein," "hereunder," and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular provision or section. All references to Articles and Sections shall mean and refer to Articles and Sections contained in this Plan, unless otherwise indicated.

In determining time periods within which an event or action is to take place for purposes of the Plan, no fraction of a day shall be considered and any act, the performance of which would fall on a Saturday, Sunday, holiday or other non-business day, may be performed on the next following business day.

It is the intention of the Employer that the Plan be qualified under the provisions of Sections 401(a), 401(k), 401(m) and 501(a) of the Code and under ERISA, and all provisions of this Plan shall be construed and interpreted in light of that intention.

The titles and headings of Articles and Sections are intended for convenience of reference only and are not to be considered in construction of the provisions hereof.

ARTICLE II

PARTICIPATION

2.1. Prior Eligibility. Each Employee who, as of December 31, 1996, was a Participant in the Plan, shall continue to be a Participant in the Plan as of January 1, 1997, and for so long as he continues to meet the eligibility requirements for being a Participant.

2.2. Eligibility for Other Employees.

a. Participant. Any other Employee, who is not an ineligible employee as described in Section 2.3(a), shall become a Participant in the Plan as of the Entry Date which follows his date of hire by at least thirty-one (31) days and is on or after the date on which he first attains age 21, provided he signifies his acceptance of the Plan in accordance with Section 2.5. Any Employee who is an ineligible employee as described in Section 2.3(a), but who on or after January 1, 1997 becomes an eligible employee and meets the requirements of the previous sentence, shall become a Participant on the next Entry Date which is at least thirty-one (31) days from his most recent date of hire. An Employee shall remain a Participant as long as he continues to meet the requirements of this Section 2.2(a).

b. Retirement Participant. Any Employee hired on or after January 1, 1997 or rehired following a Severance From Service Date on or after January 1, 1997, who is not an ineligible employee as described in Section 2.3(b), shall become a Retirement Participant in the Plan as of the Entry Date which follows his date of hire by at least thirty-one (31) days and is on or after the date on which he first attains age. Any Employee who is an ineligible employee as described in Section 2.3(b), but who on or after January 1, 1997 becomes an eligible employee and meets the requirements of the previous sentence, shall become a Retirement Participant on the next Entry Date which is at least thirty-one (31) days from his most recent date of hire. An Employee shall remain a Retirement Participant as long as he continues to meet the requirements of this Section 2.2(b).

2.3. Ineligible Employees.

a. Participant. Notwithstanding Sections 2.1 or 2.2, an Employee

shall not be eligible to be a Participant in this Plan if (i) he is a Leased Employee, unless the participation of such Leased Employee in the Plan is required so that the Plan meets the applicable requirements of Section 414(n)(3) of the Code, (ii) he is an hourly paid employee of the Technical Motors Division of AMETEK, Inc. at locations in Simi Valley (Ventura County, California) or Tijuana, Mexico, provided, however, that effective October 1, 1994, this provision shall not apply to employees at Simi Valley in Leadperson, Material Coordinators, Set-up Persons, QC Inspectors, Maintenance and Shipping/Receiving Clerks job classifications; or (iii) he is an employee whose terms and conditions of employment are determined pursuant to the terms of a collective bargaining agreement; unless the collective bargaining agreement provides for the inclusion of such Employee in the Plan, in which case the Employee will be eligible to participate in the Plan, pursuant to Section 2.2, on the later of the date specified in the collective bargaining agreement or the next January 1st which is on or after the date he completes the eligibility requirements set forth in Section 2.2.

b. Retirement Participant. Notwithstanding Sections 2.1 and 2.2

above, an Employee shall not be eligible to be a Retirement Participant in this Plan if (i) he is a Leased Employee, unless the retirement participation of such Leased Employee in the Plan is required so that the Plan meets the applicable requirements of Section 414(n)(3) of the Code, (ii) he is an active participant in a defined benefit pension plan sponsored by Company or Affiliate, (iii) he is an hourly paid employee of the Technical Motors Division of AMETEK, Inc. at locations in Simi Valley (Ventura County, California) or Tijuana, Mexico; or (v) he is an employee whose terms and conditions of employment are determined pursuant to the terms of a collective bargaining agreement; unless the collective bargaining agreement provides for the inclusion of such Employee in the Plan, in which case the Employee will become a Retirement Participant in the Plan on the date specified in the collective bargaining agreement.

2.4. Participant Information. The Employer shall from time to time

furnish the Committee, the Trustee and the Plan Administrator with relevant information with respect to Employees who are or become eligible for participation in the Plan, Participants, Retirement Participants, Former Participants, Former Retirement Participants and Beneficiaries, including without limitation, information as to their names, compensation, dates of birth, Employment Commencement Dates, Hours of Service, Periods of Service, retirements and deaths or other causes for termination of employment. The Committee, the Trustee and the Plan Administrator may rely upon such information and shall be under no obligation to make inquiry with regard to the accuracy thereof.

2.5. Employee Acceptance. Each Employee who meets the requirements for

participation in this Plan shall be so notified in writing by the Plan Administrator. An Employee shall become a Participant if he signifies his acceptance of the Plan and the benefits hereof by filing with the Committee his written application for participation in the Plan on a form supplied by the Committee and by agreeing to make a Deferral Election pursuant to Section 4.1. If an Employee does not file his application when he is first eligible to make a Deferral Election, such Employee shall become a Participant as of the Entry Date following or coinciding with the receipt by the Committee of such application, provided he continues to meet the eligibility requirements on such Entry Date.

ARTICLE III

SERVICE

3.1. Year of Service. A Participant or a Retirement Participant shall be

credited with a Year of Service for each 12 consecutive month Period of Service beginning with his Employment Commencement Date, and anniversaries thereof. For purposes of this Plan, any service performed by an Employee for the Company or any Affiliate shall be considered to be service performed by an Employee for an Employer.

3.2. Hours of Service. An Hour of Service shall mean an hour for which an

Employee is directly or indirectly paid, or entitled to payment, by the Employer, for the performance of duties. Hours of Service shall include each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by the Employer, and such hours shall be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made. Hours of Service shall also include each hour for which the Employee is directly or indirectly paid, or entitled to payment, by the Employer for reasons (such as vacation, sickness or temporary disability) other than for the performance of duties during the applicable computation period.

3.3. Severance From Service Date. An Employee's Severance from Service

Date shall mean the earlier of:

(a) the date the Employee quits, retires, is discharged or dies; or

(b) the later of:

(i) the first anniversary of the first date of a period during which the Employee remains continuously absent from service with the Employer, either with or without pay, for any reason other than those set forth in Section 3.3(a) (including, but not limited to, periods of sick leave or temporary layoff); or

(ii) the second anniversary of the first date of a period of continuous absence from service with the Employer, for reason of ((a) the pregnancy of the Employee, ((b) the birth of the Employee's child, ((c) the placement of a child with the Employee in connection with the adoption of such child by the Employee or ((d) caring for such child for a period beginning immediately following such birth or placement.

(c) Notwithstanding anything contained in Section 3.3(b) to the contrary, if an Employee is continuously absent

from service with the Employer for more than one year for a reason described in Section 3.3(b)(ii), the period between the first and second anniversaries of the Employee's first date of absence shall not be treated as a Year of Service for any purpose under this Plan.

3.4. Absence of Less Than Twelve Months. If a Participant's or a

Retirement Participant's service as an Employee is severed pursuant to Section 3.3(a) but he resumes service as an Employee of the Employer within 12 months of his Severance from Service Date the intervening Period of Severance shall be deemed to be a Period of Service.

3.5. Severance from Service.

(a) One Year Period of Severance. A One Year Period of Severance

shall occur when an Employee or former Employee does not perform an Hour of Service as an Employee within the 12 month period beginning on his Severance from Service Date.

(b) Participation After a One Year Period of Severance. A

Participant or a Retirement Participant who incurs a One Year Period of Severance shall again become a Participant or a Retirement Participant on his new Employment Commencement Date. For this purpose, the new Employment Commencement Date shall be the date following the Participant's or a Retirement Participant's re-employment on which he first performs an Hour of Service for the Employer. If the Employee again becomes a Participant or a Retirement Participant in the Plan, his Years of Service completed prior to his One Year Period of Severance will be taken into account to determine the vested percentage of his Employer Matching Contribution Account and Retirement Account, unless:

(i) at the time he incurs a One Year Period of Severance he does not have a nonforfeitable interest in his Employer Matching Contribution Account and Retirement Account, respectively, if any,

and

(ii) the Employee has at least five consecutive One Year Periods of Severance.

ARTICLE IV

CONTRIBUTIONS

4.1. Deferral Election.

(a) Election. For each Plan Year, each Participant may make a

Deferral Election pursuant to which the Participant shall direct the Employer to reduce the Participant's Compensation and to contribute to the Plan, on the Participant's behalf, the amount by which the Participant's Compensation has been so reduced.

(b) Amount of Deferral. A Participant may make a Deferral Election

in an amount (in multiples of 1%) equal to not less than 1% nor more than 14% of his Compensation for the Plan Year. Such contribution shall be made by payroll deduction at the regular payroll period applicable to the Participant, or deducted from any special, non-recurring payment of Compensation made to the Participant.

(c) Committee's Approval. A Participant's Deferral Election shall

be subject to the approval (or partial approval) of the Committee. The Committee's approval shall not be given:

(i) if the Participant's Deferral Amount for the Plan Year would exceed \$7,000, multiplied by the Adjustment Factor;

(ii) if the Deferral Election results in prohibited discrimination in favor of an Employee who is a Highly Compensated Employee;

(iii) if the Deferral Amount, taken together with the Employer Contributions made on behalf of the Participant for the Limitation Year under this Plan and any other defined benefit or defined contribution plan, exceeds 25% of the Participant's "compensation" (as defined in Section 5.5(f) hereof) for the Limitation Year; or

(iv) if the Committee otherwise determines that the election is in excess of the amounts permitted by the Code.

In making its determination, the Committee shall apply the provisions of this Section 4.1(c) and the applicable provisions of the Code and the regulations and rulings promulgated thereunder. If, as a result of subsequent events, a Deferral Election which has been previously approved by the Committee would later result in contributions in excess of the amount permitted under this Section 4.1(c), the Committee may revoke, in whole or in part, its prior approval and may require the

Participant to reduce his Deferral Election in order to prevent such excess.

4.2. Employer Deferral and Matching Contributions.

(a) Deferral Amounts. The Employer shall contribute to the Plan, on

behalf of each Participant, the amount by which the Participant has elected to reduce his Compensation pursuant to his Deferral Election in accordance with Section 4.1. Notwithstanding any other provisions of the Plan to the contrary, the maximum amount which the Employer shall contribute on behalf of any Participant pursuant to such Participant's Deferral Election for any Plan Year shall not exceed \$7,000, multiplied by the Adjustment Factor.

(b) Employer Matching Contributions. The Employer shall contribute

on behalf of each Participant who has a Deferral Election in effect during each payroll processing period, an amount equal to 33-1/3% of the amount contributed on behalf of such Participant pursuant to such Participant's Deferral Election which does not exceed 6% of his Compensation. In no event shall the amount contributed, pursuant to this Section 4.2(b) on behalf of any Participant exceed \$1,200 in a Plan Year. The Employer may, in the sole discretion of its Board of Directors, make the Employer Matching Contribution hereunder at any time during the Plan Year, or, following the end of the Plan Year, within the time prescribed by law for filing the Employer's Federal income tax return (including extensions thereof) for its taxable year which coincides with, or ends within, such Plan Year. The amount of the Employer's contribution for a Plan Year shall be reduced by the amount of any forfeitures that may have arisen under Section 6.1(b) during such Plan Year. In the event that a Participant receives a distribution of excess Deferral Elections under Section 4.4 or 5.5 and any Employer Matching Contributions allocated to the Participant by reason of such distributed Deferral Elections remain in the Participant's Accounts after application of Section 4.4(b) or (c), the Participant shall forfeit such Employer Matching Contributions (plus earnings thereon determined in the manner described in Section 4.4(g)). Amounts forfeited shall be used to reduce future Employer Matching Contributions under this Section 4.2(b).

(c) Deferral Election - Discontinuance, Variation and Resumption. A

Deferral Election, if approved by the Committee, shall continue in effect until changed or revoked by the Participant. A Participant may make, discontinue or change a Deferral Election, effective as of any Entry Date during the Plan Year, by filing a form with the Committee at least 30 days prior to such date indicating his instructions with respect thereto; provided, however, that a Participant may completely discontinue a Deferral Election, effective as of the first day of any month by filing a form with the Committee at least 30 days prior to such date. The Committee may modify or waive the 30 day advance notice requirements of this Section 4.3 if it finds, in its sole

discretion, that such modification or waiver is appropriate under the circumstances to further the purposes of this Plan. All changes in a Deferral Election are subject to approval by the Committee in accordance with Section 4.1(c).

4.3. Employer Contributions on Behalf of Retirement Participants. The

following contributions shall be made by the Employer, solely for the benefit of Retirement Participants, regardless of whether the Employer has current or accumulated earnings or profits for the taxable year ending with or within the Plan Years:

(a) Employer Retirement Contributions. For each Plan Year, the

Employer shall contribute on behalf of each Retirement Participant a percentage of the Compensation earned during the portion of the Plan Year that the Employee was a Retirement

Participant based upon the table set forth below. Contributions shall be made for each payroll processing period.

