Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

OR

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

For the transition period from ________ to _________

Commission file number 1-12981

AMETEK, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	14-1682544
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

37 North Valley Road, Building 4, P.O. Box 1764, Paoli, Pennsylvania 19301-0801

(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code 610-647-2121

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The number of shares of the issuer's common stock outstanding as of the latest practicable date was: Common Stock, $0.01 Par Value, outstanding at October 22, 2004 was 68,517,512 shares.

AMETEK, Inc.
Form 10-Q
Table of Contents

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMETEK, Inc.

CONSOLIDATED STATEMENT OF INCOME (Unaudited)
(In thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net sales	$310,707	$267,781	$906,047	$812,182
Expenses:				
Cost of sales, excluding depreciation	216,534	190,049	640,479	586,398
Selling, general and administrative	35,112	30,130	97,954	85,697
Depreciation	8,608	8,123	26,184	25,191
Total expenses	260,254	228,302	764,617	697,286
Operating income	50,453	39,479	141,430	114,896
Other income (expenses):				
Interest expense	(7,541)	(6,459)	(20,676)	(19,426)
Other, net	(659)	160	(696)	(939)
Income before income taxes	42,253	33,180	120,058	94,531
Provision for income taxes	13,233	11,262	38,707	31,079
Net income	$ 29,020	$ 21,918	$ 81,351	$ 63,452
Basic earnings per share (a)	$ 0.43	$ 0.33	$ 1.20	$ 0.96
Diluted earnings per share (a)	$ 0.42	$ 0.32	$ 1.18	$ 0.94
Average common shares outstanding:				
Basic shares (a)	68,124	66,474	67,657	66,073
Diluted shares (a)	69,552	67,721	69,039	67,389
Dividends per share (a)	$ 0.06	$ 0.03	$ 0.18	$ 0.09

(a) Amounts for 2003 have been restated to reflect a two-for-one stock split effective February 27, 2004.

See accompanying notes.

AMETEK, Inc.

CONSOLIDATED BALANCE SHEET
(In thousands)

	September 30, 2004	December 31, 2003
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,541	$ 14,313
Marketable securities	8,869	8,573
Receivables, less allowance for possible losses	214,920	189,010
Inventories	167,615	143,359
Deferred income taxes	9,663	9,672
Other current assets	24,904	17,139
Total current assets	449,512	382,066
Property, plant and equipment, at cost	664,970	639,925
Less accumulated depreciation	(461,554)	(426,303)
	203,416	213,622
Goodwill	608,735	506,964
Other intangibles, investments and other assets	129,926	112,195
Total assets	$1,391,589	$1,214,847
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 79,454	$ 106,774
Accounts payable	103,414	96,582
Accruals	101,047	85,875
Total current liabilities	283,915	289,231
Long-term debt	407,964	317,674
Deferred income taxes	53,151	54,847
Other long-term liabilities	34,748	23,965
Stockholders' equity:		
Common stock	702	690
Capital in excess of par value	46,279	32,849
Retained earnings	613,594	544,422
Accumulated other comprehensive losses	(19,687)	(19,196)
Treasury stock	(29,077)	(29,635)
	611,811	529,130
Total liabilities and stockholders' equity	$1,391,589	$1,214,847

See accompanying notes.

AMETEK, Inc.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine months ended September 30,	
	2004	2003
Cash provided by (used for):		
Operating activities:		
Net income	$ 81,351	$ 63,452
Adjustments to reconcile net income to total operating activities:		
Depreciation and amortization	28,413	25,961
Deferred income taxes	2,810	5,120
Net change in assets and liabilities	(12,081)	13,746
Other	(283)	(199)
Total operating activities	100,210	108,080
Investing activities:		
Additions to property, plant and equipment	(14,416)	(13,505)
Purchase of businesses	(143,468)	(163,183)
Other	3,007	1,969
Total investing activities	(154,877)	(174,719)
Financing activities:		
Net change in short-term borrowings	(26,842)	44,215
Additional long-term borrowings	97,356	76,223
Reduction in long-term borrowings	(7,630)	(47,769)
Repurchases of common stock	—	(5,848)
Cash dividends paid	(12,180)	(6,115)
Proceeds from stock options	13,191	9,259
Total financing activities	63,895	69,965
Increase in cash and cash equivalents	9,228	3,326
Cash and cash equivalents:		
As of January 1	14,313	13,483
As of September 30	$ 23,541	$ 16,809

See accompanying notes.

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)

Note 1 – Financial Statement Presentation

The accompanying consolidated financial statements are unaudited. The Company believes that all adjustments (which primarily consist of normal recurring accruals) necessary for a fair presentation of the consolidated financial position of the Company at September 30, 2004, and the consolidated results of its operations for the three- and nine-month periods ended September 30, 2004 and 2003, and its cash flows for the nine month period ended September 30, 2004 and 2003 have been included. Quarterly results of operations are not necessarily indicative of results for the full year. The accompanying financial statements should be read in conjunction with the financial statements and related notes presented in the Company's annual report on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission.

Note 2 – Stock Split

On January 27, 2004, the Company's Board of Directors approved a two-for-one split of its common stock, distributed on February 27, 2004, to shareholders of record on February 13, 2004. All share and per share amounts included in this report reflect the stock split.

Note 3 – Recent Accounting Pronouncements

In the first quarter of 2004, the Company adopted Financial Accounting Standards Board ("FASB") Financial Interpretation No. 46-R ("FIN 46-R"), "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51", which replaced FIN 46. FIN 46-R requires a company to consolidate a variable interest entity ("VIE") if it is designated as a primary beneficiary of that entity even if the company does not have a majority voting interest in the entity. A VIE is generally defined as an entity in which equity investors do not have the characteristics of a controlling financial interest, or do not have sufficient equity at risk for the entity to finance its own activities without additional financial support from other parties, or whose owners lack the risks and rewards of ownership. The disclosure requirements of FIN 46-R were effective for financial statements issued after December 31, 2003. The initial recognition provisions of FIN 46-R relating to VIE's created or obtained prior to February 2003 were to be implemented no later than the end of the first reporting period that ends after March 15, 2004. Adoption of FIN 46-R had no effect on the Company's consolidated results of operations, financial position, or cash flows.

AMETEK, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)

Note 4 – Earnings Per Share

The calculation of basic earnings per share for the three- and nine-month periods ended September 30, 2004 and 2003 is based on the average number of common shares considered outstanding during the periods. Diluted earnings per share for such periods reflect the effect of all potentially dilutive securities (primarily outstanding common stock options). The following table presents the number of shares used in the calculation of basic earnings per share and diluted earnings per share for the periods:

	Weighted average shares (In thousands)			
	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Basic shares	68,124	66,474	67,657	66,073
Stock option and award plans	1,428	1,247	1,382	1,316
Diluted shares	69,552	67,721	69,039	67,389

Note 5 – Acquisitions

On July 16, 2004, the Company acquired substantially all of the assets of Hughes-Treitler Mfg. Corp. (Hughes-Treitler) for approximately $48.0 million in cash. Hughes-Treitler is a supplier of heat exchangers and thermal management subsystems for the aerospace and defense markets. Hughes-Treitler has expected annualized sales of approximately $32.0 million. Hughes-Treitler is a part of the Company’s Electromechanical Group.

