SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

AMETEK, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously by written preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notice of 2007
Annual Meeting

Proxy Statement

Annual Financial Information
and Review of Operations

AMETEK

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Tuesday, April 24, 2007
2:00 p.m. Eastern Daylight Time
J. P. Morgan Chase & Co.
1 Chase Manhattan Plaza
28th Floor
New York, NY 10005

Dear Fellow Stockholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the 2007 Annual Meeting of Stockholders of AMETEK, Inc. At the Annual Meeting, you will be asked to:

1. Elect two Directors for a term of three years;
2. Approve a proposed amendment to the Certificate of Incorporation increasing authorized shares of Common Stock from 200,000,000 to 400,000,000;
3. Approve the AMETEK, Inc. 2007 Omnibus Incentive Compensation Plan;
4. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2007; and
5. Transact any other business properly brought before the Annual Meeting.

Only stockholders of record at the close of business on March 9, 2007 will be entitled to vote at the Annual Meeting. Your vote is important. You can vote in one of four ways: (1) by computer using the Internet, (2) by telephone using a toll-free number, (3) by marking, signing and dating your proxy card, and returning it promptly in the enclosed envelope, or (4) by casting your vote in person at the Annual Meeting. Directions to J. P. Morgan Chase & Co. are located on the back cover of the Proxy Statement. Please refer to your proxy card for specific proxy voting instructions.

We have included the annual financial information relating to our business and operations in Appendix B to the Proxy Statement. We also have enclosed a Summary Annual Report.

We hope that you take advantage of the convenience and cost savings of voting by computer or by telephone. A sizable electronic “turnout” would significantly reduce return-postage fees.

We urge you to vote your shares either by computer, telephone or mailing your proxy as soon as possible, or in person at the Annual Meeting. We appreciate your interest in AMETEK.

Sincerely,

/s/ Frank S. Hermance

Frank S. Hermance
Chairman of the Board
and Chief Executive Officer

Paoli, Pennsylvania
Dated: March 16, 2007

Principal executive offices

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

PROXY STATEMENT

We are mailing this Proxy Statement and proxy card to its stockholders of record as of March 9, 2007 on or about March 16, 2007. The Board of Directors is soliciting proxies in connection with the election of Directors and other actions to be taken at the Annual Meeting of Stockholders and at any adjournment or postponement of that Meeting. The Board of Directors encourages you to read the Proxy Statement and to vote on the matters to be considered at the Annual Meeting.

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VOTING PROCEDURES

Your vote is very important. It is important that your views be represented whether or not you attend the Annual Meeting.

Who can vote? Stockholders of record as of the close of business on March 9, 2007 are entitled to vote. On that date, 106,240,916 shares of our Common Stock were issued and outstanding and eligible to vote. Each share is entitled to one vote on each matter presented at the Annual Meeting.

How do I vote? You can vote your shares at the Annual Meeting if you are present in person or represented by proxy. You can designate the individuals named on the enclosed proxy card as your proxies by mailing a properly executed proxy card or by the Internet or telephone. You may revoke your proxy at any time before the Annual Meeting by delivering written notice to the Corporate Secretary, by submitting a proxy card bearing a later date or by appearing in person and casting a ballot at the Annual Meeting.

To submit your proxy by mail, indicate your voting choices, sign and date your proxy card and return it in the postage-paid envelope provided. You may vote by the Internet or telephone by following the instructions on your proxy card. Your Internet or telephone vote authorizes the persons named on the proxy card to vote your shares in the same manner as if you marked, signed and returned the proxy card to us.

If you hold your shares through a broker, bank or other nominee, that institution will send to you separate instructions describing the procedure for voting your shares.

What shares are represented by the proxy card? The proxy card represents all the shares registered in your name. If you participate in the AMETEK, Inc. Investors' Choice Dividend Reinvestment & Direct Stock Purchase and Sale Plan, the card also represents any full shares held in your account. If you are an employee who participates in an AMETEK employee savings plan and you also hold shares in your own name, you will receive a single proxy card for the plan shares, which are attributable to the units that you hold in the plan, and the shares registered in your name. Your proxy card or proxy submitted through the Internet or by telephone will serve as voting instructions to the plan trustee.

How are shares voted? If you return a properly executed proxy card or submit voting instructions by the Internet or telephone before voting at the Annual Meeting is closed, the individuals named as proxies on the enclosed proxy card will vote in accordance with the directions you provide. If you return a signed and dated proxy card but do not indicate how the shares are to be voted, those shares will be voted as recommended by the Board of Directors. A valid proxy card or a vote by the Internet or telephone also authorizes the individuals named as proxies to vote your shares in their discretion on any other matters which, although not described in the Proxy Statement, are properly presented for action at the Annual Meeting.

If your shares are held by a broker, bank or other holder of record, please refer to the instructions they provide for voting your shares. If you want to vote those shares in person at the Annual Meeting, you must bring a signed proxy from the broker, bank or other holder of record giving you the right to vote the shares.

If you are an employee who participates in an AMETEK employee savings plan and you do not return a proxy card or otherwise give voting instructions for the plan shares, the trustee will vote those shares in the same proportion as the shares for which the trustee receives voting instructions from other participants in that plan. Your proxy voting instructions must be received by April 19, 2007 to enable the savings plan trustee to tabulate the vote of the plan shares prior to the Annual Meeting.

How many votes are required? A majority of the shares of our outstanding Common Stock entitled to vote at the Meeting must be represented in person or by proxy in order to have a quorum present at the Annual Meeting. Abstentions and "broker non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A "broker non-vote" occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for the particular proposal and has not received instructions from the beneficial owner. If a quorum is not present, the Annual Meeting will be rescheduled for a later date.

Directors are elected by a plurality of the votes cast. This means that the two candidates for election as Directors receiving the highest number of votes will be elected to serve until the Annual Meeting in 2010. The approval of the proposed amendment to the Certificate of Incorporation increasing the number of authorized shares of Common Stock requires the affirmative vote of the holders of a majority of all outstanding shares of Common Stock of AMETEK entitled to vote at the Annual Meeting. As a result, abstentions and broker non-votes will have the same effect as a vote against this proposal. The approval of the 2007 Omnibus Incentive Compensation Plan and the ratification of the appointment of Ernst & Young LLP require the affirmative vote of the holders of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting on the matter. Abstentions and broker non-votes are not counted as votes for or against these proposals.

Who will tabulate the vote? Our transfer agent, American Stock Transfer & Trust Company, will tally the vote, which will be certified by independent inspectors of election.

Is my vote confidential? It is our policy to maintain the confidentiality of proxy cards, ballots and voting tabulations that identify individual stockholders, except where disclosure is mandated by law and in other limited circumstances.

Who is the proxy solicitor? We have retained Georgeson Shareholder Communications, Inc. to assist in the distribution of proxy materials and solicitation of votes. We will pay Georgeson Shareholder Communications, Inc. a fee of $8,000, plus reimbursement of reasonable out-of-pocket expenses.

CORPORATE GOVERNANCE

In accordance with the Delaware General Corporation Law and our Certificate of Incorporation and Bylaws, our business and affairs are managed under the direction of the Board of Directors. We provide information to the Directors about our business through, among other things, operating, financial and other reports, as well as other documents presented at meetings of the Board of Directors and Committees of the Board.

Our Board of Directors currently consists of nine members. They are Lewis G. Cole, Sheldon S. Gordon, Frank S. Hermance, Steven W. Kohlhagen, Charles D. Klein, James R. Malone, David P. Steinmann, Elizabeth R. Varet and Dennis K. Williams. The biographies of the continuing Directors and Director nominees appear on page 21. The Board is divided into three classes with staggered terms of three years each, so that the term of one class expires at each Annual Meeting of Stockholders. In accordance with our Director retirement policy, Mr. Cole will not stand for re-election at this year's Annual Meeting of Stockholders. The Board has nominated the other two current Class I Directors, Messrs. Kohlhagen and Klein, to serve as Class I Directors until the 2010 Annual Meeting. In addition, in accordance with our Certificate of Incorporation and By-Laws, the Board decreased the number of Class I Directors from three to two, thereby decreasing the size of the Board from nine to eight Directors. Mr. Helmut N. Friedlaender, who served as a Director from 1955 to 2006, currently serves as a Director Emeritus.

Corporate Governance Guidelines and Codes of Ethics. The Board of Directors has adopted Corporate Governance Guidelines that address the practices of the Board and specify criteria to assist the Board in determining Director independence. These criteria supplement the listing standards of the New York Stock Exchange and the regulations of the Securities and Exchange Commission. Our Code of Ethics and Business Conduct sets forth rules of conduct that apply to all of our Directors, officers and employees. We also have adopted a separate Code of Ethical Conduct for our Chief Executive Officer and senior financial officers. The Guidelines and Codes of Ethics are available on our Web site at **www.ametek.com/investors** as well as in printed form, free of charge to any stockholder who requests them, by writing or telephoning the Investor Relations Department, AMETEK, Inc., 37 North Valley Road — Building 4, P.O. Box 1764, Paoli, PA 19301-0801 (Telephone Number: 1-800-473-1286). The Board of Directors and our management do not intend to grant any waivers of the provisions of either Code. In the unlikely event a waiver for a Director or an executive officer occurs, the action will be disclosed promptly at the Web site address noted above. If the Guidelines or the Codes are amended, the revised versions also will be posted on the Web site.

Meetings of the Board. Our Board of Directors has four regularly scheduled meetings each year. Special meetings are held as necessary. In addition, management and the Directors frequently communicate informally on a variety of topics, including suggestions for Board or Committee agenda items, recent developments and other matters of interest to the Directors.

The independent Directors meet in executive session at least once a year outside of the presence of any management Directors and other members of our management. The presiding Director at the executive sessions rotates among the chairpersons of the Corporate Governance/Nominating Committee, the Compensation Committee and the Audit Committee. During executive sessions, the Directors may consider such matters as they deem appropriate. Following each executive session, the results of the deliberations and any recommendations are communicated to the full Board of Directors.

Directors are expected to attend all meetings of the Board and each Committee on which they serve and are expected to attend the Annual Meeting of Stockholders. Our Board met in person a total of four times in 2006. Each of the Directors attended at least 75% of the meetings of the Board and the Committees to which the Director was assigned. All nine Directors attended the 2006 Annual Meeting of Stockholders.

Independence . The Board of Directors has affirmatively determined that each of the current Non-Management Directors, Lewis G. Cole, Sheldon S. Gordon, Steven W. Kohlhagen, Charles D. Klein, James R. Malone, David P. Steinmann, Elizabeth R. Varet and Dennis K. Williams, has no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) and, therefore, is an independent Director within the meaning of the New York Stock Exchange rules. The Board has further determined that each member of the Audit, Compensation and Corporate Governance/Nominating Committees is independent within the meaning of the New York Stock Exchange rules. The members of the Audit Committee also satisfy Securities and Exchange Commission regulatory independence requirements for audit committee members.

The Board has established the following standards to assist it in determining Director independence: A Director will not be deemed independent if: (i) within the previous three years or currently, (a) the Director has been employed by us; (b) someone in the Director’s immediate family has been employed by us as an executive officer; or (c) the Director or someone in her/his immediate family has been employed as an executive officer of another entity that concurrently has or had as a member of its compensation committee of the board of directors any of our present executive officers; (ii) (a) the Director or someone in the Director’s immediate family is a current partner of a firm that is our internal or external auditor; (b) the Director is a current employee of the firm, or someone in the Director’s immediate family is a current employee of the firm who participates in the firm’s audit, assurance or tax compliance (but not tax planning) practice; or (c) the Director or someone in the Director’s immediate family is a former partner or employee of such a firm and personally worked on our audit within the last three years; (iii) the Director received, or someone in the Director’s immediate family received, during any twelve-month period within the last three years, more than $100,000 in direct compensation from us, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and, in the case of an immediate family member, other than compensation for service as our employee (other than an executive officer). The following commercial or charitable relationships will not be considered material relationships: (i) if the Director is a current employee or holder of more than ten percent of the equity of, or someone in her/his immediate family is a current executive officer or holder of more than ten percent of the equity of, another company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three fiscal years of the other company, does not exceed $1 million or two percent of the other company’s consolidated gross revenues, whichever is greater, or (ii) if the Director is a current executive officer of a charitable organization, and we made charitable contributions to the charitable organization in any of the charitable organization’s last three fiscal years that do not exceed $1 million or two percent of the charitable organization’s consolidated gross revenues, whichever is greater. For the purposes of these categorical standards, the terms “immediate family member” and “executive officer” have the meanings set forth in the New York Stock Exchange’s corporate governance rules.

All independent Directors satisfied these categorical standards.

In considering the independence of the Non-Management Directors, the Board considered some relationships that it concluded did not impair the Director’s independence. In addition to the relationships described below under “Certain Relationships and Related Transactions,” the Board considered that Mr. Klein, Mr. Steinmann and Ms. Varet may be deemed to have a relationship with an entity that purchases motors from us. In addition, the Board considered Mr. Cole’s position as of counsel to a law firm that rendered services to us in 2006.

Communication with Non-Management Directors and Audit Committee . Stockholders and other parties who wish to communicate with the Non-Management Directors may do so by calling 1-877-263-8357 (in the United States and Canada) or 1-610-889-5271. If you prefer to communicate in writing, address your correspondence to the Corporate Secretary Department, Attention: Non-Management Directors, AMETEK, Inc., 37 North Valley Road — Building 4, P.O. Box 1764, Paoli, PA 19301-0801.

You may address complaints regarding accounting, internal accounting controls or auditing matters to the Audit Committee by calling 1-866-531-3079 (Domestic – English only) or 1-866-551-8006 (International – Foreign Languages).

Committees of the Board. Our Board Committees include Audit, Compensation, Corporate Governance/Nominating, Pension Investment and Executive. The Charters of the Audit, Compensation and Corporate Governance/Nominating Committees are available on our Web site at **www.ametek.com/investors** as well as in printed form, free of charge to any stockholder who requests them, by writing or telephoning the Investor Relations Department, AMETEK, Inc., 37 North Valley Road — Building 4, P.O. Box 1764, Paoli, PA 19301-0801 (Telephone Number: 1-800-473-1286). Each of the Audit, Compensation and Corporate Governance/Nominating Committees conducts an annual assessment to assist it in evaluating whether, among other things, it has sufficient information, resources and time to fulfill its obligations and whether it is performing its obligations effectively. Each Committee may retain advisors to assist it in carrying out its responsibilities.

The Audit Committee has the sole authority to retain, compensate, terminate, oversee and evaluate our independent auditors. In addition, the Audit Committee is responsible for:

- review and approval in advance of all audit and lawfully permitted non-audit services performed by the independent auditors;
- review and discussion with management and the independent auditors regarding the annual audited financial statements and quarterly financial statements included in our Securities and Exchange Commission filings and quarterly sales and earnings announcements;
- oversight of our compliance with legal and regulatory requirements;
- review of the performance of our internal audit function;
- meeting separately with the independent auditors and our internal auditors as often as deemed necessary or appropriate by the Committee; and
- review of major issues regarding accounting principles, financial statement presentation and the adequacy of internal controls.

The Committee met eight times during 2006. The Board of Directors has determined that Sheldon S. Gordon is an "audit committee financial expert" within the meaning of the Securities and Exchange Commission's regulations. The members of the Committee are Sheldon S. Gordon – Chairperson, Steven W. Kohlhagen and James R. Malone. Mr. Kohlhagen currently serves on the audit committees of boards of directors of seven related Merrill Lynch closed-end investment companies (all of which have identical board compositions and committee structures), which funds are publicly traded. After its review and consideration of Mr. Kohlhagen's simultaneous service on the audit committees of the Merrill Lynch closed-end investment companies, the Board has determined that Mr. Kohlhagen's simultaneous service on those audit committees does not impair his ability to serve effectively on our Audit Committee.

The Compensation Committee is responsible for, among other things:

- establishment and periodic review of our compensation philosophy and the adequacy of the compensation plans for our officers and other employees;
- establishment of compensation arrangements and incentive goals for officers and administration of compensation plans;
- review of the performance of officers, award of incentive compensation and adjustment of compensation arrangements as appropriate based on performance;
- review and monitoring of management development and succession plans; and
- periodic review of the compensation of non-employee Directors.

The Committee met five times during 2006. The members of the Committee are Charles D. Klein – Chairperson, James R. Malone and Elizabeth R. Varet. In carrying out its duties, the Compensation Committee makes compensation decisions for approximately 30 officers, including all executive officers. The Compensation Committee charter does not provide for delegation of the Committee's duties and responsibilities. The charter provides that, in setting compensation for the Chief Executive Officer, the Committee will review and evaluate the Chief Executive Officer's performance and leadership, taking into account the views of other members of the Board. The charter further provides that, with the participation of the Chief Executive Officer, the Committee evaluates the performance of other officers and determines compensation for these officers. In this regard, Compensation Committee meetings are regularly attended by the Chief Executive Officer. The Chief Executive Officer does not participate in determinations of his compensation. The Compensation Committee has authority under the charter to retain and set compensation for compensation consultants and other advisors. The Committee has engaged Towers Perrin to provide advice and data. Towers Perrin provides other consulting services to us.

The Corporate Governance/Nominating Committee is responsible for, among other things:

- selection of nominees for election as Directors, subject to ratification by the Board;
- recommendation of a Director to serve as Chairperson of the Board;
- recommendation to the Board of the responsibilities of Board Committees and each Committee's membership;
- oversight of the annual evaluation of the Board and the Audit and Compensation Committees; and
- review and assessment of the adequacy of our Corporate Governance Guidelines.

The Committee met four times during 2006. The members of the Committee are James R. Malone – Chairperson, Charles D. Klein, David P. Steinmann and Dennis K. Williams.

The Pension Investment Committee reviews the administration of our retirement plans, including compliance, investment manager and trustee performance, and the results of independent audits of the plans. The Committee met four times during 2006. The members of the Committee are Lewis G. Cole – Chairperson, Sheldon S. Gordon, Steven W. Kohlhagen and David P. Steinmann.

The Executive Committee has limited powers to act on behalf of the Board whenever the Board is not in session. The Committee did not meet during 2006. The members of the Committee are Frank S. Hermance – Chairperson, Charles D. Klein, Elizabeth R. Varet and Dennis K. Williams.

Consideration of Director Candidates. The Corporate Governance/Nominating Committee considers candidates for Board membership. The Charter of the Corporate Governance/Nominating Committee requires that the Committee consider and recommend to the Board the appropriate size, function and composition of the Board, so that the Board as a whole collectively possesses a broad range of skills, industry and other knowledge, and business and other experience useful for the effective oversight of our business. The Board also seeks members from diverse backgrounds who have a reputation for integrity. In addition, Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions that they can make to our company. The Committee considers all of these qualities when nominating candidates for Director.

Stockholders can recommend qualified candidates for Director by writing to the Corporate Secretary, AMETEK, Inc., 37 North Valley Road — Building 4, P.O. Box 1764, Paoli, PA 19301-0801. Stockholder submissions must include the following information: (1) the name of the candidate and the information about the individual that would be required to be included in a proxy statement under the rules of the Securities and Exchange Commission; (2) information about the relationship between the candidate and the nominating shareholder; (3) the consent of the candidate to serve as a director; and (4) proof of the number of shares of our Common Stock that the recommending stockholder owns and the length of time that the shares have been owned. To enable consideration of a candidate in connection with the 2008 Annual Meeting, a stockholder must submit materials relating to the suggested candidate no later than November 17, 2007. In considering any candidate proposed by a stockholder, the Corporate Governance/Nominating Committee will reach a conclusion based on the criteria described above in the same manner as for other candidates. The Corporate Governance/Nominating Committee also may seek additional information regarding the candidate. After full consideration by the Corporate Governance/Nominating Committee, the stockholder proponent will be notified of the decision of the Committee.

Director Compensation. Standard compensation arrangements for Directors in 2006 are described below. All information regarding restricted stock and stock options has been adjusted to reflect the three-for-two stock split paid to stockholders on November 27, 2006.

- Fees — Non-employee Directors received an annual fee of $35,000, except for the Chairmen of the Compensation, Corporate Governance/Nominating and Pension Investment Committees, who received an annual fee of $40,000, and the Chairman of the Audit Committee, who received an annual fee of $45,000. In addition, non-employee Directors received $3,750 for each of the four regular meetings of the Board of Directors they attended. There were no additional fees for attendance at Committee meetings.
- Restricted Stock — On April 26, 2006, under our 2002 Stock Incentive Plan, each non-employee Director received a restricted stock award of 1,080 shares of our Common Stock. These restricted shares vest on the earliest to occur of:
    - the closing price of our Common Stock on any five consecutive trading days equaling or exceeding $66.14,
    - the death or disability of the Director,

- the Director's termination of service as a member of AMETEK's Board of Directors in connection with a change of control,
- the fourth anniversary of the date of grant, namely April 26, 2010, or
- the Director's retirement from service as a member of the Board of Directors at or after age 55 and the completion of at least 10 years of service with us, in which case only a pro rata portion of the shares becomes non-forfeitable and transferable, based upon the time that has elapsed since the date of grant.

- Options — On April 26, 2006, under our Stock Incentive Plan, each non-employee Director received an option to purchase 3,645 shares of our Common Stock, at an exercise price equal to the average of the highest and lowest quoted selling prices of AMETEK's Common Stock on the New York Stock Exchange composite tape on the date of grant. Stock options become exercisable as to the underlying shares in four equal annual installments beginning one year after the date of grant.

The following table provides information regarding Director compensation in 2006, which reflects the standard compensation described above and certain other payments. The table does not include compensation for reimbursement of travel expenses related to attending Board, Committee and AMETEK business meetings, and approved educational seminars. In addition, the table does not address compensation for Mr. Hermance, which is addressed under "Executive Compensation" below. Mr. Hermance does not receive additional compensation for serving as a Director.

DIRECTOR COMPENSATION – 2006

Name	*Fees Earned or Paid in Cash*	*Stock Awards (1)*	Option *Awards (2)*	*Non-Equity Incentive Plan Compensation*	*Change in Pension Value and Nonqualified Deferred Compensation Earnings*	*All Other Compensation (3)*	*Total*
Lewis G. Cole	$ 55,000	$ 25,256	$ 34,956	—	—	—	$ 115,212
Sheldon S. Gordon	60,000	25,256	34,956	—	—	—	120,212
Charles D. Klein	55,000	25,256	34,956	—	—	—	115,212
Steven W. Kohlhagen	37,500	5,953	5,826	—	—	$5,000	54,279
James R. Malone	55,000	25,256	34,956	—	—	—	115,212
David P. Steinmann	50,000	25,256	34,956	—	—	—	110,212
Elizabeth R. Varet	50,000	25,256	34,956	—	—	—	110,212
Dennis K. Williams	37,500	5,953	5,826	—	—	—	49,279

(1) The amounts shown for stock awards relate to restricted shares granted under our 2002 Stock Incentive Plan. These amounts are equal to the dollar amounts recognized in 2006 with respect to the Directors' stock awards for financial reporting purposes, in accordance with Statement of Financial Accounting Standards No. 123(R), which we refer to below as "SFAS 123(R)," but without giving effect to estimated forfeitures. The grant date fair value of stock awards granted to each Director in 2006, computed in accordance with SFAS 123(R), was $35,712. The assumptions used in determining the amounts in this column are set forth in note 9 to our consolidated financial statements on page 37 of Appendix B to this proxy statement. At December 31, 2006, Messrs. Cole, Gordon, Klein, Malone and Steinmann and Ms. Varet each held 4,455 restricted shares and Messrs. Kohlhagen and Williams each held 1,080 restricted shares.

(2) The amounts shown for option awards relate to stock options granted under our 2002 Stock Incentive Plan. These amounts are equal to the dollar amounts recognized in 2006 with respect to the Directors' option awards for financial reporting purposes, computed in accordance with SFAS 123(R), but without giving effect to estimated forfeitures. The assumptions used in determining the amounts in this column are set forth in note 9 to our consolidated financial statements on page 37 of Appendix B to this proxy statement. The grant date fair value of option awards granted to each Director in 2006, computed in accordance with SFAS 123(R), was $34,968. At December 31, 2006, Messrs. Cole, Gordon, Klein, Malone and Steinmann and Ms. Varet each held options to purchase 12,795 shares of our Common Stock and Messrs. Kohlhagen and Williams each held options to purchase 3,645 shares of our Common Stock.

(3) Represents fees for consulting services performed prior to Mr. Kohlhagen's election as a non-employee Director in April 2006.

Directors who first became members of the Board of Directors prior to January 1, 1997 participate in a retirement plan for Directors. Under this plan, each non-employee Director who has provided at least three years of service to us as a Director receives an annual retirement benefit equal to 100% of that Director's highest annual rate of cash compensation during the Director's service with the Board. Mr. Steinmann and Ms. Varet have accrued an annual retirement benefit of $50,000. Messrs. Cole, Klein and Malone have accrued an annual retirement benefit of $55,000. Mr. Gordon has accrued an annual retirement benefit of $60,000.

Directors who first became members of the Board of Directors prior to July 22, 2004 participate in our Death Benefit Program for Directors. Under this program, each non-employee Director has an individual agreement that pays the Director (or the Director's beneficiary in the event of the Director's death) an annual amount equal to 100% of that Director's highest annual rate of cash compensation during the Director's service with the Board. The payments are made for 10 years beginning at the earlier of (a) the Director's being retired and having attained age 70 or (b) the Director's death. Directors elected after January 1, 1989 must complete five years of service as a Director in order to receive benefits under this program. The program is funded by individual life insurance policies that we purchased on the lives of the Directors. In addition, non-employee Directors who first became members of the Board of Directors prior to July 27, 2005 have a group term life insurance benefit of $50,000. We retain the right to terminate any of the individual agreements under certain circumstances.

Mandatory Retirement. The retirement policy for our Board of Directors prohibits a Director from standing for re-election following his or her 75th birthday.

Certain Relationships and Related Transactions. Mr. Kohlhagen's brother-in-law is employed by us in a non-executive officer capacity and received compensation in excess of $120,000 in 2006. Mr. Hermance's son is employed by us in a non-executive officer capacity and received compensation in excess of $120,000 in 2006.

Under our written Related Party Transactions Policy, transactions that would require disclosure under SEC regulations must be approved in advance by the Audit Committee. The relationships described above were ratified by the Audit Committee under the policy.

ADVANCE NOTICE PROCEDURES

In accordance with our By-Laws, stockholders must give us notice relating to nominations for Director or proposed business to be considered at our 2008 Annual Meeting of Stockholders no earlier than January 23, 2008 nor later than February 22, 2008. These requirements do not affect the deadline for submitting stockholder proposals for inclusion in the proxy statement or for suggesting candidates for consideration by the Corporate Governance/Nominating Committee, nor do they apply to questions a stockholder may wish to ask at the Annual Meeting. Stockholders may request a copy of the By-Law provisions discussed above from the Corporate Secretary, AMETEK, Inc., 37 North Valley Road — Building 4, P.O. Box 1764, Paoli, PA 19301-0801.

STOCKHOLDER PROPOSALS FOR THE 2008 PROXY STATEMENT

To be considered for inclusion in the proxy statement for the 2008 Annual Meeting of Stockholders, stockholder proposals must be received at our executive offices no later than November 17, 2007.

REPORT OF THE AUDIT COMMITTEE

The responsibilities of the Audit Committee are set forth in its Charter, which is accessible on AMETEK's Web site at **www.ametek.com/investors.** Among other things, the Charter charges the Committee with the responsibility for reviewing AMETEK's audited financial statements and the financial reporting process. In fulfilling its oversight responsibilities, the Committee reviewed with management and Ernst & Young LLP, AMETEK's independent registered public accounting firm, the audited financial statements contained in AMETEK's 2006 Annual Report on Form 10-K and included in Appendix B to this Proxy Statement. The Committee discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended.

In addition, the Committee received the written disclosures and letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with Ernst & Young LLP its independence.

The Committee discussed with AMETEK's internal auditors and Ernst & Young LLP the overall scope and plans for their respective audits. The Committee met with the internal auditors and Ernst & Young LLP, with and without management present, to discuss the results of their examinations, their evaluations of AMETEK's disclosure control process and internal control over financial reporting, and the overall quality of AMETEK's financial reporting. The Committee held eight meetings during the fiscal year ended December 31, 2006, which included telephone meetings prior to quarterly earnings announcements.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board approved, the inclusion of the audited financial statements in AMETEK's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for filing with the Securities and Exchange Commission.

Respectfully submitted,

The Audit Committee:
Sheldon S. Gordon, Chairperson
Steven W. Kohlhagen
James R. Malone

Dated: March 16, 2007

ELECTION OF DIRECTORS
(Proposal 1 on Proxy Card)

The nominees for election at this year's Annual Meeting are Charles D. Klein and Steven W. Kohlhagen. Messrs. Klein and Kohlhagen have been nominated to serve as Class I Directors and, if elected, will serve until the Annual Meeting in 2010.

All proxies received will be voted for the election of the nominees unless the stockholder submitting the proxy gives other directions. Nominees will be elected by holders of a plurality of shares represented either in person or by proxy at the Annual Meeting and entitled to vote. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate, unless the Board determines to reduce the number of Directors.

The Directors' biographies are set forth on page 21.

Your Board of Directors Recommends a Vote FOR Each of the Nominees.

APPROVAL OF AN AMENDMENT TO THE CERTIFICATE OF INCORPORATION INCREASING AUTHORIZED SHARES OF COMMON STOCK
(Proposal 2 on Proxy Card)

Under Article FOURTH, Section 1 of our Amended and Restated Certificate of Incorporation, as amended, we presently are authorized to issue 200,000,000 shares of Common Stock with a par value of $.01 per share. On November 27, 2006, we effected a three-for-two stock split of our Common Stock but did not at that time increase the authorized number of shares of Common Stock. Accordingly, we are proposing to amend Section 1 of Article FOURTH of our Certificate of Incorporation to increase the number of shares of Common Stock that we are authorized to issue from 200,000,000 to 400,000,000 shares. The proposed amendment reads as follows:

> "FOURTH. Section 1. Authorized Capital Stock. The Company is authorized to issue two classes of capital stock, designated Common Stock and Preferred Stock. The total number of shares of capital stock that the Company is authorized to issue is 405,000,000 shares, consisting of 400,000,000 shares of Common Stock, par value $0.01 per share, and 5,000,000 shares of Preferred Stock, par value $0.01 per share."

At February 28, 2007, there were 106,240,082 shares of Common Stock issued and outstanding and 6,358,854 shares were reserved for issuance under our stock incentive plans. No shares of preferred stock are outstanding, and the proposed amendment will not affect the number of authorized shares of preferred stock.

The Board of Directors believes that it is in the best interests of our company and our stockholders to increase the number of authorized shares of Common Stock. The increase in authorized shares will provide flexibility with respect to future transactions, including acquisitions of other businesses, because we will have the ability to use our Common Stock (or securities convertible into or exercisable for Common Stock) as consideration for such transactions. We also may use such additional shares for financing transactions, stock splits and other corporate purposes. The additional shares will enable us to avoid the time-consuming and costly need to hold a special meeting of stockholders each time we determine to use Common Stock for these purposes. Moreover, occasions may arise when the time required to obtain stockholder approval might delay our ability to enter into a desirable transaction.

If the proposal is approved, the Board of Directors will have the sole discretion to issue the additional authorized shares of Common Stock on such terms and for such consideration as it may determine, and no further approval by stockholders would be necessary, except as may be required by law or applicable New York Stock Exchange rules. In some cases, generally relating to the number of shares to be issued and the identity of the recipient, the rules of the New York Stock Exchange require stockholder authorization before we can issue Common Stock.

Stockholders will not have any preemptive rights with respect to the additional shares being authorized. The issuance of any additional shares of Common Stock may have the effect of diluting the percentage of stock ownership of our present stockholders.

The affirmative vote of holders of a majority of all outstanding shares of Common Stock entitled to vote on this proposal at the Annual Meeting is required in order for the proposed amendment to the Certificate of Incorporation to be adopted.

Your Board of Directors recommends a Vote FOR this Proposal.

APPROVAL OF THE AMETEK, INC. 2007 OMNIBUS INCENTIVE COMPENSATION PLAN (Proposal 3 on Proxy Card)

On February 23, 2007, the Board of Directors adopted the AMETEK, Inc. 2007 Omnibus Incentive Compensation Plan (the "Plan"), subject to stockholder approval. The Board of Directors has directed that the proposal to approve the Plan be submitted to our stockholders for their approval at the Annual Meeting.

We believe that the Plan will enhance our ability to attract, retain and motivate top quality employees and encourage them to contribute to our growth. We also believe that the Plan will enable us to continue to align the interests of our employees and directors with those of our stockholders through the grant to employees and directors of stock options, stock units, stock awards or stock appreciation rights under the Plan.

The Plan is intended to enable the Compensation Committee of the Board of Directors to make annual bonus awards to executives based on achievement of objective performance goals, in accordance with the requirements for "qualified performance-based compensation" under Section 162(m) of the Code.

The Committee also may grant to executives other bonuses as the Committee deems appropriate, which may be based on such criteria as the Committee determines. Decisions with respect to these bonuses will be made separate and apart from the bonus awards intended to qualify under Section 162(m).

We intend to continue to grant stock options and other equity awards under our existing equity plans, from the shares reserved for issuance under those plans.

If approved by the stockholders, the Plan will become effective on February 23, 2007. Any grant or annual bonus award made under the Plan prior to the Annual Meeting will be subject to stockholder approval of the Plan at the Annual Meeting. If for any reason the stockholders do not approve the Plan at the Annual Meeting, the Plan will immediately terminate and no grants or bonus awards will be made under the Plan.

The material terms of the Plan are summarized below. A copy of the full text of the Plan is attached to this Proxy Statement as Appendix A. This summary of the Plan is not intended to be a complete description of the Plan and is qualified in its entirety by the actual text of the Plan to which reference is made.

Material Features of the Plan

General. The Plan provides that grants and awards may be made in any of the following forms:

- Incentive stock options
- Nonqualified stock options
- Stock units
- Stock awards
- Stock appreciation rights
- Performance-based cash bonus awards

The Plan authorizes up to 3,500,000 shares of Common Stock for issuance. Within this limit, the maximum aggregate number of shares of Common Stock with respect to which stock awards and stock units may be issued during the term of the Plan is 1,050,000 shares. The last reported sale price of our Common Stock on February 28, 2007, was $34.16 per share.

If and to the extent options and stock appreciation rights granted under the Plan terminate, or are cancelled or exchanged without being exercised, or if any stock units or stock awards are forfeited or terminated, or otherwise not paid in full, the shares subject to such grants will become available again for purposes of the Plan. Shares of Common Stock surrendered in payment of the exercise price of an option, and shares withheld or surrendered for payment of taxes, will not be available for reissuance under the Plan. If stock appreciation rights are exercised, the full number of shares subject to the stock appreciation rights will be considered issued under the Plan, without regard to the number of shares issued upon exercise of the stock appreciation rights and without regard to any cash settlement of the stock appreciation rights. A grant of stock units that is designated in the grant agreement to be paid in cash, rather than in shares of Common Stock, will not count against the foregoing share limits.

The Plan provides that the maximum aggregate number of shares of Common Stock with respect to which grants may be made to any individual during any calendar year is 1,225,000 shares. All grants under the Plan will be expressed in shares of Common Stock.

All share limits described above are subject to adjustment in certain circumstances as described below.

Administration. The Plan will be administered and interpreted by the Compensation Committee, or such other committee of non-employee Directors as may be appointed by the Board to administer the Plan (the “Committee”). The Committee may appoint an administrative committee comprised of our employees to perform ministerial functions under the Plan.