-----	-----	-----
Total of Employee's Age Plus Full Years of Service	Percentage of Compensation, Up to Taxable Wage Base	Percentage of Compensation Exceeding Taxable Wage Base
-----	-----	-----
Less than 50	3.00%	5.00%
-----	-----	-----
50 or more, but less than 65	4.00%	6.00%
-----	-----	-----
65 or more, but less than 75	5.00%	7.00%
-----	-----	-----
75 or more	6.00%	8.00%
-----	-----	-----

For purposes of this Section 4.3 (a), a Retirement Participant's age and full Years of Service shall be the age and full Years of Service, not rounded, of the Retirement Participant on the first day of the Plan Year.

(b) Employer Incentive Retirement Contributions. If a Retirement

Participant has elected a Deferral Election equal to or greater than 6% of his Compensation during any payroll processing period, the Employer shall contribute on behalf of such Retirement Participant for such payroll processing period an amount equal to 1% of that Retirement Participant's Compensation to such Participant's Retirement Account.

Solely for purposes of this Section 4.1(b), a Retirement Participant whose Deferral Election is suspended as a result of his reaching the limit set forth in Section 4.1(c) (i) shall be deemed to have in effect, for the suspension period, the Deferral Election that was in effect immediately prior to the suspension. The amount of the Employer's Contributions for a Plan Year shall be reduced by the amount of any forfeitures that may have arisen under Section 6.1(b) during the Plan Year.

(c) Limitation on Contributions. Notwithstanding any other

provision of the Plan to the contrary, the Employer shall not make any contributions to the Plan pursuant to Section 4.2 or 4.3 on behalf of a Participant if such contributions would exceed the limitations of Section 5.5.

(d) Limitation on Contributions on Behalf of Highly Compensated

Employees. Notwithstanding any other provision of the Plan to the contrary, the Employer shall not make any contributions to the Plan pursuant to Section 4.2 or this Section 4.3 on behalf of a Participant who is a Highly Compensated Employee that would exceed the limitations of Section 4.4.

4.4. Nondiscrimination Requirements.

(a) Deferral Percentage Test. The Average Deferral Percentage in

each Plan Year for all Participants who are Highly Compensated Employees shall not exceed the greater of:

(i) the Average Deferral Percentage for all Participants who are non-Highly Compensated Employees for the preceding Plan Year multiplied by 1.25; or

(ii) the lesser of: (A) the Average Deferral Percentage for all Participants who are non-Highly Compensated Employees for the preceding Plan Year multiplied by two or (B) the Average Deferral Percentage for all Participants who are non-Highly Compensated Employees plus two percentage points.

For purposes of the Average Deferral Percentage test, the Deferral Percentage of any Participant who is a Highly Compensated Employee and is eligible to receive qualified nonelective contributions (within the meaning of Section 401(m) (4) (C) of the Code) or elective deferrals (within the meaning of Section 401(m) (4) (B) of the Code) under two or more plans that are qualified under Section 401(a) and 401(k) of the Code and that are maintained by the Company or an Affiliate shall be determined as if all such contributions and elective deferrals were made under a single plan.

(b) Employer Contribution Percentage Test. The Average Contribution

Percentage in each Plan Year for all Participants who are Highly Compensated Employees shall not exceed the greater of:

(i) the Average Contribution Percentage for all Participants who are non-Highly Compensated Employees for the preceding Plan Year multiplied by 1.25; or

(ii) the lesser of (A) the Average Contribution Percentage for all Participants who are non-Highly Compensated Employees for the preceding Plan Year multiplied by two or (B) the Average Contribution

Percentage for all Participants who are non-Highly Compensated Employees plus two percentage points.

For purposes of the Average Contribution Percentage test, the Contribution Percentage of any Participant who is a Highly Compensated Employee and is eligible to receive matching contributions (within the meaning of Section 401(m)(4)(A) of the Code) under two or more plans that are qualified under Sections 401(a) of the Code and that are maintained by the Company or any Affiliate shall be determined as if all such contributions were made under a single plan.

(c) Aggregate Limit. The sum of the Average Deferral Percentage and

the Average Contribution Percentage for a Plan Year, computed under Subsections (a) and (b), of Participants who are Highly Compensated Employees shall not exceed the greater of:

(i) the sum of:

(A) 1.25 multiplied by the greater of (1) the Average Deferral Percentage of Participants who are non-Highly Compensated Employees or (2) the Average Contribution Percentage of Participants who are non-Highly Compensated Employees; and

(B) two plus the lesser of (1) or (2) in clause (A) above; provided, however that in no event may this amount exceed two times the lesser of (1) or (2) in clause (A) above; or

(ii) the sum of :

(A) 1.25 multiplied by the lesser of (1) the Average Deferral Percentage of Participants who are non-Highly Compensated Employees or (2) the Average Contribution Percentage of Participants who are non-Highly Compensated Employees; and

(B) two plus the greater of (1) or (2) in clause (A) above; provided, however that in no event may this amount exceed two times the greater of (1) or (2) in clause (A) above.

The application of this Section 4.4(c) shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

(d) Special Participant Rule. For purposes of Subsection (a), (b)

and (c), the term "Participants" includes Employees eligible to participate in the Plan in accordance with Article II whether or not they elected to participate in the Plan or make a Deferral Election. For Plan Years commencing on and after January 1, 1999, "Participants" shall not include Employees who are non-Highly Compensated Employees and who have not attained age 21 and who have completed less than 1 Year of Service before the last day of the Plan Year.

(e) Corrections.

(i) In the event the Plan Administrator determines that the nondiscrimination requirement of Subsection (a) has not been satisfied in a Plan Year after Deferral Amounts have been allocated to Participants' Accounts, the Plan Administrator shall reduce the Average Deferral Percentage for the Highly Compensated Employees to the extent required to enable the Plan to satisfy at least one of the tests in Subsection (a). The reduction shall be accomplished by reducing the Deferral Amount of the Highly Compensated Employee with the highest Deferral Amount

to the extent required to cause the Deferral Amount of such Highly Compensated Employee to equal the next highest Deferral Amount of all other Highly Compensated Employees. The Plan Administrator shall repeat this reduction process until the nondiscrimination requirement of Subsection (a) is met.

(ii) In the event the Plan Administrator determines that the nondiscrimination requirement of Subsection (b) has not been

satisfied in a Plan Year after Employer Matching Contributions have been allocated to Participants' Accounts, the Plan Administrator shall reduce the Average Contribution Percentage for the Highly Compensated Employees to the extent required to enable the Plan to satisfy at least one of the tests in Subsection (b). The reduction shall be accomplished by reducing the Employer Matching Contributions of the Highly Compensated Employee with the highest Employer Matching Contributions to the extent required to cause the Employer Matching Contributions of such Highly Compensated Employee to equal the next highest Employer Matching Contributions of all other Highly Compensated Employees. The Plan Administrator shall repeat this reduction process until the nondiscrimination requirement of Subsection (b) is met.

(iii) In the event the Plan Administrator determines that the nondiscrimination requirement of Subsection (c) has not been satisfied in a Plan Year after Deferral Amounts and Employer Matching Contributions have been allocated to Participants' Accounts, the Plan Administrator shall reduce the Average Deferral Percentage and/or the Average Contribution Percentage (as determined under Subsection 4.4(f) below) for the Highly Compensated Employees to the extent required to enable the Plan to satisfy at the tests in Subsection (c). The reduction shall be accomplished in the same manner as is set forth in Sections 4.4(a) and 4.4(b), whichever is appropriate.

(f) Corrective Distributions. If the Plan Administrator determines

that Deferral Amounts or Employer Matching Contributions in excess of the amount permitted under Subsections (a), (b) or (c) were made to the Plan, then the Plan Administrator will cause the Trustee to make a corrective distribution of any such excess (and income allocable thereto as computed in accordance with Subsection (g)) to the Highly Compensated Employees within 12 months of the close of the Plan Year to which the excess is attributed based on the excess amounts determined under Subsection (e). Such a distribution is not subject to spousal consent. In the case of a corrective distribution required hereunder because of an excess arising

under Subsection (c), reductions shall first be made from the Highly Compensated Employees' Deferral Amounts and then from their Employer Matching Contributions, if necessary.

(g) Income Attributable to Excess Contributions. The income

attributable to excess Deferral Amounts or Employer Matching Contributions as determined in accordance with Subsection (e) shall be an amount equal to the sum of:

(i) the earnings or losses allocated to Deferral Amounts or Employer Matching Contributions, as applicable, for the preceding Plan Year multiplied by a fraction the numerator of which is the excess determined in accordance with Subsection (e), as applicable, on behalf of the Participant for the preceding Plan Year and the denominator of which is the portion of the Participant's Account attributable to Deferral Elections or Employer Matching Contributions, as applicable, as of the last day of the preceding Plan Year, reduced by earnings and increased by losses for the preceding Plan Year; plus

(ii) the earnings or losses allocated to Deferral Amounts, or Employer Matching Contributions, as applicable for the period between the end of the preceding Plan Year and the last day of the month preceding the distribution date multiplied by a fraction determined under the method described in clause (i) above.

(h) Coordination Rule. Excess Deferral Elections determined with

respect to a Plan Year that shall be distributed in accordance with Section (f) shall be reduced by any excess deferrals, previously distributed to such Participant for the Participant's taxable year ending with or within such Plan Year.

4.5. Rollovers and Transfers.

(a) Rollover Contribution - General. Subject to such terms and

conditions as the Committee may establish from time to time, a Participant or a Retirement Participant (or an Employee who is not eligible to participate in the Plan solely because he has failed to satisfy the age and service requirements of Section 2.2, and who, for purposes of his Rollover Contribution only, shall be considered a Participant or a Retirement Participant in the Plan) may at any time make a Rollover Contribution to this Plan, which shall be allocated to the Participant's or the Retirement Participant's Rollover Contribution Account when received by the Trustee. Such Participant or Retirement Participant shall submit a written certification from the trustees, plan administrator or party maintaining the Eligible Retirement Plan from which the Rollover Contribution was distributed, in a form satisfactory to the Committee, that the contribution qualifies as a Rollover Contribution. The Committee and the Trustee shall be entitled to rely upon such

certification. Notwithstanding the above, if the Committee subsequently determines that any Rollover Contribution previously made to the Plan by a Participant or Retirement Participant is not a valid Rollover Contribution, the Committee shall return to the Participant or the Retirement Participant, as soon as administratively possible, the amount of the invalid Rollover Contribution, together with earnings attributable to the Rollover Contribution.

(b) Rollover Contribution - Defined. A contribution shall qualify

as a Rollover Contribution if:

(i) it represents an Eligible Rollover Distribution to the Participant or a Retirement Participant under a retirement plan qualified under Section 401(a) of the Code;

(ii) it represents the balance to the credit of the Participant or Retirement Participant in an individual retirement account or annuity (as described in Section 408 of the Code) created solely to receive amounts described in Subsection (i) above, and to which no other contributions were made by the Employee; or

(iii) it represents a direct transfer to the Trustee from an Eligible Retirement Plan described in Subsection (i), above, of all or a portion of the benefit to which the Employee was entitled under such Eligible Retirement Plan.

For purposes of this Section 4.5, Eligible Rollover Distribution and Eligible Retirement Plan shall have the meanings set forth in Section 6.4(e).

(c) Limitation. A Rollover Contribution shall not include any

amount which constituted an employee contribution, whether voluntary or mandatory, made by the Employee to a plan described in Subsection (b)(i), unless such employee contribution is transferred to the Plan pursuant to Section 4.5(b)(iii).

4.6. Non-Forfeitability of Certain Accounts. A Participant's rights to

his Deferral Election Account and his Rollover Contribution Account, if any, shall, at all times, be 100% nonforfeitable. The Forfeitability of a Participant's rights to his Matching Contribution Account and, if applicable, a Retirement Participant's rights to his Retirement Account shall be determined in accordance with the provisions of Section 6.1(b).

ARTICLE V

INDIVIDUAL ACCOUNTS

5.1. Participant Accounts. The Committee shall maintain a Deferral

Election Account, a Matching Contribution Account, a Retirement Account and a Rollover Contribution Account, if applicable, in the name of each Participant or Retirement Participant.

5.2. Valuation of Accounts. As of each Valuation Date, the Committee

shall:

- (a) First, add to each of the Participant's or Retirement

Participant's Accounts the Deferral Amounts and Employer Contributions made during the preceding month which are then allocable to each such Account and subtract all distributions made to Participants or Retirement Participants since the last preceding Valuation Date;

- (b) Next, allocate to the Accounts of each Participant, Retirement

Participant, Former Participant or Former Retirement Participant who has elected to invest in any Investment Fund, other than in an Insurance Contract each item of income, expense, gain and loss accruing to such Fund among the Accounts of Participants, Retirement Participants, Former Participant or Former Retirement Participant electing to invest, or having an investment, in such Fund in the same proportion to the value, as of the last preceding Valuation Date, that the portion of each such Account so invested bears to the value of the portion of all such Accounts which are invested in such Fund. If any portion of a Participant's, Retirement Participant's, Former Participant or Former Retirement Participant's Account is invested in an Insurance Contract, any item of income, expense, gain or loss attributable to such Insurance Contract shall be allocated to his Account or Accounts which is so invested.