On June 18, 2004, the Company acquired Taylor Hobson Holdings Limited (Taylor Hobson) from funds advised by Permira, for approximately 51.0 million British pounds sterling, or $93.8 million in cash, net of cash received. Taylor Hobson is a leading manufacturer of ultra-precision measurement instrumentation for a variety of markets, including optics, semiconductors, hard disk drives and nanotechnology research. Taylor Hobson has expected 2004 full year sales of approximately 38.0 million British pounds sterling, or $70.0 million. Taylor Hobson is a part of the Company’s Electronic Instruments Group.

The operating results of the above acquisitions are included in the Company’s consolidated results from their respective dates of acquisition.

The acquisitions have been accounted for using the purchase method in accordance with SFAS No. 141, "Business Combinations." The following table presents the tentative allocation of the aggregate purchase price for Taylor Hobson and Hughes-Treitler based on their estimated fair values:

	In millions
Net working capital	$ 4.5
Property, plant and equipment	7.6
Goodwill	111.2
Other assets	20.2
Total net assets	$143.5

The amount allocated to goodwill is reflective of the benefit the Company expects to realize from expanding its measurement capabilities into ultra-precision applications through Taylor Hobson and thermal management systems for the aerospace markets through Hughes-Treitler.

The $20.2 million in other assets was assigned to intangibles, other than goodwill, with estimated lives up to 10 years.

The Company is obtaining third party valuations of certain tangible and intangible assets acquired with the Taylor Hobson and the Hughes-Treitler acquisitions. Therefore, the allocation of purchase price to these acquisitions is subject to revision.

Had the acquisitions of Taylor Hobson and Hughes-Treitler been made at the beginning of 2004, net sales, net income and diluted earnings per share for the three- and nine- month periods ended September 30, 2004 would not have been materially different than the amounts reported. Had these acquisitions and the acquisition of the Chandler Instruments business, which was acquired in August 2003 been made at the beginning of 2003, pro forma net sales for the three- and nine- month periods ended September 30, 2003 would have been $293.3 million and $892.2 million, respectively. Net income and diluted earnings per share for the respective periods of 2003 would not have been materially different than the amounts reported.

Note 6 – Goodwill

As of September 30, 2004 and December 31, 2003, goodwill was $608.7 million and $507.0 million, respectively. Goodwill by segment as of September 30, 2004 and December 31, 2003 was: Electronic Instrument Group (EIG) — $378.2 million and $309.0 million, respectively; Electromechanical Group (EMG) - $230.5 million and $197.9 million, respectively. The net increase in goodwill since December 31, 2003 is primarily due to the acquisitions of Taylor Hobson and Hughes-Treitler.

AMETEK, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)

Note 7 – Inventories

The components of inventory stated primarily at lower of last in, first out (LIFO), cost or market are:

	(In thousands)	
	September 30, 2004	December 31, 2003
Finished goods and parts	$ 38,179	$ 29,334
Work in process	42,161	35,105
Raw materials and purchased parts	87,275	78,920
	$167,615	$143,359

Inventory increased $24.3 million from December 31, 2003 to September 30, 2004. The increase in inventory is primarily the result of the acquisitions of Taylor Hobson and Hughes-Treitler and the build up of inventory to meet increased sales levels.

Note 8 – Comprehensive Income

Comprehensive income includes all changes in stockholders' equity during a period except those resulting from investments by and distributions to stockholders.

The following table presents comprehensive income for the three- and nine-month periods ended September 30, 2004 and 2003:

	(In thousands)			
	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net income	$29,020	$21,918	$81,351	$63,452
Foreign currency translation adjustment	47	(1,505)	207	6,525
Unrealized (loss) gain on marketable securities	(570)	(38)	(698)	768
Total comprehensive income	$28,497	$20,375	$80,860	$70,745

Table of Contents

Note 9 – Segment Disclosure

The Company has two reportable business segments, the Electronic Instruments Group and the Electromechanical Group. The Company organizes its businesses primarily on the basis of product type, production process, distribution methods, and management organizations.

At September 30, 2004, there were no significant changes in identifiable assets of reportable segments from the amounts disclosed at December 31, 2003 other than increases due to the current year acquisitions, nor were there any changes in the basis of segmentation, or in the measurement of segment operating results. Operating information relating to the Company's reportable segments for the three and nine-month periods ended September 30, 2004 and 2003 can be found in the table on page 13 in the Management Discussion & Analysis section of this Report.

Note 10 – Pro Forma Stock-Based Compensation

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its stock award plans, which recognizes expense based on the intrinsic value at the date of grant. Since stock options have been issued with the exercise price per share equal to the fair market value per share at the date of grant, no compensation expense has resulted. Had the Company accounted for stock options in accordance with the fair value method prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock-Based Compensation," the Company would have reported the following pro forma results for the three and nine-month periods ended September 30, 2004 and 2003:

	(In thousands, except per share data)			
	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net income, as reported	$29,020	$21,918	$81,351	$63,452
Add: Stock-based employee compensation expense included in reported net income	229	2,119	302	2,425
Deduct: Total stock-based compensation expense, determined under the fair-value method for all awards, net of tax	(1,154)	(3,107)	(3,023)	(5,100)
Pro forma net income	$28,095	$20,930	$78,630	$60,777
Net income per share				
Basic:				
As reported	$ 0.43	$ 0.33	$ 1.20	$ 0.96
Pro forma	$ 0.41	$ 0.31	$ 1.16	$ 0.92
Diluted:				
As reported	$ 0.42	$ 0.32	$ 1.18	$ 0.94
Pro forma	$ 0.41	$ 0.31	$ 1.15	$ 0.91

AMETEK, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)

Note 11 – Retirement and Pension Plans

The following table includes the components of net pension expense recognized under SFAS No. 87 for the three and nine-month periods ended September 30, 2004 and 2003 in accordance with the interim disclosure requirements of SFAS No. 132-R, “Employers’ Disclosures about Pension and Other Postretirement Benefits, an update of FASB Statements No. 87, 88, and 106”. The Company adopted SFAS No. 132-R as of December 31, 2003.

	(In thousands)			
	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Defined benefit plans:				
Service cost	$ 1,102	$ 1,132	$ 3,304	$ 3,244
Interest cost	5,057	5,136	15,171	15,170
Expected return on plan assets	(6,859)	(5,988)	(20,578)	(17,984)
Net amortization	835	1,406	2,506	3,718
Total net pension expense recognized under SFAS No. 87	135	1,686	403	4,148
Other plans:				
Defined contribution plans	1,750	1,762	5,250	5,057
Supplemental retirement plan	100	125	300	375
Foreign plans and other	1,017	608	2,292	1,797
Total other plans	2,867	2,495	7,842	7,229
Total net pension expense	$ 3,002	$ 4,181	$ 8,245	$ 11,377

In the third quarter of 2004 and for the nine-month year-to-date period the Company made a $3.4 million contribution to its U.S. defined benefit pension plans. For the full year 2004, the Company estimates that it will make employer contributions to its defined benefit pension plans of approximately $5 to $7 million.

AMETEK, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)

Note 12 – Product Warranties

The Company provides limited warranties in connection with the sale of its products. The warranty periods for products sold varies widely among the Company's operations, but for the most part do not exceed one year. The Company calculates its warranty expense provision based on past warranty experience and adjustments are made periodically to reflect actual warranty expenses.

