AMETEK INC/
Form 10-K
February 25, 2010

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

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

For the transition period from to

Commission file number 1-12981

AMETEK, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**14-1682544** (I.R.S. Employer Identification No.)
37 North Valley Road, Building 4 **P.O. Box 1764** **Paoli, Pennsylvania** (Address of principal executive offices)	**19301-0801** (Zip Code)

Registrant s telephone number, including area code: **(610) 647-2121**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value (voting)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was $3,716,907,826 as of June 30, 2009, the last business day of the registrant s most recently completed second fiscal quarter.

The number of shares of the registrant s Common Stock outstanding as of January 29, 2010 was 107,910,425.

Documents Incorporated by Reference

Part III incorporates information by reference from the Proxy Statement for the Annual Meeting of Stockholders on April 28, 2010.

AMETEK, Inc.

2009 Form 10-K Annual Report
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PART I

Item 1. Business

General Development of Business

AMETEK, Inc. (AMETEK or the Company) is incorporated in Delaware. Its predecessor was originally incorporated in Delaware in 1930 under the name American Machine and Metals, Inc. The Company maintains its principal executive offices in suburban Philadelphia, Pennsylvania at 37 North Valley Road, Building 4, Paoli, Pennsylvania 19301. AMETEK is a leading global manufacturer of electronic instruments and electromechanical devices with operations in North America, Europe, Asia and South America. The Company is listed on the New York Stock Exchange (symbol: AME). The common stock of AMETEK is a component of the S&P MidCap 400 and the Russell 1000 Indices.

Website Access to Information

The Company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available free of charge on the Company s website at www.ametek.com (in the Investors Financial News and Information section), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The Company has posted, free of charge, to the investor information portion of its website, its corporate governance guidelines, Board committee charters and codes of ethics. Such documents are also available in published form, free of charge, to any stockholder who requests them by writing to the Investor Relations Department at AMETEK, Inc., 37 North Valley Road, Building 4, Paoli, Pennsylvania 19301.

Products and Services

The Company markets its products worldwide through two operating groups, the Electronic Instruments Group (EIG) and the Electromechanical Group (EMG). EIG builds monitoring, testing, calibration and display devices for the process, aerospace, industrial and power markets. EMG is a supplier of electromechanical devices. EMG produces highly engineered electromechanical connectors for hermetic (moisture-proof) applications, specialty metals for niche markets and brushless air-moving motors, blowers and heat exchangers. End markets include aerospace, defense, mass transit, medical, office products and other industrial markets. The Company believes that EMG is the world s largest manufacturer of air-moving electric motors for vacuum cleaners and is a prominent producer of motors for other floor care products. The Company continues to grow through strategic acquisitions focused on differentiated niche markets in instrumentation and electromechanical devices.

Competitive Strengths

Management believes that the Company has several significant competitive advantages that assist it in sustaining and enhancing its market positions. Its principal strengths include:

Significant Market Share. AMETEK maintains a significant share in many of its targeted niche markets because of its ability to produce and deliver high-quality products at competitive prices. In EIG, the Company maintains significant market positions in many niche segments within the process, aerospace, industrial and power instrumentation markets. In EMG, the Company maintains significant market positions in many niche segments including aerospace, defense, mass transit, medical, office products and air-moving motors for the floor care market.

Technological and Development Capabilities. AMETEK believes it has certain technological advantages over its competitors that allow it to develop innovative products and maintain leading market positions. Historically, the Company has grown by extending its technical expertise into the manufacture of customized products for its customers, as well as through strategic acquisitions. EIG competes primarily on the basis of product innovation in several highly specialized instrumentation markets, including process measurement, aerospace, power and heavy-vehicle dashboard instrumentation. EMG s differentiated businesses focus on

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developing customized products for specialized applications in aerospace and defense, medical, business machines and other industrial applications. In its cost-driven motor business, EMG focuses on low-cost design and manufacturing, while enhancing motor-blower performance through advances in power, efficiency, lighter weight and quieter operation.

Efficient and Low-Cost Manufacturing Operations. EMG has motor manufacturing plants in China, the Czech Republic, Mexico and Brazil to lower its costs and achieve strategic proximity to its customers, providing the opportunity to increase international sales and market share. Certain of the Company s electronic instrument businesses have relocated manufacturing operations to low-cost locales. Furthermore, strategic acquisitions and joint ventures in Europe, North America and Asia have resulted in additional cost savings and synergies through the consolidation of operations, product lines and distribution channels, which benefits both operating groups.