(c) With respect to a Participant or Retirement Participant whose employment with the Employer terminates for any reason during a month, the Committee may (A) value such Participant's or Retirement Participant's Accounts, in accordance with the provisions of this Section 5.2, as of the last day of the month in which such termination occurs, and (B) value the portion of the Participant's or Retirement Participant's Accounts, if any, which is invested in the Common Stock Fund as of the date on which such shares are sold.

5.3. Employer Contributions Considered Made on Last Day of Plan Year. For

purposes of this Article V, the Employer's contributions made pursuant to Section 4.2(b), 4.3(a) or 4.3(b) for any Plan Year will be considered to have been made on the last day of that Plan Year, regardless of when paid to the Trustee.

5.4. Valuation. The Trustee shall have prepared, on a daily basis, a

valuation of each Investment Fund and each Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's Accounts, the same to be available to each Participant, Retirement Participant, Former Participant or Former Retirement Participant. Within a reasonable time after the close of each month, the Trustee shall prepare or cause to be prepared a statement of the condition of the Trust Fund, setting forth all investments, receipts, disbursements, and other transactions effected during such month, and showing all the assets of the Trust Fund and the cost and fair market value thereof. The items of information in the statement shall be shown separately for each investment vehicle maintained in the Investment Fund. This statement shall be delivered to the Committee and the Plan Administrator. The Plan Administrator shall then cause to be prepared, and the Trustee shall deliver to each Participant, Retirement Participant, Former Participant or Former Retirement Participant, a quarterly report disclosing the status of his Accounts in the Trust Fund.

5.5. Limitation on Annual Additions.

- (a) General. Notwithstanding any other provision of the Plan, the

Annual Addition to a Participant's or Retirement Participant's Accounts for any Limitation Year may not exceed an amount equal to the lesser of:

(i) the greater of (A) \$30,000 or (B) 1/4th of the defined benefit dollar limitation set forth in Section 415(b)(1) of the Code as in effect for the Limitation Year; or

(ii) 25% of the Participant's or Retirement Participant's compensation for the Limitation Year.

- (b) Coordination with Defined Benefit Plan. In the event that an

Employee is a participant in both a defined benefit plan (whether or not terminated) and a defined contribution plan maintained by the Employer (or a Related Employer), the sum of the Defined Benefit Plan Fraction plus the Defined Contribution Plan Fraction may not exceed 1.0.

(c) Defined Benefit Plan Fraction - Defined. For purposes of this Section 5.5, "Defined Benefit Plan Fraction" with respect to a defined benefit pension plan shall mean, for any Limitation Year, a fraction:

(i) the numerator of which is the Participant's or Retirement Participant 's projected annual benefit under such defined benefit pension plan (determined as of the close of such year); and

(ii) the denominator of which is the lesser of (A) the product of 1.25 times \$90,000 multiplied by the Adjustment Factor; provided, however, that such adjusted dollar limit shall not become effective for

purposes of this Plan for Limitation Years ending prior to the January 1st of the calendar year for which such adjustment is announced, or (B) the product of 1.4 times 100% of the Participant's or Retirement Participant's actual compensation for the three consecutive years of participation in such defined benefit pension plan during which he received the greatest aggregate compensation from the Employer or any Related Employer.

(d) Defined Contribution Plan Fraction - Defined. For purposes of this Section 5.5, "Defined Contribution Plan Fraction" shall mean, for any Limitation Year, a fraction:

(i) the numerator of which is the sum of the Annual Additions credited to the Participant's or Retirement Participant 's Accounts under this Plan and all other defined contribution plans maintained by the Employer or any Related Employer in such Limitation Year and for all prior Limitation Years; and

(ii) the denominator of which is the sum of the lesser of the following amounts determined for such Limitation Year and for each prior Limitation Year: (A) the product of 1.25 times the dollar limitation under Subsection (a) (i), as in effect for such Limitation Year, or (B) the product of 1.4 times 25% of the Participant's or Retirement Participant 's compensation for such year.

Subsections (b), (c) and (d) shall not apply to Limitation Years commencing on and after January 1, 1999.

(e) Annual Additions - Defined. For purposes of this Section 5.5, the term "Annual Addition" means, for each Limitation Year, the sum of:

(i) the portion of the contribution (other than a contribution made pursuant to a Participant's or Retirement Participant's Deferral Election) made by the Employer (or a Related Employer) for such Limitation Year under this Plan and any defined contribution plan; plus

(ii) the amount, if any, contributed on behalf of the Participant pursuant to the Participant's Deferral Election for such Limitation Year under this Plan or any other defined contribution plan maintained by the Employer or a Related Employer; plus

(iii) the amount of forfeitures, if any, allocated to the Participant's account for such Limitation Year under this Plan or any other defined contribution plan maintained by the Employer or a Related Employer; plus

(iv) the amount, if any, of the Participant's voluntary contributions made under a defined contribution plan maintained by the Employer or a Related Employer for such Limitation Year.

The term "Annual Addition" shall not include any Rollover Contribution or any earnings allocable to any Account thereunder and, for any Limitation Year beginning before January 1, 1987, shall not include the greater of (i) Participant contributions not in excess of 6% of the Participant's compensation for such Limitation Year or (ii) 50% of the Participant's employee contribution for such Limitation Year.

(f) Compensation - Defined. Solely for purposes of Section 5.5, the

term "compensation" shall mean a Participant's or Retirement Participant's wages, salaries, fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Employer or a Related Employer (including, but not limited to, commissions paid salesmen, compensation for services on the basis of percentage of profits, commissions on insurance premiums, tips, bonuses and for Plan Year's commencing on and after January 1, 1998, contributions made at the Employee's election to employee benefit plans pursuant to Section 125, 401(k) and 403(b) of the Code). Except as provided in the preceding sentence for Plan Years beginning on and after January 1, 1998, the term "compensation" shall not include contributions made by the Employer or a Related Employer to this or to any other plan of deferred compensation to the extent that, before the application of the limitations of Section 415 of the Code, such contributions are not includible in the gross income of the Participant for the taxable year in which contributed, nor contributions made by the Employer or a Related Employer to a Simplified Employee Pension described in Section 408(k) of the Code, to the extent such contributions are deductible by the Participant under Section 219 of the Code, nor any amounts realized on the exercise of a non-qualified or incentive stock option, or when restricted stock (or property) held by a Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture, nor distributions from a deferred compensation plan (except from an unfunded non-qualified plan when includible in gross income), nor amounts realized from the sale, exchange or other disposition of stock acquired under an incentive stock option, nor any amounts which receive special tax benefits, such as premiums for group term life insurance, to the extent not includible in the gross income of the Participant for Federal income tax purposes.

(g) Other Plans. For purposes of applying the limitations of this

Section 5.5, all defined benefit plans maintained by the Employer or a Related Employer (whether or not terminated) are to be treated as one defined benefit plan, and all defined contribution plans maintained by the Employer or a

Related Employer (whether or not terminated) are to be treated as one defined contribution plan. Any contributions to the Employer's defined benefit plan made by an Employee shall be deemed to be made under a separate defined contribution plan.

(h) Related Employer - Defined. For purposes of this Section 5.5,

the term "Related Employer" shall mean any other corporation that is, along with the Employer, a member of a controlled group of corporations (as defined in Section 414(b) of the Code, as modified by Section 415(h) thereof) or any other trades or businesses (whether or not incorporated) which, along with the Employer, are under common control (as defined in Section 414(c) of the Code as modified by Section 415(h) thereof) or any other employer that forms, along with the Employer, an "affiliated service group" (as such term is defined in Section 414(m) of the Code or in regulations under Section 414(o)).

(i) Return of Excess Annual Additions. If a Participant's or Retirement

Participant's Annual Addition exceeds the amounts specified above:

(i) The Plan shall distribute Deferral Election contributions to the Participant or Retirement Participant to the extent an excess exists, together with earning on such excess amounts. The Committee shall make such distribution in a lump sum as soon as administratively possible after the excess is determined.

(ii) Employer Matching Contributions and Employer Incentive Retirement Contributions based on the Deferral Election contributions above shall be forfeited in the Plan Year in which the Deferral Elections are distributed. Employer Matching Contributions and Employer Incentive Retirement Contributions are based on distributed Deferral Election contributions to the extent that Deferral Election

contributions to the extent that Employer Matching Contributions and Employer Incentive Retirement Contributions would have been reduced if the Participant or Retirement Participant had made Deferral Election contributions for the Plan Year equal to undistributed Deferral Election contributions.

(iii) Deferral Election contributions and Employer Matching Contributions which are forfeited under (ii) above shall not be counted in determining whether the limit in Code Section 402(g) has been exceeded or in performing the nondiscrimination tests in Section 4.4 of this Plan.

5.6. Allocations Do Not Create Rights. No Participant or Retirement

Participant shall acquire any right to or interest in any specific asset of the Trust Fund merely as a result of the allocations provided for in the Plan.

ARTICLE VI

PAYMENT OF BENEFITS

6.1. Retirement, Death, Disability or Termination of Employment.

(a) Retirement, Death or Disability. A Participant or Retirement

Participant shall be 100% vested in his Accounts upon reaching Normal Retirement Age, Disability or death. Should any Participant or Retirement Participant retire (within the meaning of the preceding sentence) or die, an amount equal to the value of his Accounts shall be payable to the Participant, Former Participant, Retirement Participant, Former Retirement Participant or his Beneficiary, as the case may be, in accordance with the provisions of Section 6.4.

(b) Termination of Employment. Upon a Participant's termination of

employment with the Employer, either voluntarily or involuntarily, prior to his Normal Retirement Age (other than by reason of death, or early or Disability retirement) he shall be entitled to 100% of the value of his Deferral Election Account and his Rollover Contribution Account, if any. In addition, such Participant shall also be entitled to 100% of the value of his Matching Contribution Account, to the extent attributable to amounts contributed on behalf of the Participant for Plan Years ending on or before December 31, 1986. Such Participant shall also be entitled to 100% of the value of his Matching Contribution Account, to the extent attributable to amounts contributed on behalf of the Participant for Plan Years beginning on or after January 1, 1987, if, as of the date of his termination, he has completed 3 Years of Service. If such Participant has not completed 3 Years of Service he shall forfeit the entire amount outstanding to his credit in his Matching Contribution Account as of the last day of the Plan Year in which he terminates employment. A Retirement Participant shall also be entitled to 100% of the value of his Retirement Account, if, as of the date of his termination, he has completed 5 Years of Service. If such Retirement Participant has not completed 5 Years of Service he shall forfeit the entire amount outstanding to his credit in his Retirement Account as of the last day of the Plan Year in which he terminates employment. The value of all Accounts shall be determined and payable in accordance with the provisions of Sections 5.2, 5.3 and 6.5. Amounts forfeited in any Plan Year pursuant to this Section 6.1(b) shall be applied to reduce Matching Contributions made pursuant to Section 4.2(b) for such Plan Year.

(c) Restoration of Benefits. If a Former Participant or Former

Retirement Participant again begins to participate in the Plan before he incurs 5 consecutive One Year Periods of Severance, then, on or before the last day of the Plan Year which follows the Plan Year in which the Former Participant or Former Retirement Participant again begins to participate in the Plan, the Employer shall make an additional contribution to the Plan,

on his behalf, which is equal to the dollar amount which was forfeited. Such additional contribution shall be allocated to the Former Participant's Employer Matching Contribution Account or Former Retirement Participant's Retirement

Account and his vested right to the amount so contributed shall be determined in accordance with Section 6.1(b) based upon his Years of Service completed both prior to and subsequent to his Period of Severance.

6.2. Attainment of 59-1/2. If a Participant attains age 59-1/2 and

remains in the service of the Employer, he may elect to have the value of his Deferral Election Account and Employer Matching Account (determined in accordance with Sections 5.2 and 5.3 and valued as of the Valuation Date coincident with or next succeeding the date of his election or, pursuant to procedures which the Committee may, in its sole discretion, adopt, as of the last day of the month in which he files his election), to the extent of his nonforfeitable right to such Accounts, paid to him in a lump sum as soon as practicable following the date as of which his Accounts are valued. The Participant may make such an election by filing a written notice with the Committee, on a form acceptable to the Committee. Notwithstanding such withdrawal, the Participant may also elect to continue to participate in the Plan if he otherwise remains eligible.

6.3. Beneficiary Designation. If a Participant, Retirement Participant,

Former Participant or Former Retirement Participant has a spouse, his spouse shall be his Beneficiary, unless the Participant, Retirement Participant, Former Participant or Former Retirement Participant designates someone other than his spouse as his Beneficiary (other than as a contingent Beneficiary) and his spouse consents to such designation pursuant to this Section 6.3. If the Participant, Retirement Participant, Former Participant, or Former Retirement Participant does not have a spouse, or if the spouse consents, the Participant, Retirement Participant, Former Participant or Former Retirement Participant shall have the right to designate someone other than his spouse as his Beneficiary. In all events, the Participant, Retirement Participant, Former Participant or Former Retirement Participant shall have the right to designate a contingent Beneficiary. Each such designation shall be in writing, filed with the Committee, and shall be in such form as may be required by the Committee. If a married Participant, Retirement Participant, Former Participant or Former Retirement Participant designates someone other than his spouse as his Beneficiary (other than as a contingent Beneficiary), such Beneficiary designation shall not be effective unless (a) the spouse consents to such Beneficiary designation, in writing, and her consent is witnessed by a Plan representative or notary public, or (b) the Participant, Retirement Participant, Former Participant or Former Retirement Participant demonstrates, to the satisfaction of the Committee, that he is not married or his spouse cannot be located. The Committee shall determine which Beneficiary, if any, shall have been validly designated. If no Beneficiary has been validly designated, or if the designated Beneficiaries predecease the

Participant, Retirement Participant, Former Participant or Former Retirement Participant, then the amount, if any, payable upon the Participant's Retirement Participant's, Former Participant's or Former Retirement Participant's death shall be paid:

(a) to the Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's surviving spouse; or, if there is none,

(b) to the Participant's, the Retirement Participant's, Former Participant's or Former Retirement Participant's children and issue of deceased children, in equal shares, per stirpes; or if there are none,

(c) to the Participant's, the Retirement Participant's the Former Participant's or Former Retirement Participant's parents, in equal shares, or to the survivor thereof; or if there are none,

(d) to the legal representative(s) of the Participant's, the Retirement Participant's, the Former Participant's or the Former Retirement Participant's estate.