The Committee has the authority to (i) determine the individuals to whom grants or bonus awards will be made under the Plan, (ii) determine the type, size, terms and conditions of the grants or bonus awards, (iii) determine when grants or bonus awards will be made, subject to our stock-based award grant practices, (iv) establish any performance goals for grants or bonus awards, (v) determine the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and any acceleration of exercisability or vesting, (vi) amend the terms and conditions of any previously issued grant or bonus award, subject to the limitations described below, and (vii) deal with any other matters arising under the Plan.

Eligibility for Participation. All of our employees and non-employee Directors are eligible to receive grants under the Plan. As of March 31, 2007, we estimate that approximately 300 employees and eight non-employee Directors will be designated to receive grants under the Plan. Only executives are eligible to receive bonus awards under the Plan.

Types of Awards.

Stock Options

We may grant options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code (“ISOs”) or “nonqualified stock options” that are not intended to so qualify (“NQSOs”). Anyone eligible to participate in the Plan may receive a grant of NQSOs. Only employees may receive a grant of ISOs.

The Committee will fix the exercise price per share and term of each option on the date of grant. The exercise price must be equal to or greater than the last reported sale price of the underlying shares of Common Stock on the date of grant, and the term of each option may not exceed seven years. The Committee will determine under what circumstances, if any, and during what time periods a participant may exercise an option after termination of employment or service.

An ISO may not be granted to an employee who holds more than 10% of the total combined voting power of all classes of outstanding stock. To the extent that the aggregate fair market value of shares of Common Stock, determined on the date of grant, with respect to which ISOs become exercisable for the first time by a participant during any calendar year exceeds $100,000, such ISOs will be treated as NQSOs.

A participant may pay the exercise price and any withholding taxes for an option: (i) in cash; (ii) if the Committee permits, by delivering shares of Common Stock already owned by the participant and having a fair market value on the date of exercise equal to the exercise price or by attestation to ownership of shares of Common Stock having an aggregate fair market value on the date of exercise equal to the exercise price; (iii) by payment through a broker in accordance with the procedures permitted by Regulation T of the Federal Reserve Board; or (iv) by such other method as the Committee may approve.

Stock Units

The Committee may grant stock units, which provide the participants with the right to receive, at a future date, a share of Common Stock or an amount based on the value of a share of Common Stock. The Committee will determine the terms and conditions of the stock units, including (i) whether stock units will become payable based on achievement of performance goals or other conditions, (ii) and whether stock units will be paid at the end of a specified period or deferred to a date authorized by the Committee. The Committee will determine in the grant agreement under what circumstances, if any, a participant may retain stock units after termination of employment or service. If a stock unit becomes distributable, it will be paid to the participant in cash, in shares of Common Stock, or in a combination of cash and shares of Common Stock, as determined by the Committee.

The Committee may grant dividend equivalents in connection with stock units on such terms and conditions as it determines. Dividend equivalents will be payable in cash or shares of Common Stock and may be paid currently or may be deferred.

Stock Awards

The Committee may grant stock awards having such terms and conditions, including vesting conditions, as the Committee determines. However, all stock awards must have a vesting period of at least three years, except upon the occurrence of such circumstance or event as, in the opinion of the Committee, merits special consideration. The Committee will determine in the grant agreement under what circumstances, if any, a participant may retain unvested stock awards after termination of employment or service.

The Committee will determine to what extent and under what conditions participants will have the right to vote shares of Common Stock subject to stock awards and to receive dividends paid on such shares during the restriction period. The Committee may determine that a participant’s entitlement to dividends with respect to stock awards will be subject to the achievement of performance goals or other conditions. Accumulated dividends may be paid in cash or in such other form as the Committee determines.

Stock Appreciation Rights

The Committee may grant stock appreciation rights to anyone eligible to participate in the Plan. Stock appreciation rights may be granted in connection with, or independently of, any option granted under the Plan. Upon exercise of a stock appreciation right, the participant will receive an amount equal to the excess of the fair market value of the Common Stock on the date of exercise over the base amount for the stock appreciation right. Payment will be made in cash, shares of Common Stock, or a combination of the two.

The Committee will fix the base amount and term of each stock appreciation right on the date of grant. The base amount of each stock appreciation right will be not less than the last reported sale price of a share of Common Stock on the date of grant, and the term of each stock appreciation right may not exceed seven years. The Committee will determine the terms and conditions of stock appreciation rights, including when they become exercisable. Except as provided in the grant agreement, stock appreciation rights may be exercised only while the participant is employed by or providing service to us and our subsidiaries. The Committee will determine under what circumstances, if any, and during what time periods a participant may exercise a stock appreciation right after termination of employment or service.

Qualified Performance-Based Compensation

The Plan permits the Committee to impose objective performance goals that must be met with respect to grants of stock units, stock awards, dividend equivalents or dividends granted to employees under the Plan, in order for the grants to be considered qualified performance-based compensation for purposes of Section 162(m) of the Code (see "Federal Income Tax Consequences" below). If the Committee determines to utilize performance goals, the Committee will establish in writing the performance goals that must be met, the applicable performance period, the amounts to be paid if the performance goals are met, and any other conditions. The Committee may provide in the grant agreement that qualified performance-based grants will be payable or restrictions on such grants will lapse, in whole or part, in the event of the participant's death or disability during the performance period, a change of control, or under other circumstances consistent with Department of Treasury regulations.

The performance goals, to the extent designed to meet the requirements of Section 162(m) of the Code for preserving deductibility of award payouts, will be based on one or more of the following measures: stock price, earnings per share, diluted earnings per share, price-earnings multiples, net income, operating income, revenues, working capital, operating working capital, number of days sales outstanding in accounts receivable, inventory turnover, productivity, operating income margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, stockholder return, return on equity, return on capital employed, growth in assets, unit volume, sales, sales growth, return on sales, internal sales growth, operating cash flow, free cash flow, market share, relative performance to a comparison group designated by the Committee, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may relate to one or more business units or the performance of our company and subsidiaries as a whole, or any combination of the foregoing.

The Committee will not have the discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable under grants it designates as qualified performance-based compensation. At the end of the performance period, the Committee will certify the performance results for the performance period, and determine the amount, if any, to be paid under each grant based on the achievement of the performance goals and the satisfaction of all other terms of the grant agreement.

If dividend equivalents or dividends are granted as qualified performance-based compensation under Section 162(m) of the Code, the participant may not accrue more than $500,000 of such dividend equivalents or dividends during any calendar year.

Bonus Awards

In addition to the foregoing, the Committee may grant annual bonus awards under the Plan to executives, upon such terms and conditions as the Committee deems appropriate. The annual bonus awards are intended to meet the requirements of “qualified performance-based compensation” under Section 162(m) of the Code. Prior to, or soon after the beginning of, the performance period, the Committee will select the executives who will be eligible for bonus awards, specify the annual performance period and establish in writing the target bonus awards and performance goals for the performance period. A participant’s target bonus award may provide for differing amounts to be paid based on differing thresholds of performance. The performance goals will be based on one or more of the measures described above under “Qualified Performance-Based Compensation.”

The Committee will not have the discretion to increase the amount of compensation that is payable based on achievement of the performance goals, but may reduce the amount of compensation based upon its assessment of personal performance or other factors. After the performance period ends, the Committee will certify the performance results for the performance period, and determine the amount, if any, to be paid under the bonus award, based on the achievement of the performance goals, the Committee’s exercise of its discretion to reduce bonus awards and the satisfaction of all other terms of the bonus award. If a change of control occurs prior to the end of a performance period, the Committee may determine that each participant who is then an employee and was awarded a target bonus award for the performance period may receive a bonus award for the performance period, in such amount and at such time as the Committee determines.

The maximum bonus award designated as Section 162(m) “qualified performance-based compensation” that may be payable to any participant under the Plan for an annual performance period is $5,000,000.

In addition to bonus awards that are designated as Section 162(m) “qualified performance-based compensation,” as described above, the Committee may grant to executives other bonuses that the Committee deems appropriate, which may be based on individual performance, our company’s performance or such other criteria as the Committee determines. Decisions with respect to such bonuses shall be made separate and apart from the bonus awards described above.

Deferrals. The Committee may permit or require participants to defer receipt of the payment of cash or the delivery of shares of Common Stock that would otherwise be due to the participant in connection with any grant or bonus award under the Plan. The Committee will establish the rules and procedures applicable to any such deferrals.

Adjustment Provisions. In the event of a stock dividend, extraordinary dividend, spinoff, recapitalization, stock split, combination or exchange of shares, merger, reorganization, consolidation or similar event, the number of shares of Common Stock available for grants, the various share limits described above, and the price per share or the applicable market value of such grants will be equitably adjusted by the Committee in order to preclude, to the extent practicable, the enlargement or dilution of the rights and benefits under such grants. Any adjustment to outstanding grants will be consistent with specified provisions of the Code, to the extent applicable.

Change of Control. In the event of a change of control, the Committee may take any of the following actions with respect to any or all outstanding grants under the Plan: (i) determine that all outstanding options and stock appreciation rights will become fully exercisable, the restrictions on all outstanding stock awards will lapse, and accumulated dividends will be paid, as of the date of the change of control or at such other time as the Committee determines; (ii) require that participants surrender their options and stock appreciation rights in exchange for payment by us, in cash or shares of Common Stock as determined by the Committee in an amount equal to the amount, if any, by which the then fair market value of the shares subject to the participant’s unexercised options and stock appreciation rights exceeds the exercise price of the options or the base amount of the stock appreciation rights, as applicable; (iii) after giving participants the opportunity to exercise their options and stock appreciation rights, terminate any or all unexercised options and stock appreciation rights at such time as the Committee determines appropriate; (iv) determine that participants holding stock units will receive one or more payments in settlement of such stock units and accumulated dividend equivalents, in such amount and form and on such terms as the Committee determines; or (v) determine that any grants that remain outstanding after the change of control will be converted to similar grants of the surviving corporation.

For purposes of the Plan, a change of control will be deemed to have occurred if one of the following events occurs:

- Any person becomes the beneficial owner of securities representing 20% or more of the voting power of our securities, provided that a change of control will not occur as a result of a transaction in which we become a subsidiary of another corporation and in which our stockholders, immediately prior to the transaction, will own shares representing more than 50% of the parent corporation.
- Consummation of a merger or consolidation whereby our stockholders immediately before the transaction do not own securities representing more than 50% of the voting power of the securities of the surviving company.
- A sale or other disposition of all or substantially all of our assets.
- A plan of liquidation or dissolution of our company.

Transferability of Grants. Only the participant may exercise rights under a grant during the participant's lifetime. A participant may not transfer those rights except by will or the laws of descent and distribution. The Committee may provide, in a grant agreement, that a participant may transfer NQSOs to his or her family members, or one or more trusts or other entities for the benefit of or owned by such family members, consistent with applicable securities laws, according to such terms as the Committee may determine.

Bonus awards are not transferable. If a participant dies, any amounts payable after the participant's death under a bonus award will be paid to the personal representative or other person entitled to succeed to the participant's rights.

Participants Outside the United States. If any individual who receives a grant under the Plan is subject to taxation in a country other than the United States, the Committee may make the grant on such terms and conditions as the Committee determines appropriate to comply with the laws of the applicable country.

No Repricing of Options or Stock Appreciation Rights. Neither the Board of Directors nor the Committee can amend the Plan or options or stock appreciation rights previously granted under the Plan to permit a repricing of options or stock appreciation rights, without prior stockholder approval.

Amendment and Termination of the Plan. The Board of Directors may amend or terminate the Plan at any time, subject to stockholder approval if such approval is required under any applicable laws or stock exchange requirements. The Plan will terminate on February 22, 2017, unless the Plan is terminated earlier by the Board or is extended by the Board with stockholder approval.

Shareholder Approval for Qualified Performance-Based Compensation. The Plan must be re-approved by the our stockholders no later than the first stockholders' meeting that occurs in the fifth year following the year in which the stockholders previously approved the Plan, if grants or bonus awards designated as qualified performance-based compensation are to be made in the future.

Grants and Bonus Awards Under the Plan. No equity grants have been made under the Plan. Grants under the Plan are discretionary, so it currently is not possible to predict the number of shares of Common Stock that will be granted or who will receive grants under the Plan after the Annual Meeting.

New Plan Benefits

The following table shows the maximum dollar value of outstanding performance-based cash award opportunities that would have been granted under the Plan had it been in effect in 2006. These amounts represent the maximum dollar value of performance-based award opportunities that could have been paid to each of the executives identified in the table below for the annual performance period that commenced on January 1, 2006. The actual amounts paid to these executives are described in note 1 to the Summary Compensation Table. As of the date of this proxy statement, we have not yet established the maximum dollar value of performance-based cash award opportunities for executives under the plan for the annual performance period commencing on January 1, 2007. We anticipate that these awards will be granted only to the executives identified in the table below:

Name and Position	*Aggregate Maximum Dollar Value of Outstanding Award Opportunities*
Frank S. Hermance, Chairman of the Board and Chief Executive Officer	$1,120,000
John J. Molinelli, Executive Vice President — Chief Financial Officer	353,600
Robert W. Chlebek, President — Electronic Instruments	364,000
David A. Zapico, President — Electronic Instruments	357,933
Timothy N. Jones, President- Electromechanical Group	294,467

Federal Income Tax Consequences

The federal income tax consequences of grants under the Plan will depend on the type of grant. The following is only a general description of the application of federal income tax laws to grants and bonus awards under the Plan. This discussion is intended for the information of stockholders considering how to vote at the Annual Meeting; it is not intended to provide tax guidance to participants, as the consequences may vary with the types of grants or bonus awards made, the identity of the participants and the method of payment or settlement. In addition, the discussion relates to federal income tax laws as in effect on the date of this proxy statement, and these laws are subject to change. The summary does not address the effects of other federal taxes (including possible "golden parachute" excise taxes) or taxes imposed under state, local, or foreign tax laws.

From the participants' standpoint, as a general rule, ordinary income will be recognized at the time of delivery of shares of Common Stock or payment of cash under the Plan. Future appreciation on shares of Common Stock held beyond the ordinary income recognition event will be taxable as capital gain when the shares of Common Stock are sold. The tax rate applicable to capital gain will depend upon how long the participant holds the shares. Exceptions to these general rules arise under the following circumstances:

(i) If shares of Common Stock, when delivered, are subject to a substantial risk of forfeiture by reason of any employment or performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses, unless the participant makes a special election to accelerate taxation under Section 83(b) of the Code.

(ii) If an employee exercises a stock option that qualifies as an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares of Common Stock acquired upon exercise of the stock option are held until the later of (A) one year from the date of exercise and (B) two years from the date of grant. However, if the employee disposes of the shares acquired upon exercise of an ISO before satisfying both holding period requirements, the employee will recognize ordinary income to the extent of the difference between the fair market value of the shares on the date of exercise (or the amount realized on the disposition, if less) and the exercise price, and we will be entitled to a tax deduction in that amount. The gain, if any, in excess of the amount recognized as ordinary income will be long-term or short-term capital gain, depending upon the length of time the employee held the shares before the disposition.

(iii) A grant may be subject to a 20% tax, in addition to ordinary income tax, at the time the grant becomes vested, plus interest, if the grant constitutes deferred compensation under Section 409A of the Code and the requirements of Section 409A of the Code are not satisfied.

We, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the participant, and we will not be entitled to any tax deduction with respect to capital gain income recognized by the participant.

Section 162(m) of the Code generally disallows a publicly held corporation's tax deduction for compensation paid to its chief executive officer or any of its four other most highly compensated officers in excess of $1 million in any year. Qualified performance-based compensation is excluded from the $1 million deductibility limit, and therefore remains fully deductible by the corporation that pays it. The terms of the Plan are designed to qualify options and stock appreciation rights granted under the Plan as qualified performance-based compensation. Stock units, stock awards, dividend equivalents, dividends and bonus awards granted under the Plan may qualify as qualified performance-based compensation if the Committee conditions such grants on the achievement of specific performance goals in accordance with the requirements of Section 162(m) of the Code.

We have the right to require that participants pay to us an amount necessary for us to satisfy our federal, state or local tax withholding obligations with respect to grants and bonus awards. We may withhold from other amounts payable to a participant an amount necessary to satisfy these obligations. The Committee may permit a participant to satisfy our withholding obligation with respect to grants paid in Common Stock by having shares withheld, at the time the grants become taxable, provided that the number of shares withheld does not exceed the individual's minimum applicable withholding tax rate for federal, state and local tax liabilities.

Vote Required for Approval

The affirmative vote of the holders of a majority of the shares present at the Annual Meeting, in person or by proxy and voting on the matter is required to approve the Plan.

Your Board of Directors Recommends a Vote FOR Approval of the Plan.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Proposal 4 on Proxy Card)

The Audit Committee has appointed the firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007. Ernst & Young LLP and its predecessor has served continuously as our independent auditors since our incorporation in 1930. Although action by stockholders on this matter is not required, the Audit Committee believes that it is appropriate to seek stockholder ratification of this appointment, and the Audit Committee may reconsider the appointment if the stockholders do not ratify it.

Fees billed to us by Ernst & Young LLP for services rendered in 2006 and 2005 totaled $3,605,000 and $3,409,000 respectively, and consisted of the following:

	2006	2005
Audit fees	$ 3,472,000	$ 3,246,000
Audit-related fees	50,000	41,000
Tax fees	76,000	113,000
All other fees	7,000	9,000
Total	$ 3,605,000	$ 3,409,000

"Audit fees" includes amounts for statutory audits and attestation services related to our internal control over financial reporting for compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

The amounts shown for "Audit-related fees" include fees for audits of employee benefit plans.

The amounts shown for "Tax fees" relate to federal and state tax advice, acquisition tax planning, assistance with international tax compliance and international tax consulting.

The amounts shown for "All other fees" primarily relate to online accounting research subscriptions.

The affirmative vote of the holders of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting on the matter is required to ratify the appointment of Ernst & Young LLP.

Representatives of Ernst & Young LLP will be present at the Annual Meeting. They will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions.

Your Board of Directors Recommends a Vote FOR Ratification.

THE BOARD OF DIRECTORS

Unless we indicate otherwise, each Director has maintained the principal occupation described below for more than five years.

Class I: Nominees for election at this Annual Meeting for terms expiring in 2010:

CHARLES D. KLEIN Director since 1980	A Managing Director of American Securities Capital Partners, LLC and an executive officer of several affiliated entities. Age 68.
STEVEN W. KOHLHAGEN Director since 2006	Retired. A Managing Director of First Union National Bank, predecessor to the current Wachovia National Bank, from December 1992 to August 2002. A Director of the IQ Investment Advisors family of Merrill Lynch funds. Age 59.

Class II: Directors whose terms continue until 2008:

SHELDON S. GORDON Director since 1989	Chairman of Union Bancaire Privée International Holdings, Inc. and affiliated entities. A Director of the Holland Balanced Fund, Union Bancaire Privée and Gulfmark Offshore, Inc. Age 71.
FRANK S. HERMANCE Director since 1999	Chairman of the Board and Chief Executive Officer of AMETEK. A Director of IDEX Corporation. Age 58.
DAVID P. STEINMANN Director since 1993	A Managing Director of American Securities, L.P. and an executive officer of several affiliated entities. Age 65.

Class III: Directors whose terms continue until 2009:

JAMES R. MALONE Director since 1994	Founder and Managing Partner of Qorval LLC since June 2003. President and Chief Executive Officer (from June 2005 to September 2005) and Chairman (from August 2005 to September 2005) of Cenveo, Inc. Chairman of the Board (from December 1996 to January 2004) and Chief Executive Officer (from May 1997 to January 2004) of HMI Industries, Inc. Founder and Managing Partner of Bridge Associates LLC from June 2000 to May 2002. A Director of Regions Financial Corporation. Age 64.
ELIZABETH R. VARET Director since 1987	A Managing Director of American Securities, L.P. and chairman of the corporate general partner of several affiliated entities. Age 63.
DENNIS K. WILLIAMS Director since 2006	Retired. President and Chief Executive Officer (from May 2000 to March 2005) and Chairman of the Board (from May 2000 to April 2006) of IDEX Corporation. A Director of Washington Group International, Inc., Owens-Illinois, Inc. and Actuant Corporation. Age 61.

EXECUTIVE OFFICERS

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

Name	Age	Present Position with AMETEK
Frank S. Hermance	58	Chairman of the Board and Chief Executive Officer
John J. Molinelli	60	Executive Vice President—Chief Financial Officer
Timothy N. Jones	50	President—Electromechanical Group
Robert W. Chlebek	63	President—Electronic Instruments
David A. Zapico	42	President—Electronic Instruments
Robert R. Mandos, Jr.	48	Senior Vice President and Comptroller

Frank S. Hermance's employment history with us and the other Directorship that he currently holds are described under the section "The Board of Directors" on page 21. Mr. Hermance has 16 years of service with us.

John J. Molinelli was elected Executive Vice President—Chief Financial Officer effective April 22, 1998.
Mr. Molinelli has 38 years of service with us.

Timothy N. Jones was elected President—Electromechanical Group effective February 1, 2006. Previously he served as Vice President and General Manager of our Process & Analytical Instruments Division from October 1999 to January 2006. Mr. Jones has 27 years of service with us.

Robert W. Chlebek was elected President—Electronic Instruments effective March 1, 1997. Mr. Chlebek has 10 years of service with us.

David A. Zapico was elected President—Electronic Instruments effective October 1, 2003. Previously he served as Vice President and General Manager of our Aerospace and Power Instruments Division from July 1999 to October 2003. Mr. Zapico has 17 years of service with us.

Robert R. Mandos, Jr. was elected Senior Vice President effective October 1, 2004. Previously he served as Vice President from April 1998 until September 2004. He has served as our Comptroller since April 1996. Mr. Mandos has 25 years of service with us.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In this Compensation Discussion and Analysis, we address the compensation paid or awarded to our executive officers listed in the Summary Compensation Table that immediately follows this discussion. We refer to these executive officers as our “named executive officers.”

2006 Compensation

Compensation Objectives

The compensation paid or awarded to our named executive officers for 2006 was designed to meet the following objectives:

- Provide compensation that is competitive with compensation for executive officers providing comparable services, taking into account the size of our company or operating group, as applicable. We refer to this objective as “competitive compensation.”
- Create a compensation structure under which a meaningful portion of total compensation is based on achievement of performance goals. We refer to this objective as “performance incentives.”
- Encourage the aggregation and maintenance of meaningful equity ownership, and alignment of executive and stockholder interests. We refer to this objective as “stakeholder incentives.”
- Provide an incentive for long-term continued employment with us. We refer to this objective as “retention incentives.”

We fashioned various components of our 2006 compensation payments and awards to meet these objectives as follows:

Type of Compensation	Objectives Addressed
Salary	Competitive Compensation
Short-Term Incentive Awards, Restricted Stock Awards and Stock Option Grants	Competitive Compensation, Performance Incentives, Stakeholder Incentives and Retention Incentives

Determination of Competitive Compensation

In assessing competitive compensation, we relied on data provided to us by our independent compensation consultant, Towers Perrin. Our executive compensation levels are designed to be generally aligned with the 50^{th} percentile of competitive market levels.

We used the following process to determine the competitive level for each named executive officer in 2006:

- We provided to the compensation consultant a detailed description of the responsibilities for each named executive officer.

- The compensation consultant employed its standard methodology to develop competitive compensation levels for seasoned executives having similar responsibilities. The competitive compensation information was based on general industry data derived principally from the compensation consultant's executive compensation database. The data was size adjusted to reflect the estimated 2005 revenues of our company and the relevant operating groups.

In considering the data provided by the compensation consultant, we concurred with the compensation consultant's view that compensation is competitive if it is within a range of 15 percent above or 15 percent below compensation amounts at the 50^{th} percentile for comparable executives. We believe that variations within this range typically occur due to differences in experience, as well as variations in responsibilities, performance and ability.

Salaries

The salary amounts set forth in the Summary Compensation Table reflect salary decisions made by the Compensation Committee of our Board of Directors in 2005 and 2006. Salary adjustments for Messrs. Hermance, Chlebek and Jones were effective on January 1, so that salary determinations made in 2005 and 2006 affected their salaries for all of 2006 and 2007, respectively. Salary adjustments for Messrs. Molinelli and Zapico were effective on July 1, so that Compensation Committee determinations in 2005 and 2006 affected their salaries for the annual periods beginning on July 1, 2005 and July 1, 2006, respectively.

As a result of the salary adjustments approved in 2006, all named executive officers' salaries were within the competitive compensation guideline range of 15 percent above or below salaries for comparable executives at the 50^{th} percentile. The process utilized in 2005 to establish salaries for the named executive officers was similar to the process used in 2006, but was based on earlier data prepared by the compensation consultant.

Short-Term Incentive Program

The principal objective of our short-term incentive program is to provide a performance incentive. We set performance targets such that total cash compensation will be within 15 percent above or below the total cash compensation at the 50^{th} percentile for comparable executives. However, larger variations, both positive and negative, may result based on actual performance.

Under our short-term incentive program, we established targets for each selected performance measure. In some instances, the performance measures differed among the named executive officers. These differences reflect the differing responsibilities of the executives.

The awards criteria utilized in 2006 were the following:

- Diluted earnings per share (EPS) — We believe that the paramount objective of a principal executive officer is to increase stockholder return significantly, and that for a large, well established industrial corporation, EPS is typically a key metric affecting share price. Therefore, we believe EPS is an excellent measure of our executive officers' performance.

- Internal sales growth — This measure is applied either on a company-wide basis, or, for our group presidents, with respect to their respective operating groups. Internal sales growth is based on 2006 revenues, and reflects adjustments deemed appropriate by the Compensation Committee. We utilize the measure because we believe that we achieve a greater economic return from internal growth than through acquisitions.

- Group operating income — This measure applies to our group presidents with regard to their respective operating groups, and reflects adjustments deemed appropriate by the Compensation Committee. We believe this measure is a reliable indicator of operating group performance.

- Group operating working capital — This measure represents inventory plus accounts receivable less accounts payable. We use this measure to encourage increased efficiency by our group presidents in the utilization of operating working capital.

- Discretionary — A small portion of each executive's award is based on discretionary factors that are deemed appropriate by the Compensation Committee. In the case of the group presidents, these factors are tied to acquisition activity of their respective operating groups.

The weighting of performance measures for each named executive officer is set forth in the table below. In most cases, the payment increases from 0 percent to 200 percent of the target award in proportion to the increase in achievement of the goal from 80 percent to 120 percent. With respect to group internal growth, the minimum and maximum payouts are based on achievement of 97 percent and 103 percent of the goal, respectively. With respect to group operating working capital, the minimum and maximum payouts are based on achievement of 90 percent and 110 percent of the goal, respectively. The discretionary portions of the award opportunities are not subject to any specified formula.

At the time the several goals for payment of target awards to our executives were established, we believed that the goals were achievable. Nevertheless, at that time, we believed the achievement of the goals was substantially uncertain.

As a result of our actual outcomes with respect to the performance measures and the Committee's determinations with respect to the discretionary component, the award payments and the percentage of the aggregate target award represented by the award payments are as follows: Mr. Hermance, $1,232,000 (176%); Mr. Molinelli, $397,000 (180%); Mr. Chlebek, $270,000 (138%); Mr. Zapico, $343,000 (179%); and Mr. Jones, $244,000 (154%). The actual payments reflect the following payout components, expressed as a percentage of the respective target award opportunity: EPS, 170 percent; internal growth, 200 percent; group operating income, 115-192 percent; group internal growth, 184-200 percent; group operating working capital, 14-154 percent; discretionary factors, 151-200 percent. In accordance with SEC regulations, the award payments are reflected in two separate columns of the Summary Compensation Table. The discretionary awards for the named executive officers appear in the "Bonus" column. The other awards are reflected in the "Non-Equity Incentive Plan Compensation" column.

In providing a discretionary award to Mr. Hermance, the Compensation Committee considered our success with respect to our four growth strategies:

- Operational Excellence — Our operating income margins increased from 16.3 percent in 2005 to 17 percent in 2006.

- Global and market expansion — We increased international sales by 33 percent in 2006 as compared to 2005.

- Strategic acquisitions — We completed six acquisitions that added approximately $150 million in annualized revenue.

- New products — We introduced a number of new products that contributed to our revenue and profitability.

In addition, the Compensation Committee recognized Mr. Hermance's role in the upgrading of our leadership talent. In the case of Mr. Molinelli, the Compensation Committee considered the same factors as those considered for Mr. Hermance, as well as our generation of record cash flow from operations of $226 million, a 45 percent increase from $166 million in 2005. The group presidents' discretionary awards reflected the Committee's assessment of acquisition activities for their respective operating groups.

Equity-Based Compensation

All price per share information in this section has been adjusted to reflect the 3-for-2 stock split paid to stockholders on November 27, 2006.

Our equity-based compensation in 2006 included awards of stock options and restricted stock. We used the most recent data provided by our compensation consultant that was based on a Black-Scholes model. This data provided information as to the dollar amount of long-term incentive opportunities at the 50th percentile for comparable executives. This amount was subject to our adjustment based on differences in the scope of the named executive's responsibilities, performance and ability. Nevertheless, after these adjustments the long-term incentive opportunity for each named executive officer was within the competitive compensation guideline range of 15 percent above or below the long-term incentive opportunity at the 50th percentile for comparable executives.

The long-term incentive opportunity for each of the named executive officers in 2006, provided all vesting conditions are satisfied, is shown in the table below:

Name	*Long-Term Incentive Opportunity*
Frank S. Hermance	$1,816,400
John J. Molinelli	401,500
Robert W. Chlebek	322,400
David A. Zapico	322,400
Timothy N. Jones	322,400

We applied 50 percent of the amount of the long-term incentive opportunity to stock options, and 50 percent to restricted stock. Our stock options were valued at $7.17 per underlying share, based on a Black-Scholes methodology. As a result, we awarded options to the named executive officers for the respective numbers of shares set forth below in the Grants of Plan Based Awards table under the column heading, "All Other Option Awards: Number of Securities Underlying Options." The dollar amount shown in the Summary Compensation Table generally reflects the dollar amount recognized for financial statement purposes in accordance with SFAS 123R. Therefore, it includes amounts with respect to only a portion of the options granted in 2006, while also including amounts from earlier option grants. See the footnotes to the Summary Compensation Table for further information.

Our options generally vest in equal annual increments on the first four anniversaries of the date of grant. We believe that these vesting terms provide to our executives a meaningful incentive for continued employment. For additional information regarding stock option terms, see the narrative accompanying the Grants of Plan-Based Awards table.

We applied the remaining 50 percent of the long-term incentive opportunity to restricted shares. Because restricted share awards generally do not vest until the fourth anniversary of the grant date, we discounted the share value from $27.36 to $24.23, reflecting a forfeiture assumption of 3 percent per annum. The resulting number of restricted shares awarded to the respective named executive officers is set forth below in the Grants of Plan-Based Awards Table under the column heading, "All Other Stock Awards: Number of Shares of Stock or Units." See the narrative accompanying the Grants of Plan-Based Awards table for additional information regarding vesting of restricted stock.

We believe that the vesting provisions of our restricted stock also serve as an incentive for continued employment. However, to encourage performance that ultimately enhances stockholder value, we provide for immediate vesting of a restricted stock award if the closing price of our Common Stock during any five consecutive trading days reaches 200 percent of the price of our Common Stock on the date of grant.

Stock-Based Award Grant Practices

In October 2006, we adopted practices for the grant of stock-based awards. Among other things, these practices encompass the following principles:

- The majority of stock-based awards are approved annually by the Compensation Committee on a pre-scheduled date, which occurs in close proximity to the date of our Annual Meeting of Stockholders.
- The annual stock-based awards will not be made when the Compensation Committee is aware that executive officers or non-employee Directors are in possession of material, non-public information, or during quarterly or other specified “blackout” periods.
- While stock-based awards other than annual awards may be granted to address, among other things, the recruiting or hiring of new employees and promotions, such awards will not be made to executive officers if the Committee is aware that the executive officers are in possession of material, non-public information, or during quarterly or other specified “blackout” periods.
- The Compensation Committee has established that stock options are granted only on the date the Compensation Committee approves the grant and with an exercise price equal to the fair market value on the date of grant.
- Backdating of stock options is prohibited.

Stock Ownership Guidelines

We seek to underscore stockholder incentives through our stock ownership guidelines. We believe that by encouraging our executives to maintain a meaningful equity interest in our company, we will enhance the link between our executives and our stockholders. Our stock ownership guidelines for our named executive officers are as follows:

Name	*Multiple of Base Salary Required To Be Held In AMETEK Stock*	*Is Ownership Requirement Met?*
Frank S. Hermance	5x	YES
John J. Molinelli	3x	YES
Robert W. Chlebek	3x	YES
David A. Zapico	3x	YES
Timothy N. Jones	3x	YES

Ongoing and Post-Employment Agreements

We have several plans and agreements addressing compensation for our named executive officers that accrue value as the executive continues to work for us, provide special benefits upon certain types of termination events and provide retirement benefits. These plans and agreements were adopted and, in some cases, amended at various times over the past 25 years, and were designed to be a part of a competitive compensation package. Not all plans apply to each named executive officer, and the participants are indicated in the discussion below.

- The Employees’ Retirement Plan — This plan is a tax-qualified defined benefit plan available to all U.S.-based salaried employees who commenced employment with us prior to January 1, 1997. The plan pays annual benefits based on final average plan compensation and years of credited service. The amount of compensation that can be taken into account is subject to limits imposed by the Internal Revenue Code ($220,000 in 2006), and the maximum annual benefits payable under the plan also are subject to Internal Revenue Code limits ($175,000 in 2006). Messrs. Hermance, Molinelli, Zapico and Jones participate in The Employees’ Retirement Plan. See the Pension Benefits table and accompanying narrative for additional information.