Experienced Management Team. Another key component of AMETEK s success is the strength of its management team and its commitment to the performance of the Company. AMETEK s senior management has extensive experience, averaging approximately 24 years with the Company, and is financially committed to the Company s success through Company-established stock ownership guidelines and equity incentive programs.

Business Strategy

AMETEK s objectives are to increase the Company s earnings and financial returns through a combination of operational and financial strategies. Those operational strategies include business acquisitions, new product development, global and market expansion and Operational Excellence programs designed to achieve double-digit annual percentage growth in earnings per share over the business cycle and a superior return on total capital. To support those operational objectives, financial initiatives have been, or may be, undertaken, including public and private debt or equity issuance, bank debt refinancing, local financing in certain foreign countries, accounts receivable securitization and share repurchases. AMETEK s commitment to earnings growth is reflected in its continued implementation of cost-reduction programs designed to achieve the Company s long-term best-cost objectives.

AMETEK s Corporate Growth Plan consists of four key strategies:

Operational Excellence. Operational Excellence is AMETEK s cornerstone strategy for improving profit margins and strengthening the Company s competitive position across its businesses. Through its Operational Excellence strategy, the Company seeks to reduce production costs and improve its market positions. The strategy has played a key role in achieving synergies from newly acquired companies. AMETEK believes that Operational Excellence, which focuses on Six Sigma process improvements, global sourcing and lean manufacturing and also emphasizes team building and a participative management culture, has enabled the Company to improve operating efficiencies and product quality, increase customer satisfaction and yield higher cash flow from operations, while lowering operating and administrative costs and shortening manufacturing cycle times.

New Product Development. AMETEK enjoys an excellent reputation for product innovation, technical know-how and new product development. Among its most recent product introductions are:

JOFRA® RTC-156 reference temperature calibrator that incorporates a number of performance features that make it the most advanced dry-block temperature calibrator available;

SPECTROMAXx™ stationery metal analyzer the fifth generation of this highly successful trace element analyzer offers improved flexibility, reduced cost and greater ease of use;

AMETEK® Model 5100 line of non-contact gas analyzers based on tunable diode laser absorption technology for natural gas pipeline applications;

AMETEK® hydraulic pressure transducers, hydraulic temperature sensors, flight data system accelerometers and a suite of cooling fans that were selected for the ultra-long range, technically advanced Gulfstream G650 business jet;

Broadband FOCUS integrated multiplexer allows electric utilities and industrial power users to upgrade their communications networks to gigabit speeds without replacing existing equipment;

Vision Research Phantom v12 high-speed camera, which can shoot at speeds up to one million frames per second that was recognized by *Popular Science* magazine as one of the most innovative technical products of the year;

PITTMAN® 6000 brushless DC servo motors that are engineered to deliver more power in a smaller package for a wide range of data storage, medical/biotech, semiconductor processing and motion control applications;

SAiGE™ ground breaking remote uninterruptible power supply (UPS) monitoring system that is ideally suited for the power generation, petrochemical, chemical, offshore oil and gas and other process control industries;

Drexelbrook® Safety IntelliPoint RF level switch, the first RF Admittance level switch to meet the American Petroleum Institute s recommended practice for overfill and spill protection for ground level bulk storage facilities;

AMETEK® 6.6-inch diameter motor-blower achieves significantly greater efficiency and life expectancy in the same footprint as a 5.7-inch diameter blower for a wide range of vacuum and blower applications.

Global and Market Expansion. AMETEK s largest presence outside the United States is in Europe, where it has operations in the United Kingdom, Germany, Denmark, Italy, the Czech Republic, Romania, France, Austria and the Netherlands. These operations provide design, engineering and manufacturing capability, product-line breadth, enhanced European distribution channels and low-cost production. AMETEK has a leading market position in European floor care motors and a significant presence in many of its instrument businesses. It has grown sales in Latin America and Asia by building and expanding low-cost electric motor and instrument plants in Reynosa, Mexico and motor manufacturing plants near Sao Paulo, Brazil and in Shanghai, China. It also continues to achieve geographic expansion and market expansion in Asia through joint ventures in China, Taiwan and Japan and a direct sales and marketing presence in Singapore, Japan, China, Taiwan, Hong Kong, South Korea, India, the Middle East and Russia.

Strategic Acquisitions and Alliances. The Company continues to pursue strategic acquisitions, both domestically and internationally, to expand and strengthen its product lines, improve its market share positions and increase earnings through sales growth and operational efficiencies at the acquired businesses. Since the beginning of 2005, through December 31, 2009, the Company has completed 24 acquisitions with annualized sales totaling approximately $1.0 billion, including three acquisitions in 2009 (see Recent Acquisitions). Through these and prior acquisitions, the Company s management team has gained considerable experience in successfully acquiring and integrating new businesses. The Company intends to continue to pursue this acquisition strategy.