6.4. Form of Payment.

(a) Retired or Disabled Participants. A Participant or a Former Participant hired prior to January 1, 1997 or a Participant who is not a

Retirement Participant who has terminated his employment on or after his Normal Retirement Age or because he was Disabled, may elect, in writing, in a form satisfactory to the Committee, to receive his benefit under the Plan in one of the following methods:

(i) by a lump sum payment; or

(ii) by payment in equal monthly, quarterly or semi-annual installments over a period not in excess of 15 years in which event the remaining balance held in the Former Participant's Accounts shall be held and invested in accordance with Section 9.2 pursuant to the instructions of the Former Participant. Payment shall be made not less often than semi-annually to such Participant or Former Participant of the installments as they fall due, plus such earnings as may have been credited on the amount so deposited or invested less an annual administrative fee in an amount determined by the Trustee. In the event of the death of the Participant or the Former Participant prior to completion of the designated number of payments, such payments shall be paid to his Beneficiary until the designated number of payments has been completed.

(b) Retirement Participants. A Retirement Participant or Former

Retirement Participant who has terminated his employment on or after his Normal Retirement Age or because he was Disabled shall be entitled to receive an immediate distribution or a direct transfer to another plan of the value of his Accounts.

(c) Terminated Participants. Upon a Participant's or a Retirement

Participant's termination of employment with the Employer, either voluntarily or involuntarily, prior to his Normal Retirement Age (other than by reason of his death or Disability), he shall be entitled to receive an immediate distribution or a direct transfer to another plan of the value of his Accounts, pursuant to Section 6.1; provided he returns a completed benefit distribution form to the Committee prior to the last day of the twelfth (12th) calendar month following his termination of employment. If the Participant or the Retirement Participant does not elect to receive either a distribution or a direct transfer of the value of his Accounts upon his termination of employment, the Participant or Retirement Participant will be eligible to elect a distribution of the value of his Accounts at any time after his attainment of age 55, but not later than his Mandatory Distribution Date as determined under Section 6.5.

Until benefits are distributed, a Participant's or a Retirement Participant's Accounts shall be held and invested in

accordance with Section 9.2 pursuant to the instructions of the Former Participant or Former Retirement Participant.

(d) Death of a Participant or Retirement Participant. If a

Participant, Former Participant, Retirement Participant or Former Retirement Participant dies prior to the date payment of his benefit begins, the value of his Accounts shall be paid to his Beneficiary as soon as practicable following his death. Benefits shall be paid in a lump sum.

(e) Amount and Form of Payment. The present value of the payments

to the Participant or Retirement Participant pursuant to this Section 6.5 must be greater than 50% of the present value of the total payments to be made to the Participant or Retirement Participant and his Beneficiary. Any distribution made pursuant to this Plan shall be made in cash except that if, as of the date the Participant or Retirement Participant terminates his employment, part of his Accounts is invested in the Common Stock Fund or in shares of any other Investment Fund, and if the Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's benefit is to be paid in the form of a lump sum pursuant to this Section 6.4 then the Participant, Retirement Participant, Former Participant or Beneficiary to whom such payment is made may elect to have that portion of the Accounts which is so invested paid in common stock or shares held in each such Fund; provided, however, that cash will be paid in lieu of any fractional shares allocated to the Participant's, or Retirement Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's Accounts.

(f) Direct Rollover. Notwithstanding any provision of the Plan to

the contrary, that would otherwise limit a Distributee's election under this subsection, a Distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Participant or Retirement Participant in a Direct Rollover.

For purposes of subsection (e) of this Section 6.4, the following definitions shall apply:

(i) An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible

in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(ii) An Eligible Retirement Plan is an individual retirement account described in Section 408 of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code or a qualified trust described in Section 401(a) of the Code, that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to the surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

(iii) A Distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a Qualified Domestic Relation Order, as defined in section 414(p) of the Code, are Distributees with regard to the interest of the spouse or former spouse.

(iv) A Direct Rollover is a payment by the Plan to the Eligible Retirement Plan specified by the distributee.

6.5. Limitations on Commencement or Duration of Benefit Payments.

(a) Commencement of Benefits

(i) For Plan Years Commencing Prior to January 1, 1997 and Five Percent Owners of the Company or Affiliate. Notwithstanding any provision of the Plan to the contrary, the payment of benefits to each Participant, Former Participant, Retirement Participant or Former Retirement Participant shall commence not later than the April 1st following the taxable year in which the Participant, Former Participant, Retirement Participant or Former Retirement Participant attains age 70-1/2, which date shall be known as such Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's Mandatory Distribution Date. Such payments shall be made:

((a)) on or before such date;

((b)) beginning by such date, over the life of such Participant, Retirement Participant, Former Participant or Former Retirement Participant or over the lives of the Participant, Retirement

Participant, Former Participant or Former Retirement Participant and

his Beneficiary; or

((c)) beginning by such date, over a period which may not extend beyond the life expectancy of such Participant, Former Participant, Retirement Participant or Former Retirement Participant or the joint life expectancy of the Participant, Former Participant, Retirement Participant or Former Retirement Participant and his Beneficiary.

If benefits have commenced pursuant to this Section 6.5(a)(i) to a Participant prior to December 31, 1996 and, as of December 31, 1996, the Participant is employed by the Company or an Affiliate, the Participant shall make an election either to continue receiving benefits or to cease benefits for Plan Years commencing on and after January 1, 1997. In the event that a Participant elects to cease receiving benefits, benefits shall commence to the Participant pursuant to Section 6.5(a)(ii).

(ii) For Plan Years Commencing On and After January 1, 1997.

Notwithstanding any provision of the Plan to the contrary and subject to Section 6.5(a)(i), the payment of benefits to each Participant, Retirement Participant, Former Participant or Former Retirement Participant shall commence on the April 1st following the later of the calendar year in which the Participant, Retirement Participant, Former Participant or Former Retirement Participant attains the later of age 70-1/2 or the calendar year in which he retires. Such payments shall be made:

((a)) on or before such date;

((b)) beginning by such date, over the life of such Participant, Retirement Participant, Former Participant or Former Retirement Participant or over the lives of the Participant, Retirement Participant, Former Participant or Former Retirement Participant and his Beneficiary; or

((c)) beginning by such date, over a period which may not extend beyond the life expectancy of such Participant, Retirement Participant, Former Participant or Former Retirement Participant and the joint life expectancy of the Participant, Former Participant, Retirement Participant, Former Retirement Participant and his Beneficiary.

Notwithstanding the foregoing, the payment of benefits to each Participant who attained age 70-1/2 prior to January 1, 1988 and is not a Five Percent Owner (as defined in Section 11.1(c)) shall commence on the later of the April 1st following the taxable year in which (i) he attains age 70-1/2 or (ii) he retires.

(b) Maximum Duration of Death Benefits. If a Participant,

Retirement Participant, Former Participant or Former Retirement Participant dies before his entire interest is distributed to him or if a distribution has commenced to his surviving spouse and such surviving spouse dies but before the entire remaining interest is distributed to such surviving spouse, then if any benefit remains payable under this Plan with respect to such deceased Participant, Retirement Participant, Former Participant or Former Retirement Participant, such remaining benefit shall be distributed to his Beneficiary:

(i) within five years after the death of the Participant, Retirement Participant, Former Participant or Former Retirement Participant (or the death of his surviving spouse, as the case may be); or

(ii) over the life of such Beneficiary, or over a period no longer than the life expectancy of such Beneficiary (determined no more frequently than once during a Plan Year, if the Beneficiary is the surviving spouse, or, if not, calculated as of the date payments begin); provided, that if the Beneficiary is the surviving spouse of the deceased Participant, Retirement Participant, Former Participant or Former Retirement Participant, such payments begin on or before the date on which the Participant, Retirement Participant, Former Participant or Former Retirement Participant would have attained age 70-1/2 if he had lived; and, provided further, that if the

Beneficiary is not the surviving spouse, such payments begin no later than within 1 year of the Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's death, or the death of the surviving spouse, if the surviving spouse dies before benefit payments begin, as the case may be.

The provisions of this Subsection (b) shall not apply if distribution of the Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's interest had commenced prior to the death of the Participant, Retirement Participant, the Former Participant or Former Retirement Participant, or his spouse, as the case may be, in accordance with a form of benefit payment which satisfies Subsection (a)(iii) and payment of such interest continues to be made pursuant thereto. All benefits payable under this Section 6.5 shall satisfy the incidental death benefit rule of Section 401(a)(9)(G) of the Code by determining the life expectancies of the Participant or Retirement Participant and his Beneficiary with reference to proposed Treasury Regulation Section 1.401(a)(9)-2.

(c) Additional Limitations. Notwithstanding anything to the

contrary contained in this Section 6.5, the payment of benefits hereunder to a Participant, Retirement Participant, Former Participant or Former Retirement Participant shall

commence not later than the 60th day after the close of the Plan Year in which the latest of the following events occurs:

- (i) his attainment of age 65;
- (ii) the tenth anniversary of the year in which the Participant or Retirement Participant began to participate in the Plan; or
- (iii) the termination of the Participant's or Retirement Participant's service with the Employer or an Affiliate;

provided, however, that the Participant, Retirement Participant, Former Participant or Former Retirement Participant may elect to defer the commencement of the payment of benefits hereunder until any time prior to the April 1st following the calendar year in which he attains age 70-1/2.

6.6. Cash-Out of Benefits. Notwithstanding anything contained in

this Plan to the contrary, if the value of a Participant's, Retirement Participant's, Former Participant's or Former Retirement Participant's Account is \$3,500 or less, the Committee shall pay such benefit in a single lump sum as soon as practicable after the retirement, termination, Disability or death of the Participant, Retirement Participant, Former Participant or Former Retirement Participant, and any such distribution to the Participant, Retirement Participant, Former Participant, Former Retirement Participant or his Beneficiary, as the case may be, shall be in complete discharge of the Plan's obligation with respect to such benefit. A Participant who terminated employment prior to being entitled to 100% of his Employer Matching Contribution Account or Retirement Account, shall be deemed to have received the entire distribution of such Accounts as of his termination of employment.

6.7. Qualified Domestic Relations Orders. If the Plan Administrator

has determined that a domestic relations order which pertains to the benefits under this Plan of a Participant, Retirement Participant, Former Participant or Former Retirement Participant is a Qualified Domestic Relations Order, then the amount of benefits otherwise payable under this Plan to such Participant, Retirement Participant, Former Participant or Former Retirement Participant, or his Beneficiary, as the case may be, shall be reduced by the value of any amounts paid or payable pursuant to such Order.

ARTICLE VII

----- LOANS TO PARTICIPANTS AND WITHDRAWALS -----

7.1. Loans.

(a) General. The Committee shall be authorized to administer a loan

program under the Plan, pursuant to this Section 7.1. A Participant may borrow a portion of his Accounts, but not including any balance in his Retirement Account, in accordance with the following procedures, terms and conditions:

(i) In order to borrow any portion of his Accounts, but not including any balance in his Retirement Account, the Participant shall file a written application with the Committee and shall sign a written form, prescribed by the Committee, authorizing the Employer to deduct from such Participant's pay for each month during the term of the loan, amounts determined in accordance with such schedule of repayment as may be determined appropriate by the Committee in order to repay the principal and accrued interest due under the loan. In determining a schedule of repayment of any loan under this Plan, the Committee shall provide for substantially level amortization of such loan (with payments not less frequently than quarterly), over the term of the loan. Loan proceeds shall be distributed to the Participant as soon as administratively practicable following application.

(ii) The aggregate total of all outstanding loans to a Participant under this Plan shall be in an amount specified by the Participant, which amount shall not be less than \$1,000 nor more than 50% of the nonforfeitable value of such Participant's Accounts, but not including any balance in his Retirement Account, determined on the date of the loan application; provided, however, that any loan amount, when added to the highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan is made, shall not exceed \$50,000.

(iii) Any loan to a Participant under this Plan shall be made at an interest rate fixed by the Committee, determined as of the date of the loan application. The Committee shall ascertain a reasonable rate of interest each month, with respect to loans granted in the following month, which shall provide the Plan with a return commensurate with, and be determined on the basis of, the interest rates charged by commercial lending institutions for loans which would be made under similar circumstances.