- The Retirement and Savings Plan — This is a tax-qualified defined contribution plan under which our participating employees may contribute a percentage of specified compensation on a pretax basis. In the case of highly compensated employees, including the named executive officers, contributions of up to ten percent of eligible compensation can be made, subject to a limit mandated by the Internal Revenue Code, which was $15,000 for 2006, or, if the participant was at least 50 years old, $20,000. We provide a matching contribution equal to one-third of the first six percent of compensation contributed, subject to a maximum of $1,500. A participant may invest the participant's contributions and matching contributions in one or more of a number of investment alternatives, including our Common Stock, and the value of a participant's account will be determined by the investment performance of the participant's account. No more than 25 percent of a participant's contributions can be invested in our Common Stock. All of the named executive officers participate in The Retirement and Savings Plan. Our matching contributions are included in the "All Other Compensation" column of the Summary Compensation Table.
- Retirement Feature of The Retirement and Savings Plan — The Retirement Feature is available to participants in The Retirement and Savings Plan who meet specified criteria, including ineligibility to participate in any of our defined benefit plans. Mr. Chlebek participates in the Retirement Feature. We make retirement contributions based on the total of a participant's age plus years of service. For Mr. Chlebek, we contributed an amount equal to five percent of his compensation subject to Social Security taxes and seven percent of his additional compensation. We also make an employer incentive retirement contribution equal to one percent of a participant's eligible compensation if the participant is contributing at least six percent of his or her compensation under the Retirement and Savings Plan. See the notes to the "All Other Compensation" column of the Summary Compensation Table for further information regarding our contributions to the Retirement Feature for the account of Mr. Chlebek.
- Supplemental Executive Retirement Plan ("SERP") — This plan is a nonqualified deferred compensation plan that provides benefits for executives to the extent that their compensation cannot be taken into account under our tax qualified plans because the compensation exceeds limits imposed by the Internal Revenue Code. We refer to the compensation that exceeds these limits as "excess compensation." For 2006, compensation in excess of $220,000 constitutes excess compensation. Under the SERP, each year we credit to the account of a participant an amount equal to 13% of the executive's excess compensation, which is then deemed to be invested in our Common Stock. Payout of an executive's account, which is subject to tax liability, occurs upon termination of the executive's employment and is made in shares of our Common Stock. Therefore, the ultimate value of the shares paid out under the SERP will depend on the performance of our Common Stock during the period an executive participates in the SERP. All of the named executive officers participate in the SERP. See the Deferred Compensation table and accompanying narrative for additional information.
- Deferred Compensation Plan. This plan provides an opportunity for executives to defer payment of their short-term incentive bonus to the extent that such bonus, together with other relevant compensation, constitutes excess compensation. In advance of the year in which the short-term incentive bonus will be paid, an executive may elect to defer all or part of his eligible incentive bonus into a notional investment in our Common Stock, in an interest-bearing account or in both. A participant generally may elect to have the value of his or her account distributed following retirement, either in a lump sum or in up to five annual installments, or in the form of an in-service distribution, payable either in a lump sum or in up to four annual installments commencing on a date specified by the participant in his or her distribution election. Payments may commence sooner upon the participant's earlier separation from service, upon death of the participant, in the event of an unforeseeable financial emergency or upon a change in control. Payments from the notional Common Stock fund are made in shares of our Common Stock, while payments from the interest-bearing account are paid in cash. Messrs. Hermance, Molinelli and Chlebek participate in the Deferred Compensation Plan. See the Deferred Compensation table and accompanying narrative for additional information.

- Supplemental Senior Executive Death Benefit Program. Under this program, Messrs. Hermance and Molinelli have entered into agreements that require us to pay death benefits to their designated beneficiaries and to pay benefits to them under certain circumstances during their lifetimes. If a covered executive dies before retirement or before age 65 while on disability retirement, the executive's beneficiary will receive monthly payments of up to $5,833 from the date of the executive's death until the date he or she would have attained age 80. If a covered executive retires, or reaches age 65 while on disability retirement, the Program provides for a maximum benefit of $100,000 per year for a period of 10 years. We have purchased insurance policies on the lives of Messrs. Hermance and Molinelli to fund our obligations under the program. See the Pension Benefits table and accompanying narrative for additional information.
- 2004 Executive Death Benefit Plan — This plan, which replaced our split dollar life insurance program, provides for retirement benefits or, if the executive dies before retirement, a death benefit. Generally, if the executive dies before retirement, the executive's beneficiary will receive a monthly payment of $4,167 until the participant would have reached age 80. If the executive retires (either at age 65 or after attaining age 55 with at least five years of service) the executive will be entitled to receive a distribution based on the value of his account in the plan, which is determined by gains or losses on, and death benefits received under, a pool of insurance policies that we own covering the lives of participants. Messrs. Chlebek, Jones and Zapico participate in this plan. See the Deferred Compensation table and accompanying narrative for further information.
- Change of Control Agreements — We have change of control agreements with respect to each of our executive officers, which are described under "Potential Payments Upon Termination or Change of Control." Our agreement with each executive other than Mr. Hermance provides for payments and other benefits to the executive if we terminate the executive's employment without cause or if the executive terminates employment for "good reason" within two years following a change of control. Mr. Hermance's change of control agreement differs from the other named executive officers with respect to the amount of the payment and scope of benefits upon the change of control events and does not have the two year limit applicable to the other executives following the change in control. We also have agreed to provide payments and other benefits to Mr. Hermance if, outside of the context of a change of control, we terminate his employment without cause or he terminates employment for good reason. In addition, Mr. Hermance's agreement differs from the other agreements with respect to payments that exceed the limitations under Section 280G of the Internal Revenue Code. The other executives' agreements limit the payments made upon a change of control to the maximum amount that may be paid without an excise tax and loss of corporate tax deduction under Sections 4999 and 280G of the Internal Revenue Code. Mr. Hermance's agreement does not contain this limitation and instead provides that if the total payments to Mr. Hermance under the terms of the agreement are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, we will make an additional payment to Mr. Hermance. This payment is designed so that, after payment of all excise taxes and any other taxes payable in respect of the additional payment, Mr. Hermance will retain the same amount as if no excise tax had been imposed. See "Tax Considerations" below for further information regarding the excise tax reimbursement.

Tax Considerations

Under Section 162(m) of the Internal Revenue Code, a publicly-held corporation may not deduct more than $1 million in a taxable year for certain forms of compensation made to the chief executive officer and other officers listed on the Summary Compensation Table. Our policy is generally to preserve the federal income tax deductibility of compensation paid to our executives, and certain of our equity awards have been structured to preserve deductibility under Section 162(m). Nevertheless, we retain the flexibility to authorize compensation that may not be deductible if we believe it is in the best interests of our company. While we believe that all compensation paid to our executives in 2006 was deductible, it is possible that some portion of compensation paid in future years will be non-deductible, particularly in those years in which restricted stock awards vest.

As noted above, under Mr. Hermance's change of control agreement, our payments to Mr. Hermance will not be subject to limitations under Section 280G of the Internal Revenue Code, and therefore a portion of the payments will not be deductible. In addition, we will make an additional payment to Mr. Hermance if payments to Mr. Hermance resulting from a change of control are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. We included this provision in Mr. Hermance's change of control agreement to address the grant of 525,000 shares of restricted Common Stock made to Mr. Hermance on April 27, 2005 (adjusted to give effect to the 3-for-2 stock split paid to stockholders on November 27, 2006), as disclosed in our proxy statement for last year's annual meeting of stockholders. In the event of a change of control, the restricted stock will immediately vest, and, largely as a result, the payment of the excise tax required under Section 4999 may be required. The restricted stock award was made, among other things, to motivate Mr. Hermance to further increase shareholder value while remaining employed by us. We believe that these incentives would be compromised by the possible imposition of the Section 280G limit requirement or need for Mr. Hermance to pay the excise tax. Moreover, we did not wish to have the provisions of Mr. Hermance's agreement serve as a disincentive to his pursuit of a change of control that otherwise might be in the best interests of our company and its stockholders. Accordingly, we determined to provide a payment to reimburse Mr. Hermance for any excise taxes payable in connection with the change-in-control payment, as well as any taxes that accrue as a result of our reimbursement. We believe that, in light of Mr. Hermance's outstanding record in enhancing value for our stockholders, this determination is appropriate.

Role of Executive Officers in Determining Executive Compensation For Named Executive Officers

In connection with 2006 compensation, Mr. Hermance, aided by our human resources department, provided statistical data and recommendations to the Compensation Committee to assist it in determining compensation levels. Mr. Hermance did not make recommendations as to his own compensation. While the Compensation Committee utilized this information, and valued Mr. Hermance's observations with regard to other executive officers, the ultimate decisions regarding executive compensation were made by the Compensation Committee.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis required by Securities and Exchange Commission regulations. Based on its review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Respectfully submitted,

The Compensation Committee:
Charles D. Klein, Chairperson
James R. Malone
Elizabeth R. Varet

Dated: March 16, 2007

COMPENSATION TABLES

SUMMARY COMPENSATION TABLE — 2006

The following table provides information regarding the compensation of our Chief Executive Officer, Chief Financial Officer and other three most highly compensated executive officers for 2006.

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Stock Awards (1)*	*Option Awards (2)*	*Non-Equity Incentive Plan Compensation (3)*	*Change in Pension Value and Nonqualified Deferred Compensation Earnings (4)*	*All Other Compensation (5)*	*Total*
Frank S. Hermance Chairman of the Board and Chief Executive Officer	2006	$ 700,000	$ 280,000	$ 3,119,931	$ 1,291,890	$ 952,000	$ 501,331	$ 383,942	$ 7,229,094
John J. Molinelli Executive Vice President— Chief Financial Officer	2006	330,000	89,000	237,695	330,469	308,000	262,197	87,815	1,645,176
Robert W. Chlebek President—Electronic Instruments	2006	300,000	19,600	189,323	276,087	250,400	216,663	69,833	1,321,906
David A. Zapico President—Electronic Instruments	2006	285,000	19,700	186,411	201,292	323,300	53,512	71,183	1,140,398
Timothy N. Jones President— Electromechanical Group	2006	247,527	21,400	118,078	141,703	222,600	54,890	44,954	851,152

(1) The amounts shown for stock awards relate to restricted shares granted under our 1999 and 2002 Stock Incentive Plans. These amounts are equal to the dollar amounts recognized in 2006 with respect to the stock awards for financial statement purposes, computed in accordance with SFAS 123(R), but without giving effect to estimated forfeitures. The assumptions used in determining the amounts in this column are set forth in note 9 to our consolidated financial statements on page 37 of Appendix B to this proxy statement. For information regarding the number of shares subject to 2006 awards, other features of the awards and the grant date fair value of the awards, see the Grants of Plan-Based Awards Table on p. 34.

(2) The amounts shown for option awards relate to shares granted under our 2002 Stock Incentive Plan. These amounts are equal to the dollar amounts recognized in 2006 with respect to the option awards for financial statement purposes, computed in accordance with SFAS 123(R), but without giving effect to estimated forfeitures. The assumptions used in determining the amounts in this column are set forth in note 9 to our consolidated financial statements on page 37 of Appendix B to this proxy statement. For information regarding the number of shares subject to 2006 awards, other features of those awards, and the grant date fair value of the awards, see the Grants of Plan-Based Awards Table on p. 34.

(3) Represents payments under our short-term incentive program based on achievement of company-wide or operating group performance measures. See “Compensation Discussion and Analysis — Short Term Incentive Program.”

(4) Includes the aggregate change in actuarial present value of the accumulated benefit under defined benefit plans as follows: Mr. Hermance, $64,000; Mr. Molinelli, $103,900; Mr. Zapico, $9,700; Mr. Jones, $22,000. Also includes earnings on nonqualified deferred compensation plans, including our Supplemental Executive Retirement Plan, required to be disclosed under SEC regulations, as follows: Mr. Hermance, $437,331; Mr. Molinelli, $158,297; Mr. Chlebek, $216,663; Mr. Zapico, $43,812; Mr. Jones, $32,890.

(5) Included in All Other Compensation are the following items that exceeded $10,000:

- our contributions under our defined contribution plans, including our Supplemental Executive Retirement Plan, as follows: Mr. Hermance, $223,760; Mr. Molinelli, $67,110; Mr. Chlebek, $53,196; Mr. Zapico, $54,240; Mr. Jones, $36,498.
- dividends on restricted stock, which totaled $132,421 for Mr. Hermance, and are subject to forfeiture if the related restricted stock does not vest.
- perquisites, which totaled $26,679 for Mr. Hermance; $10,907 for Mr. Molinelli; and $10,055 for Mr. Zapico. Perquisites included automobile allowances for all of the named executive officers, golf and country club dues for Mr. Hermance, and tax return services for Mr. Hermance.

GRANTS OF PLAN-BASED AWARDS — 2006

The following table provides details regarding plan-based awards granted to the named executive officers in 2006, adjusted to reflect the three-for-two stock split paid to stockholders on November 27, 2006.

Name	Grant Date (1)	Approval Date (1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (3)	All Other Option Awards: Number of Securities Underlying Options (4)	Grant Date Fair Value of Stock and Option Awards (5)
			Threshold	Target	Maximum			
Frank S.	4/26/06	4/25/06				37,500	126,615	$2,454,363
Hermance	4/25/06	4/25/06	—	$560,000	$1,120,000			N/A
John J.	4/26/06	4/25/06				8,295	27,990	542,740
Molinelli	4/25/06	4/25/06	—	176,800	353,600			N/A
Robert W.	4/26/06	4/25/06				6,660	22,485	435,877
Chlebek	4/25/06	4/25/06	—	182,000	364,000			N/A
David A.	4/26/06	4/25/06				6,660	22,485	435,877
Zapico	4/25/06	4/25/06	—	178,967	357,933			N/A
Timothy N.	4/26/06	4/25/06				6,660	22,485	435,877
Jones	4/25/06	4/25/06	—	147,233	294,467			N/A

(1) The Compensation Committee approved the annual awards of stock options and restricted stock to the named executive officers on April 25, 2006. The grant date for the awards to the named executive officers was designated by the Committee as April 26, 2006 to correspond with the grant date for the non-employee Directors, whose awards were granted and approved on April 26, 2006.

(2) These awards were made under our Short-Term Incentive Program. See "Compensation Discussion and Analysis — 2006 Compensation — Short-Term Incentive Program" for information regarding the criteria applied in determining the amounts payable under the awards. There were no threshold amounts payable under the Plan. The actual amounts paid with respect to these awards are included in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table on p. 32.

(3) The Stock Awards constitute restricted shares granted under our 1999 and 2002 Stock Incentive Plans. These shares become vested on the earliest to occur of (a) the closing price of our Common Stock on any five consecutive days equaling or exceeding $66.14 per share, (b) death or permanent disability of the grantee, (c) termination of the grantee's employment with us in connection with a change of control, (d) the fourth anniversary of the date of grant, namely April 26, 2010, provided the grantee has been employed by us continuously through that date, or (e) the grantee's retirement from employment with us at or after age 55 and the completion of at least ten years of employment with us, in which case only a pro rata portion of the shares shall become nonforfeitable and transferable based upon the time that has elapsed since the date of grant. Cash dividends are earned on the restricted shares but are not paid until the restricted shares vest.

(4) The Option Awards constitute stock options granted under our 2002 Stock Incentive Plan. Stock options become exercisable as to 25% of the underlying shares on each of the first four anniversaries of the date of grant. Options generally become fully exercisable in the event of the grantee's death, normal retirement or termination of employment in connection with a change of control.

(5) The grant date fair value is computed in accordance with SFAS 123(R).

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END — 2006

The following table provides details regarding outstanding equity awards for the named executive officers at December 31, 2006, adjusted to reflect the three-for-two stock split paid to stockholders on November 27, 2006.

	Option Awards				*Stock Awards*	
Name	*Number of Securities Underlying Unexercised Options Exercisable*	*Number of Securities Underlying Unexercised Options Unexercisable*	*Option Exercise Price*	*Option Expiration Date*	*Number of Shares or Units of Stock That Have Not Vested (2)*	*Market Value of Shares or Units of Stock That Have Not Vested (1)*
Frank S. Hermance	240,000	—	$ 8.14667	12/14/2007	703,305	$22,393,231
	210,000	—	12.54667	05/21/2009		
	180,000	60,000	12.04167	05/19/2010		
	89,497	89,498	17.45000	05/17/2011		
	42,063	42,064	20.27000	09/21/2011		
	32,643	97,932	25.28667	04/26/2012		
	—	126,615	33.26667	04/25/2013		
John J. Molinelli	97,500	—	8.76167	05/21/2008	45,930	1,462,411
	82,500	—	12.54667	05/21/2009		
	67,500	22,500	12.04167	05/19/2010		
	19,687	19,688	17.45000	05/17/2011		
	18,510	18,510	20.27000	09/21/2011		
	6,967	20,903	25.28667	04/26/2012		
	—	27,990	33.26667	04/25/2013		
Robert W. Chlebek	9,375	—	8.76167	05/21/2008	36,345	1,157,225
	8,437	—	12.54667	05/21/2009		
	8,438	16,874	12.04167	05/19/2010		
	3,750	15,000	17.45000	05/17/2011		
	14,100	14,100	20.27000	09/21/2011		
	6,033	18,102	25.28667	04/26/2012		
	—	22,485	33.26667	04/25/2013		
David A. Zapico	15,000	12,000	12.04167	05/19/2010	35,880	1,142,419
	15,000	15,000	17.45000	05/17/2011		
	14,100	14,100	20.27000	09/21/2011		
	5,703	17,112	25.28667	04/26/2012		
	—	22,485	33.26667	04/25/2013		
Timothy N. Jones	13,500	—	12.54667	05/21/2009	22,575	718,788
	13,500	6,750	12.04167	05/19/2010		
	6,570	6,570	17.45000	05/17/2011		
	10,282	10,283	20.27000	09/21/2011		
	2,520	7,560	25.28667	04/26/2012		
	—	22,485	33.26667	04/25/2013		

(1) The dollar values are based on the closing price of our Common Stock on December 29, 2006 ($31.84), the last business day of 2006. Cash dividends will be earned but will not be paid until the restricted shares vest. The dividends will be payable at the same rate as dividends to holders of our outstanding Common Stock.

(Footnotes continue on following page)

(2) The following table sets forth grant and vesting information for the outstanding restricted stock awards for all named executive officers:

Name	*Grant Date*	*Number of Shares or Units of Stock That Have Not Vested*	*Vesting Date*	*Price-Related Event for Accelerated Vesting (3)*
Frank S. Hermance	5/18/2004	63,180	5/18/2008	$ 34.62
	9/22/2004	31,545	9/22/2008	40.42
	4/27/2005	46,080	4/27/2009	50.10
	4/27/2005	525,000	4/27/2011	50.10
	4/26/2006	37,500	4/26/2010	66.14
John J. Molinelli	5/18/2004	13,905	5/18/2008	34.62
	9/22/2004	13,890	9/22/2008	40.42
	4/27/2005	9,840	4/27/2009	50.10
	4/26/2006	8,295	4/26/2010	66.14
Robert W. Chlebek	5/18/2004	10,590	5/18/2008	34.62
	9/22/2004	10,575	9/22/2008	40.42
	4/27/2005	8,520	4/27/2009	50.10
	4/26/2006	6,660	4/26/2010	66.14
David A. Zapico	5/18/2004	10,590	5/18/2008	34.62
	9/22/2004	10,575	9/22/2008	40.42
	4/27/2005	8,055	4/27/2009	50.10
	4/26/2006	6,660	4/26/2010	66.14
Timothy N. Jones	5/18/2004	4,635	5/18/2008	34.62
	9/22/2004	7,710	9/22/2008	40.42
	4/27/2005	3,570	4/27/2009	50.10
	4/26/2006	6,660	4/26/2010	66.14

(3) The price-related event for accelerated vesting of the restricted stock awards will occur if the closing price per share of our Common Stock for five consecutive trading days is equal to at least two times the closing price per share on the date of grant. On February 20, 2007, the price-related event for accelerated vesting of restricted stock granted on May 18, 2004 occurred.

OPTION EXERCISES AND STOCK VESTED — 2006

The following table provides information regarding option exercises by the named executive officers in 2006, adjusted to reflect the three-for-two stock split paid to stockholders on November 27, 2006. No stock awards vested in 2006.

	Option Awards		*Stock Awards*	
Name	*Number of Shares Acquired on Exercise*	*Value Realized on Exercise (1)*	*Number of Shares Acquired on Vesting*	*Value Realized on Vesting*
Frank S. Hermance	—	—	—	—
John J. Molinelli	97,500	$ 2,402,444	—	—
Robert W. Chlebek	41,250	723,326	—	—
David A. Zapico	46,500	888,424	—	—
Timothy N. Jones	—	—	—	—

(1) The value realized on exercise is equal to the difference between the market price of the shares acquired upon exercise and the option exercise price for the acquired shares.

PENSION BENEFITS — 2006

We have the following defined benefit plans in which some or all of our named executive officers participate:

- *The Employees' Retirement Plan* — This plan is a qualified defined benefit pension plan that provides retirement benefits to our U.S.-based salaried employees who commenced employment with us prior to January 1, 1997. The plan pays benefits based upon eligible final average plan compensation and years of credited service. Compensation in excess of a specified amount prescribed by the Department of the Treasury ($220,000 for 2006) is not taken into account under the Retirement Plan. Mr. Chlebek, who joined us after January 1, 1997, is not eligible to participate in The Employees' Retirement Plan, but instead is eligible to participate in the Retirement Feature of the AMETEK Retirement and Savings Plan, a defined contribution plan.

  Annual Benefits earned under The Employees' Retirement Plan are computed using the following formula:

  $$(A + B) \times C \times 1.02$$

  where:

  - A = 32.0% of eligible compensation not in excess of Social Security covered compensation plus 40.0% of eligible compensation in excess of Social Security covered compensation, times credited service at the normal retirement date (maximum of 15 years) divided by 15;
  - B = 0.5% of eligible plan compensation times credited service at the normal retirement date in excess of 15 years (maximum of ten years); and
  - C = current credited service divided by credited service at the normal retirement date.

  Participants may retire as early as age 55 with 10 years of service. Unreduced benefits are available when a participant attains age 65 with 5 years of service. Otherwise, benefits are reduced 6.67% for each year by which retirement precedes the attainment of age 65. Pension benefits earned are distributed in the form of a lifetime annuity. Messrs. Hermance and Molinelli are eligible for early retirement under the plan.

- *Supplemental Senior Executive Death Benefit Program* — Under this program, we have entered into individual agreements with Messrs. Hermance and Molinelli that require us to pay death benefits to their designated beneficiaries and to pay lifetime benefits to them 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 of up to $5,833 from the date of the executive's death until the date he would have attained age 80. If a covered executive retires, or reaches age 65 while on disability retirement, the program provides for an annual benefit of up to a maximum of $100,000 per year, or an aggregate of $1,000,000. The benefit is payable monthly over a period of ten 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, we have purchased individual life insurance policies on the lives of certain of the covered executives. We retain the right to terminate all of the Program agreements under designated circumstances.

The following table provides details regarding the present value of accumulated benefits under the plans described above for the named executive officers in 2006.

Name	*Plan Name*	*Number of Years Credited Service at December 31, 2006*	*Present Value of Accumulated Benefit (1)*	*Payments During 2006*
Frank S. Hermance	The Employees' Retirement Plan	15	$ 484,300	—
	Supplemental Senior Executive Death Benefit Plan	10	383,600	—
John J. Molinelli	The Employees' Retirement Plan	37	780,700	—
	Supplemental Senior Executive Death Benefit Plan	10	282,300	—
Robert W. Chlebek	N/A	N/A	N/A	N/A
David A. Zapico	The Employees' Retirement Plan	17	109,300	—
Timothy N. Jones	The Employees' Retirement Plan	27	261,100	—

(1) The amounts shown in the Pension Benefit Table above are actuarial present values of the benefits accumulated through December 31, 2006. We used the following assumptions in quantifying the present value of the accumulated benefit: discount rate — 5.90%; limitation on eligible annual compensation under the Internal Revenue Code — $220,000; limitation on eligible annual benefits under the Internal Revenue Code — $170,000; retirement age — 65; termination and disability rates — none; form of payment — single life annuity; RP-2000 mortality table, as adjusted.

NONQUALIFIED DEFERRED COMPENSATION — 2006

We have the following nonqualified deferred compensation plans in which our named executive officers participate:

- Supplemental Executive Retirement Plan ("SERP") — This plan provides benefits for executives to the extent that their compensation cannot be taken into account under our tax-qualified plans because the compensation exceeds limits imposed by the Department of the Treasury ($220,000 in 2006). Under the SERP, each year we credit to the account of a participant an amount equal to 13% of the executive's compensation that exceeds the Department of the Treasury limits, which is then deemed to be invested in our Common Stock. Payout of an executive's account occurs upon termination of the executive's employment and is made in shares of our Common Stock. Therefore, the ultimate value of the shares paid out under the SERP will depend on the performance of our Common Stock during the period an executive participates in the SERP.

- Deferred Compensation Plan. This plan provides an opportunity for executives to defer payment of their short-term incentive bonus to the extent that such bonus, together with other relevant compensation, exceeds limits imposed by the Department of the Treasury ($220,000 in 2006). In advance of the year in which the short-term incentive bonus will be paid, an executive may elect to defer all or part of his eligible incentive bonus. The monies are invested in one of two notional accounts, a Common Stock fund and an interest-bearing fund. A participant generally may elect to have the value of his or her account distributed following retirement, or while in-service, as specified by the participant in his or her deferral election. Payments may commence earlier upon the participant's earlier separation from service, upon death of the participant, in the event of an unforeseeable financial emergency or upon a change in control, as defined in the plan. Payments from the notional Common Stock fund are made in shares of our Common Stock, while payments from the interest-bearing account are paid in cash.

- 2004 Executive Death Benefit Plan. Under this plan, we provide a retirement benefit to Messrs. Chlebek, Jones and Zapico. The retirement benefit under this plan is designed to provide the lump sum necessary to deliver 20% of the executive's final projected annual salary paid annually for 10 years, on a present value basis at age 70. However, the actual value of the benefit will vary based on the gains or losses on, and death benefits received under, a pool of insurance policies that we own covering the lives of the participants. The maximum salary on which the benefit can be based is $500,000. If the covered executive dies while actively employed or while disabled and before age 65, the executive's beneficiaries will receive monthly payments from the date of the executive's death until the executive would have attained age 80.

The following table provides details regarding nonqualified deferred compensation for the named executive officers in 2006.

Name	*Executive Contributions in last fiscal year*	*Registrant Contributions in last fiscal year (1)*	*Aggregate Earnings in last fiscal year (2)*	*Aggregate Withdrawals/ Distributions*	*Aggregate Balance at last fiscal year end*
Frank S. Hermance	$ 936,225	$ 222,560	$ 737,781	—	$ 9,554,660
John J. Molinelli	144,869	65,910	207,779	—	2,356,280
Robert W. Chlebek	106,434	38,480	105,144	—	1,174,617
David A. Zapico	—	53,040	27,395	—	295,131
Timothy N. Jones	—	35,298	12,806	—	148,931

(1) Includes for each named executive officer the following amounts that are also reported in the Summary Compensation Table on page 32: Mr. Hermance, $222,560; Mr. Molinelli, $65,910; Mr. Chlebek, $38,480; Mr. Zapico, $53,040; Mr. Jones, $35,298.

(2) Includes for each named executive officer the following amounts that are also reported in the Summary Compensation Table on page 32: Mr. Hermance, $437,331; Mr. Molinelli, $158,297; Mr. Chlebek, $83,951; Mr. Zapico, $27,395; Mr. Jones, $12,806.

(3) Includes for four of the named executive officers the following amounts that were reported as compensation in the Summary Compensation Table in previous years: Mr. Hermance, $1,210,457; Mr. Molinelli, $400,773; Mr. Chlebek, $250,804; Mr. Zapico, $101,236.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

In this section, we describe payments that may be made to our named executive officers upon several events of termination, including termination in connection with a change of control. The information in this section does not include information relating to the following:

- distributions under The Employees' Retirement Plan and distributions, other than death benefits, under the Supplemental Senior Executive Death Benefit Plan — see "Pension Benefits — 2006" for information regarding these plans,
- distributions under the Supplemental Executive Retirement Plan and the Deferred Compensation Plan and distributions, other than death benefits, under the 2004 Executive Death Benefit Plan — see "Nonqualified Deferred Compensation — 2006" for information regarding these plans,
- other payments and benefits provided on a nondiscriminatory basis to salaried employees generally upon termination of employment, including tax-qualified defined contribution plans, and
- short-term incentive payments that would not be increased due to the termination event.

The following items are reflected in the table below. The payment amounts reflect the payments that would have been due to the named executive officers had the termination or change of control event occurred on December 31, 2006.

Change of Control Agreements. Under our change of control agreements with our named executive officers other than Mr. Hermance, in the event that a named executive officer's employment is terminated without cause or by the named executive officer for "good reason" within two years after a change of control, the executive officer will receive: (1) three times the sum of (a) the executive officer's base salary for the year prior to the year in which the change of control occurred and (b) the greater of the bonus for the year in which the change of control occurred or the average of the bonus for the two previous years; and (2) continuation of health benefits until the earliest to occur of Medicare eligibility, coverage under another group health plan, the expiration of ten years, or the executive officer's death. Payments to executive officers other than Mr. Hermance under the change of control agreements will be reduced, if necessary, to prevent them from being subject to the limitation on deductions under Section 280G of the Internal Revenue Code.

Generally, a change of control is deemed to occur under the change of control agreements if: (1) any person becomes the beneficial owner of 20 percent or more of the value of our outstanding equity or combined voting power of our voting securities; (2) our stockholders approve a merger or consolidation as a result of which our stockholders do not own at least 50 percent of the value of our outstanding equity or combined voting power of our voting securities; (3) a sale of all or substantially all of our assets occurs; or (4) a plan of liquidation is approved.

A termination for "good reason" generally means a termination initiated by the executive officer in the event of: (1) our noncompliance with the change of control agreement; (2) any involuntary reduction in the executive officer's authority, duties and responsibilities that were in effect immediately prior to the change of control; (3) any involuntary reduction in the executive officer's total compensation that was in effect immediately prior to the change of control; or (4) any transfer of the executive officer without the executive officer's consent of more than 50 miles from the executive officer's principal place of business immediately prior to the change of control.

A termination for cause would result from misappropriation of funds, habitual insobriety or substance abuse, conviction of a crime involving moral turpitude, or gross negligence in the performance of duties that has a material adverse affect on our business, operations, assets, properties or financial condition.

Under our change of control agreement with Mr. Hermance, in the event that his employment is terminated by us without cause or by Mr. Hermance for good reason in anticipation of, or following, a change of control, he will receive: (1) a lump sum payment equal to the sum of (a) 2.99 times the sum of Mr. Hermance's base salary for the year prior to the year in which his termination occurs and (b) his targeted bonus for the year in which he is terminated or, if the amount of the targeted bonus is not known, the average of his bonuses for the two years preceding the year in which his termination occurs; (2) continuation of health benefits, disability benefits and death benefits until the earliest of (a) the end of the tenth year following termination of employment; (b) Medicare eligibility; (c) commencement of new employment where Mr. Hermance can participate in similar plans or programs without a pre-existing condition limitation; and (d) death; and (3) use of an automobile and reimbursement of reasonable operating expenses, and continued reimbursement of golf and country club dues, in each case until the second anniversary of his termination or, if earlier, his death.

In addition, upon a change of control, or upon Mr. Hermance's termination without cause or resignation for good reason in anticipation of a change in control, (1) all of his restricted stock awards and stock options will vest; (2) all stock options, other than incentive stock options, will be exercisable for one year following his termination, or, if earlier, the stated expiration date of the stock option; and (3) if Mr. Hermance becomes subject to excise taxes under Section 4999 of the Internal Revenue Code because our change of control payments to him are subject to the limitations on deductions under Section 280G of the Internal Revenue Code, he will be reimbursed for those excise taxes and any additional taxes payable by him as a result of the reimbursement.

Generally, a change of control is deemed to occur under Mr. Hermance's change of control agreement under the same circumstances as apply under the other executive officers' change of control agreements. In addition, a change of control will be deemed to occur under Mr. Hermance's agreement if, as a result of the death, resignation or removal of our Directors within a two-year period, the Directors serving at the beginning of the period and Directors elected with the advance approval of two-thirds of the Directors serving at the beginning of the period constitute less than a majority of the Board. A termination is deemed to be in anticipation of a change of control if it occurs during the 90 days preceding the change of control and the substantial possibility of a change of control was known to Mr. Hermance and a majority of the Directors.

"Good reason" and "cause" are defined in Mr. Hermance's agreement in substantially the same manner as in the other executive officers' change of control agreements.

Payments and other benefits under the change of control agreements would have been in the following amounts if the event requiring payment occurred on December 31, 2006: Lump sum payments — Mr. Hermance, $4,186,000; Mr. Molinelli, $2,211,000; Mr. Chlebek, $1,710,000; Mr. Zapico, $1,914,000; Mr. Jones, $1,487,580. Health and disability benefits — Mr. Hermance, $142,600; Mr. Molinelli, $108,100; Mr. Chlebek, $55,100; Mr. Zapico, $56,700; Mr. Jones, $202,600. Section 4999 excise tax and additional tax reimbursement — Mr. Hermance, $6,774,594. Perquisites — Mr. Hermance, $54,068 (including use of an automobile and operating expenses ($41,046) and golf and country club fees). The benefits Mr. Hermance receives upon acceleration of his equity grants are quantified below under "Acceleration of Vesting Provisions Pertaining to Stock Options and Restricted Stock."

In addition, Mr. Hermance's change of control agreement generally provides that in the event his employment is terminated by us without cause or by Mr. Hermance for good reason, in either case prior to and other than in anticipation of or following a change of control, he would receive the same benefits as he would receive in connection with a change of control, as described above, except: (1) the portion of the lump sum payment based on a multiple of salary will be equal to two times, rather than 2.99 times, base salary (2) the continuation of health benefits, disability benefits and death benefits cannot exceed a maximum of two years from the termination of his employment, rather than ten years.

Payments and other benefits to Mr. Hermance under this provision include the following: Lump sum payments, $2,800,000; stock option grant vesting acceleration, $3,604,237; restricted stock award vesting acceleration, $22,619,660; health and disability insurance benefits, $40,800; perquisites, $54,068 (including use of an automobile and operating expenses ($41,046) and golf and country club fees).

Acceleration of Vesting Provisions Pertaining to Stock Options and Restricted Stock. Under our incentive compensation plans, outstanding stock options generally will vest immediately upon the occurrence of any of the following events: (1) the holder's retirement after age 65, following two years of service with us; (2) the death of the holder; and (3) the holder's termination of employment following a change of control. Benefits relating to accelerated vesting of stock options in connection with termination following a change of control (or, in the case of Mr. Hermance in anticipation of, or upon a change of control), or upon normal retirement or death is as follows: Mr. Hermance, $3,604,237; Mr. Molinelli, $1,079,918; Mr. Chlebek, $831,692; Mr. Zapico, $728,708; Mr. Jones, $396,699. The value of the accelerated vesting benefit equals the number of shares as to which the stock options would vest on an accelerated basis upon the occurrence of the specified termination or change of control event, multiplied by the difference between the closing price per share of our Common Stock on December 31, 2006 and the exercise price per share for the affected options.

Outstanding restricted stock generally will vest immediately upon the occurrence of any of the following events: (1) the holder's death or disability; or (2) the holder's termination of employment following a change of control. Benefits relating to accelerated vesting of restricted stock in connection with termination following a change of control (or, in the case of Mr. Hermance, in anticipation of, or upon a change of control), or upon disability or death are as follows: Mr. Hermance, $22,619,660; Mr. Molinelli, $1,478,977; Mr. Chlebek, $1,170,207; Mr. Zapico, $1,155,257; Mr. Jones, $726,180. Benefits in connection with other events of termination addressed in the table below are as follows: Mr. Hermance, $2,708,349; Mr. Molinelli, $718,238; Mr. Chlebek, $562,512; Mr. Zapico (normal retirement only), $556,283; Mr. Jones (normal retirement only), $319,913. The value of the accelerated vesting benefit equals the number of shares of restricted stock that would vest on an accelerated basis on the occurrence of the specified termination or change of control event times the closing price per share of our Common Stock on December 31, 2006.

Our incentive plans define "change of control" in substantially the same manner as the change of control agreements relating to our executives other than Mr. Hermance.

Death Benefits. Death benefits are payable to Messrs. Hermance and Molinelli under our Supplemental Senior Executive Death Benefit Plan, as described under "Pension Benefits — 2006." Death benefits are payable to Messrs. Chlebek, Zapico and Jones under our 2004 Executive Death Benefit Plan, as described under "Nonqualified Deferred Compensation — 2006."

The amount of death benefits payable to each of the named executive officers in the event of his death on December 31, 2006 is as follows: Mr. Hermance, $877,200; Mr. Molinelli, $831,300; Mr. Chlebek, $632,500; Mr. Zapico, $542,800; Mr. Jones, $715,000.