Changes in the Company's accrued product warranty obligation for the nine months ended September 30, 2004 and 2003 were as follows:

	(In thousands) Nine months ended September 30,	
	2004	2003
Balance, beginning of year	$ 6,895	$ 6,432
Accruals for warranties issued during the period	4,070	3,769
Settlements made during the period	(3,587)	(4,253)
Changes in liability for pre-existing warranties, including expirations during the period	163	(330)
Warranty liabilities acquired with new businesses	137	1,299
Balance, end of period	$ 7,678	$ 6,917

Product warranty obligations are reported as current liabilities in the consolidated balance sheet.

Note 13 – Flood Damage

In September 2003, one of the Company's manufacturing plants was significantly damaged by a flood. The flood resulted in damage to the building and the operating assets. During the last twelve months, the Company received insurance proceeds totaling $14.5 million related to the damage or loss of these assets. The portion of the claim relating to the building, its contents, and operating assets has been finalized in the third quarter of 2004 with the Company's insurers resulting in the recognition of a pretax gain totaling $2.8 million in the quarter. The portion of the insurance claim with respect to business interruption and other expenses has not been finalized with the insurance companies as of September 30, 2004, and the Company has not received any proceeds related to these items. Settlement of these items could result in an additional gain. The Company has relocated certain of the product lines affected by the flood to another manufacturing facility of the Company.

AMETEK, Inc.

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

Results of Operations

The following table sets forth sales and income by reportable segment, and consolidated operating income and pretax income:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
	(In thousands)			
Net sales				
Electronic Instruments	$172,929	$138,978	$483,094	$409,942
Electromechanical	137,778	128,803	422,953	402,240
Consolidated net sales	$310,707	$267,781	$906,047	$812,182
Operating income and income before income taxes				
Electronic Instruments	$ 32,083	$ 24,886	$ 86,215	$ 66,753
Electromechanical	24,029	21,640	72,378	65,131
Total segment operating income	56,112	46,526	158,593	131,884
Corporate and other	(5,659)	(7,047)	(17,163)	(16,988)
Consolidated operating income	50,453	39,479	141,430	114,896
Interest and other expenses, net	(8,200)	(6,299)	(21,372)	(20,365)
Consolidated income before income taxes	$ 42,253	$ 33,180	$120,058	$ 94,531

Operations for the third quarter of 2004 compared with the third quarter of 2003

In the third quarter of 2004, the Company posted record sales, operating income, net income and diluted earnings per share. The Company achieved these results on the contributions of the Hughes-Treitler business acquired in July 2004, the Taylor Hobson business acquired in June 2004 and the Chandler Instruments business acquired in August 2003 as well as from internal growth in both its Electronic Instruments (EIG) and Electromechanical (EMG) Groups. The Company continued to experience improved market conditions in most of its businesses in the third quarter of 2004. The power instruments market and the cost driven floorcare and specialty motors businesses remain weak. Sales and orders continued to benefit from the broad-based economic improvement impacting the Company's short-cycle businesses as well as improvement in its aerospace business in the third quarter of 2004. The Company expects the economic rebound to continue benefiting its short-cycle businesses, while its long-cycle businesses are not expected to see a major rebound in 2004.

Results of Operations (continued)

Net sales for the third quarter of 2004 were $310.7 million, an increase of $42.9 million, or 16.0%, compared with the third quarter of 2003 net sales of $267.8 million. The net sales increase for EIG was driven by the acquisitions of Taylor Hobson and Chandler Instruments along with strong performance in the Group's high-end analytical instrumentation and heavy-vehicle instruments businesses. This increase in net sales was partially offset by weak conditions in the Group's power instruments market.

Increased net sales for the Electromechanical Group (EMG) were primarily driven by the acquisition of Hughes-Treitler as well as strength in its differentiated businesses, partially offset by weak market conditions in its cost driven floorcare and specialty motors businesses. Sales of both Groups benefited from $4.3 million in favorable foreign currency impacts, primarily from the Euro and the British pound sterling. Without the acquisitions previously mentioned, sales for the third quarter of 2004 would have increased 5.0% when compared with the same period in 2003. International sales for the third quarter increased to $135.2 million or 43.5% of consolidated sales, an increase of $23.0 million when compared with $112.2 million in the same period in 2003.

Segment operating income for the third quarter of 2004 was $56.1 million, an increase of $9.6 million or 20.6% from $46.5 million in the third quarter of 2003. Segment operating income, as a percentage of sales, increased to 18.1% of sales in the third quarter of 2004 from 17.4% of sales in the third quarter of 2003. The increase in segment operating income resulted from the profit contributions made by the previously mentioned acquisitions as well as the benefits from continued operational excellence programs, and the profit contribution on the higher sales level.

Selling, general and administrative expenses were $35.1 million in the third quarter of 2004, an increase of $5.0 million or 16.5%, when compared with the third quarter of 2003. Selling expenses, as a percentage of sales increased to 9.5% in the third quarter of 2004 compared with 8.6% of sales in the third quarter of 2003. The selling expense increase, and the corresponding increase in its percentage of sales were due primarily to the businesses acquired in 2004 and 2003. Without the acquisitions, selling expense as a percentage of sales for the third quarter of 2004 would have been 8.6%, equal to the percentage for the third quarter of 2003. The Company's acquisition strategy generally is to acquire differentiated businesses, which because of their distribution channels and higher marketing costs tend to have a higher content of selling expenses.

Corporate administrative expenses for the third quarter of 2004 were $5.7 million, a decrease of $1.4 million when compared with the same period in 2003. Corporate administrative expenses were 1.8% of sales in the third quarter of 2004, compared with 2.6% of sales for the same period in 2003. The decrease in corporate administrative expenses was the result of a $2.1 million one-time, non-cash expense, in the third quarter of 2003, from the accelerated cost recognition due to the vesting of a restricted stock grant. This decrease in 2004 is partially offset by higher legal, professional, and consulting fees. The higher professional and consulting fees are primarily the result of the Company's Sarbanes-Oxley compliance.

Results of Operations (continued)

After deducting corporate administrative expenses, consolidated operating income totaled $50.5 million, or 16.2% of sales for the third quarter of 2004, compared with $39.5 million, or 14.7% of sales for the third quarter of 2003, an increase of $11.0 million, or 27.8%.

Interest and other expense increased to $8.2 million in the third quarter of 2004 from $6.3 million for the same quarter of 2003. The increase was mainly interest expense as a result of higher average interest rates on higher British pound sterling long-term debt levels incurred in connection with recent acquisitions. Other expenses increased primarily because of failed acquisition costs incurred in the current quarter.

The effective tax rate for the third quarter of 2004 was 31.3% compared with 33.9% for the same period in 2003. The lower tax rate in 2004 reflects higher tax benefits in connection with U.S. export sales while the higher tax rate in 2003 was primarily due to the non-deductibility of the non-cash expense from the acceleration of restricted stock expense, discussed above. The Company is continuing to study the potential effects the new American Jobs Creation Act of 2004 will have on its future effective tax rate.

Net income for the third quarter of 2004 totaled $29.0 million, an increase of 32.4% from $21.9 million in the third quarter of 2003. Diluted earnings per share rose 31.3% to $0.42 per share, compared with $0.32 per share for the same quarter of 2003.

Segment Results

Electronic Instruments Group (EIG) net sales totaled $172.9 million in the third quarter of 2004, an increase of $34.0 million or 24.4% from $139.0 million in the same quarter of 2003. The net sales increase in the third quarter of 2004 was driven by the June 2004 acquisition of Taylor Hobson and the August 2003 acquisition of Chandler Instruments, along with internal sales improvement from the strong performances in the Group’s high-end analytical instrumentation and heavy-vehicle instruments businesses. However, weak economic conditions continue to affect the Group’s power instrument businesses. Without the acquisitions, sales for the third quarter of 2004 would have increased 7.6% when compared with the same period in 2003.