(iv) The aggregate total of all outstanding loans to a Participant under this Plan shall be adequately secured by up to 50% of the non-forfeitable value of the Participant's Accounts, but not including any balance in his Retirement Account. In addition to said value of the Participant's Accounts, the Committee may require the Participant to post additional security if it believes such security is necessary or desirable in order to adequately secure the loan. If, because of a decrease in the value of the Participant's Accounts, but not including any balance in his Retirement Account, or for any other reason, the Committee believes the loan to be inadequately secured, it shall either require the Participant to post security in addition to the value of such Accounts or demand accelerated repayment of the loan. The types of security that may be required to be posted shall include, but not be limited to, certificates of deposit, stocks, short-term bonds and other short-term securities and their cash equivalents.

(v) Any loan to a Participant under this Plan shall contain such default provisions as may be determined appropriate by the Committee, including the provision that if an event of default occurs and is not cured within 30 days, the unpaid principal and accrued interest due under the loan shall be declared immediately payable in full and may be charged back against the Participant's Accounts as a distribution at the earliest time that the Participant is entitled to receive a distribution under this Plan. A failure to make a scheduled payment, or the filing of an application for a benefit distribution (other than a hardship withdrawal pursuant to Section 7.2) under this Plan, shall constitute events of default.

(vi) A loan origination fee, in an amount determined by the Committee annually, will be charged to each Participant obtaining a loan and will be deducted from the loan proceeds.

(b) Allocation of Loans. The written instrument evidencing any loan

made pursuant to this Section 7.1 shall be held by the Trustee for the benefit of the Participant to whom the loan was made and not for the Trust Fund as a whole, and the Participant's interest in Investment Funds, other than the Common Stock Fund or an Insurance Contract will be reduced by a like amount, in the same proportion that his interest in each such Investment Fund bears to the amount of the loan.

(c) Aggregation of Loans. For purposes of determining whether the

dollar limitations of Section 7.1(a) have been met, the Committee shall take into account the unpaid principal amount of any loan(s) made to the Participant under the provisions of any employee benefit plan to which contributions have been made on his behalf by the Employer or an Affiliate.

(d) Number of Outstanding Loans. Effective January 1, 1995, a

Participant may have up to two (2) outstanding loans from his Accounts at any given time. If a Participant already has an outstanding loan from his Accounts, he may request a second loan, provided that (i) the request is made no sooner than six (6) months after the initial loan request and (ii) the limits described in subsection (a) are not exceeded by the total of the two loans.

(e) Maximum Term of Loans. The Committee may not permit a

Participant to borrow any part of the value of the Participant's Accounts, but not including any balance in his Retirement Account, pursuant to Section 7.1 unless the Participant is required, by the terms of the loan, to repay the amount borrowed within 5 years of the date of the loan. Notwithstanding the foregoing, if the Participant borrows from his Accounts, but not including any balance in his Retirement Account, under the provisions of this Section 7.1 and the proceeds of such loan will be used by the Participant to acquire any dwelling unit which, within a reasonable period of time, is to be used as a principal residence of the Participant, then the maximum term of the loan need not be restricted to five years and the loan shall be repaid within a reasonable period of time, as fixed by the Committee in the loan papers at the time the loan is made. At the time the loan is made, the Committee shall determine whether a dwelling unit will be used as a principal residence within a reasonable period of time.

(f) Allocation of Payments. Each payment by the Participant to the

Trustee in repayment of any outstanding loan(s) shall be allocated (i) first, to repay any amount which may have been borrowed under the terms of any Insurance Contracts allocated to the Participants Accounts if such loan was originally charged against such Insurance Contracts and (ii) second, to the portion of the Participant's Accounts invested in the Investment Funds in the same proportion as any new contributions on behalf of the Participant would be allocated between the Investment Funds.

(g) A Participant may repay any outstanding principal and accrued interest due under the loan without being charged with any prepayment penalty at any time after the six month period beginning on the date that the loan was made. No penalty will apply to prepayments.

7.2. Hardship Distribution.

(a) General. As of the last day of any month, a Participant shall be

entitled to receive a hardship distribution from his Deferral Election Account if he establishes, to the satisfaction of the Committee or as provided in Subsection (b) or Subsection (c), that (i) he has an immediate and heavy financial need and (ii) the distribution is necessary to satisfy such financial need. In no event, however, shall the amount which is distributed to a Participant exceed the lesser of the amount required to meet such financial need, as determined by the Committee, or the balance of the Participant's Accounts as of December 31, 1988 plus the Participant's Deferral Amounts made after December 31, 1988 (reduced by any prior distributions of such amounts). The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution. In order to make a

withdrawal pursuant to this Section 7.2, the Participant shall file with the Committee a written application, on a form acceptable to the Committee, at least 30 days prior to the date on which the Participant wishes to make a withdrawal, setting forth the reasons for the withdrawal request, the amount he wishes to withdraw and such other information as the Committee may require. In administering the provisions of this Section 7.2, the Committee shall act in a uniform, non-discriminatory manner, and all Participants shall be treated similarly under similar circumstances.

(b) Immediate and Heavy Financial Need. For the purposes of this

Section 7.2, a distribution will be deemed to be on account of an immediate and heavy financial need within the meaning of Subsection (a) (i) if it is for:

(i) Medical care expenses (within the meaning of Section 213(d) of the Code) previously incurred by the Participant, the Participant's spouse or the Participant's dependents or prepayment of medical care expenses necessary for such persons to obtain such care.

(ii) Costs directly related to the purchase (excluding mortgage payments) of the Participant's principal residence.

(iii) Payment of tuition, related educational fees, and room and board expenses, for the next 12 months of post-secondary education for the employee, or the employee's spouse, children, or dependents (as defined in Section 152 of the Code);

(iv) Payments necessary to prevent eviction from, or foreclosure of a mortgage on, the Participant's principal residence.

(c) Distribution Deemed Necessary. For purposes of Subsection

(a) (ii), a distribution shall be treated as necessary

to satisfy an immediate and heavy financial need of a Participant, if, and only if, the Participant has obtained all distributions (other than hardship distributions) and all nontaxable loans available to him under this Plan (provided that such available loan amount equals or exceeds the financial need) and any other plan maintained by the Company or any Affiliate. Notwithstanding the preceding sentence, a Participant may satisfy Subsection (a) (ii), without obtaining all nontaxable loans available to him under the Plan, by demonstrating to the Committee that he lacks other resources that are reasonably available to satisfy his heavy and immediate financial need, provided, that the Committee determines that requiring the Participant to obtain a loan under the Plan would impair the Participant's ability to obtain additional funds from other sources which are necessary to satisfy the same financial need, or in and of itself impose an additional hardship on the Participant.

(d) Suspension and Limitation of Deferral Elections. A Participant

who receives a hardship distribution pursuant to this Section 7.2 shall have his Deferral Elections suspended for a one year period commencing on the date of receipt of the hardship distribution, and the Participant's Deferral Election for the Plan Year following the Plan Year of the hardship distribution shall be limited to the amount described in Section 402(g) of the Code as in effect for such following year, reduced by the amount of the Participant's Deferral Elections made for the Plan Year of the hardship distribution prior to the beginning of the one year suspension.

(e) Members of Reserve Units. A Participant, who is a member of a

reserve unit of the armed forces of the United States that is called to active duty, shall not be subject to the loan requirements deemed necessary to meet the requirements of subsection (c) in order to receive a hardship distribution from the Plan.

ARTICLE VIII

COMMITTEE AND PLAN ADMINISTRATOR

8.1. Committee - Authority. The Administrative Committee (the

"Committee") shall have the authority to control and manage the operation and administration of this Plan (other than the authority to manage and control the assets of the Plan), except to the extent such powers have been allocated to the Trustee or a Plan Administrator, or delegated to any other person pursuant to the Plan or the Trust. The Committee and the Plan Administrator shall be "named fiduciaries" within the meaning of Section 402 of ERISA.

8.2. Appointment. The Committee shall consist of at least 3 persons, all

of whom shall be appointed by the Board of Directors, to serve at its pleasure. The members may, but need not be, officers or directors of the Company. If, at any time, there shall be fewer than 3 members, the Board of Directors shall appoint one or more new members so that there are at least 3 members. The appointment of a Committee member shall become effective upon delivery of his acceptance in writing of such appointment to the Company and to each other Committee member, if any, then acting under this Plan.

8.3. Death, Resignation or Removal of Committee Member. A Committee

member shall cease to be such upon his death, resignation, removal by the Board of Directors or being declared legally incompetent. Any Committee member may resign by notice in writing mailed or delivered to the Company and to the remaining member or members. Any one or all of the Committee members may be removed by the Board of Directors by delivery to the affected member or members, with copies to the other members then acting, of an instrument executed by the Company evidencing the action taken by the Board of Directors to remove such member or members.

8.4. Written Notice of Appointment, Resignation or Removal. A copy of any

instrument evidencing the acceptance of appointment, resignation or removal of a Committee member shall be filed with the records of this Plan and shall be deemed a part of this Plan.

8.5. Action By Committee. Any and all acts may be taken and decisions may

be made hereunder by a majority of the Committee members then acting. The Committee may make any decision or take any action at a meeting duly called and held, or by written documents signed by the minimum number of Committee members empowered to take action or make decisions at that time, as hereinabove provided. The members may delegate to each or any of their number authority to perform ministerial acts or to sign documents on behalf of the Committee, and a document so signed shall be conclusively presumed to be the action of the Committee.

8.6. Employment of Agents. The Committee may enlist the services of such

agents, representatives and advisers as they may deem advisable to assist them in the performance of their duties under this Plan, including, but not by way of limitation, custodial agents for the Trust Fund and attorneys and accountants.

8.7. No Committee Member Compensation. The Committee members shall serve

without compensation, as such, but the reasonable expenses incurred by the Committee, including reasonable fees and expenses of custodial agents, attorneys, accountants and other advisers, shall be paid from the Trust Fund and shall be allocated between principal and income as the Committee may determine; provided, however, that the Company may, in its own discretion, pay all or part of such expenses.

8.8. Committee Powers. The Committee shall have the specific powers

elsewhere herein granted to it and shall have such other powers as may be necessary in order to enable it to discharge its responsibilities with respect to this Plan, including, but not by way of limitation, the sole discretionary authority to do the following:

(a) To interpret and construe this Plan and to determine all questions arising under this Plan, other than those specifically reserved elsewhere herein for determination by the Company or the Plan Administrator, and to correct any defect or supply any omission or reconcile any inconsistency in this Plan in such manner and to such extent as they shall deem expedient to

effectuate the purposes and intent of this Plan;

(b) To determine all questions of eligibility and status and rights of Participants, Retirement Participants and others under this Plan, either directly or on appeal. The Committee shall have the exclusive discretionary authority to determine eligibility for benefits under the Plan, to construe the terms of the Plan, to make factual determinations and to determine any question which may arise in connection with the operation or the administration of the Plan. The actions and the decisions of the Committee shall be conclusive and binding upon the Employer and any and all Participants, Retirement Participants, Former Participants, Former Retirement Participants, spouses, Beneficiaries, Alternate Payees and their respective heirs, distributees, executors, administrators, or assignees; subject, however, to the right of Participants, Former Participants, Retirement Participants, Former Retirement Participants spouses, Beneficiaries, Alternate Payees and their respective heirs, distributees, executors, administrators, or assignees to file a written claim under the Claims Procedure as set forth in Section 8.9;

(c) To authorize and make, or cause to be made, payment of all benefits and expenses which become payable under this Plan;

(d) To adopt and to amend from time to time such by-laws and rules and regulations as they shall deem necessary for the administration of this Plan, which are not inconsistent with the terms and provisions of this Plan.

(e) To establish reasonable procedures to determine whether a domestic relations order is a Qualified Domestic Relations Order and for payments to be made pursuant to such Order. Any payment made by the Committee pursuant to a Qualified Domestic Relations Order shall reduce, by a like amount, the amount otherwise payable under the Plan to the Participant, Retirement Participant, Former Participant or Former Retirement Participant to whom such Order relates or his Beneficiary, as the case may be.

8.9. Claims for Benefits. A Participant, Retirement Participant,

Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary ("Claimant") shall file a claim for benefits with the Committee at the time and in the manner prescribed by it. The Committee shall provide adequate notice in writing to any Claimant whose claim for benefits under the Plan has been denied. Such notice must be sent within 90 days of the date the claim is received by the Committee, unless special circumstances warrant an extension of time for processing the claim. Such extension shall not exceed 90 days and no extension shall be allowed unless, within the initial 90 day period, the Claimant is sent a notice of extension indicating the special circumstances requiring the extension and specifying a date by which the Committee expects to render its final decision. The Committee's notice of denial to the Claimant shall set forth:

(a) The specific reason or reasons of the denial;

(b) Specific references to pertinent Plan provisions on which the Committee based its denial;

(c) A description of any additional material and information needed for the Claimant to perfect his claim and an explanation of why the material or information is needed;

(d) A statement that the claimant may:

(i) request a review upon written application to the Committee;

(ii) review pertinent Plan documents; and

(iii) submit issues and comments in writing; and

(e) The name and address of the Committee's delegate to whom the Claimant may forward his appeal. Any appeal that the Claimant wishes to make from the adverse determination must be made, in writing, to the Committee, within 60 days after receipt of the Committee's notice of denial of

benefits. The Committee's notice must further advise the Claimant that his failure to appeal the action to the Committee in writing within the 60-day

period will render the Committee's determination final, binding, and conclusive. If the Claimant should appeal to the Committee, he or his duly authorized representative, may submit, in writing, whatever issues and comments he, or his duly authorized representative, feel are pertinent. The Committee shall re-examine all facts related to the appeal and make a final determination as to whether the denial of benefits is justified under the circumstances. The Committee shall advise the Claimant, in writing, of its decision on his appeal, the specific reasons for the decision, and the specific Plan provisions on which the decision is based. The notice of the decision shall be given within 60 days of the Claimant's written request for review, unless special circumstances (such as a hearing) would make the rendering of a decision within the 60-day period unfeasible, but in no event shall the Committee render a decision on an appeal from the denial of a claim for benefits later than 120 days after receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the date the extension period commences.