Summary Table. The following table summarizes the amounts payable to each of the named executive officers based on the items described above with respect to each of the events set forth in the table. As used in the table below, "change of control" refers to payment or other benefit events occurring upon a change of control or in connection with a termination related to a change of control, as applicable.

Name	Voluntary Termination/Early Retirement/ Termination For Cause	Normal Retirement	Involuntary Not For Cause Termination	Change of Control	Disability	Death
Frank S. Hermance	$2,708,349	$6,312,586	$29,118,765	$37,381,159	$22,619,660	$27,101,097
John J. Molinelli	718,238	1,798,156	718,238	4,877,995	1,478,977	3,390,195
Robert W. Chlebek	562,512	1,394,204	562,512	3,766,999	1,170,207	2,634,399
David A. Zapico	—	1,284,991	—	3,854,665	1,155,257	2,426,765
Timothy N. Jones	—	716,612	—	2,813,059	726,180	1,837,879

STOCK OWNERSHIP OF
EXECUTIVE OFFICERS AND DIRECTORS

The Compensation Committee of the Board of Directors approved stock ownership guidelines for all executive officers, and reviews stock ownership on an annual basis. See “Compensation Discussion and Analysis — Stock Ownership Guidelines” on page 27 for a discussion of stock ownership guidelines for our named executive officers.

The Board of Directors established stock ownership guidelines for non-employee Directors in order to more closely link their interests with those of stockholders. Under the guidelines, each non-employee Director is expected to own, by the end of a five-year period, shares of our Common Stock having a value equal to at least five times the Director’s annual cash retainer. Each non-employee Director other than Mr. Williams has exceeded his or her required stock ownership level of five times his or her annual retainer.

The following table shows the number of shares of Common Stock that the Directors, the executive officers listed on the Summary Compensation Table on page 32, and all executive officers as a group beneficially owned, and the number of deemed shares held for the account of the executive officers under the Supplemental Executive Retirement Plan (“SERP”) as of February 5, 2007.

	Number of Shares and Nature of Ownership (1)					
Name	Outstanding Shares Beneficially Owned	Right to Acquire (2)	Total	Percent of Class	SERP	Total Beneficial and SERP Ownership
Robert W. Chlebek	36,345	50,133	86,478	*	24,011	110,489
Lewis G. Cole	49,455	3,600	53,055	*	—	53,055
Sheldon S. Gordon	124,455	3,600	128,055	*	—	128,055
Frank S. Hermance	1,183,968	794,203	1,978,171	1.9%	121,931	2,100,102
Timothy N. Jones	50,100	14,402	64,502	*	4,677	69,179
Charles D. Klein (3)	163,155	3,600	166,755	*	—	166,755
Steven W. Kohlhagen	16,080	—	16,080	*	—	16,080
James R. Malone	64,455	3,600	68,055	*	—	68,055
John J. Molinelli	250,508	292,664	543,172	*	44,735	587,907
David P. Steinmann (4)	272,766	3,600	276,366	*	—	276,366
Elizabeth R. Varet (5)	845,916	3,600	849,516	*	—	849,516
Dennis K. Williams	—	—	—	*	—	—
David A. Zapico	77,958	49,803	127,761	*	9,269	137,030
Directors and Executive Officers as a Group (14 persons) including individuals named above	3,066,633	1,292,224	4,358,857	4.1%	208,701	4,567,558

* Represents less than 1% of the outstanding shares of our Common Stock.

(1) Under Rule 13d-3 of 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.

(2) Shares the Director or executive officer has a right to acquire through stock option exercises within 60 days of February 5, 2007.

(Footnotes continue on following page)

(3) Includes 6,000 shares owned by Mr. Klein's adult children through a trust for which Mr. Klein's wife is the trustee and as to which Mr. Klein disclaims any beneficial ownership. Includes 7,500 shares held by a charitable foundation of which Mr. Klein is a director.

(4) Includes 15,600 shares owned by Mr. Steinmann's wife, as to which Mr. Steinmann disclaims any beneficial ownership. Mr. Steinmann has shared voting and investment power with respect to 181,311 shares, as to 111,309 of which such power is shared with Ms. Varet.

(5) Includes 36,600 shares of which 30,000 shares are owned by a trust of which Ms. Varet's husband is a beneficiary, 1,800 shares are owned by one of Ms. Varet's adult children, and 4,800 shares are owned by an estate of which Ms. Varet's husband is an executor, as to which Ms. Varet disclaims any beneficial ownership. Ms. Varet has shared voting and investment power with respect to 728,961 shares, as to 111,039 shares of which such power is shared with Mr. Steinmann and others.

BENEFICIAL OWNERSHIP OF PRINCIPAL STOCKHOLDERS

The following table provides information regarding the only entities known to us to be beneficial owners of more than five percent of the outstanding shares of our Common Stock as of March 9, 2007.

Name and Address of Beneficial Owner	Nature of Beneficial Ownership	Number of Shares	Percent of Class
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	Sole voting power for 1,770,125 shares and sole dispositive power.........(1)	8,286,875	7.8%
Columbia Wanger Asset Management, L.P. 227 West Monroe Street, Suite 3000 Chicago, IL 60606	Sole voting power for 6,600,100 shares and sole dispositive power........(2)	7,095,100	6.7%

(1) Based on Schedule 13G filed on February 13, 2007. These securities are owned by various individual and institutional investors including the T. Rowe Price Mid-Cap Growth Fund, Inc. (which owns 5,750,000 shares, representing 5.4 percent of the shares outstanding, for which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(2) Based on Schedule 13G filed on January 11, 2007.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires our Directors and officers to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our Common Stock. Copies of all such Section 16(a) reports are required to be furnished to us. These filing requirements also apply to holders of more than 10% of our Common Stock, but we do not know of any person that holds more than 10% of our Common Stock. To our knowledge, based solely on a review of the copies of Section 16(a) reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2006, our officers and Directors were in compliance with all Section 16(a) filing requirements.

OTHER BUSINESS

We are not aware of any other matters that will be presented at the Annual Meeting. If other matters are properly introduced, the individuals named on the enclosed proxy card will vote the shares it represents in accordance with their judgment.

By Order of the Board of Directors

/s/ Kathryn E. Sena

Kathryn E. Sena
Corporate Secretary

Dated: March 16, 2007

MULTIPLE STOCKHOLDERS SHARING THE SAME ADDRESS

Registered and street-name stockholders who reside at a single address receive only one annual report and proxy statement at that address unless a stockholder provides contrary instructions. This practice is known as “householding” and is designed to reduce duplicate printing and postage costs. However, if a stockholder wishes in the future to receive a separate annual report or proxy statement, he or she may contact our transfer agent, American Stock Transfer & Trust Company, toll-free at 1-800-937-5449, or in writing at American Stock Transfer & Trust Company, Stockholder Services, 59 Maiden Lane, New York, NY 10038. Stockholders can request householding if they receive multiple copies of the annual report and proxy statement by contacting American Stock Transfer & Trust Company at the address above.

ELECTRONIC DISTRIBUTION OF PROXY STATEMENTS AND ANNUAL REPORTS

To receive future AMETEK, Inc. proxy statements and annual reports electronically, please visit **www.amstock.com.** Click on Shareholder Account Access to enroll. After logging in, select Receive Company Mailings via E-mail. Once enrolled, stockholders will no longer receive a printed copy of proxy materials, unless they request one. Each year they will receive an e-mail explaining how to access the Annual Report and Proxy Statement online as well as how to vote their shares online. They may suspend electronic distribution at any time by contacting American Stock Transfer & Trust Company.

AMETEK, INC.
2007 OMNIBUS INCENTIVE COMPENSATION PLAN

1. Purpose

The purpose of the AMETEK, Inc. 2007 Omnibus Incentive Compensation Plan (the "Plan") is (i) to provide designated employees of AMETEK, Inc. (the "Company") and its subsidiaries and non-employee members of the board of directors of the Company with the opportunity to receive grants of stock options, stock units, stock awards and stock appreciation rights and (ii) to provide selected executive employees with the opportunity to receive annual bonus awards that are considered "qualified performance-based compensation" under section 162(m) of the Internal Revenue Code. The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefiting the Company's stockholders, and will align the economic interests of the participants with those of the stockholders. The Plan shall be effective as of February 23, 2007, subject to approval by the stockholders of the Company at the 2007 annual stockholders' meeting. Any Grant or Bonus Award (as defined below) made under the Plan prior to the 2007 annual stockholders' meeting shall be subject to stockholder approval of the Plan at the 2007 annual stockholders' meeting. If for any reason the stockholders of the Company do not approve the Plan at the 2007 annual stockholders' meeting, the Plan shall immediately terminate and no Grants or Bonus Awards shall be made under the Plan.

2. Definitions

Whenever used in this Plan, the following terms will have the respective meanings set forth below:

(a) *"Board"* means the Company's Board of Directors.

(b) "*Bonus Award*" means an annual bonus awarded under the Plan that is designated as "qualified performance-based compensation" under section 162(m) of the Code, as described in Section 13.

(c) *"Change of Control"* shall be deemed to have occurred if:

(i) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act) becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the voting power of the then outstanding securities of the Company; provided that a Change of Control shall not be deemed to occur as a result of a transaction in which the Company becomes a subsidiary of another corporation and in which the shareholders of the Company, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling such shareholders to more than 50% of all votes to which all shareholders of the parent corporation would be entitled in the election of directors; or

(ii) The consummation of (i) a merger or consolidation of the Company with another corporation where the shareholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such shareholders to more than 50% of all votes to which all shareholders of the surviving corporation would be entitled in the election of directors, (ii) a sale or other disposition of all or substantially all of the assets of the Company, or (iii) a liquidation or dissolution of the Company.

(d) “*Code*” means the Internal Revenue Code of 1986, as amended.

(e) “*Committee*” means the Compensation Committee of the Board or another committee appointed by the Board to administer the Plan. With respect to Bonus Awards and Grants that are intended to be “qualified performance-based compensation” under section 162(m) of the Code, the Committee shall consist of two or more persons appointed by the Board, all of whom shall be “outside directors” as defined under section 162(m) of the Code. The Committee shall also consist of directors who are “non-employee directors” as defined under Rule 16b-3 promulgated under the Exchange Act.

(f) “*Company*” means AMETEK, Inc. and any successor corporation.

(g) “*Company Stock*” means the common stock of the Company.

(h) "*Dividend*” means a dividend paid on shares of Company Stock subject to a Stock Award while the Stock Award is subject to restrictions. If interest is credited on accumulated dividends, the term “Dividend” shall include the accrued interest.

(i) “*Dividend Equivalent*” means an amount calculated with respect to a Stock Unit, which is determined by multiplying the number of shares of Company Stock subject to the Stock Unit by the per-share cash dividend, or the per-share fair market value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on its Company Stock. If interest is credited on accumulated dividend equivalents, the term “Dividend Equivalent” shall include the accrued interest.

(j) "*Effective Date*” of the Plan means February 23, 2007, subject to approval of the Plan by the stockholders of the Company.

(k) “*Employee*” means an employee of the Employer (including an officer or director who is also an employee), but excluding any person who is classified by the Employer as a “contractor” or “consultant,” no matter how characterized by the Internal Revenue Service, other governmental agency or a court. Any change of characterization of an individual by the Internal Revenue Service or any court or government agency shall have no effect upon the classification of an individual as an Employee for purposes of this Plan, unless the Committee determines otherwise.

(l) “*Employer*” means the Company and its subsidiaries.

(m) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(n) “*Exercise Price*” means the per share price at which shares of Company Stock may be purchased under an Option, as designated by the Committee.

(o) “*Fair Market Value*” of Company Stock means, unless the Committee determines otherwise with respect to a particular Grant, (i) if the principal trading market for the Company Stock is a national securities exchange, the last reported sale price of Company Stock on the relevant date (if applicable, as reported on the Consolidated Tape) or (if there were no trades on that date) the latest preceding date upon which a sale was reported, (ii) if the Company Stock is not principally traded on such exchange, the mean between the last reported “bid” and “asked” prices of Company Stock on the relevant date, as reported on the OTC Bulletin Board, or (iii) if the Company Stock is not publicly traded or, if publicly traded, is not so reported, the Fair Market Value per share shall be as determined by the Committee.

(p) “*Grant*” means an Option, Stock Unit, Stock Award or SAR granted under the Plan.

(q) “*Grant Agreement*” means the written instrument that sets forth the terms and conditions of a Grant or Bonus Award, including all amendments thereto.

(r) “*Incentive Stock Option*” means an Option that is intended to meet the requirements of an incentive stock option under section 422 of the Code.

(s) “*Non-Employee Director*” means a member of the Board who is not an employee of the Employer.

(t) “*Nonqualified Stock Option*” means an Option that is not intended to be taxed as an incentive stock option under section 422 of the Code.

(u) “*Option*” means an option to purchase shares of Company Stock, as described in Section 7.

(v) “*Participant*” means an Employee or Non-Employee Director designated by the Committee to participate in the Plan.

(w) “*Plan*” means this AMETEK, Inc. 2007 Omnibus Incentive Compensation Plan, as in effect from time to time.

(x) “*SAR*” means a stock appreciation right as described in Section 10.

(y) "*Securities Act*” means the Securities Act of 1933, as amended.

(z) “*Stock Award*” means an award of Company Stock as described in Section 9.

(aa) “*Stock Unit*” means an award of a phantom unit representing a share of Company Stock, as described in Section 8.

3. Administration

(a) Committee. The Plan shall be administered and interpreted by the Committee. Ministerial functions may be performed by an administrative committee comprised of Company employees appointed by the Committee.

(b) Committee Authority. The Committee shall have the sole authority to (i) determine the Participants to whom Grants or Bonus Awards shall be made under the Plan, (ii) determine the type, size and terms and conditions of the Grants or Bonus Awards to be made to each such Participant, (iii) determine the time when the Grants or Bonus Awards will be made (iv) establish any performance goals for Grants and Bonus Awards, (v) determine the duration of any applicable exercise or restriction period, including the criteria for exercisability or vesting and any acceleration of exercisability or vesting, (vi) amend the terms and conditions of any previously issued Grant or Bonus Award, subject to the provisions of Section 18 below, and (vii) deal with any other matters arising under the Plan.

(c) Committee Determinations. The Committee shall have full power and express discretionary authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee’s interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the

Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated Participants.

4. Grants and Bonus Awards

(a) Grants under the Plan may consist of Options as described in Section 7, Stock Units as described in Section 8, Stock Awards as described in Section 9, and SARs as described in Section 10. Bonus Awards may be granted as described in Section 13. All Grants and Bonus Awards shall be subject to such terms and conditions as the Committee deems appropriate and as are specified in writing by the Committee to the Participant in the Grant Agreement.

(b) All Grants and Bonus Awards shall be made conditional upon the Participant's acknowledgement, in writing or by acceptance of the Grant or Bonus Award, that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under such Grant or Bonus Award. Grants and Bonus Awards need not be uniform as among the Participants.

5. Shares Subject to the Plan

(a) Shares Authorized. The total aggregate number of shares of Company Stock that may be issued under the Plan is 3,500,000 shares, subject to adjustment as described in subsection (e) below.

(b) Limit on Stock Awards and Stock Units. Within the aggregate limit described in subsection (a), the maximum number of shares of Company Stock that may be issued under the Plan pursuant to Stock Awards and Stock Units during the term of the Plan is 1,050,000 shares, subject to adjustment as described in subsection (e) below.

(c) Source of Shares; Share Counting. Shares issued under the Plan may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent Options or SARs granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any Stock Awards or Stock Units are forfeited or terminated, or otherwise are not paid in full, the shares reserved for such Grants shall again be available for purposes of the Plan. Shares of Stock surrendered in payment of the Exercise Price of an Option, and shares withheld or surrendered for payment of taxes, shall not be available for re-issuance under the Plan. If SARs are exercised, the full number of shares subject to the SARs shall be considered issued under the Plan, without regard to the number of shares issued upon exercise of the SARs and without regard to any cash settlement of the SARs. To the extent that a Grant of Stock Units is designated in the Grant Agreement to be paid in cash, and not in shares of Company Stock, such Grants shall not count against the share limits in subsection (a).

(d) Individual Limits. All Grants under the Plan shall be expressed in shares of Company Stock. The maximum aggregate number of shares of Company Stock with respect to which all Grants may be made under the Plan to any individual during any calendar year shall be 1,225,000 shares, subject to adjustment as described in subsection (e) below. The foregoing limit of this subsection (d) shall apply without regard to whether the Grants are to be paid in Company Stock or cash. All cash payments with respect to Grants (other than with respect to Dividend Equivalents, Dividends or Bonus Awards) shall equal the Fair Market Value of the shares of Company Stock to which the cash payments relate. A Participant may not accrue Dividend Equivalents and Dividends on performance-based Grants described in Section 11 during any calendar year in excess of $500,000.

(e) Adjustments. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Company Stock available for issuance under the Plan, the maximum number of shares of Company Stock for which any individual may receive Grants in any year, the kind and number of shares covered by outstanding Grants, the kind and number of shares issued and to be issued under the Plan, and the price per share or the applicable market value of such Grants shall be equitably adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the Plan and such outstanding Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. In the event of a Change in Control of the Company, the provisions of Section 12 of the Plan shall apply. Any adjustments to outstanding Grants shall be consistent with section 409A or 424 of the Code, to the extent applicable. Any adjustments determined by the Committee shall be final, binding and conclusive.

6. Eligibility for Participation

All Employees, including Employees who are officers or members of the Board, and all Non-Employee Directors shall be eligible to participate in the Plan. The Committee shall select the Employees and Non-Employee Directors to receive Grants and shall determine the number of shares of Company Stock subject to each Grant.

7. Options

(a) General Requirements. The Committee may grant Options to an Employee or Non-Employee Director upon such terms and conditions as the Committee deems appropriate under this Section 7. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees and Non-Employee Directors.

(b) Type of Option, Price and Term.

(i) The Committee may grant Incentive Stock Options or Nonqualified Stock Options or any combination of the two, all in accordance with the terms and conditions set forth herein. Incentive Stock Options may be granted only to Employees of the Company or its parents or subsidiaries, as defined in section 424 of the Code. Nonqualified Stock Options may be granted to Employees or Non-Employee Directors.

(ii) The Exercise Price of Company Stock subject to an Option shall be determined by the Committee and shall be equal to or greater than the Fair Market Value of a share of Company Stock on the date the Option is granted. An Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code.

(iii) The Committee shall determine the term of each Option, which shall not exceed seven years from the date of grant.

(c) Exercisability of Options.

(i) Options shall become exercisable in accordance with such terms and conditions as may be determined by the Committee and specified in the Grant Agreement. The Committee may grant options that are subject to achievement of performance goals or other conditions.

(ii) Options granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such Options may become exercisable, as determined by the Committee, upon the Participant's death, disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(d) Termination of Employment or Service. Except as provided in the Grant Agreement, an Option may only be exercised while the Participant is employed by the Employer, or providing service as a Non-Employee Director. The Committee shall determine in the Grant Agreement under what circumstances, if any, and during what time periods a Participant may exercise an Option after termination of employment or service.

(e) Exercise of Options. A Participant may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company. The Participant shall pay the Exercise Price for the Option (i) in cash, (ii) if permitted by the Committee, by delivering shares of Company Stock owned by the Participant and having a Fair Market Value on the date of exercise equal to the Exercise Price or by attestation to ownership of shares of Company Stock having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iv) by such other method as the Committee may approve. Shares of Company Stock used to exercise an Option shall have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. Payment of the Exercise Price for the shares pursuant to the Option, and any required withholding taxes, must be received by the time specified by the Committee depending on the type of payment being made, but in all cases simultaneously with or prior to the issuance of the Company Stock.

(f) Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, as defined in section 424 of the Code, exceeds $100,000, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company or a parent or subsidiary, as defined in section 424 of the Code.

8. Stock Units

(a) General Requirements. The Committee may grant Stock Units to an Employee or Non-Employee Director, upon such terms and conditions as the Committee deems appropriate under this Section 8. Each Stock Unit shall represent the right of the Participant to receive a share of Company Stock or an amount based on the value of a share of Company Stock. All Stock Units shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan.

(b) Terms of Stock Units. The Committee may grant Stock Units that are payable on terms and conditions determined by the Committee, which may include payment based on achievement of performance goals. Stock Units may be paid at the end of a specified vesting or performance period, or payment may be deferred to a date authorized by the Committee. The Committee shall determine the number of Stock Units to be granted and the requirements applicable to such Stock Units.

(c) Payment With Respect to Stock Units. Payment with respect to Stock Units shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee. The Grant Agreement shall specify the maximum number of shares that can be issued under the Stock Units.

(d) Requirement of Employment or Service. Except as provided in the Grant Agreement, a Stock Unit may only be paid while the Participant is employed by the Employer, or providing service as a Non- Employee Director. The Committee shall determine in the Grant Agreement under what circumstances, if any, a Participant may retain Stock Units after termination of the Participant's employment or service, and the circumstances under which Stock Units may be forfeited.

(e) Dividend Equivalents. The Committee may grant Dividend Equivalents in connection with Stock Units, under such terms and conditions as the Committee deems appropriate. Dividend Equivalents may be paid to Participants currently or may be deferred. All Dividend Equivalents that are not paid currently shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan. Dividend Equivalents may be accrued as a cash obligation, or may be converted to additional Stock Units for the Participant, and deferred Dividend Equivalents may accrue interest, all as determined by the Committee. The Committee may provide that Dividend Equivalents shall be payable based on the achievement of specific performance goals. Dividend Equivalents may be payable in cash or shares of Company Stock or in a combination of the two, as determined by the Committee.

9. Stock Awards

(a) General Requirements. The Committee may issue shares of Company Stock to an Employee or Non-Employee Director under a Stock Award, upon such terms and conditions as the Committee deems appropriate under this Section 9. Shares of Company Stock issued pursuant to Stock Awards may be issued for cash consideration or for no cash consideration, and subject to restrictions or no restrictions, as determined by the Committee; provided that no Stock Awards shall have a vesting period of less than three years except upon the occurrence of such special circumstance or event as, in the opinion of the Committee, merits special consideration. The Committee may establish conditions under which restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as the Committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The Committee shall determine the number of shares of Company Stock to be issued pursuant to a Stock Award.

(b) Requirement of Employment or Service. Except as otherwise provided in the Grant Agreement, shares of Company Stock pursuant to a Stock Award may only be issued while the Participant is employed by the Employer, or providing service as a Non-Employee Director. The Committee shall determine in the Grant Agreement under what circumstances, if any, a Participant may retain Stock Awards after termination of the Participant's employment or service, and the circumstances under which Stock Awards may be forfeited.

(c) Restrictions on Transfer. While Stock Awards are subject to restrictions, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares of a Stock Award except upon death as described in Section 16(a).

(d) Right to Vote and to Receive Dividends. The Committee shall determine to what extent, and under what conditions, the Participant shall have the right to vote shares of Stock Awards and to receive any Dividends paid on such shares during the restriction period. The Committee may determine that Dividends on Stock Awards shall be withheld while the Stock Awards are subject to restrictions and that the Dividends shall be payable only upon the lapse of the restrictions on the Stock Awards, or on such other terms as the Committee determines. Dividends that are not paid currently shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan. Accumulated Dividends may accrue interest, as determined by the Committee, and shall be paid in cash or in such other form as the Committee determines.

10. Stock Appreciation Rights

(a) General Requirements. The Committee may grant SARs to an Employee or Non-Employee Director separately or in tandem with an Option. The Committee shall establish the number of shares, the term and the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be not less than the Fair Market Value of a share of Company Stock on the date of Grant of the SAR. The term of each SAR shall not exceed seven years from the date of grant.

(b) Tandem SARs. The Committee may grant tandem SARs either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the date of the grant of the Incentive Stock Option. In the case of tandem SARs, the number of SARs granted to a Participant that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Participant may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

(c) Exercisability. An SAR shall become exercisable in accordance with such terms and conditions as may be determined by Committee in the Grant Agreement. The Committee may grant SARs that are subject to achievement of performance goals or other conditions. Except as provided in the Grant Agreement, an SAR may only be exercised while the Participant is employed by the Employer, or providing service as a Non-Employee Director. The Committee shall determine in the Grant Agreement under what circumstances, if any, and during what periods a Participant may exercise an SAR after termination of employment or service. A tandem SAR shall be exercisable only while the Option to which it is related is exercisable.

(d) Grants to Non-Exempt Employees. SARs granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such SARs may become exercisable, as determined by the Committee, upon the Participant's death, disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

(e) Exercise of SARs. When a Participant exercises SARs, the Participant shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised. The stock appreciation for an SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as specified in the Grant Agreement. The Committee shall determine whether the stock appreciation for an SAR shall be paid in the form of shares of Company Stock, cash or a combination of the two. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR.

11. Qualified Performance-Based Compensation

(a) Designation as Qualified Performance-Based Compensation. The Committee may determine that Stock Units, Stock Awards, Dividend Equivalents or Dividends granted to an executive Employee shall be considered "qualified performance-based compensation" under section 162(m) of the Code, in which case the provisions of this Section 11 shall apply.

(b) Performance Goals. When Grants are made under this Section 11, the Committee shall establish in writing (i) the objective performance goals that must be met, (ii) the period during which performance will be measured, (iii) the maximum amounts that may be paid if the performance goals are met, and (iv) any other conditions that the Committee deems appropriate and consistent with the requirements of section 162(m) of the Code for “qualified performance-based compensation.” The performance goals shall satisfy the requirements for “qualified performance-based compensation,” including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable, pursuant to Grants identified by the Committee as “qualified performance-based compensation.”

(c) Criteria Used for Objective Performance Goals. The Committee shall use objectively determinable performance goals based on one or more of the following criteria: stock price, earnings per share, diluted earnings per share, price-earnings multiples, net income, operating income, revenues, working capital, operating working capital, number of days sales outstanding in accounts receivable, inventory turnover, productivity, operating income margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, stockholder return, return on equity, return on capital employed, growth in assets, unit volume, sales, sales growth, return on sales, internal sales growth, operating cash flow, free cash flow, market share, relative performance to a comparison group designated by the Committee, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may relate to one or more business units or the performance of the Company and its subsidiaries as a whole, or any combination of the foregoing. Performance goals need not be uniform among Participants.

(d) Timing of Establishment of Goals. The Committee shall establish the performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of (i) 90 days after the beginning of the performance period or (ii) the date on which 25% of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under section 162(m) of the Code.

(e) Certification of Results. The Committee shall certify the performance results for the performance period specified in the Grant Agreement after the performance period ends. The Committee shall determine the amount, if any, to be paid pursuant to each Grant based on the achievement of the performance goals and the satisfaction of all other terms of the Grant Agreement.

(f) Death, Disability or Other Circumstances. The Committee may provide in the Grant Agreement that Grants under this Section 11 shall be payable, in whole or in part, in the event of the Participant’s death or disability, a Change of Control or under other circumstances consistent with the Treasury regulations and rulings under section 162(m) of the Code.

12. Consequences of a Change of Control

(a) Alternatives upon a Change of Control. In the event of a Change of Control, the Committee may take any one or more of the following actions with respect to any or all outstanding Grants, without the consent of any Participant: (i) the Committee may determine that outstanding Options and SARs shall be fully exercisable, and restrictions on outstanding Stock Awards shall lapse and accumulated Dividends shall be paid, as of the date of the Change of Control or at such other time as the Committee determines, (ii) the Committee may require that Participants surrender their outstanding Options and SARs in exchange for one or more payments by the Company, in cash or Company Stock as determined by the Committee, in an amount equal to the amount, if any, by which the then Fair Market Value of the shares of Company Stock subject to the Participant’s unexercised Options and SARs exceeds the Exercise Price, and on such terms as the Committee determines, (iii) after giving Participants an opportunity to exercise their outstanding Options and SARs, the Committee may terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate, (iv) with respect to Participants holding Stock Units, the Committee may determine that such Participants shall receive one or more payments in settlement of such Stock Units and accumulated Dividend

Equivalents, in such amount and form and on such terms as may be determined by the Committee, or (v) the Committee may determine that any Grants that remain outstanding after the Change of Control shall be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation). Such acceleration, surrender, termination, settlement or conversion shall take place as of the date of the Change of Control or such other date as the Committee may specify.

(b) Other Transactions. The Committee may provide in a Grant Agreement that a sale or other transaction involving a subsidiary or other business unit of the Company shall be considered a Change of Control for purposes of a Grant, or the Committee may establish other provisions that shall be applicable in the event of a specified transaction.

13. Annual Bonus Awards

(a) General Requirements. The Committee may grant annual Bonus Awards that shall be considered "qualified performance-based compensation" under section 162(m) of the Code to Employees who are executive Employees, upon such terms and conditions as the Committee deems appropriate under this Section 13.

(b) Target Bonus Awards and Performance Goals. When the Committee decides to make Bonus Awards under this Section 13, the Committee shall select the executive Employees who will be eligible for Bonus Awards, specify the annual performance period and establish target Bonus Awards and performance goals for the performance period. The performance period shall be the Company's fiscal year or such other period (of not more than 12 months) as the Committee determines. The Committee shall determine each Participant's target Bonus Award based on the Participant's responsibility level, position or such other criteria as the Committee shall determine. A Participant's target Bonus Award may provide for differing amounts to be paid based on differing thresholds of performance. The Committee shall establish in writing (i) the objective performance goals that must be met in order for the Bonus Awards to be paid for the performance period, (ii) the maximum amounts that may be paid if the performance goals are met, (iii) any threshold levels of performance that must be met in order for Bonus Awards to be paid, and (iv) any other conditions that the Committee deems appropriate and consistent with the requirements of section 162(m) of the Code for "qualified performance-based compensation." The performance goals shall satisfy the requirements for "qualified performance-based compensation," including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Company shall notify each Participant of the Participant's target Bonus Award and the applicable performance goals for the performance period.

(c) Criteria Used for Objective Performance Goals. The Committee shall use objectively determinable performance goals based on one or more of the criteria described in Section 11(c) above. The performance goals may relate to one or more business units or the performance of the Company and its subsidiaries as a whole, or any combination of the foregoing. Performance goals need not be uniform among Participants.

(d) Timing of Establishment of Target Bonus Awards and Goals. The Committee shall establish each Participant's target Bonus Award and performance goals in writing either before the beginning of the performance period or during a period ending no later than the earlier of (i) 90 days after the beginning of the performance period or (ii) the date on which 25% of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under section 162(m) of the Code.

(e) Maximum Bonus Award Amount. The maximum Bonus Award (designated as "qualified performance-based compensation" under section 162(m) of the Code) that may be payable to any Participant under this Section 13 for an annual performance period is $5,000,000.

(f) Section 162(m) Requirements. A target Bonus Award that is designated as "qualified performance-based compensation" under section 162(m) of the Code may not be awarded as an alternative to any other award that is not designated as "qualified performance-based compensation," but instead must be separate and apart from all other awards made. The Committee shall not have discretion to increase the amount of compensation that is payable based on achievement of the performance goals, but the Committee may reduce the amount of compensation that is payable based upon the Committee's assessment of personal performance or other factors. Any reduction of a Participant's Bonus Award shall not result in an increase in any other Participant's Bonus Award.

(g) Certification of Results. The Committee shall certify the performance results for the performance period after the performance period ends. The Committee shall determine the amount, if any, to be paid pursuant to each Bonus Award based on the achievement of the performance goals, the Committee's exercise of its discretion to reduce Bonus Awards and the satisfaction of all other terms of the Bonus Awards. Subject to the provisions of Section 13(j) and Section 14, payment of the Bonus Awards certified by the Committee shall be made in a single lump sum cash payment as soon as practicable following the close of the performance period, but in any event within 2-1/2 months after the close of the performance period.

(h) Limitations on Rights to Payment of Bonus Awards. No Participant shall have any right to receive payment of a Bonus Award under the Plan for a performance period unless the Participant remains in the employ of the Employer through the last day of the performance period; provided, however, that the Committee may determine that if a Participant's employment with the Company terminates prior to the end of the performance period, the Participant may be eligible to receive all or a prorated portion of any Bonus Award that would otherwise have been earned for the performance period, under such circumstances as the Committee deems appropriate.

(i) Change of Control. If a Change of Control occurs prior to the end of a performance period, the Committee may determine that each Participant who is then an Employee and was awarded a target Bonus Award for the performance period may receive a Bonus Award for the performance period, in such amount and at such time as the Committee determines.

(j) Discretionary and Other Bonuses. In addition to Bonus Awards that are designated "qualified performance-based compensation" under section 162(m) of the Code, as described above, the Committee may grant to executive Employees such other bonuses as the Committee deems appropriate, which may be based on individual performance, Company performance or such other criteria as the Committee determines. Decisions with respect to such bonuses shall be made separate and apart from the Bonus Awards described in this Section 13.

14. Deferrals

The Committee may permit or require a Participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the Participant in connection with any Grant or Bonus Award. The Committee shall establish rules and procedures for any such deferrals, consistent with applicable requirements of section 409A of the Code.

15. Withholding of Taxes

(a) Required Withholding. All Grants and Bonus Awards under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require that the Participant or other person receiving Grants or Bonus Awards or exercising Grants pay to the Company the amount of any federal, state or local taxes that the Company is required to withhold with respect to such Grants or Bonus Awards, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants or Bonus Awards.

(b) Election to Withhold Shares. If the Committee so permits, shares of Company Stock may be withheld to satisfy the Company's tax withholding obligation with respect to Grants paid in Company Stock, at the time such Grants become taxable, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities.

16. Transferability of Grants and Bonus Awards

(a) Restrictions on Transfer. Except as described in subsection (b) below, only the Participant may exercise rights under a Grant during the Participant's lifetime, and a Participant may not transfer those rights except by will or by the laws of descent and distribution. When a Participant dies, the personal representative or other person entitled to succeed to the rights of the Participant may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Participant's will or under the applicable laws of descent and distribution. Bonus Awards are not transferable. If a Participant dies, any amounts payable after his death pursuant to a Bonus Award shall be paid to the personal representative or other person entitled to succeed to the rights of the Participant.

(b) Transfer of Nonqualified Stock Options to or for Family Members. Notwithstanding the foregoing, the Committee may provide, in a Grant Agreement, that a Participant may transfer Nonqualified Stock Options to family members, or one or more trusts or other entities for the benefit of or owned by family members, consistent with the applicable securities laws, according to such terms as the Committee may determine; provided that the Participant receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

17. Requirements for Issuance of Shares

No Company Stock shall be issued in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable, and certificates representing such shares may be legended to reflect any such restrictions. Certificates representing shares of Company Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon. No Participant shall have any right as a stockholder with respect to Company Stock covered by a Grant until shares have been issued to the Participant.

18. Amendment and Termination of the Plan

(a) Amendment. The Board may amend or terminate the Plan at any time; provided, however, that if stockholder approval of an amendment is required in order to comply with the Code or applicable laws, or to comply with applicable stock exchange requirements, then such amendment must be approved by the Company's stockholders. No amendment or termination of this Plan shall, without the consent of the Participant, materially impair any rights or obligations under any Grant or Bonus Award previously made to the Participant under the Plan, unless such right has been reserved in the Plan or the Grant Agreement, or except as provided in Section 19(b) below. Notwithstanding anything in the Plan to the contrary, the Board may amend the Plan in such manner as it deems appropriate in the event of a change in applicable law or regulations.

(b) No Repricing Without Stockholder Approval. Notwithstanding anything in the Plan to the contrary, the Committee may not reprice Options or SARs, nor may the Board amend the Plan to permit repricing of Options or SARs, unless the stockholders of the Company provide prior approval for such repricing. The term "repricing" shall have the meaning given that term in Section 303A(8) of the New York Stock Exchange Listed Company Manual, as in effect from time to time, or any successor provision.