Operating income of EIG was $32.1 million for the third quarter of 2004, an increase of $7.2 million, or 28.9% when compared with the $24.9 million in the third quarter of 2003. The increase in operating income was primarily driven by the recent acquisitions and the contribution from the improvement in internal sales mentioned above, as well as the benefits from ongoing cost reduction initiatives. As part of these cost reduction initiatives, in the third quarter of 2004, the Group incurred $2.4 million of charges related to a product line relocation and the settlement of two union contracts. Operating income for EIG also includes a $2.8 million pretax gain in partial settlement of a previously disclosed flood loss at one of the Group’s manufacturing plants. The gain is from finalization of the Company’s claim for damage to the building, its contents and the operating assets affected by the flood. Upon future finalization of the business interruption and other expense claim with the insurance companies, the Company could realize an additional gain. Due to the substantial damage to the building and the operating assets at the site, the Company has relocated certain product lines to another manufacturing facility of the Company. Operating margins of EIG were

Results of Operations (continued)

18.6% of sales in the third quarter of 2004 compared with operating margins of 17.9% of sales in the third quarter of 2003.

Electromechanical Group (EMG) net sales totaled $137.8 million in the third quarter 2004, an increase of $9.0 million or 7.0% from $128.8 million in the same quarter in 2003. The sales increase was primarily the result of the July 2004 acquisition of Hughes-Treitler, strength in the Group's differentiated businesses and a favorable foreign currency translation impact of $2.9 million, partially offset by continued weakness in the Group's cost driven floorcare and specialty motors businesses. Without the acquisition, sales for the third quarter of 2004 would have increased 2.2% when compared with the same period in 2003.

Operating income of EMG was $24.0 million for the third quarter of 2004, an increase of $2.4 million or 11.0% from $21.6 million in the third quarter of 2003. Operating income increased primarily due to the recent acquisition and sales increases mentioned above and the favorable effects of cost reduction programs. Group operating income as a percentage of sales for the third quarter of 2004 increased to 17.4%, when compared with a 16.8% operating margin in the third quarter of 2003.

Operations for the first nine months of 2004 compared with the first nine months of 2003.

Net sales for the first nine months of 2004 were $906.0 million, an increase of $93.8 million or 11.6%, when compared with net sales of $812.2 million reported for the first nine months of 2003. Acquisitions, internal growth in both the EIG and EMG Groups and favorable foreign currency translation effects accounted for the sales increase. The Company continued to see improved market conditions across most of its businesses.

EIG's net sales increased by $73.2 million or 17.8% to $483.1 million for the first nine months of 2004. EIG's sales increase was primarily due to the acquisitions of Taylor Hobson in June of 2004, Chandler Instruments in August 2003 and Solidstate Controls in February 2003, as well as strength in the Group's high-end analytical instrumentation and heavy-vehicle businesses. EMG's net sales increased $20.7 million or 5.1% to $423.0 million for the first nine months of 2004, primarily from the acquisition of Hughes-Treitler in July 2004, strength in the Group's differentiated businesses and favorable foreign currency translation impacts, partially offset by continued weakness in the Group's cost driven floorcare and specialty motors businesses. International sales were $388.8 million, or 42.9% of consolidated sales, for the nine months ended September 30, 2004, compared with $341.2 million, or 42.0% of consolidated sales, for the comparable period in 2003.

New orders for the nine months ended September 30, 2004 were $956.0 million, compared with $856.6 million for the same period in 2003, an increase of $99.4 million, or 11.6%. The Company's backlog of unfilled orders at September 30, 2004 was $336.1 million, compared with $286.2 million at December 31, 2003. The increase in orders and backlog was mainly due to the Hughes-Treitler and Taylor Hobson acquisitions along with increased order rates primarily in the Company's differentiated businesses.

Results of Operations (continued)

Segment operating income for the first nine months of 2004 was $158.6 million, an increase of $26.7 million, or 20.3% compared with the same period in 2003. The increase was the result of the profit contribution from both the 2004 and 2003 acquisitions previously mentioned, strength in the differentiated businesses of each Group, and the benefits from the Company's continued cost reduction programs and the profit contribution on the higher sales level. The cost reduction initiatives are part of the Company's operational excellence strategy and include the continued migration of production to lower cost locales and the aggressive lowering of the Company's overall cost structure.

Selling, general and administrative expenses were $98.0 million for the first nine months of 2004, an increase of $12.3 million or 14.3%, when compared with the same period in 2003. Selling expenses, as a percentage of sales, increased to 8.9% for the first nine months of 2004, compared with 8.5% for the same period in 2003. The selling expense increase, and the corresponding increase in selling expenses as a percentage of sales were due primarily to the businesses acquired in 2004 and 2003. Without the acquisitions, selling expenses as a percentage of sales for the first nine months of 2004 would have been flat at 8.5%.

Corporate administrative expenses were $17.2 million for the first nine months of 2004, relatively unchanged from $17.0 million in the same period in 2003. As a percentage of sales, corporate administrative expenses were 1.9%, compared with 2.1% for the same period in 2003. The decrease in corporate administrative expenses as a percentage of sales is the result of a $2.1 million one-time, non-cash expense, in the third quarter of 2003, from the accelerated cost recognition due to the vesting of a restricted stock grant. This decrease in 2004 is partially offset by higher legal, professional and consulting fees, as well as severance costs. The higher professional and consulting fees are primarily the result of the Company's Sarbanes-Oxley compliance, and these higher fees are expected to continue through the end of 2004.

After deducting corporate administrative expenses, consolidated operating income was $141.4 million, an increase of $26.5 million or 23.1% when compared with $114.9 million for the same period in 2003. This represents an operating margin of 15.6% for the first nine months of 2004 compared with 14.1% for the same period in 2003.

Interest expense was $20.7 million for the first nine months of 2004, an increase of $1.3 million when compared with the first nine months of 2003. Higher average interest rates for the first nine months of 2004 resulted from higher British pound sterling long-term debt incurred in connection with recent acquisitions mentioned above.

The effective tax rate for the first nine months of 2004 was 32.2% compared with 32.9% for the same period in 2003. The lower tax rate in 2004 reflects higher tax benefits in connection with U.S. export sales, while the higher tax rate in 2003 is primarily due to the non-deductibility of the non-cash expense from the acceleration of restricted stock expense, discussed previously. The Company is continuing to study the potential effects the new American Jobs Creation Act of 2004 will have on its future effective tax rate.

Results of Operations (continued)

Net income for the first nine months of 2004 was $81.4 million, or $1.18 per share on a diluted basis, compared with net income of $63.5 million, or $0.94 per diluted share for the first nine months of 2003.

Segment Results

Electronic Instruments Group (EIG) net sales were $483.1 million for the first nine months of 2004, an increase of $73.2 million or 17.8% compared with the same period of 2003. The sales increase for the first nine months of 2004 was due to the acquisitions, mentioned previously, strength in the Group's high-end analytical instrumentation and heavy-vehicle businesses as well as a favorable foreign currency translation impact of $5.6 million. However, weak market conditions continue to affect the Group's power instrument businesses. Without the acquisitions, sales for the first nine months of 2004 would have increased 5.6% when compared with the same period in 2003.