8.10. Liability for Contributions. The Committee shall not be responsible

for the determination or collection of any contributions which may be or become payable under this Plan.

8.11. Plan Administrator. The Board of Directors may designate in writing

the Committee, or a person, who may but need not be a Committee member, or a corporation which may but need not be the Company, to act as the Plan Administrator hereunder. The appointment of a Plan Administrator shall be effective upon delivery of written acceptance of such appointment to the Company and the Committee. The Board of Directors may from time to time revoke such designation by notice in writing mailed or delivered to the Plan Administrator, and the Plan Administrator may resign by notice in writing mailed or delivered to the Company. Any designation, acceptance, resignation or removal of the Plan Administrator shall be deemed a part of this Plan. The Company shall be the Plan Administrator unless a Plan Administrator has been appointed pursuant to this Section 8.11. The Plan Administrator shall have those responsibilities assigned to the "plan administrator" by ERISA, the Code, any other applicable law, any regulations issued pursuant to any of the foregoing, and the provisions of this Plan.

8.12. Compensation and Expenses of Plan Administrator. Unless the Plan

Administrator is a firm or corporation, the Plan Administrator shall serve without compensation; provided, however, that the reasonable expenses incurred by the Plan Administrator hereunder shall be paid from the Trust Fund except to the extent that the Company, in its own discretion, pays all or part of such expenses. If the Plan Administrator is a firm or corporation, its compensation shall be determined by written

agreement between it and the Company and shall be paid from the Trust Fund unless the Company, in its own discretion, pays all or part of such compensation. If the Company is the Plan Administrator, it shall serve without compensation and shall bear its own expenses.

8.13. Allocation of Duties. The Committee and the Plan Administrator may

further allocate their fiduciary responsibilities with respect to this Plan among themselves, and may designate one or more other persons, firms or corporations to carry out such fiduciary responsibilities under this Plan. Any allocation or designation pursuant to this Section 8.13 shall be in writing and shall constitute a part of this Plan.

8.14. Participation of Committee Members and Plan Administrator. Nothing

contained in this Plan shall preclude a Committee member or Plan Administrator from becoming a Participant or a Retirement Participant in this Plan, if he be otherwise eligible, but he shall not be entitled to vote or to act upon or to sign any document relating to his own participation in this Plan.

8.15. Books and Records. The Committee shall maintain appropriate records

of all actions taken. The Committee and the Plan Administrator shall submit, make available or deliver on request to governmental agencies or instrumentalities, the Company and other Employers, Participants, Former Participants, Retirement Participants, Former Retirement Participants,

Beneficiaries and other persons entitled thereto, such reports, documents or records as may be required by law, or as they may otherwise deem appropriate. The Company may, at any time, inspect the records of the Committee and the Plan Administrator.

8.16. Fiduciary Standard. The Committee and the Plan Administrator shall

exercise their powers in accordance with rules applicable alike to all similar cases, and they shall discharge all their powers and duties hereunder in accordance with the terms of this Plan, solely in the interests of Participants, Retirement Participants, Former Participants, Former Retirement Participants and Beneficiaries, and for the exclusive purpose of providing benefits to such persons, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

8.17. Indemnification. To the extent permitted by law, the Company shall

indemnify and save each Committee Member, each former Committee Member, the Plan Administrator and each former Plan Administrator if, while serving as such, he is or was an Employee (each such person being herein called an "Indemnitee"), and their respective heirs and legal representatives, harmless from and against any loss, cost or expense including reasonable attorney's fees (collectively, "liability") which any such person may incur individually, jointly, or jointly and severally, aris-

ing out of or in connection with the administration of this Plan, including, without limitation of the foregoing, any liability which may arise out of or in connection with the management and control of the Trust Fund, unless such liability is determined to be due to willful breach of the Indemnitee's responsibilities under this Plan, under ERISA, or other applicable law.

ARTICLE IX

INVESTMENT OF PLAN ASSETS

9.1. Contributions Held in Trust. All contributions under this Plan shall

be paid to the Trustee. The Trustee shall have the exclusive authority and discretion to accept such sums of money and such other property as shall from time to time be paid or delivered to it pursuant to this Plan and, except to the extent provided in Sections 9.2 and 9.3, to hold, invest, re-invest and distribute the Trust Fund in accordance with the provisions of this Plan and the Trust.

9.2. Investment Funds. The Trust Fund shall consist of separate

Investment Funds selected by the Committee. The Committee may, in its discretion, establish additional funds and may terminate any fund from time to time. The Investment Funds may include, but shall not be limited to, collective or commingled trust funds maintained by the Trustee or another bank or trust company acceptable to the Trustee or investment companies regulated under the Investment Company Act of 1940. The Investment Funds may, in whole or in part, be invested in any common, collective, or commingled trust fund maintained by the Trustee or another bank or trust company acceptable to the Trustee, which is invested principally in property of the kind specified for that particular Investment Fund and which is maintained for the investment of the assets of plans and trusts which are qualified under the provision of Section 401(a) of the Code and exempt from Federal taxation under provisions of Section 501(a) of the Code, and during such period of time as an investment through any such medium exists the declaration of trust of such trust shall constitute a part of the Trust.

9.3. Investment of Contributions. Each Participant, Retirement

Participant, Former Participant or Former Retirement Participant shall direct that his contributions be paid into and invested, in whole percentages, in any one or more of the Investment Funds, provided that the sum of such percentages does not exceed 100%. In the event that a Participant or Retirement Participant

elected prior to July 1, 1987 to invest part of his contributions in an Insurance Contract, the amount to be invested in accordance with the preceding sentence shall first be reduced by the dollar amount of his contributions to the Insurance Contract. Notwithstanding the foregoing, a Participant or Retirement Participant may not elect to have more than 25% of any future contributions made to the Plan on his behalf, which are not invested in Insurance Contracts, invested in the Common Stock Fund. At the time the Participant or Retirement Participant elects to make contributions to the Plan, he shall file an election with the Committee specifying the investment vehicle or vehicles in which his contributions will be invested.

9.4. Changes in Investment Elections. A Participant, Retirement

Participant, Former Participant or Former Retirement

Participant who has elected to have all or part of his Accounts invested in any vehicle maintained in the Investment Fund, other than an Insurance Contract, can change his election on a daily basis and elect to have his Accounts or any future contributions made to the Plan on his behalf which are not invested in an Insurance Contract, invested in any of the available Investment Funds, with such investment changes to be completed as soon as administratively practicable following the request. Notwithstanding the foregoing, a Participant or Retirement Participant may not elect to have amounts transferred from any Investment Fund to the AMETEK Common Stock Fund in an amount which would cause the value of his Accounts allocated to the AMETEK Common Stock Fund to exceed 25% of the value of his Accounts allocated to all of the Investment Funds (except for those amounts that are invested in an Insurance Contract.) A Participant or Retirement Participant may elect to change the portion of each Account invested in an Insurance Contract and have such amounts invested in either of the investment vehicles maintained in the Investment Fund, within the limits specified in this Section 9.4, only at the times and to the extent permitted in the Insurance Contract. If a Participant does not elect to have all or part of his Accounts invested in an Insurance Contract at the time he becomes a Participant in the Plan, he may subsequently elect to have all or part of his Accounts invested in an Insurance Contract, but only if the insured party satisfies the insurance carrier's requirements for coverage. Whenever amounts have to be transferred because of a change in the Participant's election, the Trustee or the Investment Manager, as the case may be, shall make such transfer as soon as is practicable. Notwithstanding any other provision of the Plan, a Participant may not make an initial election on or after July 1, 1987 to have any part of his Accounts invested in an Insurance Contract. If any Employee makes a Rollover Contribution to the Plan of the distribution of his benefit under the AMETEK, Inc. Employee Stock Ownership Plan in connection with the termination and liquidation thereof, then, notwithstanding any other provision of this Section 9.4, the 25% limitations applicable to contributions and allocations of amounts to be invested in the Common Stock Fund shall be waived to such extent as may be necessary to enable the entire amount of any such Rollover Contribution to be invested in, and remain allocable to, the Common Stock Fund.

9.5. Insurance Contract. At the time he elects to participate in the

Plan, the Participant may elect to have all or part of each of his Accounts invested in one or more Insurance Contracts, including, but not limited to, universal life insurance policies issued by a licensed insurance carrier. The premiums for such Insurance Contracts shall be paid from the amounts then allocated to the Participant's Accounts, as designated by the Participant, from future contributions made on behalf of the Participant and from any amounts paid with respect to the Insurance Contract. In the event that such amounts are insufficient to pay any premiums due on the Insurance Contract, the Committee shall notify the Participant and the Insurance Contract shall be surrendered to the insurance company and the

proceeds shall be invested in either the Fixed Income Fund, the Equity Fund or the Common Stock Fund as the Participant so elects within the limitations specified in this Section 9.5, after being notified by the Committee that the Insurance Contract has been surrendered. Alternatively, the Participant may elect to have the Trustee pay the premiums on such Insurance Contract from the portion of the Participant's Accounts invested in the Fixed Income Fund or the Equity Fund or the Common Stock Fund. Notwithstanding the preceding, in the case of each Participant, (i) the aggregate premiums paid for term life insurance under any Insurance Contract may not exceed twenty-five percent (25%), nor may the aggregate premiums paid for whole life insurance under any Insurance

Contract exceed fifty percent (50%) of the aggregate contributions allocated to the Participant's Deferral Election Account and his Matching Contribution Account plus the amounts allocated to his Rollover Contribution Account, if any, at any particular time; and (ii) the Trustee, either on or before the Participant's termination of employment with the Employer, shall either convert the entire value of an Insurance Contract into cash or an annuity or distribute the Insurance Contract to the Participant, provided such contract is nontransferable.

9.6. Common Stock Fund. The Trustee shall invest and reinvest the assets

of the Common Stock Fund in the common stock of the Company, par value \$1.00 (the "Common Stock"). Any dividends paid with respect to the Common Stock shall be reinvested in additional shares. Shares of Common Stock may be acquired from the Company, from other shareholders or on the open market; provided, however, that in no event shall the Trustee pay more than fair market value for the Common Stock. Notwithstanding any provision of the Plan or the Trust to the contrary, on all corporate matters requiring shareholder approval, each Participant, Former Participant, Retirement Participant or Former Retirement Participant who has elected to invest part of his Accounts in the Common Stock Fund shall have the right to direct the Trustee how to vote any Common Stock allocated to his Accounts. Prior to the holding of any special or annual meeting of the Company's shareholders, the Committee shall distribute to each Participant, Former Participant, Retirement Participant or Former Retirement Participant all proxy materials and a proxy form of ballot on which the Participant, Former Participant, Retirement Participant or Former Retirement Participant can direct the Trustee as to the voting of shares of Common Stock allocated to his Accounts. Any and all fractional shares of Common Stock allocated to the Participant's, Former Participant's, Retirement Participant's or Former Retirement Participant's Accounts shall be combined with other fractional shares of other Participants, Former Participants, Retirement Participants or Former Retirement Participants and shall be voted, to the extent possible, to reflect the direction of Participants, Former Participants, Retirement Participants or Former Retirement Participants holding such fractional shares. Shares of Common Stock for which no instructions are received shall be voted, for or against, by the Trustee in the same proportion as the shares for which the Trustee has received

instructions from the Participant, Former Participant, Retirement Participant or Former Retirement Participant.

9.7. Appointment of Investment Manager. The Board of Directors may, from

time to time, appoint one or more Investment Managers to manage, invest and reinvest the Trust Fund, or such part or parts of the Trust Fund as is specified in such appointment. Any appointment made pursuant to this Section 9.4 may be revoked or modified by the Board of Directors at any time and a new appointment made hereunder.

ARTICLE X

AMENDMENT, TERMINATION OR TRANSFER OF ASSETS

10.1. Amendment or Termination. The Board of Directors, at a regular

meeting or by unanimous written consent, may amend, terminate or suspend this Plan at any time or from time to time by an instrument in writing duly executed in the name of the Company and delivered to the Committee; provided, however, that

(a) No amendment shall provide for the use of the assets of this Plan or any part thereof other than for the exclusive benefit of Participants, Retirement Participants, Former Participants, Former Retirement Participants and Beneficiaries;

(b) No amendment shall deprive any Participant, Former Participant, Retirement Participant, Former Retirement Participant or Beneficiary of any of the benefits which are vested in him or to which he is entitled under this Plan by reason of the prior Years of Service, death, Disability or termination of employment of such Participant, Retirement Participant, Former Participant or

Former Retirement Participant; and

(c) Without limiting the generality of the foregoing and notwithstanding anything to the contrary in this Plan contained, this Plan may be amended at any time and from time to time in any respect so as to qualify this Plan as exempt pursuant to Sections 401 and 501(a) of the Code and like provisions of subsequent Revenue Acts, and to comply with the provisions of ERISA, regardless of whether any such amendment may change, alter or amend the relative benefits under this Plan of any Participant, Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary.