(c) Stockholder Approval for "Qualified Performance-Based Compensation." Notwithstanding any provision of the Plan to the contrary, all Grants and Bonus Awards shall be made contingent upon, and subject to, stockholder approval of the Plan at the 2007 annual stockholders' meeting. If Grants are made under Section 11 above, or if Bonus Awards are made under Section 13 above, the Plan must be reapproved by the Company's stockholders no later than the first stockholders meeting that occurs in the fifth year following the year in which the stockholders previously approved the provisions of Sections 11 and 13, if additional Grants are to be made under Section 11 or if additional Bonus Awards are made under Section 13 and if required by section 162(m) of the Code or the regulations thereunder.

(d) Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth anniversary of its Effective Date, unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the stockholders. The termination of the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant.

19. Miscellaneous

(a) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other stock-based awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for a grant made by such corporation. The terms and conditions of the Grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives, as determined by the Committee.

(b) Compliance with Law. The Plan, the exercise of Options and SARs and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act as are necessary to enable the transactions to be exempt from Section 16(b) of the Exchange Act. In addition, it is the intent of the Company that Incentive Stock Options comply with the applicable provisions of section 422 of the Code, that Grants of "qualified performance-based compensation" and Bonus Awards comply with the applicable provisions of section 162(m) of the Code and that, to the extent applicable, Grants and Bonus Awards comply with the requirements of section 409A of the Code or an exception from such requirements. To the extent that any legal requirement or condition of section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code, that Plan provision shall cease to apply. The Committee may revoke any Grant or Bonus Award if it is contrary to law or modify a Grant or Bonus Awards to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(c) Enforceability. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

(d) Funding of the Plan; Limitation on Rights. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants or Bonus Awards under this Plan. Nothing contained in the Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Participant or any other person. No Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. To the extent that any person acquires a right to receive payment from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(e) Rights of Participants. Nothing in this Plan shall entitle any Employee, Non-Employee Director or other person to any claim or right to receive a Grant or Bonus Award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employment or service of the Employer.

(f) No Fractional Shares. No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(g) Employees Subject to Taxation Outside the United States. With respect to Participants who are subject to taxation in countries other than the United States, the Committee may make Grants on such terms and conditions as the Committee deems appropriate to comply with the laws of the applicable countries, and the Committee may create such procedures, addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws.

(h) Governing Law. The validity, construction, interpretation and effect of the Plan and Grant Agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the state of Delaware, without giving effect to the conflict of laws provisions thereof.

AMETEK, Inc.

ANNUAL FINANCIAL INFORMATION AND REVIEW OF OPERATIONS

(Appendix B to Proxy Statement)

Index

INFORMATION RELATING TO AMETEK COMMON STOCK

The principal market on which the Company's common stock is traded is the New York Stock Exchange and it is traded under the symbol "AME".

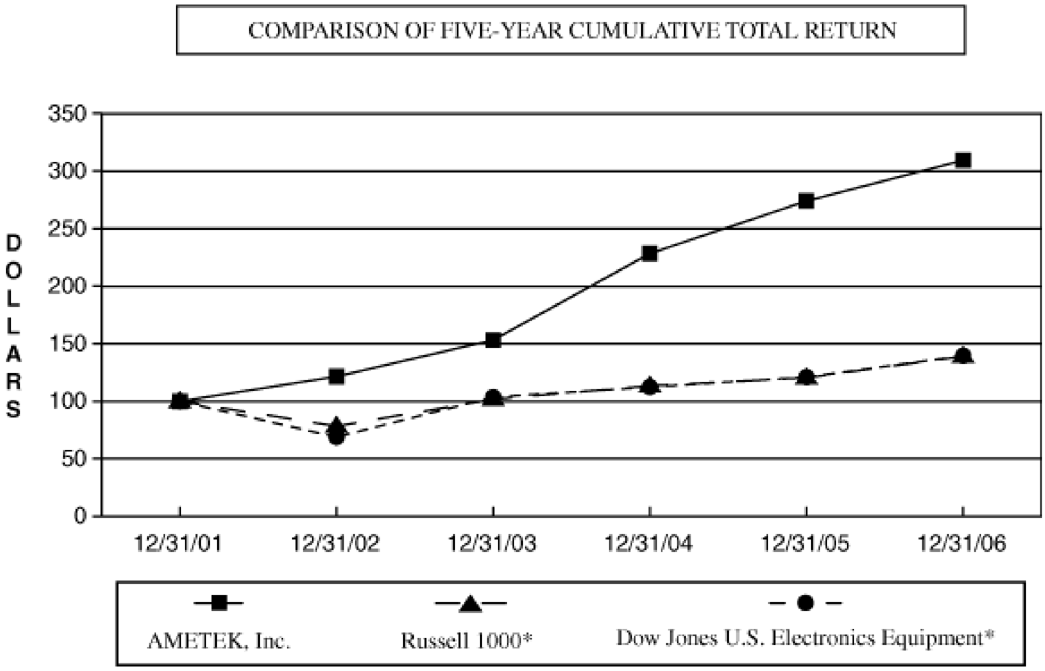
Market Price and Dividends Per Share

The high and low sales prices of the Company's common stock on the New York Stock Exchange composite tape and the quarterly dividends per share paid on the common stock were:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2006				
Dividends paid per share	**$ 0.04**	**$ 0.04**	**$ 0.04**	**$ 0.06**
Common stock trading range:				
High	**$30.09**	**$33.54**	**$31.62**	**$32.77**
Low	**$26.97**	**$27.65**	**$26.70**	**$28.71**
2005				
Dividends paid per share	$ 0.04	$ 0.04	$ 0.04	$ 0.04
Common stock trading range:				
High	$27.87	$28.24	$28.93	$29.91
Low	$22.56	$24.23	$25.32	$26.23

Stock Performance Graph

The following graph and accompanying table compare the cumulative total shareholder return for AMETEK, Inc. over the last five years ended December 31, 2006 with total returns for the same period for the Russell 1000 Index and the Dow Jones U.S. Electronic Equipment Index. The performance graph and table assume a $100 investment made on December 31, 2001 and reinvestment of all dividends. The stock performance shown on the graph below is based on historical data and is not necessarily indicative of future price performance.



	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
AMETEK, Inc.	$ 100.00	$ 121.50	$ 153.27	$ 228.49	$ 274.11	$ 309.59
Russell 1000*	100.00	78.35	101.77	113.37	120.48	139.10
Dow Jones U.S. Electronic Equipment*	100.00	68.92	103.59	112.39	121.00	139.56

* Includes AMETEK.

AMETEK, Inc.

SELECTED FINANCIAL DATA

	2006	2005	2004	2003	2002
	(Dollars and shares in millions, except per share amounts)				
Consolidated Operating Results (Years Ended December 31)					
Net sales	**$1,819.3**	$1,434.5	$1,232.3	$1,091.6	$1,040.5
Operating income(1)	**$ 309.0**	$ 233.5	$ 191.2	$ 151.8	$ 144.2
Interest expense	**$ (42.2)**	$ (32.9)	$ (28.3)	$ (26.0)	$ (25.2)
Net income(1)	**$ 181.9**	$ 136.4	$ 109.0	$ 84.2	$ 80.4
Earnings per share:(1)(2)					
Basic	**$ 1.74**	$ 1.31	$ 1.07	$ 0.85	$ 0.81
Diluted	**$ 1.71**	$ 1.29	$ 1.06	$ 0.84	$ 0.81
Dividends declared and paid per share(2)	**$ 0.18**	$ 0.16	$ 0.16	$ 0.08	$ 0.08
Weighted average common shares outstanding:(2)					
Basic	**104.8**	103.7	101.7	99.4	98.8
Diluted(1)	**106.6**	105.6	103.1	100.4	99.8
Performance Measures and Other Data					
Operating income — Return on sales(1)	**17.0%**	16.3%	15.5%	13.9%	13.9%
— Return on average total assets(1)	**15.8%**	14.6%	14.5%	13.5%	13.9%
Net income — Return on average total capital(1)(5)	**11.8%**	10.7%	10.5%	9.5%	9.9%
— Return on average stockholders ’ equity(1)(5)	**20.5%**	18.5%	18.2%	17.6%	21.1%
EBITDA(1)(3)	**$ 351.4**	$ 269.9	$ 228.3	$ 186.2	$ 175.9
Ratio of EBITDA to interest expense(1)(3)	**8.3x**	8.2x	8.1x	7.2x	7.0x
Depreciation and amortization	**$ 45.9**	$ 39.4	$ 39.9	$ 35.5	$ 33.0
Capital expenditures	**$ 29.2**	$ 23.3	$ 21.0	$ 21.3	$ 17.4
Cash provided by operating activities(1)(4)	**$ 226.0**	$ 155.7	$ 155.8	$ 155.9	$ 105.8
Free cash flow(1)(4)	**$ 196.8**	$ 132.4	$ 134.8	$ 134.6	$ 88.4
Ratio of earnings to fixed charges	**6.6x**	6.2x	6.0x	5.3x	5.2x
Consolidated Financial Position (at December 31)					
Current assets	**$ 684.1**	$ 556.3	$ 461.9	$ 378.6	$ 350.6
Current liabilities(1)	**$ 480.9**	$ 405.8	$ 272.8	$ 289.2	$ 261.4
Property, plant, and equipment	**$ 258.0**	$ 228.5	$ 207.5	$ 213.6	$ 204.3
Total assets	**$2,130.9**	$1,780.6	$1,420.4	$1,217.1	$1,030.0
Long-term debt	**$ 518.3**	$ 475.3	$ 400.2	$ 317.7	$ 279.6
Total debt	**$ 681.9**	$ 631.4	$ 450.1	$ 424.4	$ 390.1
Stockholders’ equity(1)(5)	**$ 966.7**	$ 809.5	$ 663.3	$ 532.9	$ 423.6
Stockholders’ equity per share(1)(2)(5)	**$ 9.11**	$ 7.66	$ 6.44	$ 5.30	$ 4.27
Total debt as a percentage of capitalization(1)(5)	**41.4%**	43.8%	40.4%	44.3%	47.9%

See notes to Selected Financial Data on page B-5.

Notes to Selected Financial Data

(1) Amounts for years prior to 2006 reflect the retrospective application of SFAS 123R to expense stock options effective January 1, 2006. The adoption of SFAS 123R reduced operating income, net income and diluted earnings per share by the following amounts (In millions, except per share amounts):

Impact of Adopting SFAS 123R	Operating Income	Reduction of: Net Income	Diluted Earnings Per Share
2005	$5.9	$4.3	$0.04
2004	$5.1	$3.7	$0.04
2003	$4.9	$3.6	$0.04
2002	$4.5	$3.3	$0.03

(2) Earnings per share, dividends declared and paid per share, and the weighted average common shares outstanding were adjusted to reflect a three-for-two stock split paid to shareholders on November 27, 2006.

(3) EBITDA represents income before interest, income taxes, depreciation and amortization. EBITDA is presented because the Company is aware that it is used by rating agencies, securities analysts, investors and other parties in evaluating the Company. 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. Furthermore, EBITDA measures shown for the Company may not be comparable to similarly titled measures used by other companies. The table below presents the reconciliation of net income reported in accordance with U.S. GAAP to EBITDA.

	Year Ended December 31,				
	2006	2005	2004 (In millions)	2003	2002
Net income	**$ 181.9**	$136.4	$109.0	$ 84.2	$ 80.4
Add (deduct):					
Interest expense	**42.2**	32.9	28.3	26.0	25.2
Interest income	**(0.4)**	(0.7)	(0.6)	(0.5)	(0.7)
Income taxes	**81.8**	61.9	51.7	41.0	38.0
Depreciation	**38.9**	35.0	36.8	34.2	32.5
Amortization	**7.0**	4.4	3.1	1.3	0.5
Total adjustments	**169.5**	133.5	119.3	102.0	95.5
EBITDA	**$ 351.4**	$269.9	$228.3	$186.2	$175.9

(4) Free cash flow represents cash flow from operating activities, less capital expenditures. Free cash flow is presented because the Company is aware that it is used by rating agencies, securities analysts, investors and other parties in evaluating the Company. (Also see note 3 above). The table below presents the reconciliation of cash flow from operating activities reported in accordance with U.S. GAAP to free cash flow.

	Year Ended December 31,				
	2006	2005	2004 (In millions)	2003	2002
Cash provided by operating activities (U.S. GAAP basis)	**$ 226.0**	$155.7	$155.8	$155.9	$105.8
Deduct: Capital expenditures	**(29.2)**	(23.3)	(21.0)	(21.3)	(17.4)
Free cash flow	**$ 196.8**	$132.4	$134.8	$134.6	$ 88.4

(5) The adoption of SFAS 158 for our defined benefit pension plans, which was effective December 31, 2006, resulted in a reduction of $32.7 million to Stockholders' equity. (See Notes 3 and 12 to the Consolidated Financial Statements).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report includes forward-looking statements based on the Company's current assumptions, expectations and projections about future events. When used in this report, the words "believes", "anticipates," "may," "expect," "intend," "estimate," "project," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. For more information concerning risks and other factors, that could have a material adverse effect on our business, or could cause actual results to differ materially from management's expectations, see "Forward-Looking Information" on page B-18.

The following discussion and analysis of the Company's results of operations and financial condition should be read in conjunction with "Selected Financial Data" and the consolidated financial statements of the Company and the related notes included elsewhere in this Appendix. We begin with an overview of our business and operations.

Business Overview

As a multinational business, AMETEK's operations are affected by global, regional and industry economic factors. However, the Company's strategic geographic and industry diversification, and its mix of products and services, have helped to limit the potential adverse impact of any unfavorable developments in any one industry or the economy of any single country on its consolidated operating results. In 2006, the Company experienced improved market conditions in most of its businesses. Strong internal growth and the contribution from recent acquisitions, combined with successful Operational Excellence initiatives, enabled the Company to post another year of record sales, operating income, net income, diluted earnings per share, and cash flow from operating activities in 2006. In addition to achieving its financial objectives, the Company also continued to make progress on its strategic initiatives under AMETEK's four growth strategies: Operational Excellence, New Product Development, Global and Market Expansion, and Strategic Acquisitions and Alliances. Highlights of 2006 were:

- Sales were $1.8 billion, an increase of $384.8 million or 26.8% from 2005 on solid internal growth of 9% in each of the Company's reportable segments, the Electronic Instruments Group (EIG) and the Electromechanical Group (EMG), and contributions from the following acquisitions completed during the year:
  - In February 2006, the Company acquired Pulsar, which has expanded both the Company's product offerings in the electric power market and the Company's relationships with customers in that segment.
  - In May 2006, the Company acquired Pittman, which has broadened the geographical reach of the Company's technical motors business. The acquisition adds to the Company's technical motors capabilities in the data storage, medical, electronic equipment, factory automation, and aviation markets.
  - In June 2006, the Company acquired Land Instruments a global supplier of high-end analytical instrumentation. Land Instruments adds to the Company's high-end process and analytical instruments business with its full range of on-line optical temperature measurement instrumentation for industrial applications.
  - In November 2006, the Company acquired Precitech, a leading manufacturer of ultra-precision machining systems for a variety of markets. Its acquisition broadens the Company's product offering for nanotechnology applications.
  - In December 2006, the Company acquired SAI, which is a Tulsa, Oklahoma-based provider of third-party maintenance, repair and overhaul services to the commercial aerospace industry.
- In October 2006, the Company's Board of Directors approved a three-for-two split of its common stock, paid on November 27, 2006 to stockholders of record on November 13, 2006. Additionally, the Board of Directors approved a 50% increase in the quarterly cash dividend rate on the Company's common stock to $0.06 per common share from $0.04 per common share on a post-split basis.

- As the Company grows globally, it continues to achieve an increasing level of international sales. International sales, including U.S. export sales, represented 47.6% of consolidated sales in 2006, compared with 45.7% of sales in 2005.
- The Company's Operational Excellence strategy is directed toward lowering its overall cost structure, and includes the ongoing transition of a portion of its motor and instrument production to low-cost manufacturing facilities in Mexico, China and the Czech Republic. This strategy had a positive impact on our operating results in 2006 and contributed to improved segment operating margins which were 18.9% of sales in 2006, up from 18.4% of sales in 2005.
- Higher earnings resulted in record cash flow from operating activities that totaled $226.0 million, a $70.3 million or 45.2% increase from 2005. At year-end 2006, our debt-to-capital ratio was 41.4%, compared with 43.8% at the end of 2005.
- The Company continued its emphasis on investment in research, development and engineering, spending $87.6 million in 2006 before customer reimbursement of $6.4 million, an increase of 15.4% over 2005. Sales from products introduced in the last three years increased $137.0 million or 59.6% in 2006 over 2005 to $366.9 million.

Results of Operations

The following table sets forth net sales and income of the Company by reportable segment and on a consolidated basis for the years ended December 31, 2006, 2005, and 2004:

	Year Ended December 31,		
	2006	**2005** (In thousands)	**2004**
Net Sales(1):			
Electronic Instruments	**$1,016,503**	$ 808,493	$ 667,418
Electromechanical	**802,787**	625,964	564,900
Total net sales	**$1,819,290**	$1,434,457	$1,232,318
Income:			
Segment operating income(2):			
Electronic Instruments	**$ 203,430**	$ 164,248	$ 124,611
Electromechanical	**139,926**	99,244	93,289
Total segment operating income	**343,356**	263,492	217,900
Corporate administrative and other expenses	**(34,362)**	(30,004)	(26,726)
Consolidated operating income(3)	**308,994**	233,488	191,174
Interest and other expenses, net	**(45,308)**	(35,201)	(30,455)
Consolidated income before income taxes	**$ 263,686**	$ 198,287	$ 160,719

(1) After elimination of intra- and intersegment sales, which are not significant in amount.

(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 interest expense.

(3) Results for 2005 and 2004 have been adjusted to reflect the retrospective application of SFAS 123R to expense stock options, which was adopted January 1, 2006. The retrospective application of SFAS 123R reduced operating income by $5.9 million and $5.1 million in 2005 and 2004, respectively. (See Note 9).

Year Ended December 31, 2006, Compared with Year Ended December 31, 2005

Results of Operations

In 2006, the Company posted record sales, operating income, net income, diluted earnings per share and cash flow from operations. The Company achieved these results from strong internal growth in both its EIG and EMG Groups, as well as contributions from acquisitions in 2006 and 2005. Operating income increased, driven by the record sales and a continued focus on cost reduction programs under our Operational Excellence initiatives. Based on current market conditions, the Company expects continued strength in most of its businesses in 2007.

The Company reported sales for 2006 of $1,819.3 million, an increase of $384.8 million or 26.8% from sales of $1,434.5 million in 2005. Net sales for EIG were $1,016.5 million in 2006, an increase of 25.7% from sales of $808.5 million in 2005. EIG's internal sales growth was 9% in 2006, driven by strength in its process, aerospace and power businesses. The acquisitions of SPECTRO in June 2005, Solartron in September 2005, Pulsar in February 2006 and Land Instruments in June 2006 also contributed to the sales growth. Net sales for EMG were $802.8 million in 2006, an increase of 28.2% from sales of $626.0 million in 2005. EMG's internal sales growth was also 9% in 2006 driven by the Group's differentiated businesses. The acquisitions of HCC in October 2005 and Pittman in May 2006 also contributed to the sales growth.

Total international sales for 2006 increased to $866.0 million and represented 47.6% of consolidated sales, an increase of $210.1 million, or 32.0% when compared with international sales of $655.9 million or 45.7% of consolidated sales in 2005. The increase in international sales resulted from the recent acquisitions of SPECTRO, Solartron and HCC in 2005 and the Land Instruments acquisition in 2006, as well as increased international sales from base businesses. Increased international sales came mainly from sales to Asia and Europe by both Group's. Export shipments from the United States, which are included in total international sales, were $343.8 million in 2006, an increase of $76.5 million or 28.6% compared with $267.3 million in 2005. Export shipments improved primarily due to increased exports from base businesses.

New orders for 2006 were $1,915.4 million, compared with $1,534.3 million for 2005, an increase of $381.1 million or 24.8%. The increase in orders was driven by demand in the Company's differentiated businesses, led by the Company's process businesses as well as the recent acquisitions mentioned above. The order backlog at December 31, 2006 was $536.8 million, compared with $440.7 million at December 31, 2005, an increase of $96.1 million or 21.8%. The increase in backlog was due to higher order levels in base differentiated businesses as well as the 2006 acquisitions.

Segment operating income was $343.4 million for 2006, an increase of $79.9 million, or 30.3%, compared with segment operating income of $263.5 million for 2005. Segment operating margins in 2006 were 18.9% of sales, an increase from 18.4% of sales in 2005. The increase in segment operating income resulted from strength in the differentiated businesses of each group, which includes the profit contributions made by the acquisitions. The margin improvement came from the Company's differentiated businesses.

Selling, general, and administrative (SG&A) expenses were $219.5 million in 2006, compared with $174.2 million in 2005, an increase of $45.2 million or 26.0%. However, as a percentage of sales, SG&A expenses in 2006 were flat with 2005 at 12.1% of sales. Selling expenses, as a percentage of sales, were 10.2% in 2006, essentially unchanged from 2005. Most of the increase in selling expenses was due to the acquired businesses. 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. Base business selling expenses increased 4.9% which is significantly lower than the Company's 9% internal sales growth rate for 2006.

Corporate administrative expenses were $34.2 million in 2006, an increase of $4.5 million or 15.3%, when compared with 2005. The increase in corporate expenses is the result of higher compensation costs, including equity-based compensation. As a percentage of sales, corporate administrative expenses were 1.9% in 2006, a decline from 2.1% of sales in 2005.

Consolidated operating income was $309.0 million in 2006, an increase of $75.5 million or 32.3% when compared with $233.5 million in 2005. This represents an operating margin of 17.0% of sales for 2006 compared with 16.3% of sales in 2005.

Interest expense was $42.2 million in 2006, an increase of 28.1% compared with $32.9 million in 2005. The increase was due to higher average borrowings necessary to fund the 2005 and 2006 acquisitions, primarily related to the euro long-term debt incurred for the 2005 acquisition of SPECTRO and short-term debt incurred for the late 2005 acquisition of HCC.

The effective tax rate for 2006 was 31.0% compared with 31.2% in 2005. The 2006 effective tax rate benefited primarily from the reversal of a valuation allowance for foreign tax credit carryforwards of $3.2 million, offset somewhat by higher nondeductible equity-based compensation. The 2006 and 2005 effective tax rates benefited from the realization of tax benefits stemming from the Company's worldwide tax planning activities and other adjustments.

Net income for 2006 was $181.9 million, an increase of $45.5 million, or 33.4% from $136.4 million in 2005. Diluted earnings per share increased 32.6% to $1.71 per share, an increase of $0.42 when compared with $1.29 per diluted share in 2005.

Operating Segment Results

EIG's sales were $1,016.5 million in 2006, an increase of $208.0 million or 25.7% from 2005 sales of $808.5 million. The sales increase was due to internal growth in EIG's process, aerospace and power businesses, and the acquisitions of SPECTRO and Solartron in 2005 and Pulsar and Land Instruments in 2006. Included in the 25.7% increase in sales is internal growth of approximately 9%. The acquisitions accounted for the remainder of the sales increase. The foreign currency translation effect on sales for 2006 was nominal.

EIG's operating income for 2006 increased to $203.4 million from $164.2 million in 2005, an increase of $39.2 million, or 23.9%. The increase in operating income was driven by the higher sales, which includes the acquisitions. Operating margins of EIG were 20.0% of sales for 2006 compared with operating margins of 20.3% of sales in 2005. The decrease in operating margins was due to the inclusion of a $4.3 million gain from the sale of a facility in 2005.

EMG's sales for 2006 were $802.8 million, an increase of $176.8 million or 28.2%, compared with sales of $626.0 million in 2005. The sales increase was due in part to internal growth, particularly in EMG's differentiated businesses, which accounted for approximately 9% of the 28.2% sales increase. The acquisitions of HCC in October 2005 and Pittman in May 2006 accounted for the remainder of the sales increase. The foreign currency translation effect on sales for 2006 was nominal.

EMG's operating income for 2006 increased to $139.9 million from $99.2 million in 2005, an increase of $40.7 million or 41.0%. The operating income increase was significantly due to higher sales from the Group's differentiated businesses, which includes the recent acquisitions mentioned above. EMG's operating margins were 17.4% of sales in 2006 compared with operating margins of 15.9% of sales in 2005. The increase in operating margin was primarily due to a higher profit yield on the sales contribution of EMG's differentiated businesses.

Year Ended December 31, 2005, Compared with Year Ended December 31, 2004

Results of Operations

In 2005, the Company posted record sales, operating income, net income, and diluted earnings per share. The Company achieved these results from acquisitions, internal growth in both its EIG and EMG groups, and cost reduction programs. The Company experienced improved market conditions in most of its differentiated businesses in 2005.

The Company reported sales for 2005 of $1,434.5 million, an increase of $202.1 million or 16.4% from sales of $1,232.3 million in 2004. Net sales for EIG were $808.5 million in 2005, an increase of 21.1% from sales of $667.4 million in 2004. EIG's internal sales growth was 4.6% in 2005, driven by strength in its high-end analytical instruments business, the heavy-vehicle instruments business, and the aerospace and power businesses. The acquisitions of SPECTRO in June 2005, Solartron in September 2005, and Taylor Hobson in June 2004 also contributed to the sales growth. Net sales for EMG were $626.0 million in 2005, an increase of 10.8% from sales of $564.9 million in 2004. EMG's internal sales growth was 4.2% in 2005 driven by the Group's differentiated businesses, partially offset by weak market conditions within the Group's cost-driven businesses. The acquisitions of HCC in October 2005 and Hughes-Treitler in July 2004 also contributed to the sales increase.

Total international sales for 2005 increased to $655.9 million and represented 45.7% of consolidated sales, an increase of $119.3 million, or 22.2% when compared with international sales of $536.6 million or 43.5% of consolidated sales in 2004. The increase in international sales resulted from the acquisitions previously mentioned as well as increased international sales from base businesses. Increased international sales came mainly from sales to Europe and Asia by both operating groups. Export shipments from the United States, which are included in total international sales, were $267.3 million in 2005, an increase of 15.2% compared with $232.0 million in 2004.

New orders for 2005 were $1,534.3 million, compared with $1,287.0 million for 2004, an increase of $247.3 million or 19.2%. Most of the increase in orders was driven by demand in the Company's differentiated businesses, led by the Company's aerospace and process businesses as well as the 2005 acquisitions mentioned above. The order backlog at December 31, 2005 was $440.7 million, compared with $340.9 million at December 31, 2004, an increase of $99.8 million or 29.3%. The increase in backlog was due mainly to the 2005 acquisitions. Backlog increases were also reported by many of the Company's base differentiated businesses.

Segment operating income was $263.5 million for 2005, an increase of $45.6 million, or 20.9%, compared with segment operating income of $217.9 million for 2004. Segment operating margins in 2005 were 18.4% of sales, an increase from 17.7% of sales in 2004. The increase in segment operating income was due to higher sales from the Company's differentiated businesses. Approximately half of the increase in operating income was from the 2005 acquisitions. The margin improvement came entirely from the Company's base differentiated businesses.

Selling, general, and administrative (SG&A) expenses were $174.2 million in 2005, compared with $137.8 million in 2004, an increase of $36.4 million or 26.4%. As a percentage of sales, SG&A expenses were 12.1% in 2005, compared with 11.2% in 2004. Selling expenses, as a percentage of sales, increased to 10.1% in 2005, compared with 9.1% in 2004. The selling expense increase and the corresponding increase in selling expenses as a percentage of sales were due primarily to business acquisitions. 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 rate of selling expenses. Base business selling expenses increased 5.0%, which approximates internal sales growth for 2005.

Corporate administrative expenses were $30.0 million in 2005, an increase of $3.3 million or 12.4%, when compared with 2004. The increase in corporate expenses is the result of higher restricted stock amortization expense related to the Company's change in its long-term incentive compensation program and higher personnel costs necessary to grow the Company. As a percentage of sales, corporate administrative expenses were 2.1% in 2005, which was slightly lower than 2004.

Consolidated operating income was $233.5 million in 2005, an increase of $42.3 million or 22.1% when compared with $191.2 million in 2004. This represented an operating margin of 16.3% of sales for 2005 compared with 15.5% of sales in 2004.

Interest expense was $32.9 million in 2005, an increase of 16.1% compared with $28.3 million in 2004. The increase was due to higher average borrowing levels due to the 2005 acquisitions, and higher average interest rates.

The effective tax rate for 2005 was 31.2% compared with 32.2% in 2004. The reduction in the effective tax rate was primarily due to the realization of tax benefits stemming from the Company's worldwide tax planning activities, and other adjustments.

Net income for 2005 was $136.4 million, an increase of $27.4 million, or 25.1%, from $109.0 million in 2004. Diluted earnings per share rose 21.7% to $1.29 per share, an increase of $0.23, when compared with $1.06 per diluted share in 2004.

Operating Segment Results

EIG's sales were $808.5 million in 2005, an increase of $141.1 million or 21.1% from 2004 sales of $667.4 million. The sales increase was due to internal growth in EIG's aerospace, process and analytical instruments, and industrial markets and the acquisitions of Taylor Hobson in 2004, and SPECTRO and Solartron in 2005. Internal growth accounted for 4.6% of the 21.1% increase. The acquisitions accounted for the remainder of the sales increase.

EIG's operating income for 2005 increased to $164.2 million from $124.6 million in 2004, an increase of $39.6 million, or 31.8%. The increase in operating income was due to higher sales. Approximately half of the increase in operating income was from the 2005 acquisitions mentioned above. Both years included nonrecurring pretax gains; 2005 included a gain of $4.3 million from the sale of a facility, and 2004 included a gain of $5.3 million from settlement of an insurance claim. Operating margins of EIG improved to 20.3% of sales for 2005 compared with operating margins of 18.7% of sales in 2004 due to production efficiencies in the Company's base businesses.

EMG's sales for 2005 were $626.0 million, an increase of $61.1 million or 10.8%, compared with sales of $564.9 million in 2004. The sales increase was due in part to internal growth, particularly in the Group's differentiated businesses, which accounted for 4.2% of the 10.8% sales increase. The acquisitions of Hughes-Treitler in 2004 and HCC in October 2005 as well as $2.3 million of favorable foreign currency translation effects accounted for the remainder of the sales increase.

EMG's operating income for 2005 increased to $99.2 million from $93.3 million in 2004, an increase of $5.9 million or 6.3%. EMG's increase in operating income was primarily due to higher sales from its differentiated businesses, which included the 2005 acquisitions mentioned above. Operating margins of EMG were 15.9% of sales in 2005 compared with operating margins of 16.5% of sales in 2004. The decrease in operating margin was the result of unfavorable changes in product mix within the Group's cost-driven motor businesses.

Liquidity and Capital Resources

Cash provided by operating activities totaled $226.0 million for 2006, compared with $155.7 million in 2005, an increase of $70.3 million, or 45.2%. The increase in operating cash flow was primarily the result of higher earnings and lower overall operating working capital requirements. In 2006, the Company contributed $13.7 million to its defined benefit pension plans compared to $11.3 million contributed in 2005. Free cash flow (operating cash flow less capital spending) was $196.8 million in 2006, compared to $132.4 million in 2005. EBITDA (earnings before interest, income taxes, depreciation and amortization) was $351.4 million in 2006, compared with $269.9 million in 2005, a 30.2% improvement. Free cash flow and EBITDA are presented because the Company is aware that they are measures that are used by third parties in evaluating the Company. (See table on page B-5 for a reconciliation of generally accepted accounting principles ("GAAP") measures to comparable non-GAAP measures).

Cash used for investing activities was $206.0 million for 2006, compared with $361.8 million in 2005. In 2006, the Company paid $177.6 million for five businesses and two small technology lines, net of cash received. In 2005, the Company paid $340.7 million for three acquisitions and two small technology lines, net of cash received. Additions to property, plant and equipment totaled $29.2 million in 2006, compared with $23.3 million in 2005.

Cash used for financing activities totaled $10.0 million in 2006, compared with cash provided of $207.0 million in 2005. In 2006, total borrowings, net of repayments, increased by $15.4 million, compared with a net increase of $197.5 million in 2005. The net increase in long-term borrowings was $11.3 million in 2006 compared with a net increase of $91.8 million in 2005. Short-term borrowings increased $4.0 million in 2006, compared with an increase of $105.7 million in 2005. At December 31, 2006 the Company had available borrowing capacity of $276.1 million under its $400 million revolving bank credit facility, which includes an accordion feature allowing $100 million of additional borrowing capacity, and had fully utilized its $75.0 million accounts receivable securitization facility. The accounts receivable securitization facility was amended in October 2006 only to extend its expiration date from December 2006 to March 2007. The revolving bank credit facility was also amended in October 2006 to extend its expiration date from June 2010 to October 2011. This amendment also lowers the Company's cost of capital and provides the Company with increased financing flexibility to support its growth plans. The Company's debt agreements contain various covenants including limitations on indebtedness and dividend payments, and maintenance of certain financial ratios. At December 31, 2006 and 2005, the Company was in compliance with the debt covenants.

At December 31, 2006, total debt outstanding was $681.9 million compared with $631.4 million at December 31, 2005. The debt-to-capital ratio was 41.4% at December 31, 2006, compared with 43.8% at December 31, 2005.

In 2006, net cash proceeds from the exercise of employee stock options were $9.9 million, compared with $16.2 million in 2005. Cash dividends paid were $18.8 million in 2006 and $16.8 million in 2005. In October 2006, the Board of Directors approved a 50% increase in the quarterly cash dividend rate on the Company's common stock to $0.06 per common share from $0.04 per common share on a post stock split basis.

In 2006, the Company used cash of $21.1 million for the repurchase of 750,000 shares of its common stock to offset the dilutive effect of shares granted under the Company's stock incentive plans. There were no repurchases of the Company's common stock in 2005. As of December 31, 2006, $31.4 million was available, under the current Board authorization, for future share repurchases.

The following table summarizes AMETEK's contractual cash obligations at December 31, 2006, and the effect such obligations are expected to have on the Company's liquidity and cash flows in future years.

	Payments Due (In millions)				
Contractual Obligations	**Total**	**Less Than One Year**	**One to Three Years**	**Four to Five Years**	**After Five Years**
Long-term debt	$ 505.3	$ 3.4	$237.4	$118.7	$145.8
Revolving credit loans(a)	96.7	80.3	—	16.4	—
Other indebtedness(b)	79.9	79.9	—	—	—
Total debt	681.9	163.6	237.4	135.1	145.8
Interest on long-term fixed- rate debt	113.5	28.0	31.7	17.3	36.5
Noncancellable operating leases	55.2	10.5	13.6	6.3	24.8
Purchase obligations(c)	179.9	161.4	15.8	2.7	—
Employee severance and other	19.1	19.1	—	—	—
Total	$1,049.6	$ 382.6	$298.5	$161.4	$207.1

(a) Although not contractually obligated, the Company expects to have the capability to repay the U.S. portion of this obligation within one year as permitted in the credit agreement. Accordingly, $80.3 million is classified as short-term debt at December 31, 2006. The foreign portion of the obligation is related to a foreign acquisition and creates a natural hedging instrument to offset foreign exchange gains or losses on the net investment in the acquired business due to changes in the British pound. Accordingly, $16.4 million is classified as long-term debt at December 31, 2006.