EIG's operating income for the first nine months of 2004 totaled $86.2 million, an increase of $19.5 million or 29.2% when compared with the same period of 2003. The increase in operating income is the result of the recent acquisitions and the contributions on the improvement in internal sales previously mentioned, and benefits from the Group's ongoing cost reduction initiatives. As part of these cost reduction initiatives, in the third quarter of 2004, the Group incurred $2.4 million of charges related to product line relocation and the settlement of two union contracts. Operating income for EIG for 2004 also includes a third-quarter $2.8 million pretax gain in partial finalization of a previously disclosed flood loss at one of the Group's manufacturing plants. The gain is from finalization of the Company's claim for damage to the building, its contents and the operating assets affected by the flood. Upon future settlement of the business interruption and other expense claim with the insurance companies, the Company could realize an additional gain. Due to the substantial damage to the building and the operating assets at the site, the Company has relocated certain product lines to another manufacturing facility of the Company. Operating margins of EIG were 17.8% of sales for the first nine months of 2004 compared with operating margins of 16.3% of sales in the comparable period in 2003.

Electromechanical Group (EMG) net sales totaled $423.0 million for the first nine months of 2004, an increase of $20.7 million or 5.1% compared with the same period in 2003. The sales increase was primarily the result of a favorable foreign currency translation impact of $11.8 million and strength in the Group's differentiated businesses, partially offset by weakness in the Group's cost driven floorcare and specialty motors businesses.

EMG's operating income for the first nine months of 2004 was $72.4 million, an increase of $7.3 million or 11.1% when compared with the same period in 2003. The higher profit was the result of the Group's recent acquisition mentioned above, strength in the Group's differentiated businesses and the benefits of ongoing cost reduction programs, partially offset by continued weakness in the Group's cost driven floorcare and specialty motors businesses. Operating margins for the first nine months of 2004 were 17.1%, compared with operating margins of 16.2% for the comparable period in 2003.

Financial Condition

Liquidity and Capital Resources

Cash provided by operating activities totaled $100.2 million in the first nine months of 2004, compared with $108.1 million of cash provided in the same period of 2003, a decrease of $7.9 million. The decrease in operating cash flow primarily resulted from an increase in net operating working capital requirements driven by the growth in the Company's business to meet increased sales levels. In the third quarter of 2004, the Company made a $3.4 million contribution to its U.S. defined benefit pension plans. Also, during the first nine months of 2004, the Company received net cash proceeds of $9.6 million primarily related to an insurance claim. The insurance proceeds were from the partial settlement of a previously disclosed flood insurance claim involving one of the Company's manufacturing facilities.

Cash used for investing activities totaled $154.9 million in the first nine months of 2004, compared with $174.7 million used in the same period of 2003. The Company's acquisitions of Hughes-Treitler and Taylor Hobson in the first nine months of 2004 used $143.5 million of cash. In 2003, the Company acquired Airtechnology Holdings Limited, Solidstate Controls, Inc. and Chandler Instruments for $163.2 million in cash. Additions to property, plant and equipment in the first nine months of 2004 totaled $14.4 million, compared to $13.5 million in the first nine months of 2003.

Cash provided by financing activities in the first nine months of 2004 totaled $63.9 million, compared with $70.0 million for the same period of 2003. In the first nine months of 2004, total net borrowings increased by $62.9 million, compared with an increase of $72.7 million in for the first nine months of 2003. Long-term borrowings increased $89.7 million in the first nine months of 2004 and included a 50 million British pound sterling (approximately $91 million) borrowing under the Company's $300 million revolving bank credit facility. The borrowing of British pound sterling provides a natural hedge of the Company's investment in United Kingdom-based Taylor Hobson. The borrowings in the first nine months of 2004 and 2003, along with cash provided by operating activities, were used to finance the 2004 and 2003 acquisitions. At September 30, 2004, the Company has available borrowing capacity of $183.2 million under its $300 million revolving bank credit facility, and $6.0 million under its accounts receivable securitization agreement. The revolving bank credit facility was amended on February 25, 2004 to extend its expiration date from September 2006 to February 2009. Extension of the credit facility provides the Company with increased financial flexibility to support its growth plans.

Net cash proceeds from the exercise of employee stock options totaled $13.2 million in the first nine months of 2004, compared with $9.3 million for the same period of 2003. In January 2004, the Company's Board of Directors approved a 100% increase in its quarterly cash dividend effective with the first quarter 2004 dividend payment. Cash dividends paid in the first nine months of 2004 totaled $12.2 million, compared to $6.1 million in the first nine months of 2003. In the first nine months of 2003, the Company repurchased 380,000 shares of its common stock at a cost of $5.8 million. No share repurchases were made in the first nine months of 2004.

Financial Condition (continued)

Liquidity and Capital Resources

As a result of the activities discussed above, the Company’s cash and cash equivalents at September 30, 2004 totaled $23.5 million, compared with $16.8 million at December 31, 2003. The Company believes it has sufficient cash-generating capabilities and available credit facilities to enable it to meet its needs in the foreseeable future.

Forward-looking Information

Information contained in this discussion, other than historical information, is considered “forward-looking statements” and may be subject to change based on various important factors and uncertainties. Some, but not all, of the factors and uncertainties that may cause actual results to differ significantly from those expected in any forward-looking statement are disclosed in the Company’s 2003 Form 10-K as filed with the Securities and Exchange Commission.

Item 4. Controls and Procedures

As of the end of the quarter ended September 30, 2004, management, including the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective, in all material respects, as of the end of the period covered by this report.

There have been no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Table of Contents

AMETEK, Inc.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

Exhibit Number	Description
10.1	Amendment No. 6 to the 1999 Stock Incentive Plan of AMETEK, Inc.
10.2	Termination and Change of Control Agreement between AMETEK, Inc. and a named executive dated May 18, 2004.
31.1	Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b) Reports on Form 8-K:

During the quarter ended September 30, 2004, the Company furnished the following Current Report on Form 8-K. On July 21, 2004, the Company furnished a report on Form 8-K under Items 7 and 12, reporting the Company’s operating results for the three and six month periods ending June 30, 2004. The report also included the previously announced July 16, 2004 acquisition of Hughes-Treitler Manufacturing Corporation and the June 18, 2004 acquisition of Taylor Hobson Holdings Limited.

AMETEK, Inc.

SIGNATURES

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

AMETEK, Inc.

(Registrant)

By /s/ Robert R. Mandos, Jr.

Robert R. Mandos, Jr.
Senior Vice President & Comptroller
(Principal Accounting Officer)

October 28, 2004

EXHIBIT 10.1

AMENDMENT NO. 6 TO THE
1999 STOCK INCENTIVE PLAN OF
AMETEK, INC.

WHEREAS, AMETEK, Inc. (the "Company") has adopted the 1999 Stock Incentive Plan of AMETEK, Inc. (the "Plan"); and

WHEREAS, Section 18 of the Plan permits the Board of Directors of the Company or the Committee (as defined in the Plan) to amend the Plan; and

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

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

1. The fourth sentence of Section 3 of the Plan is hereby deleted.

2. The provisions of this Amendment shall be effective as of September 22, 2004.

3. Except to the extent hereinabove set forth, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment has been executed by a duly authorized officer of the Company as of the 22nd day of September, 2004.

AMETEK, INC.