10.2. Termination of Plan. This Plan shall cease and come to an end,

although the Trust Fund shall continue to be held by the Trustee for distribution in accordance with Section 10.3, if and when

(a) It is declared terminated in a writing executed in the name of the Company and delivered to the Trustees; or

(b) The Company is dissolved or liquidated or disposes of substantially all of its assets without provision for continuation of this Plan by any successor person, firm or corporation.

10.3. Distribution of Assets. Upon termination of this Plan, or complete

discontinuance of contributions to this Plan, the proportionate interest of each Participant or Retirement Participant in the Trust Fund shall become nonforfeitable. Upon

partial termination of this Plan the nonforfeitable rights shall be applicable only to the portion of this Plan that is terminated and only to those Participants or Retirement Participants affected by the partial termination. Except as otherwise provided by ERISA, there shall first be set aside amounts due to Former Participants or Former Retirement Participants which were not previously paid pursuant to the provisions of Article VI, and the amount to which any such Former Participants or Former Retirement Participants is entitled as hereinabove provided shall be paid to him or his duly designated Beneficiary, as the case may be. The proportionate interest of each Participant or Retirement Participant in the remaining assets of the Trust Fund shall then be determined in accordance with Sections 5.2 and 5.3 except that the value of such proportionate interest shall be determined as of the date of termination of this Plan. There shall be paid to each Participant, Retirement Participant or his duly designated Beneficiary, as the case may be, the benefit thus determined pursuant to this Section 10.3, plus his proportionate share of any earnings thereon, or less his proportionate share of any losses thereon, if applicable. Provision for the payment of benefits pursuant to this Section 10.3 may be made at the direction of the Company, by continuing the Trust Fund in existence and making provision therefrom for benefit distributions in accordance with the terms of this Plan, by immediate and full distribution from the Trust Fund of Participants' or Retirement Participants' Accounts, or by any combination thereof.

10.4. Affiliates.

(a) Adoption by Affiliates. Any affiliate may, subject to the

approval of the Company, adopt and become a party to this Plan by resolution of its Board of Directors, certified copies of which shall be delivered to the Company, the Committee, the Trustee and the Plan Administrator. The effective date of any such adoption shall be the first day of a calendar month as is fixed in the resolution of adoption.

(b) Withdrawal by Affiliate. Any one or more of the Employers shall

be entitled to withdraw from this Plan without the consent or approval of any one or more of the remaining Employers. Any Employer shall be deemed to have withdrawn from this Plan in the event it loses its corporate or other legal existence by dissolution or merger. In the event of such withdrawal from this Plan of an Employer while this Plan continues for any one or more of the other Employers, if the obligations hereunder of the withdrawing Employer are not assumed by any one or more of the remaining Employers, it shall be deemed that this Plan has been terminated with respect to such withdrawing Employer and in such event the Committee or the Trustee, as the case may be, shall perform the

acts set forth in Section 10.3 with respect to the part of the Trust Fund representing the Accounts of the Participants, Retirement Participants, Former Participants or Former Retirement Participants employed by the withdrawing Employer; provided, however, that if any Participant

of a withdrawing Employer is immediately employed by any other Employer then he shall continue as a Participant or Retirement Participant under this Plan.

10.5. Amendment to Vesting Schedule. If any amendment changes the method

for determining the nonforfeitable percentage of the value of a Participant's or Retirement Participant Accounts, the Committee shall give written notice thereof, within sixty (60) days of the later of the date on which such amendment was adopted or became effective, to each Participant or Retirement Participant who has completed three or more Years of Service prior to the sixtieth day following the later of (i) the date he receives notice of such amendment, (ii) the date the amendment is adopted, or (iii) the date the amendment becomes effective. Such Participant or Retirement Participant may elect to have his nonforfeitable percentage determined without regard to the amendment by filing a written request with the Committee within sixty (60) days of the later of the dates specified in clauses (i), (ii) and (iii) of this Section 10.5. Such election shall be irrevocable.

10.6. Merger of Plan. This Plan shall not be merged or consolidated with,

nor shall any assets or liabilities be transferred to, any other plan, unless the benefits payable to each Participant, Retirement Participant, Former Participant, Former Retirement Participant and Beneficiary, if the transferee plan were terminated immediately after such action, would be equal to or greater than the benefits to which he would have been entitled if this Plan had been terminated immediately before such action.

ARTICLE XI

----- TOP HEAVY PLANS -----

11.1. Definitions. For purposes of this Article XI, the following

definitions shall apply unless the context clearly indicates otherwise:

(a) "Aggregation Group" shall mean a group of plans consisting of

all plans of the Company or any Affiliate in which one or more Key Employees are participants, whether or not such plans are terminated and whether or not such plans are sponsored by a corporation, and all other plans maintained by the Company or any Affiliate that enable any plan in which a Key Employee is a participant to comply with the coverage and nondiscrimination requirements of Sections 401(a)(4) and 410 of the Code; and all plans of the Company or an Affiliate which the Company designates as part of the Aggregation Group, provided the resulting Aggregation Group meets the coverage and nondiscrimination requirements of Sections 401(a)(4) and 410 of the Code.

(b) "Determination Date" shall mean the last day of the preceding

Plan Year, and in the case of the first Plan Year, the last day of such Plan Year.

(c) "Five Percent Owner" shall mean:

(i) any person who owns, or is considered as owning, within the meaning of Section 318 of the Code, as modified by Section 416 thereof, more than 5% of the outstanding stock of the Company or any Affiliate or more than 5% of the total combined voting power of all of the stock of the Company or any Affiliate; or

(ii) if the Affiliate is not a corporation, any person who owns, or is considered as owning, within the meaning of Section 416 of the Code, more than 5% of the capital or profits of the Affiliate.

For purposes of this Subsection (c), the Company and each Affiliate shall not be treated as a single employer, and a person's ownership interest in the Company or any such Affiliate shall not be aggregated.

(d) "Key Employee" shall mean any individual who is, or was at any

time during the Plan Year ending with the Determination Date or any of the four preceding Plan Years:

(i) an Officer, but only if the individual's Total Compensation exceeds 1.5 times the dollar limit set forth in Section 415(c)(1)(A) of the Code, as adjusted for increases in the cost-of-living;

(ii) a Top Ten Owner, but only if the individual's Total Compensation exceeds the dollar limit set forth in Section 415(c)(1)(A) of the Code, as adjusted for increases in the cost-of-living;

(iii) a Five Percent Owner;

(iv) a One Percent Owner whose Total Compensation exceeds \$150,000; or

(v) the Beneficiary of any individual described in clauses (i) through (iv) of this Subsection (d).

(e) "Non-Key Employee" shall mean each individual who is an employee

of the Company or an Affiliate but who is not a Key Employee.

(f) "Officer" shall mean an individual who is an executive in the

regular and continued service of the Company or an Affiliate; provided, however, that the number of employees who are considered Officers for purposes of this Section 11.1 shall not exceed:

(i) three, if the number of employees of the Company and Affiliates does not exceed 30;

(ii) 10% of the number of employees of the Company and Affiliates, if the number of employees is more than 30 but less than 500; and

(iii) 50, if the number of employees of the Company and Affiliates is 500 or more.

If the number of Officers exceeds the limits set forth in this Subsection (f), then the Officers having the highest annual Total Compensation among all Officers, during the Plan Year ending with the Determination Date and the four preceding Plan Years, shall be considered Key Employees.

(g) "One Percent Owner" shall have the same meaning as Five Percent

Owner, except that "1%" shall be substituted for "5%", wherever the latter term appears in Subsection (c).

(h) "Super Top-Heavy Plan" shall have the same meaning as "Top-Heavy

Plan," except that "90%" shall be substituted for "60%" wherever the latter term appears in Subsection (i).

(i) "Top-Heavy Plan." This Plan shall be considered a Top-Heavy

Plan for any Plan Year, if, as of the Determination Date,

(i) the Plan is not part of an Aggregation Group and the present value of the accrued benefits of Key Employees participating in the Plan exceeds 60% of the

present value of the cumulative accrued benefits of all Participants or Retirement Participants in the Plan, or

(ii) the Plan is part of an Aggregation Group and the present value of the account balances and accrued benefits of Key Employees participating in the Aggregation Group exceeds 60% of the present value of the cumulative account balances and accrued benefits of all participating employees in the Aggregation Group,

as computed in each case in accordance with Section 416 of the Code. For purposes of this Subsection (i), a Participant's or Retirement Participant's accrued benefit or account balance shall not include any tax free rollover (as described in Section 402(a)(5)(A) or Section 408(d)(3) of the Code) or plan-to-plan transfer which (1) is made from the Plan (or, if applicable, plans which are part of the Aggregation Group) if the plan to which the tax free rollover or plan-to-plan transfer is made is an employee benefit plan which is maintained by the Company or an Affiliate and the tax free rollover or plan-to-plan transfer is not initiated by the Participant or Retirement Participant or (2) is made to any plan which is part of the Aggregation Group if the plan from which the tax free rollover or plan-to-plan transfer is made is an employee benefit plan which is not maintained by the Company or an Affiliate and the tax free rollover or plan-to-plan transfer is initiated by the Participant or the Retirement Participant. The present value of the cumulative account balances or accrued benefit of any Participant, Retirement Participant, Former Participant or Former Retirement Participant shall also include any distributions from the Plan (or, if applicable, from any plan in the Aggregation Group) made to the Participant, Retirement Participant, Former Participant or Former Retirement Participant or his Beneficiary during the Plan Year ending with the Determination Date and any of the four preceding Plan Years. Solely for purposes of determining if the Plan, or any other plan included in a required Aggregation Group of which this Plan is a part, is Top-Heavy, the accrued benefit of a Non-Key Employee shall be determined under the method, if any, that uniformly applies for accrual purposes under all plans maintained by Affiliates, or if there is no such method, as if such benefit accrued not more rapidly than the shortest accrual rate permitted under the fractional accrual rule of Section 411(b)(1)(C) of the Code.

(j) "Top Ten Owner" shall mean one of the ten employees owning, or

considered as owning, within the meaning of Section 318 of the Code, the greatest interest in the Company or an Affiliate, but only if such employee owns at least a 0.5% interest in the Company or the Affiliate. For purposes of this Subsection (j), if two employees have the same ownership interest in the Company or the Affiliate, the employee with the greater Total Compensation shall be considered as owning the larger interest in the Company or the Affiliate.

(k) "Total Compensation" shall mean the Employee's 'compensation' as

defined in Subsection 5.5(f).

11.2. Minimum Contributions. For each Plan Year during which the Plan is

a Top-Heavy Plan, the amount of Employer Contributions allocated to the Matching Contribution Account of each Non-Key Employee who has satisfied the eligibility requirements of Article II hereof, and who is still in the service of the Employer as of the last day of the Plan Year, shall be an amount at least equal to the lesser of:

(a) 3% of the Non-Key Employee's Total Compensation for the Plan Year; or

(b) a percentage which is equal to the highest percentage of Total Compensation contributed by the Employer on behalf of any Key Employee.

The amount the employer is required to contribute on behalf of each Non-Key Employee pursuant to this Section 11.2 shall be reduced by the amount of any Employer Contribution made on behalf of such Non-Key Employee with respect to such Plan Year pursuant to the provisions of this Plan or any contribution (other than an elective deferral) to other defined contribution plan maintained by the Employer.

11.3. Coordination with Defined Benefit Plan. In the event that a Non-Key

Employee who is entitled to receive a contribution under Section 11.2 is also entitled to receive a minimum benefit pursuant to Section 416 of the Code under a defined benefit pension plan maintained by the Employer, and the Non-Key Employee does not accrue a benefit under such defined benefit pension plan which, together with the Non-Key Employee's minimum contribution provided under

Section 11.2 hereof, satisfies the requirements of Section 416 of the Code, the amount of Matching Contributions allocated to the Matching Contribution Account of such Non-Key Employee shall equal the lesser of:

(a) 5% of the Non-Key Employee's Total Compensation for the Plan Year; or

(b) the percentage necessary in order that the Non-Key Employee receive the minimum combined benefits under this Plan and such benefit pension plan to which he is entitled under Section 416 of the Code.

Notwithstanding the foregoing, the amount allocated to the Employer Contribution Account of each Non-Key Employee shall be reduced by the amount of any Employer Contribution made on behalf of such Non-Key Employee with respect to such Plan Year pursuant to 11.2 or any other provision of this Plan or any other defined contribution plan maintained by the Employer.

11.4. Maximum Benefits. If, in any Limitation Year in which the Plan is a

Top-Heavy Plan, a Participant or Retirement

Participant also participates in one or more defined benefit plans maintained by the Employer or an Affiliate (as defined in Section 5.5(h)), then for purposes of Sections 5.5(c) and (d) respectively, the phrase "1.0" shall be substituted for the phrase "1.25" wherever the latter phrase appears. Notwithstanding the preceding, the provisions of this Section 11.4 shall not apply if the Plan is not a Super Top-Heavy Plan and the Employer contributes, on behalf of each Non-Key Employee who is entitled to receive a benefit under Section 11.2, an amount at least equal to 1% of the Participant's or Retirement Participant's Total Compensation for the Plan Year. The amount contributed on behalf of each Non-Key Employee under this Section 11.4 shall be in addition to any contribution made on his behalf pursuant to Sections 11.2 or 11.3 hereof, whichever is applicable, but shall be reduced by the amount by which:

(a) any Employer Contributions made on behalf of such Non-Key Employee with respect to such Plan Year under the provisions of this Plan or any other defined contribution plan maintained by the Employer, exceed

(b) the contributions made on his behalf under Sections 11.2 and 11.3 hereof.