(b) Amount includes $75 million under the accounts receivable securitization program, which is classified as short-term borrowings at December 31, 2006.

(c) Purchase obligations primarily consist of contractual commitments to purchase certain inventories at fixed prices.

Other Commitments

The Company has standby letters of credit and surety bonds of approximately $27.9 million related to performance and payment guarantees at December 31, 2006. Based on experience with these arrangements, the Company believes that any obligations that may arise will not be material to its financial position.

Although it has not done so in recent years, the Company may, from time to time, redeem, tender for, or repurchase its long-term debt in the open market or in privately negotiated transactions depending upon availability, market conditions and other factors.

As a result of all of the Company's cash flow activities in 2006, cash and cash equivalents at December 31, 2006 totaled $49.1 million, compared with $35.5 million at December 31, 2005. The Company believes it has sufficient cash-generating capabilities from domestic and unrestricted foreign sources, and available financing alternatives, to enable it to meet operating needs and contractual commitments.

Transactions with Related Parties

A member of the Company's Board of Directors is of counsel to the law firm of Stroock & Stroock & Lavan LLP, with which the Company has a business relationship. In 2006, Stroock & Stroock & Lavan LLP billed fees to the Company in the aggregate for services rendered, primarily services related to a business acquisition, of $706,000. An immediate family member of AMETEK's Chairman and Chief Executive Officer and an immediate family member of a member of AMETEK's Board of Directors are employed at operating units of the Company and each has an annual salary in excess of $120,000.

Critical Accounting Policies

The Company has identified its critical accounting policies as those accounting policies that can have a significant impact on the presentation of the Company's financial condition and results of operations, and that require the use of complex and subjective estimates based upon past experience and management's judgment. Because of the uncertainty inherent in such estimates, actual results may differ materially from the estimates used. The consolidated financial statements and related notes contain information that is pertinent to the Company's accounting policies and to management's discussion and analysis. The information that follows represents additional specific disclosures about the Company's accounting policies regarding risks, estimates, subjective decisions, or assessments whereby materially different results of operations and financial condition could have been reported had different assumptions been used or different conditions existed. Primary disclosure of the Company's significant accounting policies is in Note 1 of the "Notes to Consolidated Financial Statements," included elsewhere in this report.

- *Revenue Recognition.* The Company recognizes revenue on product sales in the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, under which title and risk of loss have been transferred, collectibility is reasonably assured and pricing is fixed or determinable. For a small percentage of sales where title and risk of loss passes at point of delivery, we recognize revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met. The policy with respect to sales returns and allowances generally provides that the customer may not return products or be given allowances, except at the Company's option. We have agreements with distributors that do not provide expanded rights of return for unsold products. The distributor purchases the product from the Company at which time title and risk of loss transfers to the distributor. The Company does not offer substantial sales incentives and credits to its distributors other than volume discounts. The Company accounts for the sales incentive as a reduction of revenues when the sale is recognized in the statement of income. Accruals for sales returns, other allowances, and estimated warranty costs are provided at the time of shipment based upon past experience. At December 31, 2006, 2005 and 2004, the accrual for future warranty obligations was $10.9 million, $9.4 million and $7.3 million, respectively. The Company's expense for warranty obligations approximated $7.6 million, $7.2 million and $5.0 million in 2006, 2005 and 2004, respectively. The warranty periods for products sold vary 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. If actual future sales returns, allowances and warranty amounts are higher than past experience, additional accruals may be required.
- *Accounts Receivable.* The Company maintains allowances for estimated losses resulting from the inability of specific customers to meet their financial obligations to the Company. A specific reserve for bad debts is recorded against the amount due from these customers. For all other customers, the Company recognizes reserves for bad debts based on the length of time specific receivables are past due based on its historical experience. If the financial condition of the Company's customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required. The allowance for possible losses on receivables was $7.4 million and $7.6 million at December 31, 2006 and 2005, respectively.

- *Inventories.* The Company uses the first-in, first-out (FIFO) method of accounting, which approximates current replacement cost, for approximately 55% of its inventories. The last-in, first-out (LIFO) method of accounting is used to determine cost for the remaining 45% of its inventory. For inventories where cost is determined by the LIFO method, the excess of the FIFO value over the LIFO value would have been approximately $34.1 million and $28.4 million higher than the amount reported in the balance sheet at December 31, 2006 and 2005, respectively. The Company provides estimated inventory reserves for slow-moving and obsolete inventory based on current assessments about future demand, market conditions, customers who may be experiencing financial difficulties, and related management initiatives. If these factors are less favorable than those projected by management, additional inventory reserves may be required.
- *Goodwill and Other Intangibles Assets.* The Company accounts for goodwill and other intangible assets under Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets.* Under SFAS 142, purchased goodwill and other intangible assets with indefinite lives, primarily trademarks and trade names, are not amortized; rather, they are tested for impairment at least annually. These impairment tests require the projection and discounting of cash flows, estimates of future operating performance of the reporting unit being valued and estimates of the fair value of the intangible assets being tested. SFAS 142 requires a two-step impairment test for goodwill. The first step is to compare the carrying amount of the reporting unit's net assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step must be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being implied goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill. The Company would be required to record such impairment losses. Changes in interest rates and market conditions, among other factors, may have an impact on these estimates. These estimates will likely change over time. The Company's acquisitions have generally included a large goodwill component and the Company expects to continue to make acquisitions. At December 31, 2006, goodwill and other intangible assets totaled approximately $1,081.2 million, or 50.7% of the Company's total assets. The Company performed its required annual impairment test in the fourth quarter of 2006 and determined that the Company's goodwill and indefinite-lived intangibles were not impaired. There can be no assurance that goodwill or indefinite-lived intangibles impairment will not occur in the future.
- *Pensions.* The Company has U.S. and foreign defined benefit and defined contribution pension plans. AMETEK accounts for all of its defined benefit pension plans in accordance with SFAS 87, *Employers' Accounting for Pensions*, and effective December 31, 2006, SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R).* SFAS 158 requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. SFAS 87 and SFAS 158 require that amounts recognized in the financial statements be determined on an actuarial basis. The most significant elements in determining the Company's pension income or expense are the assumed pension liability discount rate and the expected return on plan assets. The pension discount rate reflects the current interest rate at which the pension liabilities could be settled at the valuation date. At the end of each year, the Company determines the assumed discount rate to be used to discount plan liabilities. In estimating this rate for 2006, the Company considered rates of return on high-quality, fixed-income investments. The discount rate used in determining the 2006 pension cost was 5.65% for U.S. defined benefit pension plans and 5.00% for foreign plans. The discount rate used for determining the funded status of the plans at December 31, 2006, and determining the 2007 defined benefit pension cost is 5.90% for U.S. plans and 5.00% for foreign plans. In estimating the U.S. discount rate, the Company's actuaries developed a customized discount rate appropriate to the Plans' projected benefit cash flow based on yields derived from a database of long-term bonds at consistent maturity dates. The Company used an expected long-term rate of return on plan assets for 2006 of 8.25% for U.S. defined benefit pension plans and 7.00% for foreign plans. We will continue to use these rates for 2007 for U.S. and foreign plans, respectively. The Company determines the expected long-term rate of return based primarily on its expectation of future returns for the pension plans' investments. Additionally, the Company considers historical returns on comparable fixed-income investments and equity investments, and adjusts its estimate

as deemed appropriate. The rate of compensation increase used in determining the 2006 pension expense for the U.S. plans was 3.5% and will be 3.75% in 2007. For foreign plans, the rate of compensation increase will be increased from 3.4% in 2006 to 3.61% in 2007. For the year ended December 31, 2006, the Company recognized consolidated pretax pension expense of $2.5 million from its U.S. and foreign defined benefit pension plans, including $0.8 million for pension curtailments. This compares with pretax pension expense of $2.1 million recognized for these plans in 2005.

As discussed above, effective December 31, 2006, we have adopted the balance sheet recognition requirements of SFAS 158. Under SFAS 158 all unrecognized prior service costs, remaining transition obligations or assets, and actuarial gains and losses have been recognized net of tax effects as a charge to accumulated other comprehensive income ("AOCI") in stockholders' equity and will be amortized as a component of net periodic pension cost. In addition, effective for fiscal years beginning after December 15, 2008, the measurement date, (the date at which plan assets and benefit obligation are measured) is required to be the Company's fiscal year-end. Presently we use a December 31 measurement date for all of our U.S. defined benefit plans, and an October 1 measurement date for our foreign plans. However, we plan to early adopt the measurement date provision of SFAS 158 for our foreign plans in 2007. The effect of adopting SFAS 158 as of December 31, 2006 resulted in a decrease in total assets of $43.1 million, a decrease in total liabilities of $10.4 million, and a reduction of total stockholders' equity of $32.7 million, net of tax. The adoption of SFAS 158 did not affect our operations.

To fund the plans, the Company made cash contributions to its defined benefit pension plans during 2006 which totaled $13.7 million, compared with $11.3 million in 2005. The Company anticipates making cash contributions to its defined benefit pension plans in 2007.

- *Income Taxes.* Our annual provision for income taxes and determination of the related balance sheet accounts requires management to assess uncertainties, make judgments regarding outcomes and utilize estimates. We conduct a broad range of operations around the world, subjecting us to complex tax regulations in numerous international taxing jurisdictions, resulting at times in tax audits, disputes and potential litigation, the outcome of which is uncertain. Management must make judgments currently about such uncertainties and determine estimates of our tax assets and liabilities. To the extent the final outcome differs, future adjustments to our tax assets and liabilities may be necessary. We also are required to assess the realizability of our deferred tax assets, taking into consideration our forecast of future taxable income, available net operating loss carryforwards and available tax planning strategies that could be implemented to realize the deferred tax assets. Based on this assessment, we must evaluate the need for, and amount of, valuation allowances against our deferred tax assets. To the extent facts and circumstances change in the future, adjustments to the valuation allowances may be required.

Recently Issued Financial Accounting Standards

In September 2006, the Financial Accounting Standards Board issued SFAS 158, which requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position at year-end and to recognize changes in the funded status in the year in which the changes occur through AOCI in stockholders' equity. SFAS 158 was effective for the Company as of December 31, 2006. The effect of adopting SFAS 158 resulted in a decrease in total assets of $43.1 million, a decrease in total liabilities of $10.4 million, and a reduction of total stockholders' equity of $32.7 million, net of tax, as a charge to AOCI. (See Note 12).

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, *Fair Value Measurements.* SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 does not require any new fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of SFAS 157 will have an effect on the Company's consolidated results of operations, financial position or cash flows.

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109, Accounting for Income Taxes (FIN 48). FIN 48 creates a single model to address accounting for uncertainty in tax positions, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and the Company will adopt FIN 48 as of January 1, 2007, as required. The cumulative effect of adopting FIN 48 will be recorded in retained earnings. The Company is continuing to evaluate the potential impact of adopting FIN 48.

Effective January 1, 2006, the Company adopted SFAS 123R, *Share-Based Payment*, using the modified retrospective method. SFAS 123R requires the Company to expense the fair value of equity awards made under its share-based plans. That cost is now recognized in the financial statements over the requisite service period of the grants. See Note 9.

In September 2006, the Emerging Issues Task Force (EITF) issued EITF Issue No. 06-5, *Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4* (EITF 06-5). EITF 06-5 provides guidance in determining the amount to be realized under certain insurance contracts and the related disclosures. EITF 06-5 is effective for fiscal periods beginning after December 15, 2006 and should be adopted as a change in accounting principle, as a cumulative-effect adjustment to retained earnings or as a retrospective adjustment to all prior periods. The Company is currently evaluating the impact of adoption of EITF 06-5 on our financial statements.

In September 2006, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 108 (“SAB 108”), which documents the SEC staff’s views regarding the process of quantifying financial statement misstatements. Under SAB 108, an evaluation of the materiality of an identified unadjusted error must consider the impact of both the current-year error and the cumulative error, if applicable. This also means that both the impact on the current-period income statement and the period-end balance sheet must be considered. SAB 108 is effective for fiscal years ending after November 15, 2006. Any cumulative adjustments required to be recorded as a result of adopting SAB 108 would be recorded as a cumulative effect adjustment to the opening balance of retained earnings. Adoption of SAB 108 did not have an effect on the Company’s consolidated results of operations, financial position and cash flows.

Internal Reinvestment

Capital Expenditures

Capital expenditures were $29.2 million, or 1.6% of sales in 2006, compared with $23.3 million, or 1.6% of sales in 2005. Approximately 53% of the expenditures in 2006 were for the maintenance of, or additional, equipment to increase productivity and expand capacity. The Company’s 2006 capital expenditures increased due to a continuing emphasis on spending to improve productivity and expand manufacturing capabilities. For 2007, capital expenditures are expected to approximate $40 million, with a continuing emphasis on spending to improve productivity and expand production capacity of its low-cost manufacturing facilities. The 2007 capital expenditures are expected to approximate 2% of sales.

Product Development and Engineering

Product development and engineering expenses are directed toward the development and improvement of new and existing products and processes. Such expenses before customer reimbursement were $87.6 million in 2006, an increase from $75.9 million in 2005, and $66.0 million in 2004. Customer reimbursements were $6.4 million, $8.9 million, and $6.2 million in 2006, 2005 and 2004, respectively. Included in the amounts above are net expenses for research and development of $42.0 million for 2006, $34.8 million for 2005, and $25.5 million for 2004.

Environmental Matters

Certain historic processes in the manufacture of products have resulted in environmentally hazardous waste by-products as defined by federal and state laws and regulations. While these waste products were handled in compliance with regulations existing at that time, at December 31, 2006 the Company is named a Potentially Responsible Party (PRP) at 16 non-AMETEK-owned former waste disposal or treatment sites. The Company is identified as a “de minimis” party in 13 of these sites based on the low volume of waste attributed to the Company relative to the amounts attributed to other named PRPs. In 11 of these sites, the Company has reached a tentative agreement on the cost of the de minimis settlement to satisfy its obligation and is awaiting executed agreements. The agreed-to settlement amounts are fully reserved. In the other two sites, the Company is continuing to investigate the accuracy of the alleged volume attributed to the Company as estimated by the parties primarily responsible for remedial activity at the sites to establish an appropriate settlement amount. In the three remaining sites where the Company is a non-de minimis PRP, the Company is participating in the investigation and/or related required remediation as part of a PRP Group and reserves have been established sufficient to satisfy the Company’s expected obligation. The Company historically has resolved these issues within established reserve levels and reasonably expects this result will continue. In addition to these non-AMETEK-owned former waste disposal or treatment sites, the Company has an ongoing practice of providing reserves for probable remediation activities at certain of its current or previously owned manufacturing locations. For claims and proceedings against the Company with respect to other environmental matters, reserves are established once the Company has determined that a loss is probable and estimable. This estimate is refined as the Company moves through the various stages of investigation, risk assessment, feasibility study and corrective action processes. In certain instances, the Company has developed a range of estimates for such costs and has recorded a liability based on the low-end of the range. It is reasonably possible that the actual cost of remediation of the individual sites could vary from the current estimates, and the amounts accrued in the financial statements; however, the amounts of such variances are not expected to result in a material change to the financial statements. In estimating our liability for remediation, we also consider our likely proportionate share of the anticipated remediation expense and the ability of the other PRPs to fulfill their obligations. Total environmental reserves at December 31, 2006 and 2005 were $28.7 million and $6.8 million, respectively. In 2006, the Company provided $23.0 million of additional reserves, including $0.8 million for existing sites and $22.2 million related to the recent acquisitions of HCC ($21.2 million) and Land Instruments ($1.0 million). The additional reserves related to the recent acquisitions were recorded through purchase accounting and did not affect the Company’s income statement. The Company spent $1.1 million and $1.0 million, respectively, on such environmental matters in 2006 and 2005. The Company also has agreements with former owners of certain of its acquired businesses, including HCC, as well as new owners of previously owned businesses. Under certain of the agreements, the former or new owners retained, or assumed and agreed to indemnify the Company against, certain environmental and other liabilities under certain circumstances. In the case of HCC, the Company has assumed the liability for the performance of all required remedial activities at the site and has obtained indemnifications and other financial assurances from the former owners of HCC related to the costs for the required remedial activities. The Company has recorded a total of $15.8 million of receivables in its balance sheet related to the HCC matter for probable recoveries from third party escrow funds and other committed third party funds to support the required remediation as well as a deferred tax benefit of $2.8 million. In addition, the Company is indemnified by HCC’s former owners for up to $19.0 million of additional costs. The Company and some of the other parties also carry insurance coverage for some environmental matters. To date, those parties have met their obligations in all material respects. The Company has no reason to believe that such third parties would fail to perform their obligations in the future. In the opinion of management, based upon presently available information and past experience related to such matters, an adequate provision for probable costs has been made, and the ultimate cost resulting from these actions is not expected to materially affect the consolidated financial position, results of operations, or cash flows of the Company.

Market Risk

The Company’s primary exposures to market risk are fluctuations in interest rates on its short-term and long-term debt, foreign currency exchange rates and commodity prices for certain raw material purchases.

The Company’s short-term debt carries variable interest rates and generally its long-term debt carries fixed rates. These financial instruments are more fully described in the notes to the financial statements.

The foreign currencies to which the Company has the most significant exchange rate exposure are the euro, the British pound, the Japanese yen, Chinese renminbi and the Mexican peso. Exposure to foreign currency rate fluctuation is monitored, and when possible, mitigated through the occasional use of local borrowings and the occasional use of derivative financial instruments in the foreign country affected. The effect of translating foreign subsidiaries' balance sheets into U.S. dollars is included in other comprehensive income, within stockholders' equity. Foreign currency transactions have not had a significant effect on the operating results reported by the Company because revenues and costs associated with the revenues are generally transacted in the same foreign currencies.

The primary commodities to which the Company has market exposure are raw material purchases of nickel, copper, steel and gold. Exposure to price changes in these commodities is generally mitigated through adjustments in selling prices of the ultimate product, and purchase order pricing arrangements, although forward contracts are sometimes used to manage some of those exposures.

Based on a hypothetical ten percent adverse movement in interest rates, commodity prices, or foreign currency exchange rates, our best estimate is that the potential losses in future earnings, fair value of risk-sensitive financial instruments, and cash flows are not material, although the actual effects may differ materially from the hypothetical analysis.

Forward-Looking Information

Certain matters discussed in this Appendix 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 can be affected by inaccurate assumptions, or by known or unknown risks and uncertainties. Many such factors will be important in determining the Company's actual future results. The Company wishes to take advantage of the "safe harbor" provisions of the PSLRA by cautioning readers that numerous important factors, 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. Additional information concerning risk and other factors that could have a material adverse effect on our business, or cause actual results to differ from projections is contained in the Company's Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, subsequent events or otherwise, unless required by the securities laws to do so.

Management's Responsibility for Financial Statements

Management has prepared and is responsible for the integrity of the consolidated financial statements and related information. The statements are prepared in conformity with U.S. generally accepted accounting principles consistently applied and include certain amounts based on management's best estimates and judgments. Historical financial information elsewhere in this report is consistent with that in the financial statements.

In meeting its responsibility for the reliability of the financial information, management maintains a system of internal accounting and disclosure controls, including an internal audit program. The system of controls provides for appropriate division of responsibility and the application of written policies and procedures. That system, which undergoes continual reevaluation, is designed to provide reasonable assurance that assets are safeguarded and records are adequate for the preparation of reliable financial data.

Management is responsible for establishing and maintaining adequate controls over financial reporting. We maintain a system of internal controls that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements; however, there are inherent limitations in the effectiveness of any system of internal controls.

Management recognizes its responsibility for conducting the Company's activities according to the highest standards of personal and corporate conduct. That responsibility is characterized and reflected in a code of business conduct for all employees, and in a financial code of ethics for the Chief Executive Officer and Senior Financial Officers, as well as in other key policy statements publicized throughout the Company.

The Audit Committee of the Board of Directors, which is composed solely of independent directors who are not employees of the Company, meets with the independent registered public accounting firm, the internal auditors and management to satisfy itself that each is properly discharging its responsibilities. The report of the Audit Committee is included in the Proxy Statement of the Company for its 2007 Annual Meeting. Both the independent registered public accounting firm and the internal auditors have direct access to the Audit Committee.

The Company's independent registered public accounting firm, Ernst & Young LLP, is engaged to render an opinion as to whether management's financial statements present fairly, in all material respects, the Company's financial position and operating results. This report is included on page B-21.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2006.

Our management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which appears on page B-20.

/s/ Frank S. Hermance	/s/ John J. Molinelli
Frank S. Hermance Chairman and Chief Executive Officer	John J. Molinelli Executive Vice President-Chief Financial Officer

February 26, 2007

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

We have audited management's assessment, included in the accompanying *Management's Report on Internal Control over Financial Reporting*, that AMETEK, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). AMETEK, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that AMETEK, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, AMETEK, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of AMETEK, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2006, and our report dated February 26, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG

Philadelphia, Pennsylvania
February 26, 2007

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON FINANCIAL STATEMENTS**

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, 2006 and 2005, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMETEK, Inc. at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 1 and 9, the accompanying financial statements have been retroactively adjusted for the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share-based Payment" using the modified retrospective method.

As discussed in Notes 3 and 12, the Company adopted the balance sheet recognition and disclosure requirements of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" as of December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of AMETEK, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG

Philadelphia, Pennsylvania
February 26, 2007

AMETEK, Inc.

Consolidated Statement of Income

	Year Ended December 31,		
	2006	**2005**	**2004**
	(In thousands, except per share amounts)		
Net sales	**$1,819,290**	$1,434,457	$1,232,318
Operating expenses:			
Cost of sales (excluding depreciation)	**1,251,920**	991,788	866,549
Selling, general and administrative	**219,454**	174,218	137,832
Depreciation	**38,922**	34,963	36,763
Total operating expenses	**1,510,296**	1,200,969	1,041,144
Operating income	**308,994**	233,488	191,174
Other expenses:			
Interest expense	**(42,167)**	(32,913)	(28,343)
Other, net	**(3,141)**	(2,288)	(2,112)
Income before income taxes	**263,686**	198,287	160,719
Provision for income taxes	**81,752**	61,930	51,728
Net income	**$ 181,934**	$ 136,357	$ 108,991
Basic earnings per share	**$ 1.74**	$ 1.31	$ 1.07
Diluted earnings per share	**$ 1.71**	$ 1.29	$ 1.06
Weighted average common shares outstanding:			
Basic shares	**104,841**	103,726	101,747
Diluted shares	**106,608**	105,578	103,064

See accompanying notes.

AMETEK, Inc.

Consolidated Balance Sheet

	December 31, 2006	December 31, 2005
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 49,091**	$ 35,545
Marketable securities	**9,129**	8,243
Receivables, less allowance for possible losses	**328,762**	269,395
Inventories	**236,783**	193,099
Deferred income taxes	**26,523**	21,154
Other current assets	**33,775**	28,871
Total current assets	**684,063**	556,307
Property, plant and equipment, net	**258,008**	228,450
Goodwill	**881,433**	785,185
Other intangibles, net of accumulated amortization	**199,728**	117,948
Investments and other assets	**107,644**	92,710
Total assets	**$2,130,876**	$1,780,600
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	**$ 163,608**	$ 156,130
Accounts payable	**160,614**	132,506
Income taxes payable	**14,618**	—
Accrued liabilities	**142,060**	117,156
Total current liabilities	**480,900**	405,792
Long-term debt	**518,267**	475,309
Deferred income taxes	**65,081**	50,942
Other long-term liabilities	**99,956**	39,037
Stockholders' equity:		
Preferred stock, $0.01 par value; authorized: 5,000,000 shares; none issued	**—**	—
Common stock, $0.01 par value; authorized: 200,000,000 shares; issued: 2006 — 108,479,995 shares; 2005 — 107,544,033 shares	**1,085**	1,075
Capital in excess of par value	**134,001**	107,086
Retained earnings	**902,379**	739,522
Accumulated other comprehensive losses	**(33,552)**	(20,916)
Less: Cost of shares held in treasury: 2006 — 2,421,193 shares; 2005 — 1,829,481 shares	**(37,241)**	(17,247)
Total stockholders' equity	**966,672**	809,520
Total liabilities and stockholders' equity	**$2,130,876**	$1,780,600

See accompanying notes.

AMETEK, Inc.

Consolidated Statement of Stockholders' Equity

	2006 Comprehensive Income	2006 Stockholders' Equity	2005 Comprehensive Income	2005 Stockholders' Equity	2004 Comprehensive Income	2004 Stockholders' Equity
	Year Ended December 31, (In thousands)					
Capital Stock						
Preferred Stock, $.01 par value		**$ —**		$ —		$ —
Common Stock, $.01 par value						
Balance at the beginning of the year		**1,075**		1,056		1,036
Shares issued		**10**		19		20
Balance at the end of the year		**1,085**		1,075		1,056
Capital in Excess of Par Value						
Balance at the beginning of the year		**107,086**		76,451		53,423
Issuance of common stock under employee stock plans		**16,671**		14,093		12,767
Share-based compensation costs		**5,538**		6,339		4,739
Excess tax benefits from exercise of stock options		**4,706**		10,203		5,522
Balance at the end of the year		**134,001**		107,086		76,451
Retained Earnings						
Balance at the beginning of the year		**739,522**		619,979		527,265
Net income(1)	**$ 181,934**	**181,934**	$ 136,357	136,357	$ 108,991	108,991
Cash dividends paid		**(18,832)**		(16,814)		(16,277)
Other		**(245)**		—		—
Balance at the end of the year		**902,379**		739,522		619,979
Accumulated Other Comprehensive Income						
Foreign currency translation:						
Balance at the beginning of the year		**(17,838)**		(2,438)		(12,927)
Translation adjustments, net of tax of ($85), $195 and $0 in 2006, 2005, and 2004, respectively	**8,542**		(11,731)		9,032	
Gain (loss) on net investment hedges, net of tax of $(1,374) , $1,975, and $0 in 2006, 2005, and 2004, respectively	**8,159**		(3,669)		1,457	
	16,701	**16,701**	(15,400)	(15,400)	10,489	10,489
Balance at the end of the year		**(1,137)**		(17,838)		(2,438)
Defined benefit pension plans:						
Balance at the beginning of the year		**(3,380)**		(8,450)		(7,670)
Adjustments during the year, net of tax of (1,536), $1,820 and $4,552 in 2006, 2005 and 2004, respectively	**2,852**	**2,852**	5,070	5,070	(780)	(780)
Adoption of SFAS 158, net of tax of $17,179		**(32,685)**		—		—
Balance at the end of the year		**(33,213)**		(3,380)		(8,450)
Unrealized holding gain (loss) on available-for-sale securities:						
Balance at the beginning of the year		**302**		1,245		1,401
Decrease (increase) during the year, net of tax benefit of $430, $162, and $670 in 2006, 2005, and 2004, respectively	**496**	**496**	(943)	(943)	(156)	(156)
Balance at the end of the year		**798**		302		1,245
Total other comprehensive income for the year	**20,049**		(11,273)		9,553	
Total comprehensive income for the year	**$ 201,983**		$ 125,084		$ 118,544	
Accumulated other comprehensive loss at the end of the year		**(33,552)**		(20,916)		(9,643)
Treasury Stock						
Balance at the beginning of the year		**(17,247)**		(24,517)		(29,635)
Issuance of common stock under employee stock plans		**1,081**		7,270		5,118
Purchase of treasury stock		**(21,075)**		—		—
Balance at the end of the year		**(37,241)**		(17,247)		(24,517)
Total Stockholders' Equity		**$ 966,672**		$ 809,520		$ 663,326

(1) Net Income has been reduced by the effects of the modified retrospective adoption of SFAS 123R as of January 1, 2006. Such amounts were $4,029, $4,285, $3,720 in 2006, 2005 and 2004, respectively.

See accompanying notes.

AMETEK, Inc.

Consolidated Statement of Cash Flows

	Year Ended December 31, 2006	2005 (In thousands)	2004
Cash provided by (used for):			
Operating activities:			
Net income	**$ 181,934**	$ 136,357	$ 108,991
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**45,929**	39,428	39,909
Deferred income taxes	**(524)**	9,133	6,178
Stock-based compensation expense	**12,441**	10,581	6,137
Changes in assets and liabilities (net of acquisitions):			
Increase in receivables	**(26,042)**	(22,007)	(9,616)
Increase in inventories and other current assets	**(6,225)**	(871)	(14,954)
Increase (decrease) in payables, accruals, and income taxes	**29,751**	(12,279)	18,222
(Decrease) increase in other long-term liabilities	**(1,819)**	3,887	2,914
Pension contribution	**(13,721)**	(11,307)	(6,114)
Other	**4,243**	2,739	4,091
Total operating activities	**225,967**	155,661	155,758
Investing activities:			
Additions to property, plant and equipment	**(29,156)**	(23,261)	(21,025)
Purchase of businesses, net of cash acquired	**(177,639)**	(340,672)	(143,535)
Other	**770**	2,142	10,098
Total investing activities	**(206,025)**	(361,791)	(154,462)
Financing activities:			
Net change in short-term borrowings	**4,048**	105,708	(55,603)
Additional long-term borrowings	**29,507**	177,790	97,356
Reduction in long-term borrowings	**(18,186)**	(86,029)	(26,217)
Repurchases of common stock	**(21,075)**	—	—
Cash dividends paid	**(18,832)**	(16,814)	(16,277)
Excess tax benefits from share-based payments	**4,706**	10,203	5,522
Proceeds from employee stock plans and other	**9,878**	16,158	16,286
Total financing activities	**(9,954)**	207,016	21,067
Effect of exchange rate changes on cash and cash equivalents	**3,558**	(2,923)	906
Increase (decrease) in cash and cash equivalents	**13,546**	(2,037)	23,269
Cash and cash equivalents:			
Beginning of year	**35,545**	37,582	14,313
End of year	**$ 49,091**	$ 35,545	$ 37,582

See accompanying notes.

1. Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements reflect the operations, financial position and cash flows of AMETEK, Inc. (the "Company"), and include the accounts of the Company and subsidiaries, after elimination of all significant intercompany transactions in the consolidation. The Company's investments in 50% or less owned joint ventures are accounted for by the equity method of accounting. Such investments are not significant to the Company's consolidated results of operations, financial position or cash flows.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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. At December 31, 2006 and 2005, all of the Company's equity securities and fixed-income securities (primarily those of a captive insurance subsidiary) are classified as "available for sale", although the Company may hold fixed-income securities until their maturity dates. Fixed-income securities generally mature within four years. The aggregate market value of equity and fixed-income securities at December 31, 2006 and 2005 was: 2006 — $16.9 million ($15.7 million amortized cost) and 2005 — $15.7 million ($15.2 million amortized cost). The temporary unrealized gain or loss on such securities is recorded as a separate component of accumulated other comprehensive income (in stockholders' equity), and is not material. The Company had no other-than-temporary impairment losses in 2006 or 2005. Certain of the Company's other investments, which are not significant, are accounted for by the equity method of accounting as discussed above.

Accounts Receivable

The Company maintains allowances for estimated losses resulting from the inability of specific customers to meet their financial obligations to the Company. A specific reserve for doubtful receivables is recorded against the amount due from these customers. For all other customers, the Company recognizes reserves for doubtful receivables based on the length of time specific receivables are past due based on past experience. The allowance for possible losses on receivables was $7.4 million and $7.6 million at December 31, 2006 and 2005, respectively. See Note 6.

Inventories

The Company uses the first-in, first-out (FIFO) method of accounting, which approximates current replacement cost for approximately 55% of its inventories. The last-in, first-out (LIFO) method of accounting is used to determine cost for the remaining 45% of our inventory. For inventories where cost is determined by the LIFO method, the excess of the FIFO value over the LIFO value was approximately $34.1 million and $28.4 million at December 31, 2006 and 2005, respectively. The Company provides estimated inventory reserves for slow-moving and obsolete inventory based on current assessments about future demand, market conditions, customers who may be experiencing financial difficulties, and related management initiatives.

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 minor 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. The range of lives for depreciable assets is generally 3 to 10 years for machinery and equipment, 5 to 27 years for leasehold improvements and 25 to 50 years for buildings.

Revenue Recognition

The Company recognizes revenue on product sales in the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, under which title and risk of loss have been transferred, collectibility is reasonably assured and pricing is fixed or determinable. For a small percentage of sales where title and risk of loss passes at point of delivery, we recognize revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met. The policy with respect to sales returns and allowances generally provides that the customer may not return products or be given allowances, except at the Company's option. We have agreements with distributors that do not provide expanded rights of return for unsold products. The distributor purchases the product from the Company at which time title and risk of loss transfers to the distributor. The Company does not offer substantial sales incentives and credits to its distributors other than volume discounts. The Company accounts for sales incentives as a reduction of revenues when the sale is recognized in the income statement. Accruals for sales returns, other allowances, and estimated warranty costs are provided at the time of shipment based upon past experience. At December 31, 2006, 2005 and 2004, the accrual for future warranty obligations was $10.9 million, $9.4 million and $7.3 million, respectively. The Company's expense for warranty obligations approximated $7.6 million in 2006, $7.2 million in 2005 and $5.0 million in 2004. The warranty periods for products sold vary 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.

Research and Development

Company-funded research and development costs are charged to operations as incurred and during the past three years were: 2006-$42.0 million, 2005-$34.8 million and 2004-$25.5 million.

Shipping and Handling Costs

Shipping and handling costs are included in cost of sales, and were: 2006 — $23.5 million, 2005 — $20.0 million, and 2004 — $16.5 million.

Earnings per Share

The calculation of basic earnings per share is based on the average number of common shares outstanding during the period. The calculation of diluted earnings per share includes the effect of all potentially dilutive securities (primarily outstanding common stock options and restricted stock). The following table presents the number of shares used in the calculation of basic earnings per share and diluted earnings per share:

	2006	2005	2004
Weighted average shares (in thousands)(a):			
Basic shares	**104,841**	103,726	101,747
Stock option and awards plans	**1,767**	1,852	1,317
Diluted shares	**106,608**	105,578	103,064

(a) Adjusted to reflect a three-for-two stock split paid to shareholders on November 27, 2006 (See Note 2).

Financial Instruments and Foreign Currency Translation

Assets and liabilities of foreign operations are translated using exchange rates in effect at the balance sheet date, and their results of operations are translated using average exchange rates for the year. Certain transactions of the Company and its subsidiaries are made in currencies other than their functional currency. Exchange gains and losses from those transactions generally are included in operating results for the year.

The Company makes infrequent use of derivative financial instruments. Foreign currency forward contracts are entered into from time to time to hedge specific firm commitments for certain inventory purchases or export sales, thereby minimizing the Company's exposure to foreign currency fluctuation. No forward contracts were outstanding at December 31, 2006 or 2005. In instances where transactions are designated as hedges of an underlying item, the gains and losses on those transactions are included in Accumulated Other Comprehensive Income (AOCI) within stockholders' equity to the extent they are effective as hedges. The Company has designated certain foreign-currency-denominated long-term debt as hedges of the net investment in certain foreign operations. These net investment hedges relate to the Company's British-pound-denominated long-term debt and euro-denominated long-term debt pertaining to the Company's acquisition of Land Instruments in June 2006, Solartron in September 2005, Taylor Hobson in June 2004, and Airtechnology in January 2003, which are U.K.-based businesses, and the SPECTRO business, which was acquired in June 2005, and is a Germany-based business. These acquisitions were financed by borrowings under AMETEK's revolving credit facility and all except Land Instruments were subsequently refinanced in the form of long-term private placement debt. These borrowings were designed to create natural net investment hedges in each of the foreign subsidiaries mentioned on their respective dates of acquisition. Statement of Financial Accounting Standards ("SFAS") 133, *Accounting for Derivative Instruments and Hedging Activities*, permits hedging the foreign currency exposure of a net investment in a foreign operation. In accordance with SFAS 133, on the respective dates of acquisition, the Company designated the British pound- and euro-denominated loans referred to above as hedging instruments to offset foreign exchange gains or losses on the net investment in the acquired business due to changes in the British pound and euro exchange rates. These net investment hedges were evidenced by management's documentation supporting the contemporaneous hedge designation on the acquisition dates. As required by SFAS 133, any gain or loss on the hedging instrument following hedge designation (the debt), is reported in AOCI in the same manner as the translation adjustment on the investment based on changes in the spot rate, which is used to measure hedge effectiveness. As of December 31, 2006 and 2005, all net investment hedges were effective. At December 31, 2006, the translation gains on the net carrying value of the foreign-currency-denominated investments exceeded the translation losses on the carrying value of the underlying debt and are included in AOCI. An evaluation of hedge effectiveness is performed by the Company on an ongoing basis and any desirable changes in the hedge are made as appropriate.