By: /s/ John J. Molinelli

Name: John J. Molinelli
Title: Executive Vice President &
Chief Financial Officer

Attest:

/s/ Kathryn E. Londra
- -----------------------------
Kathryn E. Londra
Corporate Secretary

EXHIBIT 10.2

TERMINATION AND CHANGE OF CONTROL AGREEMENT

TERMINATION AND CHANGE OF CONTROL AGREEMENT

("Agreement"), made as of May 18, 2004, between AMETEK, Inc. (the "Company"), and Frank S. Hermance (the "Executive").

WITNESSETH:

WHEREAS, on the date hereof, the Executive is the Chief Executive Officer of the Company and Chairman of the Company's Board of Directors; and

WHEREAS, the Company wishes to provide certain benefits to the Executive in the event of a termination of the Executive's employment under certain circumstances or in the event of a change of control of the Company;

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties hereto, the Company and the Executive agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the meanings set forth below, unless the context clearly indicates otherwise:

(a) "Awards" shall mean such Restricted Shares and such Stock Options, if any, as may be granted to the Executive by the Company from time to time.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cash Compensation" shall mean the sum of the Executive's base salary (equal to the rate of annual base salary for the Company's fiscal year immediately prior to the Termination Date) plus (i) the Executive's targeted bonus, if known, for the year in which the Termination Date occurs, or (ii) if the targeted bonus described in clause (i) is not known, the average of the Executive's bonuses for the two fiscal years of the Company immediately preceding the year in which the Termination Date occurs, including all such salary and bonuses earned in all capacities with the Company and its Subsidiaries, as reported for Federal income tax purposes on Form W-2, together with any amounts which would have been included in the Executive's salary or bonus but for a deferral election by the Executive under any plan of the Company or its Subsidiaries, including, but not limited to, a plan qualified under Section 401(k) or 125 of the Code.

(d) "Cause" shall mean (i) misappropriation of funds, (ii) habitual insobriety or substance abuse, (iii) conviction of a crime involving moral turpitude, or (iv) gross negligence in the performance of duties, which gross negligence has had a material adverse effect on the business, operations, assets, properties or financial condition of the Company.

(e) "Change of Control" shall mean (i) the acquisition by any person or group, other than the Company or any of its Subsidiaries, of 20% or more of the voting stock of the Company; (ii) the acquisition by the Company or any of its Subsidiaries, or any Executive benefit plan of the Company or any Subsidiary, or any person or entity organized, appointed or established by the Company or Subsidiary for or pursuant to the terms of any such Executive benefit plan, acting separately or in combination with each other or with other persons, of 50% or more of the voting stock of the Company, if after such acquisition the Shares are no longer publicly traded; (iii) the death, resignation or removal within any two-year period from the Board of a sufficient number of directors such that the individuals who constituted the Board at the beginning of the period shall cease to constitute a majority of the Board, unless the election of each subsequent member was approved in advance by two-thirds of the members of the Board in office at the beginning of such two-year period; or (iv) the approval by the shareholders of the Company of (A) a merger or consolidation, the result of which is that the shareholders of the Company immediately prior to the merger or consolidation do not own or control immediately after the merger or consolidation at least 50% of the value of the outstanding equity or combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors or (B) a sale or other disposition (in one transaction or a series of related transactions) of all or substantially all of the Company's assets.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Good Reason" shall mean, without the written consent of the Executive, one or more of the following occurrences:

(i) any failure of the Company to comply with and satisfy any of the terms of this Agreement;

(ii) any reduction of the authority, duties or responsibilities held by the Executive, or removal from, or failure to be reelected to, the Board;

(iii) any reduction of the Executive's base compensation or bonus opportunity or any material reduction of the Executive's benefit entitlements; or

(iv) any transfer of the Executive to a location which is outside the Paoli, Pennsylvania area (or the general area in which his principal place of business immediately preceding the transfer may be located at such time if other than Paoli, Pennsylvania) by more than fifty miles other than on a temporary basis (less than 6 months), except for required travel on the

Company's business to an extent substantially consistent with the Executive's business travel obligations on behalf of the Company in effect immediately prior to the transfer;

provided, however, that in the event Executive delivers a Notice of Termination based on one or more of the foregoing occurrences of Good Reason, the Company may correct or cure such occurrence or occurrences within twenty (20) days of receipt of the Notice of Termination, in which event the Notice of Termination shall be deemed withdrawn and of no further force or effect.

(h) "Notice of Termination" shall mean a written notice which conforms to the requirements of Section 2.

(i) "Restricted Shares" shall mean any restricted stock awards of Shares which may be granted to the Executive under any Stock Incentive Plan of the Company, as adjusted pursuant to the terms of the agreement between the Company and the Executive evidencing such awards, which Shares continue to be forfeitable as of the applicable date or event referred to herein; upon becoming Vested, such Shares shall no longer be Restricted Shares for purposes of this Agreement.

(j) "Share" shall mean a share of the common stock of the Company or any successor.

(k) "Stock Option" shall mean any option on Shares which may be granted to the Executive under any Stock Incentive Plan of the Company, as adjusted pursuant to the terms of the agreement between the Company and the Executive evidencing such option, which option is not fully exercisable as of the applicable date or event referred to herein; upon becoming Vested, such option (or the portion of the option which has become Vested) shall no longer be a Stock Option for purposes of this Agreement.

(1) "Subsidiary" shall mean any corporation or other entity which is deemed to be part of the affiliated group of the Company for purposes of Section 280G(d)(5) of the Code.

(m) "Termination Date" shall mean the date specified in the Notice of Termination, or the date of receipt of the Notice of Termination if the Notice is sent by the Company to the Executive and asserts that the Termination is for Cause.

(n) "Vested" shall mean, with respect to Restricted Stock Awards, that the Shares subject to such Restricted Stock Awards have become nonforfeitable and transferable in accordance with the terms of the awards and restricted stock agreements between the Company and the Executive pursuant to which they were issued, and with respect to Stock Options (or any portion thereof) that the Stock Option (or such portion of the Stock Option) has become immediately exercisable by the Executive in accordance with the terms of the agreement between the Company and the Executive pursuant to which such Stock Option was granted.

2. NOTICE OF TERMINATION. Any termination of the Executive's employment by either the Company or the Executive shall be communicated by a Notice of Termination to the other party to this Agreement, given in accordance with Section 16 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice of the termination of the Executive's employment which (i) in the case of a Notice of Termination from the Company, indicates whether the termination is for Cause or without Cause, or, in the case of a Notice of Termination from the Executive, indicates whether the resignation is for Good Reason or not for Good Reason, (ii) refers to the specific provision in this Agreement relied upon and briefly

summarizes the facts and circumstances deemed to provide a basis for the termination of employment under the provision so indicated, and (iii) specifies the Termination Date, which date shall not be less than 20 nor more than 30 days after the giving of such Notice, except for a Notice of Termination from the Company that the Executive is being terminated for Cause which shall be effective immediately.