ARTICLE XII

MISCELLANEOUS

12.1. No Rights Implied. Nothing herein contained shall be deemed to give

any Participant, Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary an interest in any specific property of this Plan or of the Trust Fund or any interest other than his right to receive payment in accordance with the provisions of this Plan.

12.2. Assignment and Alienation. The interest in this Plan of a

Participant, Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary shall not be subject to assignment or transfer or otherwise be alienable either by voluntary or involuntary act of such person, or by operation of law, nor shall it be subject to attachment, execution, garnishment, sequestration or other seizure under any legal, equitable or other process other than pursuant to the terms of a Qualified Domestic Relations Order (pursuant to Section 6.7) or in satisfaction of a federal tax levy. If any Participant, Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary shall attempt to or shall alienate, sell, transfer, pledge or otherwise encumber any amount to which he is or might become entitled, or if by reason of the bankruptcy or insolvency of any such person or the issuance of any garnishment, writ of execution or other court process, or other event happening at any time, any amount otherwise payable hereunder to such person should devolve upon anyone else or would not be enjoyed by him, the Committee, in its absolute discretion, may terminate such interest and may hold or apply it to or for the benefit of such Participant, Retirement Participant,

Former Participant, Former Retirement Participant or Beneficiary, or as the case may be, the spouse, children or other dependents of such person, in such manner as the Committee may deem proper.

12.3. No Diversion of Trust Assets. Anything contained in this Plan to

the contrary notwithstanding, it shall be impossible at any time for any part of the corpus or income of the Trust Fund or of any segregated share of the assets of this Plan to be used for or diverted to purposes other than for the exclusive benefit of Participants, Retirement Participants, Former Participants, Former Retirement Participants or Beneficiaries, and no part thereof shall ever revert to the Company or any of the Employers.

12.4. Exclusive Benefit. This Plan is created for the exclusive benefit

of Participants, Retirement Participants, Former Participants, Former Retirement Participants and Beneficiaries and shall be interpreted in a manner consistent with its being an employees' trust as defined in Section 401 of the Code.

12.5. No Employment Contract. This Plan shall not be construed as

creating any contract of employment between the Employer and any Employee; and the Employer shall have the same control over its employees as though this Plan had never been executed.

12.6. Fiduciaries. Any person or group of persons may serve in more than

one fiduciary capacity with respect to this Plan.

12.7. Incapacity. In the event that the Committee finds that any

Participant, Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary is unable to care for his affairs due to illness or accident, any payments due to such Participant, Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary under this Plan may be made to his duly appointed legal representative. The Committee may, in its discretion, make such payments to a child, parent or spouse of such Participant, Retirement Participant, Former Participant, Former Retirement Participant or Beneficiary, or to any other person with whom he resides or who is charged with his care. Any payment or payments so made shall be in complete discharge of the liability under this Plan therefor.

12.8. Governing Law. This Plan shall be construed according to the laws

of the Commonwealth of Pennsylvania, where it is made and where it shall be enforced, except to the extent such laws have been superseded by ERISA.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed in its corporate name by a duly authorized officer and its corporate seal to be affixed on this third day of January, 1997.

AMETEK, INC.

BY: /s/ Robert W. Yannarell

Robert W. Yannarell

ATTEST:

/s/ Donna F. Winquist

Donna F. Winquist

[SEAL]

APPENDIX I

SPECIAL PROVISIONS RELATING TO CERTAIN FOR EMPLOYEES OF DIXSON, INC.

1. The provisions of this Appendix IX shall apply to each employee of AMETEK, Inc. ("AMETEK"), who (i) was an employee of Primera Trading

Company Inc. (formerly known as Dixson, Inc. (the "Predecessor Employer")) immediately prior to the acquisition by the Company of certain assets of the Predecessor Employer and (ii) transfer employment to AMETEK in connection with the purchase of certain assets of Dixson. Such persons shall hereinafter be referred to as "Covered Employees" for purposes of this Appendix IX.

2. Each Covered Employee who has attained age 21 shall be eligible to participate in the Plan, effective April 1, 1995, in accordance with, and subject to, all of the terms, conditions and provisions of the Plan.

3. Any Covered Employee not referred to in Section 2 of this Appendix IX shall be eligible to participate in the Plan on the January 1st coincident with or next following the date such Covered Employee first satisfies the eligibility requirements set forth in Article III of the Plan.

4. For purposes of determining any Covered Employee's nonforfeitable right to his Employer Matching Contribution Account and his Retirement Account pursuant to Section 6.1 of the Plan, the Years of Service of such Covered Employee shall be deemed to have commenced on the first day of the most recent period of continuous service with Predecessor Employer.

5. Defined terms used in this Appendix IX shall have the same meaning as the identical defined terms as used in The AMETEK, Inc. Savings and Investment Plan.

APPENDIX II

SPECIAL PROVISIONS RELATING TO CERTAIN EMPLOYEES OF THE MICROFOAM DIVISION

1. Notwithstanding any other provision of the Plan to the contrary, each Participant who was an Employee in the Company's Microfoam Division and who transferred his employment on the closing date of the sale of the Microfoam Division to Astro-Valcour, Inc. ("Microfoam Participant"), pursuant to the Asset Purchase Agreement dated March 21, 1995, shall be entitled to one hundred percent (100%) of his Employer Matching Contribution Account regardless of the number of Years of Service he completed prior to the closing date of the sale.

2. Notwithstanding any other provision of the Plan to the contrary, effective as of June 1, 1995 the Insurance Contract applicable to each Microfoam Participant, or beneficiary thereof, is closed and the assets therein liquidated pursuant to the instruction of each such Microfoam Participant.

3. Defined terms used in this Appendix X shall have the same meaning as the identical defined terms as used in The AMETEK, Inc. Savings and Investment Plan.

Amendment No. 2

to the

1995 Stock Incentive Plan of
AMETEK, Inc.

WHEREAS, AMETEK, Inc. (the "Corporation") has adopted the 1995 Stock Incentive Plan of AMETEK, Inc. (the "Plan"); and

WHEREAS, Section 19 of the Plan permits the Corporation to amend the Plan; and

WHEREAS, the Corporation now desires to amend the Plan in certain respects;

NOW THEREFORE, the Plan is hereby amended as follows:

1. Section 5 of the Plan is amended by deleting the last sentence from the section and substituting therefore:

"In addition to the foregoing, each Non-Employee Director whose initial election to the Board of Directors is after the date of the adoption of the Plan by the Board of Directors (other than any Non-Employee Director who is a partner of the law firm then retained as general counsel to the Corporation) shall be granted a Non-Qualified Stock Option of 20,000 shares. Such Non-Employee Director shall be eligible to participate in the Plan only for the foregoing purposes."

2. Subsection (d) of Section 10 of the Plan is deleted from the Plan in its entirety.

3. The provisions of this Amendment No. 2 shall be effective as of April 27, 1995.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed, in its corporate name, by its duly authorized officer, and its corporate seal to be affixed on this 19th day of March, 1996.

AMETEK, Inc.

By: /s/ Robert W. Yannarell

Robert W. Yannarell

Attest:

/s/ Donna F. Winquist

Donna F. Winquist
(Seal)

Amendment No. 3
to the
1995 Stock Incentive Plan of
AMETEK, Inc.

WHEREAS, AMETEK, Inc. (the "Corporation") has adopted the 1995 Stock Incentive Plan of AMETEK, Inc. (the "Plan"); and

WHEREAS, Section 19 of the Plan permits the Corporation to amend the Plan; and

WHEREAS, the Corporation now desires to amend the Plan in certain respects;

NOW THEREFORE, the Plan is hereby amended as follows:

1. The first sentence of Section 13 of the Plan is amended to read, in its entirety, as follows:

"If a holder of an Option and/or Rights shall voluntarily or involuntarily leave the employ of the Corporation and its Affiliates, the Option and Rights of such holder shall terminate forthwith, except that the holder shall have until the expiration of 3 months (3 business days in the case of Incentive Stock Options granted before November 20, 1996) from the cessation of the holder's employment with the Corporation and its Affiliates (without regard to any period of severance) to exercise any unexercised Option and/or Rights the holder could have

exercised on the day on which he left the employ of the Corporation and Affiliates."

2. The provisions of this Amendment No. 3 shall be effective for terminations occurring on and after November 20, 1996.

IN WITNESS WHEREOF, AMETEK has caused these presents to be executed, in its corporate name, by its duly authorized officer, and its corporate seal to be affixed on this 12th day of December, 1996.

AMETEK, Inc.

By: /s/ Robert W. Yannarell

Robert W. Yannarell

Attest:

/s/ Donna F. Winqvist

Donna F. Winqvist
(Seal)

EXHIBIT 12

AMETEK, Inc.
Statement Regarding Computation of Ratio of Earnings to Fixed Charges
(Dollars in thousands)

EARNINGS:	Year Ended December 31,				
	1992	1993	1994	1995	1996
Income from continuing operations	\$42,777	(\$8,089)	\$36,619	\$43,757	\$51,190
Income tax expense (benefit)	21,352	(4,472)	21,144	25,500	27,470
Interest expense - gross	20,197	18,580	22,295	20,317	19,670
Capitalized interest	(476)	(977)	(677)	(142)	(599)
Amortization of debt financing costs	196	173	1,385	1,221	136
Interest portion of rental expense(1)	1,210	1,467	1,466	1,633	2,097
Adjusted earnings	\$85,256	\$6,682	\$82,232	\$92,286	\$99,964
FIXED CHARGES:					
Interest expense, net of capitalized interest	\$19,721	\$17,603	\$21,618	\$20,175	\$19,071
Capitalized interest	476	977	677	142	599
Amortization of debt financing costs	196	173	1,385	1,221	136
Interest portion of rental expense(1)	1,210	1,467	1,466	1,633	2,097
Fixed charges	\$21,603	\$20,220	\$25,146	\$23,171	\$21,903
RATIO OF ADJUSTED EARNINGS TO					
FIXED CHARGES	3.9x	- (2)	3.3x	4.0x	4.6x

(1) Estimated to be 1/3 of total rent expense.

(2) Earnings from continuing operations in 1993 were insufficient to cover fixed charges by approximately \$13.5 million.

SUBSIDIARIES OF AMETEK, INC.

Name of subsidiary and name under which it does business -----	State or other jurisdiction of incorporation or organization -----	Percentage of voting securities owned by its immediate parent*
AFIMO S.A.M.....	Monaco	100%
AmeSpace, Inc.....	Delaware	100%
AMETEK Aerospace Products Inc.....	Delaware	100%
AMETEK (Bermuda) Ltd.....	Bermuda	100%
AMETEK (Canada) Inc.....	Canada	100%
AMETEK (FSC), Inc.....	U.S. Virgin Islands	100%
AMETEK, G.m.b.H.....	Germany	100%
AMETEK Precision Instruments Europe, G.m.b.H...	Germany	100%
AMETEK IMTSA, S.A. de C.V.....	Mexico	100%
AMETEK Lamb Motores de Mexico, S.A. de C.V.....	Mexico	100%
AMETEK Mexicana, S.A.....	Mexico	100%
AMETEK Precision Instruments France, S.A.R.L....	France	100%
AMETEK Precision Instruments (UK) Ltd.....	England	100%
AMETEK Filters Ltd.....	England	100%
APIC International S.A.....	France	100%
APIC Filter, G.m.b.H.....	Germany	55%
EMA Corp.....	Delaware	100%
AMETEK Holdings B.V.....	Netherlands	100%
AmeKai Hong Kong.....	Hong Kong	50%
AMETEK Denmark A/S.....	Denmark	100%
AMETEK Elektromotory CR S.R.O.....	Czech Republic	95%
AMETEK (Italia) S.r.l.....	Italy	100%
AMETEK Singapore Private Ltd.....	Singapore	100%
AmeKai Singapore Pte., Ltd.....	Singapore	50%
AmeKai Meter (Xiamen) Co., Ltd.....	China	100%
AmeKai Taiwan Co., Ltd.....	Taiwan	50%
AMETEK Motors Asia Pte. Ltd.....	Singapore	100%
AMETEK		
 Motors (Shanghai) Co., Ltd.....	 China	 100%
WEBAK B.V.....	Netherlands	100%

* Exclusive of directors' qualifying shares and shares held by nominees as required by the laws of the jurisdiction of incorporation.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Forms S-8 Registration Nos. 33-60647, 33-40223, and 2-97434) pertaining to the 1995 Stock Incentive Plan of AMETEK, Inc; 1991 Stock Incentive Plan, 1987 Employees' Stock Incentive Plan, 1983 Employees' Incentive Stock Option Plan, and 1981 Employees' Non-Qualified Stock Option and Stock Appreciation Rights Plan of AMETEK, Inc., and to The AMETEK Savings and Investment Plan, respectively, and in the related Prospectuses, of our report dated January 22, 1997, except for Note 15, as to which the date is February 5, 1997, with respect to the financial statements of AMETEK, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 1996.

/s/ ERNST & YOUNG LLP

Philadelphia, PA
March 6, 1997

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET OF AMETEK, INC. AT DECEMBER 31, 1996, AND THE CONSOLIDATED STATEMENT OF INCOME OF AMETEK, INC. FOR THE YEAR ENDED DECEMBER 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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