At December 31, 2006 and 2005, the Company had $227.9 million and $191.8 million, respectively, of British pound-denominated loans, which are designated as a hedge against the net investment in foreign subsidiaries acquired in 2006, 2005, 2004 and 2003. At December 31, 2006 and 2005, the Company had $66.0 million and $59.2 million of euro-denominated loans, which were designated as a hedge against the net investment in a foreign subsidiary acquired in 2005. As a result of these British pound- and euro-denominated loans being designated and effective as net investment hedges, approximately $29.1 million of currency losses and $20.5 million of currency gains have been included in the translation adjustment in other comprehensive income at December 31, 2006 and 2005, respectively.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS 123R, *Share-Based Payment.* Accordingly, the Company expenses the fair value of awards made under its share-based plans. That cost is now recognized in the financial statements over the requisite service period of the grants. The impact of adopting SFAS 123R is discussed in Notes 3 and 9.

Goodwill and Other Intangible Assets

The Company accounts for purchased goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.* Under SFAS 142, purchased goodwill and intangible assets with indefinite lives, primarily trademarks and tradenames, are not amortized; rather, they are tested for impairment at least annually.

Intangible assets, other than goodwill, with definite lives will continue to be amortized over their useful lives. Patents are being amortized over useful lives of 4 to 20 years. Customer relationships are being amortized over a period of 2 to 20 years. Miscellaneous other intangible assets are being amortized over a period of 13 to 20 years. The Company periodically evaluates the reasonableness of the useful lives of these intangible assets.

In order to test goodwill and intangible assets with indefinite lives for impairment under SFAS 142, a determination of the fair value of the Company's reporting units and its other intangible assets with indefinite lives is required and is based upon, among other things, estimates of future operating performance. Changes in market conditions, among other factors, may have an impact on these estimates. The Company completed its required annual impairment tests in the fourth quarter of 2006, 2005 and 2004 and determined that the carrying values of goodwill and other intangible assets with indefinite lives were not impaired.

Income Taxes

Our annual provision for income taxes and determination of the related balance sheet accounts require management to assess uncertainties, make judgments regarding outcomes and utilize estimates. We conduct a broad range of operations around the world, subjecting us to complex tax regulations in numerous international taxing jurisdictions, resulting at times in tax audits, disputes and potential litigation, the outcome of which is uncertain. Management must make judgments currently about such uncertainties and determine estimates of our tax assets and liabilities. To the extent the final outcome differs, future adjustments to our tax assets and liabilities may be necessary.

We also are required to assess the realizability of our deferred tax assets, taking into consideration our forecast of future taxable income, available net operating loss carryforwards and available tax planning strategies that could be implemented to realize the deferred tax assets. Based on this assessment, management must evaluate the need for, and amount of, valuation allowances against our deferred tax assets. To the extent facts and circumstances change in the future, adjustments to the valuation allowances may be required.

2. Stock Split

On October 25, 2006, the Company's Board of Directors declared a three-for-two split of the Company's common stock. The stock split resulted in the issuance of one additional share for every two shares owned. The stock split was distributed on November 27, 2006, to shareholders of record at the close of business on November 13, 2006. Additionally, the Board of Directors approved a 50% increase in the quarterly cash dividend rate on the Company's common stock to $0.06 per common share from $0.04 per common share on a post-split basis. All share and per share information included in this report has been retroactively adjusted to reflect the impact of the stock split.

3. Recently Issued Financial Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans.* SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position at year-end and to recognize changes in the funded status in the year in which the changes occur through AOCI in stockholders' equity. SFAS 158 was effective for the Company as of December 31, 2006. The effect of adopting SFAS 158 resulted in a decrease in total assets of $43.1 million, a decrease in total liabilities of $10.4 million, and a reduction of total stockholders' equity of $32.7 million, net of tax, as a charge to AOCI. (See Note 12).

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements.* SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 does not require any new fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of SFAS 157 will have an effect on the Company's consolidated results of operations, financial position or cash flows.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109, *Accounting for Income Taxes* ("FIN 48"). FIN 48 creates a single model to address accounting for uncertainty in tax positions, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and the Company will adopt FIN 48 as of January 1, 2007, as required. The cumulative effect of adopting FIN 48 will be recorded to retained earnings. The Company is continuing to evaluate the potential impact of adopting FIN 48.

Effective January 1, 2006, the Company adopted SFAS 123R, *Share-Based Payment*, using the modified retrospective method. SFAS 123R requires the Company to expense the fair value of equity awards made under its share-based plans. That cost is now recognized in the financial statements over the requisite service period of the grants. See Note 9.

In September 2006, the Emerging Issues Task Force (EITF) issued EITF Issue No. 06-5, *Accounting for Purchases of Life Insurance- Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4* (EITF 06-5). EITF 06-5 provides guidance in determining the amount to be realized under certain insurance contracts and the related disclosures. EITF 06-5 is effective for fiscal periods beginning after December 15, 2006 and should be adopted as a change in accounting principle, as a cumulative-effect adjustment to retained earnings or as a retrospective adjustment to all prior periods. The Company is currently evaluating the impact of adoption of EITF 06-5 on our financial statements.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108 ("SAB 108"), which documents the SEC staff's views regarding the process of quantifying financial statement misstatements. Under SAB 108, an evaluation of the materiality of an identified unadjusted error must consider the impact of both the current-year error and the cumulative error, if applicable. This also means that both the impact on the current-period income statement and the period-end balance sheet must be considered. SAB 108 is effective for fiscal years ending after November 15, 2006. Any cumulative adjustments required to be recorded as a result of adopting SAB 108 would be recorded as a cumulative effect adjustment to the opening balance of retained earnings. Adoption of SAB 108 did not have an effect on the Company's consolidated results of operations, financial position or cash flows.

4. Acquisitions

The Company spent $177.6 million, net of cash received, for five new businesses and two small technology lines in 2006. The businesses acquired include Pulsar Technologies, Inc. ("Pulsar") in February 2006, PennEngineering Motion Technologies, Inc. ("Pittman") in May 2006, Land Instruments International Limited ("Land Instruments") in June 2006, Precitech in November 2006 and Southern Aeroparts, Inc. ("SAI") in December 2006. Pulsar is a leading designer and manufacturer of specialized communications equipment for the electric utility market. Pulsar is part of the Company's Electronic Instruments Group ("EIG"). Pittman is a leading designer and manufacturer of highly engineered motors. Pittman is part of the Company's Electromechanical Group ("EMG"). Land Instruments is a global supplier of high-end analytical instrumentation. Land Instruments is part of EIG. Precitech is a leading manufacturer of ultraprecision machining systems for a variety of markets, including nanotechnology, military, defense and ophthalmic. Precitech is part of EIG. SAI is a provider of third-party maintenance, repair and overhaul services to the commercial aerospace industry. SAI is part of EMG. The five businesses acquired have annualized sales of approximately $142 million.

The acquisitions have been accounted for using the purchase method in accordance with SFAS 141, *Business Combinations.* Accordingly, the operating results of the above acquisitions are included in the Company's consolidated results from the dates of acquisition.

The following table presents the tentative allocation of the aggregate purchase price for the 2006 acquisitions based on their estimated fair values:

	In millions
Property, plant and equipment	$ 16.5
Goodwill	112.4
Other intangible assets	22.1
Net working capital and other	26.6
Total net assets	$ 177.6

The amount allocated to goodwill is reflective of the benefits the Company expects to realize from the acquisitions as follows: The Pulsar acquisition broadens the Company's product offerings in the electric utility market and complements the Company's existing Power Instruments business. The Pittman acquisition is a strategic fit with the Company's highly differentiated technical motor business and shares common markets, distribution channels and motor platforms. The Land Instruments acquisition broadens the Company's high-end process and analytical instruments business through its extensive range of infrared temperature measurement, combustion efficiency and emissions monitoring instruments. The Precitech acquisition broadens the Company's high-end analytical instrument platform for its rapidly growing nanotechnology applications. The SAI acquisition expands the Company's capabilities and enables the Company to offer the commercial aerospace industry a wide array of third-party maintenance, repair and overhaul services. The Company expects approximately $61 million of the goodwill recorded on the 2006 acquisitions will be deductible in future years for tax purposes.

The Company is in the process of completing third-party valuations of certain tangible and intangible assets acquired, as well as finalizing restructuring plans for certain acquisitions. Adjustments to the allocation of purchase price will be recorded within the purchase price allocation period of up to twelve months subsequent to the period of acquisition. Therefore, the allocation of the purchase price is subject to revision.

The $22.1 million assigned to other intangible assets, related to the 2006 acquisitions, is currently being valued by third-party appraisers. In connection with the finalization of the 2005 acquisitions, $96.2 million was assigned to intangible assets, which consisted primarily of patents, technology, customer relationships and trade names with estimated lives ranging from two to 20 years.

In 2005, the Company made three acquisitions. In October 2005, the company acquired HCC Industries ("HCC") for approximately $162 million in cash, net of cash received. HCC is a leading designer and manufacturer of highly engineered hermetic connectors, terminals, headers and microelectronics packages for sophisticated electronic applications in the aerospace, defense, industrial and petrochemical markets. HCC is part of EMG. In September 2005, the Company acquired the Solartron Group ("Solartron") from Roxboro Group PLC for approximately 42 million British pounds, or $75 million in cash, net of cash received. United Kingdom-based Solartron is a leading supplier of analytical instrumentation for the process, laboratory, and other industrial markets. Solartron is part of EIG. In June 2005, the Company acquired SPECTRO Beteiligungs GmbH ("SPECTRO"), the holding company of SPECTRO Analytical Instruments GmbH & Co. KG and its affiliates, from an investor group led by German Equity Partners BV for approximately 80 million euros, or $96.9 million in cash, net of cash received. SPECTRO is a leading global supplier of atomic spectroscopy analytical instrumentation. SPECTRO is a part of EIG. In the second and third quarters of 2005, the Company also purchased two small technology lines for cash. The technologies acquired are related to the Company's brushless DC motor and precision pumping system businesses in its EMG and EIG, respectively.

Had the 2006 acquisitions been made at the beginning of 2006, unaudited pro forma net sales, net income, and diluted earnings per share for the year ended December 31, 2006 would not have been materially different than the amounts reported.

Had the 2006 acquisitions and the acquisitions of SPECTRO, Solartron, and HCC, which were acquired in June, September, and October 2005, respectively, been made at the beginning of 2005, pro forma net sales, net income, and diluted earnings per share for the year ended December 31, 2005 would have been as follows (in millions, except per share amount):

	Unaudited Pro Forma Results of Operations Year Ended December 31, 2005
Net sales	$ 1,730.6
Net income	$ 146.1
Diluted earnings per share	$ 1.38

Pro forma results are not necessarily indicative of the results that would have occurred if the acquisitions had been completed at the beginning of 2005.

In 2004, the Company made two acquisitions. In June 2004, the Company acquired Taylor Hobson Holdings Limited ("Taylor Hobson") (recently renamed AMETEK Ultra Precision Technologies) for approximately 51.0 million British pounds, or $93.8 million in cash, net of cash received. Taylor Hobson is a leading manufacturer of ultraprecise measurement instrumentation for a variety of markets, including optics, semiconductors, hard disk drives and nanotechnology research. Taylor Hobson is a part of EIG. In July 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 is a part of EMG.

5. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill by segment for the years ended December 31, 2006 and 2005 were as follows:

	EIG	EMG	Total
Balance at December 31, 2004	**$366.6**	**$234.4**	**$601.0**
Goodwill acquired during the year	129.9	91.5	221.4
Purchase price allocation adjustments and other *	(2.9)	(16.8)	(19.7)
Foreign currency translation adjustments	(11.5)	(6.0)	(17.5)
Balance at December 31, 2005	**482.1**	**303.1**	**785.2**
Goodwill acquired during the year	33.4	79.0	112.4
Purchase price allocation adjustments and other *	(9.4)	(39.7)	(49.1)
Foreign currency translation adjustments	25.6	7.3	32.9
Balance at December 31, 2006	**$531.7**	**$349.7**	**$881.4**

* Purchase price allocation adjustments reflect final purchase price allocations and revisions to certain preliminary allocations for recent acquisitions, which include reclassifications between goodwill and other intangible assets.

Other intangible assets are as follows:

	2006	2005
	(In thousands)	
Definite-lived intangible assets (subject to amortization):		
Patents	**$ 36,371**	$ 64,301
Purchased technology	**33,997**	19,194
Customer lists	**79,976**	33,976
Other acquired intangibles	**28,459**	26,336
	178,803	143,807
Accumulated amortization:		
Patents	**(23,517)**	(22,148)
Purchased technology	**(19,886)**	(19,194)
Customer lists	**(9,550)**	(5,054)
Other acquired intangibles	**(24,201)**	(20,026)
	(77,154)	(66,422)
Net intangible assets subject to amortization	**101,649**	77,385
Indefinite-lived intangible assets (not subject to amortization):		
Trademarks and trade names	**98,079**	40,563
	$ 199,728	$ 117,948

Amortization expense was $7.0 million, $4.5 million, and $3.1 million for the years ended December 31, 2006, 2005, and 2004, respectively. Amortization expense for each of the next five years is expected to approximate $7.4 million per year which does not consider the impact of potential future acquisitions.

6. Other Balance Sheet Information

	2006	2005
	(In thousands)	
INVENTORIES		
Finished goods and parts	**$ 46,148**	$ 40,092
Work in process	**56,502**	45,819
Raw materials and purchased parts	**134,133**	107,188
	$ 236,783	$ 193,099
PROPERTY, PLANT AND EQUIPMENT		
Land	**$ 23,812**	$ 17,217
Buildings	**165,599**	144,558
Machinery and equipment	**560,411**	520,485
	749,822	682,260
Less accumulated depreciation	**(491,814)**	(453,810)
	$ 258,008	$ 228,450
ACCRUED LIABILITIES		
Accrued employee compensation and benefits	**$ 41,039**	$ 34,824
Other	**101,021**	82,332
	$ 142,060	$ 117,156

	2006	2005	2004
		(In thousands)	
ALLOWANCES FOR POSSIBLE LOSSES ON ACCOUNTS AND NOTES RECEIVABLE			
Balance at beginning of year	**$ 7,581**	$7,628	$ 7,856
Additions charged to expense	**1,511**	581	617
Recoveries credited to allowance	**182**	10	63
Write-offs	**(501)**	(400)	(1,097)
Currency translation adjustment and other	**(1,386)**	(238)	189
Balance at end of year	**$ 7,387**	$7,581	$ 7,628

7. Debt

At December 31, 2006 and 2005, long-term debt consisted of the following:

	December 31, 2006	December 31, 2005
	(In thousands)	
U.S. dollar 7.20% senior note due 2008	**$ 225,000**	$ 225,000
British pound 5.96% senior note due 2010	**97,905**	86,025
British pound floating-rate term note due through 2010 (5.96% at December 31, 2006)	**35,246**	36,992
Euro 3.94% senior note due 2015	**66,007**	59,200
British pound 5.99% senior note due 2016	**78,324**	68,827
Accounts receivable securitization due 2007	**75,000**	75,000
Revolving credit loan	**96,748**	71,200
Other, principally foreign	**7,645**	9,195
	$ 681,875	$ 631,439
Less: current portion	**(163,608)**	(156,130)
Total long-term debt	**$ 518,267**	$ 475,309

Maturities of long-term debt outstanding at December 31, 2006 are as follows: $231.2 million in 2008; $6.2 million in 2009; $118.3 million in 2010; $16.8 million in 2011; $0.4 million in 2012; and $145.4 million in 2013 and thereafter.

At December 2006, the Company has outstanding an 18.0 million British pound ($35.2 million) 5.96% (London Interbank Offered Rate (LIBOR) plus .69%) floating-rate term loan with annual installment payments due through 2010. In September 2005, the Company issued a 50 million euro ($66.0 million at December 31, 2006) 3.94% senior note due through 2015. In November 2004, the Company issued a 40 million British pound ($78.3 million at December 31, 2006) 5.99% senior note due in 2016. In September 2003, the Company issued a 50 million British pound ($97.9 million at December 31, 2006) 5.96% senior note due in 2010.

The Company has an accounts receivable securitization facility agreement through a wholly owned, special purpose subsidiary, and the special purpose subsidiary has a receivables sale agreement with a bank whereby it could sell to a third party up to $75.0 million of its trade accounts receivable on a revolving basis. The securitization facility is a financing vehicle utilized by the Company because it offers attractive rates relative to other financing sources. All securitized accounts receivable and related debt are reflected on the Company's consolidated balance sheet.

The special purpose subsidiary is the servicer of the accounts receivable under the securitization facility. The accounts receivable securitization facility was amended in October 2006 to extend its expiration date to March 2007. The Company intends to renew the securitization facility on an annual basis. Interest rates on amounts drawn down are based on prevailing market rates for short-term commercial paper plus a program fee. The Company also pays a commitment fee on any unused commitments under the securitization facility. The Company's accounts receivable securitization is accounted for as a secured borrowing under SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.*

At December 31, 2006 and 2005, securitized accounts receivable and the corresponding debt on the consolidated balance sheet were $75.0 million. Interest expense under this facility is not significant. The weighted average interest rate on the amount outstanding under the accounts receivable securitization at December 31, 2006 and 2005 was 5.4% and 4.3%, respectively.

The Company has an unsecured $300 million Revolving Credit Facility, which was amended in October 2006 to extend its expiration date from June 2010 to October 2011. The amendment also lowers the Company's cost of capital and provides the Company with increased financing flexibility to support its growth plans.

The credit facility has an accordion feature that allows the Company to request up to an additional $100 million in revolving credit commitments at any time during the term of the revolving credit agreement. Interest rates on outstanding loans under the Revolving Credit Facility are either at LIBOR plus a negotiated spread over LIBOR, or at the U.S. prime rate. At December 31, 2006 and 2005, the Company had outstanding revolving credit loans of $96.7 million and $71.2 million, respectively. The outstanding balance at December 31, 2006 includes an 8.4 million British pound ($16.5 million) borrowing related to the 2006 acquisition of Land Instruments. It is the Company's intent to use this 8.4 million British pound borrowing as a net investment hedge. The Company had outstanding letters of credit totaling $27.2 million and $26.9 million at December 31, 2006 and 2005, respectively.

The Revolving Credit Facility places certain restrictions on allowable additional indebtedness, which include the pro forma effect of potential acquisitions above a specified dollar amount in certain debt covenant compliance calculations. At December 31, 2006 the Company had available borrowing capacity of $276.1 million under its $400 million revolving bank credit facility, which includes an accordion feature allowing $100 million of additional borrowing capacity. The Revolving Credit Facility also places restrictions on certain cash payments, including the payment of dividends. At December 31, 2006, retained earnings of approximately $49.0 million were not subject to the dividend limitation.

Foreign subsidiaries of the Company had available credit facilities with local foreign lenders of approximately $86.8 million at December 31, 2006. Foreign subsidiaries had debt outstanding at December 31, 2006 totaling $42.9 million, including $34.6 million reported in long-term debt.

The approximate weighted average interest rate on total debt outstanding at December 31, 2006 and 2005 was 6.3% and 6.4%, respectively.

8. Stockholders' Equity

In 2006, the Company repurchased 750,000 shares of its common stock for $21.1 million in cash under its current share repurchase authorization. In 2005, the Company did not repurchase any shares of its common stock under its current share repurchase authorization. At December 31, 2006, approximately $31.4 million of the current share repurchase authorization was unexpended. At December 31, 2006, the Company held approximately 2.4 million shares in its treasury at a cost of $37.2 million, compared with approximately 1.8 million shares at a cost of $17.2 million at the end of 2005. The number of shares outstanding at December 31, 2006 was 106.1 million shares, compared with 105.7 million shares at December 31, 2005.

The Company has a Shareholder Rights Plan, under which the Company's Board of Directors declared a dividend of one-half of a Right for each share of Company common stock owned at the inception of the Plan. 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 June 2007.

9. Share-Based Compensation

Under the terms of the Company's stockholder-approved share-based plans, incentive and nonqualified stock options and restricted stock awards have been, and may be, issued to the Company's officers, management-level employees and its Board of Directors. Employee and nonemployee Director stock options and restricted stock awards generally have a four-year cliff vesting. Options primarily have a maximum contractual term of 7 years. At December 31, 2006, 6.6 million shares of common stock were reserved for issuance under the Company's share-based plans, including 4.5 million stock options outstanding.

The Company issues previously unissued shares when options are exercised, and shares are issued from treasury stock upon the award of restricted stock. Prior to January 1, 2006, the Company accounted for share-based compensation utilizing the intrinsic value method in accordance with the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, ("APB 25") and related Interpretations. Under APB 25, no compensation expense was required to be recognized for the Company's stock options, provided the option exercise price was established at least equal to the market price of the underlying stock on the date of the grant. Under APB 25, the Company was required to record compensation expense for the intrinsic value of its restricted stock awards. Prior to 2006, the Company provided share-based compensation cost information for all stock option awards in pro forma disclosures in the footnotes to its consolidated financial statements.

Effective January 1, 2006, the Company adopted the provisions of SFAS 123R using the modified retrospective transition method. Among other things, SFAS 123R supersedes APB 25 and the intrinsic value method of accounting, and requires companies to measure and record compensation expense related to all stock awards by recognizing the unamortized grant date fair value of the awards over their requisite service periods in the financial statements. For grants under any of the Company's plans that are subject to graded vesting over a service period, the Company recognizes expense on a straight-line basis over the requisite service period for the entire award.

Under the modified retrospective method, compensation cost is recognized in the financial statements as if the recognition provisions of SFAS 123, *Accounting for Stock-Based Compensation*, had been applied to all share-based payments granted subsequent to the original effective date of SFAS 123 (January 1, 1995). As such, operating results for periods prior to 2006 have been retrospectively adjusted utilizing the fair value of stock options originally determined for the purpose of providing the pro forma disclosures in the Company's prior financial statements. As part of the adoption of SFAS 123R, and the application of the modified retrospective transition method, the Company recorded a charge to retained earnings of $17.1 million and recorded a deferred tax asset of $3.5 million, offset by a credit to capital in excess of par value of $20.6 million for the period January 1, 1995 through December 31, 2003. The deferred tax asset represents the portion of the cumulative expense related to stock options expected to result in a future tax deduction for the Company (See Note 11).

Prior to the adoption of SFAS 123R, the Company was required to record the total tax benefits associated with the tax deduction generated from the exercise or disposition of stock options as an operating cash inflow in its statement of cash flows. These amounts totaled $5.9 million, $12.0 million and $6.6 million in 2006, 2005 and 2004, respectively. However, SFAS 123R requires that the tax deduction in excess of recognized compensation cost be recorded as a financing cash inflow and corresponding operating cash reduction in the same amount. As shown in the accompanying consolidated statement of cash flows in 2006, $4.7 million of tax benefits have been classified as a financing cash inflow and a corresponding amount as an operating cash reduction. The cash flow presentations in 2005 and 2004, have been adjusted by $10.2 million and $5.5 million, respectively, to conform to the presentation required by SFAS 123R.

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

	2006	2005	2004
Expected stock volatility	**24.4%**	26.1%	29.7%
Expected life of the options (years)	**4.8**	5.0	5.0
Risk-free interest rate	**4.71%**	4.00%	3.66%
Expected dividend yield	**0.50%**	0.63%	0.86%

Expected volatility is based on historical volatility of the Company's stock. The Company used historical exercise data to estimate the options' expected life, which represents the period of time that the options granted are expected to be outstanding. Management anticipates that the future option holding periods will be similar to the historical option holding periods. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant. Compensation expense recognized for all share-based awards is net of estimated forfeitures. The Company's estimated forfeiture rates are based on its historical experience.

Total share-based compensation expense recognized under SFAS 123R for the years ended December 31 follows:

	2006	2005 (In thousands)	2004
Stock option expense	**$ 5,541**	$ 5,920	$ 5,062
Restricted stock expense	**6,900**	4,661	1,075
Total pretax expense	**12,441**	10,581	6,137
Related tax benefit	**(3,116)**	(2,818)	(1,738)
Reduction of net income	**$ 9,325**	$ 7,763	$ 4,399
Reduction of earnings per share(1):			
Basic	**$ 0.09**	$ 0.07	$ 0.04
Diluted	**$ 0.09**	$ 0.07	$ 0.04

(1) For 2006, 2005 and 2004, stock option expense accounted for $0.04, $0.04 and $0.03 of the reduction in earnings per share, respectively, and restricted stock expense accounted for $0.05, $0.03 and $0.01 per share reduction, respectively. The Company's accounting treatment for restricted stock awards is unchanged as a result of the adoption of SFAS 123R.

Pretax share-based compensation expense is included in either cost of sales, or selling, general and administrative expenses, depending on where the recipient's cash compensation is reported.

A summary of the Company's stock option activity and related information as of and for the year ended December 31, 2006 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
	(In thousands)		
Outstanding at beginning of year	4,990	$ 15.00	
Granted	674	33.14	
Exercised	(936)	11.66	
Forfeited	(217)	17.71	
Outstanding at end of year	4,511	$ 18.28	4.0
Exercisable at end of year	2,448	$ 13.71	3.1

The aggregate intrinsic value of options exercised during 2006, 2005 and 2004 was $17.6 million, $34.6 million and $20.3 million, respectively. The total fair value of the stock options vested during 2006, 2005 and 2004 was $5.7 million, $5.9 million and $4.0 million, respectively. The aggregate intrinsic value of the stock options outstanding at December 31, 2006 was $82.5 million. The aggregate intrinsic value of the stock options exercisable at December 31, 2006 was $33.6 million.

The weighted average Black-Scholes-Merton fair value of stock options granted per share was $9.55 for 2006, $7.25 for 2005 and $5.60 for 2004.

A summary of the status of the Company's nonvested options outstanding as of and changes for the year ended December 31, 2006 is presented below:

	Shares	Weighted Average Grant Date Fair Value
	(In thousands)	
Nonvested options outstanding at beginning of year	2,721	$ 5.44
Granted	674	9.55
Vested	(1,115)	5.05
Forfeited	(217)	5.44
Nonvested options outstanding at end of year	2,063	$ 6.99

Expected future pretax compensation expense relating to the 2.1 million nonvested options outstanding as of December 31, 2006 is $10.2 million, which is expected to be recognized over a weighted-average period of approximately two years.

The Company's accounting treatment for restricted stock awards is unchanged with the adoption of SFAS 123R. The fair value of restricted shares under the Company's restricted stock arrangement is determined by the product of the number of shares granted and the grant date market price of the Company's common stock. Upon the grant of restricted stock, the fair value of the restricted shares (unearned compensation) at the date of grant is charged as a reduction of capital in excess of par value in the Company's consolidated balance sheet and is amortized to expense on a straight-line basis over the vesting period, which is defined at the grant date. Restricted stock awards are also subject to accelerated vesting due to certain events, including doubling of the grant price of the Company's common stock as of the close of business during any five consecutive trading days. On February 20, 2007, the May 18, 2004 grant of 264,195 shares of restricted stock vested under this accelerated vesting provision. The charge to income due to the accelerated vesting of these shares will not have a material impact on our earnings in the first quarter of 2007, the period in which such vesting occurred.

A summary of the status of the Company's nonvested restricted stock outstanding as of and for the year ended December 31, 2006 is presented below:

	Shares	Weighted Average Grant Date Fair Value
	(In thousands)	
Nonvested restricted stock outstanding at beginning of year	1,325	$ 22.55
Granted	203	32.98
Exercised	(14)	19.92
Forfeited	(75)	23.56
Nonvested restricted stock outstanding at end of year	1,439	$ 23.99

The total fair value of the restricted stock that vested during 2006, 2005 and 2004 was not material. The weighted average fair value of restricted stock granted per share during 2005 and 2004 was $25.19 and $18.64, respectively. Expected future pretax compensation expense related to the 1.4 million nonvested restricted shares outstanding as of December 31, 2006 is $21.6 million, which is expected to be recognized over a weighted-average period of approximately three years.

Under a Supplemental Executive Retirement Plan ("SERP") in 2006, the Company reserved 21,153 shares of common stock. Reductions for retirement and terminations were 56,335 shares in 2006. The total number of shares of common stock reserved under the SERP was 245,773 as of December 31, 2006. Charges to expense under the

SERP are not significant in amount, and are considered pension expense with the offsetting credit reflected in capital in excess of par value.

10. Leases and Other Commitments

Minimum aggregate rental commitments under noncancellable leases in effect at December 31, 2006 (principally for production and administrative facilities and equipment) amounted to $55.2 million, consisting of payments of $10.5 million in 2007, $8.1 million in 2008, $5.5 million in 2009, $3.7 million in 2010, $2.6 million in 2011, and $24.8 million in 2012 and thereafter. Rental expense was $15.2 million in 2006, $14.5 million in 2005 and $11.3 million in 2004. The leases expire over a range of years from 2007 to 2040, with renewal or purchase options, subject to various terms and conditions, contained in most of the leases.

As of December 31, 2006 and 2005, the Company had $179.9 million and $129.4 million, respectively, in purchase obligations outstanding, which primarily consisted of contractual commitments to purchase certain inventories at fixed prices.

11. Income Taxes

The components of income before income taxes and the details of the provision for income taxes are as follows:

	2006	2005	2004
		(In thousands)	
Income before income taxes:			
Domestic	**$ 197,718**	$ 150,733	$132,653
Foreign	**65,968**	47,554	28,066
Total	**$ 263,686**	$ 198,287	$160,719
Provision for income taxes:			
Current:			
Federal	**$ 49,571**	$ 30,907	$ 28,964
Foreign	**26,632**	18,641	11,143
State	**6,073**	3,249	5,443
Total current	**82,276**	52,797	45,550
Deferred:			
Federal	**(705)**	8,857	5,764
Foreign	**(259)**	(598)	24
State	**440**	874	390
Total deferred	**(524)**	9,133	6,178
Total provision	**$ 81,752**	$ 61,930	$ 51,728

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

	2006	2005
	(In thousands)	
Current deferred tax (asset) liability:		
Reserves not currently deductible	**$(16,565)**	$(14,701)
Stock-based compensation	**(2,544)**	(1,254)
Net operating loss carryforwards	**(6,638)**	(11,399)
Foreign tax credit carryforwards	**(4,963)**	—
Other	**352**	658
	(30,358)	(26,696)
Less: valuation allowance*	**3,835**	5,542
Net current deferred tax asset	**$(26,523)**	$(21,154)
Noncurrent deferred tax (asset) liability:		
Differences in basis of property and accelerated depreciation	**$ 22,085**	$ 21,365
Reserves not currently deductible	**(21,405)**	(16,400)
Pensions	**9,440**	23,748
Amortization of intangible assets	**63,053**	30,267
Residual U.S. tax on unremitted earnings of certain foreign subsidiaries	**2,364**	3,621
Net operating loss carryforwards	**(4,224)**	(10,251)
Foreign tax credit carryforwards	**—**	(6,350)
Stock-based compensation	**(4,149)**	(3,968)
Other	**(4,391)**	(503)
	62,773	41,529
Less: valuation allowance*	**2,308**	9,413
Noncurrent deferred tax liability	**65,081**	50,942
Net deferred tax liability	**$ 38,558**	$ 29,788

* At December 31, 2006 and 2005, the valuation allowance included $5.1 million and $8.1 million, respectively, related to net operating loss carryforwards from business acquisitions that would increase goodwill, if reversed.

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

	2006	2005	2004
Statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**1.6**	1.5	2.3
Tax benefits from qualified export sales	**(2.6)**	(2.6)	(4.4)
Foreign operations, net	**(0.5)**	(2.1)	(1.3)
Closure of prior tax years	**—**	(0.4)	(1.1)
Change in valuation allowance	**(2.0)**	2.0	1.5
Other	**(0.5)**	(2.2)	0.2
	31.0%	31.2%	32.2%

The Company has deferred tax liabilities for certain foreign entities under Accounting Principles Board Opinion No. 23, *Accounting for Income Taxes — Special Areas.* The Company established an international holding company to own the Company's significant foreign operations so as to enhance flexibility and provide associated benefits from tax and related financial perspectives. There has been no provision for U.S. deferred income taxes for the undistributed earnings of certain other subsidiaries, which total approximately $81.8 million at December 31, 2006, because the Company intends to reinvest these earnings indefinitely in operations outside the United States. Upon distribution of those earnings to the United States, the Company would be subject to U.S. income taxes based on the excess of the U.S. statutory rate over the statutory rate in the foreign jurisdiction, and withholding taxes payable to the various foreign countries. Determination of the amount of the unrecognized deferred income tax liability on these undistributed earnings is not practicable.

As of December 31, 2006, the Company has tax benefits of approximately $10.9 million related to net operating loss carryforwards which will be available to offset future income taxes payable, subject to certain annual or other limitations based on foreign and U.S. tax law. This amount includes net operating loss carryforwards of $6.7 million for federal income tax purposes with a valuation allowance of $3.6 million, $1.6 million for foreign income tax purposes, and $2.6 million for state income tax purposes with a full valuation allowance. These net operating loss carryforwards are primarily related to recent acquisitions, and, if not used, will expire between 2007 and 2030. As of December 31, 2006, the Company has foreign tax credit carryforwards of approximately $5 million which will be available to offset future income taxes payable subject to certain limitations based on U.S. tax law and begin to expire in 2015.

The Company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for net operating loss and tax credit carryforwards. Any reductions in the allowance resulting from the realization of the loss carryforwards of acquired companies will result in a reduction of goodwill. At December 31, 2005, the Company maintained a valuation allowance related to the deferred tax asset established for a foreign tax credit carryforward. In 2006, the Company implemented a new international holding company structure, which makes it more likely than not that the deferred tax asset will be recognized in future periods. Therefore, the Company determined that the valuation allowance was no longer necessary and recorded a net reduction of $3.2 million.

12. Retirement Plans and Other Postretirement Benefits

Retirement and Pension Plans

The Company sponsors several retirement and pension plans covering eligible salaried and hourly employees. The plans generally provide benefits based on participants' years of service and/or compensation. The following is a brief description of the Company's retirement and pension plans.

As discussed in Note 3, we have adopted the balance sheet recognition requirements of SFAS 158 as of December 31, 2006.

The Company maintains contributory and noncontributory defined benefit pension plans. Benefits for eligible salaried and hourly employees under all defined benefit plans are funded through trusts established in conjunction with the plans. The Company's funding policy with respect to its defined benefit plans is to contribute amounts that provide for benefits based on actuarial calculations and the applicable requirements of U.S. federal and local foreign laws. AMETEK estimates that it will make cash contributions of between $5 million and $14 million to its worldwide defined benefit pension plans in 2007.