3. TERMINATION NOT IN CONNECTION WITH A CHANGE OF CONTROL OR FOR CAUSE. If the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason, and such termination occurs prior to and not in anticipation of a Change of Control, the following benefits shall be provided to the Executive:

(a) The Company shall pay to the Executive, in a lump sum within 30 days after the Termination Date; an amount equal to two (2) times the Executive's Cash Compensation;

(b) All Awards shall become immediately Vested;

(c) Any Stock Option (whether previously Vested or which becomes Vested pursuant to Subsection (b), above), other than a Stock Option which has been designated as an "incentive stock option" within the meaning of Section 422 of the Code, shall be exercisable by the Executive (or following the Executive's death, by his estate) for a period of one year from the Termination Date (but not beyond the expiration date of the Stock Option);

(d) The Company shall continue the Executive's current coverage (single or family) under (or, at the election of the Company, provide a tax equivalent monthly payment equal to the cost of) the Company's plans or programs to provide health benefits (including, but not limited to, hospitalization, surgical, major medical, dental and vision benefits), disability insurance and death benefits (but Executive will be treated as a terminated employee as of the Termination Date for purposes of the Company's Supplemental Executive Death Benefit Plan), as in effect from time to time for other senior executives of the Company, until the earliest of (i) the end of the second year following the year of the termination of employment, (ii) as applied to health benefit coverage, the Executive's eligibility for Medicare, (iii) as applied to health benefits, disability insurance and death benefits, considered separately from each other, the Executive's commencement of new employment where the Executive is eligible to participate in substantially similar plans or programs without a pre-existing condition limitation, or (iv) the Executive's death; and

(e) The Company (i) shall continue to provide the Executive with the Company provided car available to him at the Termination Date (or a comparable car, if the lease on such car should expire) and shall pay (or reimburse Executive) for the reasonable operating expenses of the car, and (ii) shall continue to reimburse Executive for the cost of country club or private club dues (at the level in effect at the Termination Date), until the earliest of the second anniversary of the Termination Date or the Executive's death. For purposes of this Agreement, a termination of employment will be considered to be in anticipation of a Change of Control if the Termination Date occurs during the ninety (90) day period ending on the date of the Change of Control and the substantial possibility of the Change of Control was known to the Executive and to a majority of the Board of Directors of the Company on or before the date the Notice of Termination was delivered.

4. CHANGE OF CONTROL - AWARDS. If the Executive is employed by the Company at the date of a Change of Control, or has been terminated without Cause or resigned for Good Reason in anticipation of the Change of Control (within the meaning of Section 3), the following shall apply with respect to the Executive's Awards:

(a) All Awards shall become immediately Vested.

(b) Any Stock Option (whether previously Vested or which becomes Vested pursuant to Subsection (a), above), other than a Stock Option which has been designated as an "incentive stock option" within the meaning of Section 422 of the Code, shall be exercisable by the Executive (or following the Executive's death, by his estate) for a period which expires one year after the Executive's Termination Date (but not beyond the expiration date of the Stock Option).

(c) If any Awards become Vested at or following a Change of Control and the Shares are not publicly traded, then

(i) the Executive (or his beneficiary or estate following his death) shall have the right to compel the Company to buy back some or all of the Shares which were originally Restricted Shares or which were acquired by exercise of Stock Options, held by the Executive (or his beneficiary or estate), for the greater of (A) their fair market value, as established for the year, or (B) if the Change of Control was in the form of a merger, consolidation, tender offer, going private transaction or any similar transaction, the amount per Share received by shareholders of the Company in the Change of Control transaction ("Put Rights"). For purposes of this Subsection (c), if, at any time following a Change of Control, the Shares are not publicly traded, the

Company, at its own expense, shall cause a nationally recognized investment banking firm mutually acceptable to the Executive and the Company to make an annual valuation, effective as of the first day of the Company's fiscal year, which valuation shall establish the fair market value of a Share. Copies of the valuation shall be furnished, in writing, to the Executive and the Company within three (3) months after the effective date of the valuation; and

(ii) after the Executive's termination of employment or his death, the Company shall have the right to compel the Executive (or his beneficiary or estate, if applicable) to sell all the Shares which were originally Restricted Shares or which were acquired by exercise of Stock Options, held by the Executive (or his beneficiary or estate), to the Company for the greater of (A) their fair market value, as established for the year pursuant to Clause (i), above or (B) if the Change of Control was in the form of a merger, consolidation, tender offer, going private transaction or any similar transaction, the amount per Share received by shareholders of the Company in the Change of Control transaction ("Call Rights").

The Executive (or his beneficiary or estate) may exercise the Put Rights not more than once during the Company's fiscal year. Neither the Executive (or his beneficiary or estate) nor the Company may exercise the Put Rights or Call Rights more than 90 days after the issuance of the most recent annual valuation if the price at which the Put Rights or Call Rights are to be exercised is based on such valuation (pursuant to clauses (i)(A) or (ii)(A), above). The provisions of this Subsection (c) shall cease to apply if the Shares are again publicly traded.

(d) The Company sponsors an irrevocable trust fund pursuant to a trust agreement to hold assets to satisfy its obligations to certain Executives. Funding through such trust fund of the amounts which may become due to the Executive under Sections 4 or 5 of the Agreement shall be authorized by the Compensation Committee of the Board, as set forth in the agreement pursuant to which the fund has been established, no later than immediately following a Change of Control.

5. TERMINATION IN CONNECTION WITH A CHANGE OF CONTROL. If the Executive's employment is terminated by the Company without Cause, or by the Executive for Good Reason, in anticipation of (within the meaning of Section 3), upon or at any time following a Change of Control (hereinafter referred to as a "Change of Control Termination"), then, in addition to the benefits under Section 4 hereof regarding the Executive's Awards, the following benefits shall be provided to the Executive:

(a) The Company shall pay to the Executive, in a lump sum within thirty (30) days after the Termination Date, an amount equal to 2.99 times the Executive's Cash Compensation.

(b) The Company shall provide the Executive (and his family) with benefit coverage continuation pursuant to and subject to the terms and conditions of Section 3(d); provided, however, that health benefits provided for under Section 3(d) shall continue until the earliest of (i) the end of the tenth year following the year of the termination of employment, (ii) the Executive's eligibility for Medicare, (iii) the Executive's commencement of new employment where the Executive is eligible to participate in substantially similar plans or programs without a pre-existing condition limitation, or (iv) the Executive's death.

(c) The Company shall provide the Executive with additional benefits pursuant to and subject to the terms and conditions of Section 3(e).

6 TERMINATION FOR CAUSE OR WITHOUT GOOD REASON, ETC. If the Executive's employment is terminated by the Company for Cause, by the Executive without Good Reason, or because of the Executive's death or total disability, the provisions of Sections 3 and 5 hereof shall not apply.

7. NO MITIGATION. The Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise, except as provided in Sections 3(d) and 5(b).

8. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by the Company, or any of its Subsidiaries, and for which the Executive may qualify, other than severance benefits.

9. NO SET-OFF. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others.

10. CERTAIN REDUCTION OF PAYMENTS.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, and thus be subject to the excise tax imposed by Section 4999 of the Code, and that it would be economically advantageous to the Executive on an after-tax basis to reduce the Payment to avoid or reduce the excise tax on excess parachute payments under Section 4999 of the Code, the aggregate present value of amounts payable or distributable to or for the benefit of the Executive pursuant to this Agreement (such payments or distributions pursuant to this Agreement being hereinafter referred to as "Agreement Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate net amount available to the Executive from Agreement Payments after reduction for all Federal, state and local income and payroll taxes, Social Security taxes (including Medicare) and the excise tax under Section 4999. In applying this Subsection (a), the Agreement Payments shall be reduced before reducing any other Payments to be made to the Executive. For purposes of this Section 10, present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) All determinations to be made under this Section 10 shall be made by the Company's independent public accountant immediately prior to the Change of Control (the "Accounting Firm"), which firm shall provide its determinations and any supporting calculations both to the Company and the Executive within 10 days of the Termination Date. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive. Within five days after this determination, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Executive such amounts as are then due to the Executive under this Agreement; provided, however, that the Executive shall have the right to determine which of the Agreement Payments shall be reduced to satisfy the requirements of this Section 10.