Presently, the Company uses a measurement date of December 31 (its fiscal year-end) for its U.S. defined benefit pension plans and an October 1 measurement date for its foreign defined benefit pension plans. Effective for fiscal years beginning after December 15, 2008, SFAS 158 requires the measurement date to be the Company's fiscal year-end for all defined benefit plans. The Company plans to early adopt the measurement date provision of SFAS 158 for our foreign plans in 2007.

The Company sponsors a 401(k) retirement and savings plan for eligible U.S. employees. Participants in the savings plan may contribute a portion of their compensation on a before-tax basis. The Company matches employee contributions on a dollar-for-dollar basis up to 6% of eligible compensation or a maximum of $1,200 per participant.

The Company's retirement and savings plan has a defined contribution retirement feature principally to cover U.S. salaried employees joining the Company after December 31, 1996. Under the retirement feature, the Company makes contributions for eligible employees based on a pre-established percentage of the covered employee's salary subject to pre-established vesting. Employees of certain of the Company's foreign operations participate in various local defined contribution plans.

The Company also has a defined contribution retirement plan for certain of its U.S. acquired businesses for the benefit of eligible employees. Company contributions are made for each participant up to a specified percentage, not to exceed 6% of the participant's base compensation.

The Company has nonqualified unfunded retirement plans for its Directors and certain retired employees. It also provides supplemental retirement benefits, through contractual arrangements and/or a Supplemental Executive Retirement Plan (SERP) covering certain current and former executives of the Company. These supplemental benefits are designed to compensate the executive for retirement benefits that would have been provided under the Company's primary retirement plan, except for statutory limitations on compensation that must be taken into account under those plans. The projected benefit obligations of the SERP and the contracts will primarily be funded by a grant of shares of the Company's common stock upon retirement or termination of the executive. The Company is providing for these obligations by charges to earnings over the applicable periods.

The following tables set forth the changes in benefit obligations and the fair value of plan assets for the funded and unfunded defined benefit plans for 2006 and 2005:

	2006	2005
	(In thousands)	
Change in projected benefit obligation ("PBO")		
Net projected benefit obligation at beginning of year	**$ 440,071**	$416,954
Service cost	**6,479**	6,605
Interest cost	**25,314**	23,541
Acquisitions	**36,996**	1,295
Foreign currency translation adjustment	**10,509**	(7,400)
Employee contributions	**651**	615
Actuarial (gains) losses	**(2,110)**	20,700
Gross benefits paid	**(22,809)**	(22,239)
Net projected benefit obligation at end of year	**$ 495,101**	$440,071
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 407,741**	$385,210
Actual return on plan assets	**58,532**	36,960
Acquisitions	**34,251**	1,072
Employer contributions	**13,721**	11,307
Employee contributions	**651**	615
Foreign currency translation adjustment	**7,679**	(5,184)
Gross benefits paid	**(22,809)**	(22,239)
Fair value of plan assets at end of year	**$ 499,766**	$407,741

The accumulated benefit obligation ("ABO") at the end of 2006 and 2005 consisted of the following:

	2006	2005
	(In thousands)	
Funded plans	**$ 469,577**	$404,466
Unfunded plans	**6,115**	5,976
Total	**$ 475,692**	$410,442

On an ABO basis, in the aggregate, the Company's funded U.S. defined benefit pension plans were 113% and 101% funded at December 31, 2006 and 2005, respectively. Foreign defined benefit pension plans were 83% and 91% funded at December 31, 2006 and 2005, respectively. For a presentation of the plans whose ABO exceeds the fair value of the plan assets, see page B-46.

Weighted-average assumptions used to determine end-of-year benefit obligations:

	2006	2005
U.S. Defined Benefit Pension Plans		
Discount rate	**5.90%**	5.65%
Rate of compensation increase (where applicable)	**3.75%**	3.50%
Foreign Defined Benefit Pension Plans		
Discount rate	**5.00%**	5.00%
Rate of compensation increase (where applicable)	**3.61%**	3.40%

The asset allocation percentages for the Company's U.S. defined benefit pension plans at December 31, 2006 and 2005, and the target allocation percentages for 2007 by asset category, are as follows:

U.S. Defined Benefit Pension Plans

Asset Category	Target Allocation 2007	Percent of Plan Assets at Year-End 2006	Percent of Plan Assets at Year-End 2005
Equity securities	50%-70%	63%	61%
Debt securities	20%-40%	27%	28%
Other(a)	0%-15%	10%	11%
Total		100%	100%

(a) Amounts in 2006 and 2005 include an approximate 10% investment in alternative assets consisting of diversified funds of hedge funds. Amounts in 2006 and 2005 also include cash and cash equivalents.

The fair value of plan assets for U.S. plans was $396.3 million and $356.9 million at December 31, 2006 and 2005, respectively. The expected long-term rate of return on these plan assets was 8.25% in 2006 and 8.50% in 2005. At December 31, 2006 and 2005 equity securities included 679,200 shares of AMETEK, Inc. common stock with a market value of $21.6 million (5.5% of total plan investment assets) at December 31, 2006 and a market value of $19.3 million (5.4% of total plan investment assets) at December 31, 2005, respectively.

The objectives of the AMETEK, Inc. U.S. defined benefit plans' investment strategy are to maximize the plans' funded status and minimize Company contributions and plan expense. Because the goal is to optimize returns over the long term, an investment policy that favors equity holdings has been established. Since there may be periods of time where both equity and fixed-income markets provide poor returns, an allocation to alternative assets may be made to improve the overall portfolio's diversification and return potential. The Company periodically reviews its asset allocation, taking into consideration plan liabilities, plan benefit payment streams and the investment strategy of the pension plans. The actual asset allocation is monitored frequently relative to the established targets and ranges, and rebalanced when necessary.

The equity portfolio is diversified by market capitalization and style. The equity portfolio also includes an international component.

The objective of the fixed-income portion of the pension assets is to provide interest rate sensitivity for a portion of the assets and to provide diversification. The fixed-income portfolio is diversified within certain quality and maturity guidelines in an attempt to minimize the adverse effects of interest rate fluctuations.

Other than for investments in alternative assets, described in note (a) above, certain investments are prohibited. Prohibited investments include venture capital, private placements, unregistered or restricted stock, margin trading, commodities, limited partnerships, short selling, and rights and warrants. Foreign currency futures, options, and forward contracts may be used to manage foreign currency exposure.

For the Company's foreign defined benefit pension plans, the asset allocation percentages at December 31, 2006 and 2005, and the target allocation percentages for 2007, by asset category, are as follows:

Foreign Defined Benefit Pension Plans

Asset Category	Target Allocation 2007	Percent of Plan Assets at Year-End 2006	Percent of Plan Assets at Year-End 2005
Equity securities	70%-90%	83%	88%
Debt securities	5%-15%	10%	7%
Real estate	0%-5%	5%	3%
Other(a)	—	2%	2%
Total		100%	100%

(a) Primarily cash and cash equivalents.

The objective of AMETEK, Inc.'s foreign defined benefit plans' investment strategy is to maximize the long-term rate of return on plan investments, subject to a reasonable level of risk. Liability studies are also performed on a regular basis to provide guidance in setting investment goals with an objective to balance risks against the current and future needs of the plans. The trustees consider the risk associated with the different asset classes, relative to the plans' liabilities and how this can be affected by diversification, and the relative returns available on equities, fixed-income investments, real estate and cash. Also, the likely volatility of those returns and the cash flow requirements of the plans are considered. It is expected that equities will outperform fixed-income investments over the long term. However, the trustees recognize the fact that fixed-income investments may better match the liabilities for pensioners. Because of the relatively young active employee group covered by the plans, and the immature nature of the plans, the trustees have chosen to adopt an asset allocation strategy more heavily weighted toward equity investments. This asset allocation strategy will be reviewed from time to time in view of changes in market conditions and in the plans' liability profile.

At the end of 2006 and 2005, the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets, and pension plans with an accumulated benefit obligation in excess of plan assets, were as follows (in thousands):

	Projected Benefit Obligation Exceeds Fair Value of Assets		Accumulated Benefit Obligation Exceeds Fair Value of Assets	
	2006	**2005**	**2006**	**2005**
Projected benefit obligation	**$ 136,800**	$ 337,779	**$ 136,800**	$ 107,204
Accumulated benefit obligation	**129,818**	308,150	**129,818**	91,944
Fair value of plan assets	**104,003**	300,214	**104,003**	80,639

The following table provides the amounts recognized in consolidated balance sheet at December 31, 2006 and 2005:

	2006	2005
	(In thousands)	
Funded status asset (liability):		
Fair value of plan assets	**$ 499,766**	$ 407,741
Projected benefit obligation	**(495,101)**	(440,071)
Funded status at end of year	**4,665**	(32,330)
Unrecognized net actuarial loss	*	79,747
Unrecognized prior service cost	*	2,238
Unrecognized net transition asset	*	(36)
Net amount recognized at end of year	**$ 4,665**	$ 49,619
Amounts recognized in the Consolidated Balance Sheet consist of:		
Noncurrent asset for pension benefits (other assets)	**$ 37,461**	*
Current liabilities for pension benefits	**(379)**	*
Noncurrent liability for pension benefits	**(32,417)**	*
Prepaid benefit costs	*	$ 54,553
Accrued benefit costs	*	(4,636)
Additional minimum liability	*	(6,264)
Intangible asset	*	766
Accumulated other comprehensive losses	*	5,200
Net amount recognized at end of year	**$ 4,665**	$ 49,619

The following table provides the amounts recognized in AOCI as a result of adoption of SFAS 158, net of taxes at December 31, 2006 (in thousands):

Net Amount Recognized at End of Year:	**2006**	**2005**
Net actuarial loss	**$ 31,956**	*
Prior service costs	**735**	*
Transition asset	**(6)**	*
Total recognized	**$ 32,685**	*

* Amounts not applicable due to change in accounting standard.

The following table provides the components of net periodic benefit expense for the three years ended December 31:

	2006	2005	2004
		(In thousands)	
Defined benefit plans:			
Service cost	**$ 6,479**	$ 6,605	$ 5,898
Interest cost	**25,314**	23,541	22,256
Expected return on plan assets	**(34,490)**	(31,607)	(29,157)
Amortization of:			
Net actuarial loss	**4,069**	3,322	2,860
Prior service costs	**266**	242	393
Transition (asset) obligation	**(15)**	(16)	11
SFAS 87 cost	**1,623**	2,087	2,261
SFAS 88 curtailment charges	**834**	—	322
Total net periodic benefit expense	**2,457**	2,087	2,583
Other plans:			
Defined contribution plans	**8,785**	7,687	7,640
Foreign plans and other	**3,530**	3,007	2,982
Total other plans	**12,315**	10,694	10,622
Total net pension expense	**$ 14,772**	$ 12,781	$ 13,205

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic pension benefit expense in 2007 for the net actuarial losses and prior service costs are not expected to be material.

Weighted-average assumptions used to determine the above net periodic expense were:

	2006	2005	2004
U.S. Defined Benefit Pension Plans			
Discount rate	**5.65%**	5.75%	6.25%
Expected return on plan assets	**8.25%**	8.50%	8.90%
Rate of compensation increase (where applicable)	**3.50%**	3.50%	3.50%
Foreign Defined Benefit Pension Plans			
Discount rate	**5.00%**	5.50%	5.50%
Expected return on plan assets	**7.00%**	7.20%	7.20%
Rate of compensation increase (where applicable)	**3.40%**	4.00%	4.00%

The assumption for the expected return on plan assets was developed based on a review of historical investment returns for the investment categories for the defined benefit pension assets. This review also considered current capital market conditions and expectations of projected future investment returns. The estimates of future capital market returns by asset category are lower than the actual long-term historical returns. The current low interest rate environment also influences this outlook. Therefore, the assumed rate of return for U.S. and foreign plans remains at 8.25% and 7.00%, respectively, for 2007.

Estimated Future Benefit Payments

The estimated future benefit payments for U.S. and foreign plans are as follows (in thousands): 2007 — $24,542; 2008 — $26,423; 2009 — $27,826; 2010 — $29,240; 2011 — $30,788; 2012 to 2016 — $195,619. Future benefit payments primarily represent amounts to be paid from pension trust assets. Amounts included that are to be paid from the Company's assets are not significant in any individual year.

Postretirement Plans and Postemployment Benefits

The Company provides limited postretirement benefits other than pensions for certain retirees and a small number of former employees. Benefits under these arrangements are not funded and are not significant.

The Company also provides limited post employment benefits for certain former or inactive employees after employment but before retirement. Those benefits are not significant in amount.

The Company has a deferred compensation plan, which allows employees whose compensation exceeds the statutory IRS limit for retirement benefits to defer a portion of earned bonus compensation. The plan permits deferred amounts to be deemed invested in either, or a combination of, (a) an interest-bearing account, benefits from which are payable out of the general assets of the Company, or (b) the equivalent of a fund which invests in shares of the Company's common stock on behalf of the employee. The amount deferred under the plan, including income earned, was $9.0 million and $7.3 million at December 31, 2006 and 2005, respectively. Administrative expense for the plan is borne by the Company and is not significant.

13. Financial Instruments

The estimated fair values of the Company's financial instruments are compared below to the recorded amounts at December 31, 2006 and 2005. Cash, cash equivalents, and marketable securities are recorded at fair value at December 31, 2006 and 2005 in the accompanying balance sheet.

	Asset (Liability)			
	December 31, 2006		December 31, 2005	
	Recorded Amount	Fair Value	Recorded Amount	Fair Value
	(In thousands)			
Fixed-income investments	**$ 7,559**	**$ 7,559**	$ 7,323	$ 7,323
Short-term borrowings	**(160,168)**	**(160,168)**	(152,678)	(152,678)
Long-term debt (including current portion)	**(521,707)**	**(526,502)**	(478,761)	(490,934)

The fair value of fixed-income investments is based on quoted market prices. The fair value of short-term borrowings approximates 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.

14. Additional Income Statement and Cash Flow Information

Included in other income are interest and other investment income of $0.7 million, $2.7 million, and $2.0 million for 2006, 2005, and 2004, respectively. Income taxes paid in 2006, 2005, and 2004 were $67.2 million, $49.8 million, and $45.7 million, respectively. Cash paid for interest was $41.7 million, $32.0 million, and $27.0 million in 2006, 2005, and 2004, respectively.

15. Business Segment and Geographic Information

Descriptive Information about Reportable Segments

The Company has two reportable segments, EIG and EMG. The Company manages, evaluates and aggregates its operating segments for segment reporting purposes primarily on the basis of product type, production processes, distribution methods, and management organizations.

EIG produces instrumentation for various electronic applications used in transportation industries, including aircraft cockpit instruments and displays, airborne electronics systems that monitor and record flight and engine data, and pressure, temperature, flow and liquid-level sensors for commercial airlines and aircraft and jet engine manufacturers. EIG also produces analytical instrumentation for the laboratory and research markets, as well as instruments for food service equipment, measurement and monitoring instrumentation for various process industries and instruments and complete instrument panels for heavy trucks and heavy construction and agricultural vehicles. EIG also manufactures ultraprecise measurement instrumentation, as well as thermoplastic compounds for automotive, appliance, and telecommunications applications.

EMG produces brushless air-moving motors for aerospace, mass transit, medical equipment, computer and business machine applications. EMG also produces high-purity metal powders and alloys in powder, strip, and wire form for electronic components, aircraft and automotive products, as well as heat exchangers and thermal management subsystems. EMG also supplies hermetically sealed (moisture-proof) connectors, terminals and headers. These electromechanical devices are used in aerospace, defense and other industrial applications. Additionally, EMG produces air-moving electric motors and motor-blower systems for manufacturers of floor care appliances and outdoor power equipment. Sales of floor care and specialty motors represented 15.6% in 2006, 19.2% in 2005 and 22.4% in 2004 of the Company’s consolidated net sales.

Measurement of Segment Results

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. Net sales by segment are reported after elimination of intra- and inter-segment sales and profits, which are insignificant in amount. Such sales are generally based on prevailing market prices. Reported segment assets include allocations directly related to the segment’s operations. Corporate assets consist primarily of investments, prepaid pensions, insurance deposits, and deferred taxes.

Reportable Segment Financial Information

	2006	2005	2004
		(In thousands)	
Net sales:			
Electronic Instruments	**$1,016,503**	$ 808,493	$ 667,418
Electromechanical	**802,787**	625,964	564,900
Total consolidated	**$1,819,290**	$ 1,434,457	$1,232,318
Operating income and income before income taxes:			
Operating income:			
Electronic Instruments	**$ 203,430**	$ 164,248	$ 124,611
Electromechanical	**139,926**	99,244	93,289
Total segment operating income	**343,356**	263,492	217,900
Corporate administrative and other expenses	**(34,362)**	(30,004)	(26,726)
Consolidated operating income	**308,994**	233,488	191,174
Interest and other expenses, net	**(45,308)**	(35,201)	(30,455)
Consolidated income before income taxes	**$ 263,686**	$ 198,287	$ 160,719
Assets:			
Electronic Instruments	**$1,100,965**	$ 949,219	
Electromechanical	**905,651**	727,296	
Total segments	**2,006,616**	1,676,515	
Corporate	**124,260**	104,085	
Total consolidated	**$2,130,876**	$ 1,780,600	
Additions to property, plant and equipment:(1)			
Electronic Instruments	**$ 28,793**	$ 27,354	$ 16,514
Electromechanical	**30,323**	34,816	10,808
Total segments	**59,116**	62,170	27,322
Corporate	**2,073**	1,921	1,569
Total consolidated	**$ 61,189**	$ 64,091	$ 28,891
Depreciation and amortization:			
Electronic Instruments	**$ 21,108**	$ 18,323	$ 16,485
Electromechanical	**24,511**	20,897	23,049
Total segments	**45,619**	39,220	39,534
Corporate	**310**	208	375
Total consolidated	**$ 45,929**	$ 39,428	$ 39,909

(1) Includes $32.0 million in 2006, $40.9 million in 2005, and $7.9 million in 2004 from acquired businesses.

Geographic Areas

Information about the Company's operations in different geographic areas for 2006, 2005, and 2004 is shown below. Net sales were attributed to geographic areas based on the location of the customer. Accordingly, U.S. export sales are reported in international sales.

	2006	2005	2004
		(In thousands)	
Net sales:			
United States	**$ 953,249**	$ 778,594	$ 695,867
International(a):			
United Kingdom	**97,578**	86,258	77,387
European Union countries	**255,662**	212,047	174,087
Asia	**275,436**	198,231	135,886
Other foreign countries	**237,365**	159,327	149,091
Total international	**866,041**	655,863	536,451
Total consolidated	**$1,819,290**	$1,434,457	$1,232,318
Long-lived assets from continuing operations (excluding intangible assets):			
United States	**$ 157,394**	$ 145,724	
International(b):			
United Kingdom	**34,936**	20,902	
European Union countries	**44,983**	42,442	
Asia	**8,194**	8,297	
Other foreign countries	**13,434**	13,599	
Total international	**101,547**	85,240	
Total consolidated	**$ 258,941**	$ 230,964	

(a) Includes U.S. export sales of $343.8 million in 2006, $267.3 million in 2005, and $232.0 million in 2004.

(b) Represents long-lived assets of foreign-based operations only.

16. Guarantees

The Company does not provide significant guarantees on a routine basis. The Company primarily issues guarantees, stand-by letters of credit and surety bonds in the ordinary course of its business to provide financial or performance assurance to third parties on behalf of its consolidated subsidiaries to support or enhance the subsidiary's stand-alone creditworthiness. The amounts subject to certain of these agreements vary depending on the covered contracts actually outstanding at any particular point in time. The maximum amount of future payment obligations relative to these various guarantees was approximately $104.6 million, and the outstanding liability under certain of those guarantees was approximately $39.2 million at December 31, 2006. These guarantees expire in 2007 through 2010.

Indemnifications

In conjunction with certain acquisition and divestiture transactions, the Company may agree to make payments to compensate or indemnify other parties for possible future unfavorable financial consequences resulting from specified events (e.g., breaches of contract obligations, or retention of previously existing environmental, tax or employee liabilities) whose terms range in duration and often are not explicitly defined. Where appropriate, the obligation for such indemnifications is recorded as a liability. Because the amount of these types of indemnifications generally is not specifically stated, the overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Further, the Company indemnifies its directors and officers who are or were serving at the Company's request in such capacities. Historically, any such costs incurred to settle claims related to these indemnifications have been minimal for the Company. The Company believes that future payments, if any, under all existing indemnification agreements would not have a material impact on its results of operations, financial position, or cash flows.

Product Warranties

The Company provides limited warranties in connection with the sale of its products. The warranty periods for products sold vary 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 2006 and 2005 were as follows (in thousands):

	2006	2005
Balance, beginning of year	**$ 9,435**	$ 7,301
Accruals for warranties issued during the year	**7,602**	7,157
Settlements made during the year	**(7,019)**	(7,074)
Changes in liability for pre-existing warranties, including expirations during the year	**283**	189
Warranty liabilities acquired with new businesses	**572**	1,862
Balance, end of year	**$10,873**	$ 9,435

Certain settlements of warranties made during the period were for specific nonrecurring warranty obligations. Product warranty obligations are reported as current liabilities in the consolidated balance sheet.

17. Contingencies

Asbestos Litigation

The Company (including its subsidiaries) has been named as a defendant, along with many other companies, in a number of asbestos-related lawsuits. Many of these lawsuits either relate to businesses which were acquired by the Company and do not involve products which were manufactured or sold by the Company, or relate to previously owned businesses of the Company which are under new ownership. In connection with many of these lawsuits, the sellers or new owners of such businesses, as the case may be, have agreed to indemnify the Company against these claims (the "Indemnified Claims"). The Indemnified Claims have been tendered to, and are being defended by, such sellers and new owners. These sellers and new owners have met their obligations in all respects, and the Company does not have any reason to believe such parties would fail to fulfill their obligations in the future. To date, no judgments have been rendered against the Company as a result of any asbestos-related lawsuit. The Company believes it has strong defenses to the claims being asserted, and intends to continue to vigorously defend itself in these matters.

Environmental Matters

Certain historic processes in the manufacture of products have resulted in environmentally hazardous waste by-products as defined by federal and state laws and regulations. While these waste products were handled in compliance with regulations existing at that time, at December 31, 2006 the Company is named a Potentially Responsible Party (PRP) at 16 non-AMETEK-owned former waste disposal or treatment sites. The Company is identified as a “de minimis” party in 13 of these sites based on the low volume of waste attributed to the Company relative to the amounts attributed to other named PRPs. In 11 of these sites, the Company has reached a tentative agreement on the cost of the de minimis settlement to satisfy its obligation and is awaiting executed agreements. The agreed-to settlement amounts are fully reserved. In the other two sites, the Company is continuing to investigate the accuracy of the alleged volume attributed to the Company as estimated by the parties primarily responsible for remedial activity at the sites to establish an appropriate settlement amount. In the three remaining sites where the Company is a non-de minimis PRP, the Company is participating in the investigation and/or related required remediation as part of a PRP Group and reserves have been established sufficient to satisfy the Company’s expected obligation.

The Company historically has resolved these issues within established reserve levels and reasonably expects this result will continue. In addition to these non-AMETEK-owned former waste disposal or treatment sites, the Company has an ongoing practice of providing reserves for probable remediation activities at certain of its current or previously owned manufacturing locations. For claims and proceedings against the Company with respect to other environmental matters, reserves are established once the Company has determined that a loss is probable and estimable. This estimate is refined as the Company moves through the various stages of investigation, risk assessment, feasibility study and corrective action processes. In certain instances, the Company has developed a range of estimates for such costs and has recorded a liability based on the low-end of the range. It is reasonably possible that the actual cost of remediation of the individual sites could vary from the current estimates, and the amounts accrued in the financial statements; however, the amounts of such variances are not expected to result in a material change to the financial statements. In estimating our liability for remediation, we also consider our likely proportionate share of the anticipated remediation expense and the ability of the other PRPs to fulfill their obligations. Total environmental reserves at December 31, 2006 and 2005 were $28.7 million and $6.8 million, respectively. In 2006, the Company provided $23.0 million of additional reserves, including $0.8 million for existing sites and $22.2 million related to the recent acquisitions of HCC ($21.2 million) and Land Instruments ($1.0 million). The additional reserves related to the recent acquisitions were recorded through purchase accounting and did not affect the Company’s income statement. The Company spent $1.1 million and $1.0 million, respectively on such environmental matters in 2006 and 2005. The Company also has agreements with former owners of certain of its acquired businesses, including HCC, as well as new owners of previously owned businesses. Under certain of the agreements, the former or new owners retained, or assumed and agreed to indemnify the Company against, certain environmental and other liabilities under certain circumstances. In the case of HCC, the Company has assumed the liability for the performance of all required remedial activities at the site and has obtained indemnifications and other financial assurances from the former owners of HCC related to the costs for the required remedial activities. The Company has recorded a total of $15.8 million of receivables in its balance sheet related to the HCC matter for probable recoveries from third party escrow funds and other committed third party funds to support the required remediation as well as a deferred tax benefit of $2.8 million. In addition, the Company is indemnified by HCC’s former owners for up to $19.0 million of additional costs. The Company and some of the other parties also carry insurance coverage for some environmental matters. To date, those parties have met their obligations in all material respects. The Company has no reason to believe that such third parties would fail to perform their obligations in the future. In the opinion of management, based upon presently available information and past experience related to such matters, an adequate provision for probable costs has been made, and the ultimate cost resulting from these actions is not expected to materially affect the consolidated financial position, results of operations, or cash flows of the Company.

18. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
		(In thousands, except per share amounts)			
2006					
Net sales	**$ 423,867**	**$450,585**	**$464,164**	**$480,674**	**$1,819,290**
Operating income	**$ 70,801**	**$ 79,099**	**$ 79,830**	**$ 79,264**	**$ 308,994**
Net income	**$ 40,258**	**$ 46,468**	**$ 47,371**	**$ 47,837**	**$ 181,934**
Basic earnings per share(a)(b)	**$ 0.38**	**$ 0.44**	**$ 0.45**	**$ 0.46**	**$ 1.74**
Diluted earnings per share(a)(b)	**$ 0.38**	**$ 0.43**	**$ 0.45**	**$ 0.45**	**$ 1.71**
Dividends paid per share(b)	**$ 0.04**	**$ 0.04**	**$ 0.04**	**$ 0.06**	**$ 0.18**
2005					
Net sales	$ 334,096	$352,051	$344,529	$403,781	$1,434,457
Operating income(c)	$ 53,562	$ 59,318	$ 57,242	$ 63,366	$ 233,488
Net income(c)	$ 30,971	$ 34,118	$ 34,369	$ 36,899	$ 136,357
Basic earnings per share(a)(b)(c)	$ 0.30	$ 0.33	$ 0.33	$ 0.35	$ 1.31
Diluted earnings per share(a)(b)(c)	$ 0.30	$ 0.32	$ 0.32	$ 0.35	$ 1.29
Dividends paid per share(b)	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.16

(a) The sum of quarterly earnings per share may not equal total year earnings per share due to rounding of earnings per share amounts, and differences in weighted average shares and equivalent shares outstanding for each of the periods presented.

(b) Per share amounts have been adjusted to reflect a three-for-two stock split paid to shareholders on November 27, 2006.

(c) Results for 2005 have been adjusted to reflect the retrospective application of SFAS 123R to expense stock options, which was adopted effective January 1, 2006.

DIRECTIONS TO
ANNUAL MEETING OF STOCKHOLDERS OF AMETEK, INC.
TO BE HELD AT
J. P. MORGAN CHASE & CO.
1 CHASE MANHATTAN PLAZA
28th FLOOR
NEW YORK, NY 10005
(212) 270-6000

J. P. Morgan Chase & Co.’s 1 Chase Manhattan Plaza is located in lower Manhattan and is accessible by mass transportation from New York, New Jersey, Connecticut, Long Island, and elsewhere. Below are automobile directions.

Directions from New Jersey

Take Route 3 East to the Lincoln Tunnel. Upon exiting the Tunnel, turn right onto 40th Street and proceed eastbound to Broadway. Turn right onto Broadway and travel south to Wall Street. Make a left on Wall Street and the next left onto William Street. Chase Manhattan Plaza is on the left.

Alternate route: From the George Washington Bridge, follow signs for Harlem River Drive. Take the Harlem River Drive until it becomes the FDR Drive. Take the FDR Drive South to Exit 2 Brooklyn Bridge. Exit toward Manhattan Civic Center. Make a left on Pearl Street and continue on Water Street. Make a right onto Pine Street and a right on William Street. Chase Manhattan Plaza is on the left.

Directions from Connecticut

Take I-95 South to the Bruckner Expressway. Take the Bruckner Expressway to the Triborough Bridge and take the exit to Manhattan. Follow the signs to the FDR Drive South. Take Exit 2 Brooklyn Bridge toward the Manhattan Civic Center. Make a left on Pearl Street and continue on Water Street. Make a right onto Pine Street and a right on William Street. Chase Manhattan Plaza is on the left.

Alternate route: Take I-684 South or the Merritt Parkway onto the Hutchinson River Parkway to the Cross County Parkway. Proceed west on the Cross County Parkway to the Saw Mill River Parkway South. The Saw Mill Parkway becomes the Henry Hudson Parkway in New York City. Proceed south on the Henry Hudson Parkway until it becomes the West Side Highway (Route 9A). Take the West Side Highway south to Liberty Street. Make a left onto Liberty Street and go eastbound onto Maiden Lane. Make a right onto Pearl Street, a right onto Cedar Street and a final right onto William Street. Chase Manhattan Plaza is on the left.

Directions from Long Island

Take the Long Island Expressway West (Route 495) to the Midtown Tunnel. Upon exiting the Tunnel turn left onto East 39th Street and proceed Westbound to Broadway. Turn left onto Broadway and travel south to Wall Street. Make a left on Wall Street and the next left onto William Street. Chase Manhattan Plaza is on the left.

Alternate route: Take the Grand Central Parkway to the Triborough Bridge. Take the exit to Manhattan and follow the signs for the FDR Drive South. Take Exit 2 Brooklyn Bridge toward the Manhattan Civic Center. Make a left on Pearl Street and continue on Water Street. Make a right onto Pine Street and a right on William Street. Chase Manhattan Plaza is on the left.

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ANNUAL MEETING OF STOCKHOLDERS OF

AMETEK, Inc.

April 24, 2007

PROXY VOTING INSTRUCTIONS

INTERNET — Access "**www.voteproxy.com**" and follow the on-screen instructions. Have your proxy card available when you access the Web Site.

- OR -

TELEPHONE — Call toll-free **1-800-PROXIES** from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

- OR -

MAIL — Date, sign and mail your proxy card in the envelope provided as soon as possible.

COMPANY NUMBER	
ACCOUNT NUMBER	

You may enter your voting instructions at 1-800-PROXIES or www.voteproxy.com up until 11:59 PM Eastern Daylight Time the day before the cut-off or meeting date.

ê Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet. ê

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

1. Election of Directors:

NOMINEES:

¡ Charles D. Klein
¡ Steven W. Kohlhagen

o **FOR ALL NOMINEES**

o **WITHHOLD AUTHORITY FOR ALL NOMINEES**

o **FOR ALL EXCEPT** (See instruction below)

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **"FOR ALL EXCEPT"** and fill in the circle next to each nominee you wish to withhold, as shown here: l

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

	FOR	AGAINST	ABSTAIN
2. PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION INCREASING AUTHORIZED SHARES OF COMMON STOCK FROM 200,000,000 TO 400,000,000.	o	o	o
3. PROPOSAL TO APPROVE THE AMETEK, INC. 2007 OMNIBUS INCENTIVE COMPENSATION PLAN.	o	o	o
4. PROPOSAL TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR 2007.	o	o	o

At their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

Receipt of the notice of said meeting and of the Proxy Statement of AMETEK, Inc. accompanying the same is hereby acknowledged.

UNLESS OTHERWISE SPECIFIED IN THE SPACES PROVIDED, THE UNDERSIGNED'S VOTE IS TO BE CAST FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR LISTED IN PROPOSAL (1) AND FOR PROPOSALS (2), (3) AND (4), AS MORE FULLY DESCRIBED IN THE ENCLOSED PROXY STATEMENT.

Annual Meeting of Stockholders

AMETEK, Inc.'s Annual Meeting of Stockholders will be held at 2:00 p.m. Eastern Daylight Time on Tuesday, April 24, 2007, at J. P. Morgan Chase & Co., 1 Chase Manhattan Plaza, 28th Floor, New York, New York 10005. Please see your proxy statement for directions should you wish to attend the meeting.

ELECTRONIC ACCESS TO FUTURE DOCUMENTS

If you would like to receive future shareholder communications over the Internet exclusively, and no longer receive any material by mail, please visit http://www.amstock.com. Click on Shareholder Account Access to enroll. Please enter your account number and tax identification number to log in, then select **Receive Company Mailings via E-Mail** and provide your e-mail address.

Signature of Stockholder ________ Date: ________ Signature of Stockholder ________ Date: ________

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

AMETEK, Inc.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Frank S. Hermance, Patrick J. Farris and Kathryn E. Sena or a majority of those present and acting, or, if only one is present and acting, then that one, proxies, with full power of substitution, to vote all stock of AMETEK, Inc. which the undersigned is entitled to vote at AMETEK's Annual Meeting of Stockholders to be held at J. P. Morgan Chase & Co., 1 Chase Manhattan Plaza, 28th Floor, New York, New York 10005, on Tuesday, April 24, 2007, at 2:00 p.m. Eastern Daylight Time, and at any adjournment or postponement thereof, hereby ratifying all that said proxies or their substitutes may do by virtue hereof, and the undersigned authorizes and instructs said proxies to vote as follows:

(TO BE SIGNED ON REVERSE SIDE)

SEE REVERSE SIDE

ANNUAL MEETING OF STOCKHOLDERS OF

AMETEK, Inc.

April 24, 2007

Please date, sign and mail your proxy card in the envelope provided as soon as possible.

ê Please detach along perforated line and mail in the envelope provided. ê

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

1. Election of Directors:

NOMINEES:
¡ Charles D. Klein
¡ Steven W. Kohlhagen

o **FOR ALL NOMINEES**

o **WITHHOLD AUTHORITY FOR ALL NOMINEES**

o **FOR ALL EXCEPT** (See instructions below)

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **"FOR ALL EXCEPT"** and fill in the circle next to each nominee you wish to withhold, as shown here: l

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

	FOR	AGAINST	ABSTAIN
2. PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION INCREASING AUTHORIZED SHARES OF COMMON STOCK FROM 200,000,000 TO 400,000,000.	o	o	o
3. PROPOSAL TO APPROVE THE AMETEK, INC. 2007 OMNIBUS INCENTIVE COMPENSATION PLAN.	o	o	o
4. PROPOSAL TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR 2007.	o	o	o

At their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

Receipt of the notice of said meeting and of the Proxy Statement of AMETEK, Inc. accompanying the same is hereby acknowledged.

UNLESS OTHERWISE SPECIFIED IN THE SPACES PROVIDED, THE UNDERSIGNED'S VOTE IS TO BE CAST FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR LISTED IN PROPOSAL (1) AND FOR PROPOSALS (2), (3) AND (4), AS MORE FULLY DESCRIBED IN THE ENCLOSED PROXY STATEMENT.

Signature of Stockholder ______ Date: ______ Signature of Stockholder ______ Date: ______

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.