(c) As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Agreement Payments, as the case may be, will have been made by the Company which should not have been made ("Overpayment") or that additional Agreement Payments which have not been made by the Company could have been made ("Underpayment"), in each case, consistent with the calculations required to be made hereunder. Accordingly, within two years after the Termination Date, the Accounting Firm shall review the determination made by it pursuant to Subsection (b), above. In the event that the Accounting Firm determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan by the Company to the Executive, which the Executive shall repay to the Company, together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code (the "Federal Rate"); provided, however, that no amount shall be payable by the Executive to the Company if and to the extent such payment would not reduce the amount which is subject to the excise tax under Section 4999 of the Code. In the event that the Accounting Firm determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive together with interest at the rate announced from time to time by the J.P. Morgan Chase Bank (or any successor) as its prime rate, plus one percent (1%), each change in such rate to take effect on the effective date of the change in such prime rate.

(d) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in Subsections (b) and (c), above, shall be borne solely by the Company. The Company agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations pursuant to Subsections (b) and (c), above, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of the Accounting Firm.

11. AMENDMENTS. No amendment or modification of this Agreement or of any covenant, condition or limitation herein contained shall be valid, unless in writing and duly executed by both parties.

12. WAIVERS. A waiver by any party hereto of any breach of this Agreement or the failure by a party to insist upon strict adherence to any term of this Agreement shall not be considered a waiver of any other breach or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

13. SEVERABILITY. All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid by any court of competent jurisdiction, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein. Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law, and whenever there is any conflict between any provision of this Agreement and any statute, law, ordinance, order or regulation, contrary to which the parties hereto have no legal right to contract, the latter shall prevail, but in such event any provision of this Agreement so affected shall be curtailed and limited only to the extent necessary to bring it within the legal requirements.

14. ASSIGNMENT. The Executive may not assign his rights or obligations under this Agreement. This Agreement shall inure to the benefit of and be binding upon the Executive, his heirs, executors and administrators, and the Company, its successors and assigns.

15. PRIOR AGREEMENTS. This Agreement supersedes and cancels the Termination and Change of Control Agreement, dated as of December 15, 2000, between the

Company and the Executive. The Executive remains subject to the Confidentiality Agreement with Ametek, Inc., dated May 14, 1997 ("Confidentiality Agreement") which shall remain in full force and effect; provided, however, that the provisions of this Agreement shall supersede the Confidentiality Agreement with regard to the return of any Company car, if and to the extent the provision of Section 3 or Section 5 hereof are applicable.

16. NOTICES. All notices, requests, consents and other communications which either party is required or may desire to serve upon the other shall be in writing (including facsimile or similar writing) and shall be deemed to have been given at the time when personally delivered or, if mailed, when deposited in the United States mail, enclosed in a registered or certified postpaid envelope, addressed to the other party at the address stated below or to such changed address as such party may have fixed by notice, or, if given by facsimile, when electronic confirmation of the transmission is received:

To the Company: AMETEK, Inc.
37 North Valley Road - Building 4
P.O. Box 1764
Paoli, PA 19301
Facsimile: 610-296-3412
Attention: General Counsel

and

Chief Financial Officer

To the Executive: Frank S. Hermance
1300 Meadow Lane
Berwyn, PA 19312
Facsimile: 610-651-5969;

provided that any notice of change of address shall be effective only when received.

17. SUCCESSOR COMPANY. The Company shall require any successor or successors (whether direct or indirect, by purchase, merger, spin-off or otherwise) to all or

substantially all of the business and/or assets of the Company, by written agreement in form and substance satisfactory to the Executive, to acknowledge expressly that this Agreement is binding upon and enforceable against the successor or successors in accordance with the terms hereof, and to become jointly and severally obligated with the Company to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or successions had taken place. Failure of the Company to notify the Executive in writing as to such successorship, to provide the Executive the opportunity to review and agree to the successor's assumption of this Agreement or to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, the Company shall mean the Company as hereinbefore defined and any such successor or successors to its business and/or assets, jointly and severally.

18. TAXES. The Company may withhold from or with respect to any payment of compensation or taxable benefit provided for under this Agreement any federal, state or local tax (including any applicable payroll tax or excise tax) to the extent required by law.

19. ERISA TOP HAT PLAN. To the extent that this Agreement is considered to be a plan for purposes of the Executive Retirement Income Security Act of 1974, as amended ("ERISA"), it shall be considered an unfunded plan maintained primarily for the purpose of providing benefits for a select group of management or highly compensated Executives, within the meaning of U.S. Department of Labor Regulations Section 2520.104-23 or Section 2520.104-24, as applicable.

20. NO RIGHT OF EMPLOYMENT. This Agreement shall not be construed as creating any contract of employment between the Company and the Executive.

21. RELEASE. Notwithstanding anything to the contrary contained herein, the Executive's entitlement to the payment of any amount or receipt of any benefit coverage under this Agreement, upon or following his termination of employment, is expressly conditioned upon his execution of a release in the form required by the Company of its terminating executives prior to the Termination Date.

22. ARBITRATION. In the event of any dispute under the provisions of this Agreement, other than a dispute involving an alleged violation by the Executive of Section 7, or a dispute in which the sole relief sought is an equitable remedy such as an injunction, the parties shall be required to have the dispute, controversy or claim settled by arbitration in Philadelphia, Pennsylvania, in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association, before one arbitrator who shall be an executive officer or former executive officer of a publicly traded corporation, selected by the parties. Any award entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrator shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement; provided, however, that if the arbitrator finds that the Company has breached this Agreement and, as a result of any such breach, the Executive has incurred an excise tax under Section 4999 of the Code, then, in addition to such other remedies as the arbitrator may award, the arbitrator shall direct the Company to pay the Executive an amount (the "gross-up payment") which will reimburse the Executive for the cost of the excise tax, as well as for all federal, state and local income, excise and payroll taxes incurred by the Executive

on the gross-up payment. The Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrator and any expenses relating to the conduct of the arbitration (including reasonable attorney's fees and expenses).

23. GOVERNING LAW. This Agreement shall be subject to, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, except to the extent that such laws are preempted by Federal law.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

AMETEK, INC.

By: /S/ John J. Molinelli

/S/ Frank S. Hermance

Frank S. Hermance

EXHIBIT 31.1

CERTIFICATIONS

I, Frank S. Hermance, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AMETEK, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2004

/s/ Frank S. Hermance

Frank S. Hermance
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, John J. Molinelli, certify that:

I have reviewed this quarterly report on Form 10-Q of AMETEK, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2004

/s/ John J. Molinelli

John J. Molinelli

Executive Vice President and

Chief Financial Officer

EXHIBIT 32.1

AMETEK, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AMETEK, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank S. Hermance, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frank S. Hermance
- -------------------------------------
Frank S. Hermance
Chairman and Chief Executive Officer

Date: October 28, 2004

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

EXHIBIT 32.2

AMETEK, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AMETEK, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Molinelli, Executive Vice-President - Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John J. Molinelli
- ----------------------------------
John J. Molinelli
Executive Vice President - Chief Financial Officer

Date: October 28, 2004

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