2009 OVERVIEW

Operating Performance

In 2009, AMETEK generated sales of $2.1 billion, a decrease of 17% from 2008. The Company s results include the contributions of recently acquired businesses and the Company s continuing cost reduction initiatives.

Financing

During the second quarter of 2009, the Company paid in full a 40 million British pound ($62.0 million) borrowing under the revolving credit facility. At December 31, 2009, the Company had no borrowings outstanding under the revolving credit facility. The $100 million accounts receivable securitization facility was not renewed by the Company in May 2009.

In the third quarter of 2008, the Company completed a private placement agreement to sell $350 million in senior notes to a group of institutional investors. There were two funding dates for the senior notes. The first funding occurred in September 2008 for $250 million, consisting of $90 million in aggregate principal amount of 6.59% senior notes due September 2015 and $160 million in aggregate principal amount of 7.08% senior notes due September 2018. The second funding date occurred in December 2008 for $100 million, consisting of $35 million in aggregate principal amount of 6.69% senior notes due December 2015 and $65 million in aggregate principal amount of 7.18% senior notes due December 2018. The senior notes carry a weighted average interest rate of 6.93%. The proceeds from the senior notes were used to pay down a portion of the borrowings outstanding under the Company s revolving credit facility.

In July 2008, the Company paid in full the $225 million 7.20% senior notes due July 2008 using the proceeds from borrowings under its existing revolving credit facility. Also in July 2008, the Company obtained the second funding of $80 million in aggregate principal amount of 6.35% senior notes due July 2018 under the 2007 private placement agreement, which completed the sale of $450 million in senior notes to a group of institutional investors. The first funding of the 2007 private placement occurred in December 2007 for $370 million, consisting of $270 million in aggregate principal amount of 6.20% senior notes due December 2017 and $100 million in aggregate principal amount of 6.30% senior notes due December 2019.

Recent Acquisitions

The Company spent approximately $72.9 million in cash, net of cash acquired, for business acquisitions in 2009.

In January 2009, the Company acquired High Standard Aviation, a provider of electric and electromechanical, hydraulic, and pneumatic repair services to the aerospace industry. High Standard Aviation is a part of EMG.

In September 2009, the Company completed a small acquisition of two related businesses in India, Unispec Marketing Pvt. Ltd. and Thelsha Technical Services Pvt. Ltd. These businesses provide an established sales, distribution and service network in India and are a part of EIG.

In December 2009, the Company acquired Ameron Global, a manufacturer of highly engineered pressurized gas components and systems for commercial and aerospace customers. Ameron Global is also a leader in maintenance, repair and overhaul of fire suppression and oxygen supply systems. Ameron Global is a part of EMG.

Financial Information About Reportable Segments, Foreign Operations and Export Sales

Information with respect to reportable segments and geographic areas is set forth in Note 17 to the Consolidated Financial Statements.

The Company s international sales decreased 16% to $1,031.7 million in 2009. The decrease was driven by the decline in international sales from base businesses, partially offset by the impact of acquisitions completed in 2009 and 2008. The Company experienced decreases in export sales of products manufactured in the United States, as well as decreased sales from overseas operations. International sales represented 49% of consolidated net sales in 2009 compared with 48% in 2008.

Description of Business

The products and markets of each reportable segment are described below:

EIG

EIG is comprised of a group of differentiated businesses. EIG applies its specialized market focus and technology to manufacture instruments used for testing, monitoring, calibration and display for the process, aerospace, industrial and power markets. EIG s growth is based on the four strategies outlined in AMETEK s Corporate Growth Plan. EIG designs products that, in many instances, are significantly different from, or technologically better than, competing products. It has reduced costs by implementing operational improvements, achieving acquisition synergies, improving supply chain management, moving production to low-cost locales and reducing headcount. EIG is among the leaders in many of the specialized markets it serves, including aerospace engine sensors, heavy-vehicle instrument panels, analytical instrumentation, level measurement products, power instruments and pressure gauges. It has joint venture operations in China, Taiwan and Japan. 53% of EIG s 2009 sales were to markets outside the United States.

At December 31, 2009, EIG employed approximately 4,800 people, of whom approximately 800 were covered by collective bargaining agreements. EIG had 48 manufacturing facilities: 34 in the United States, seven in the United Kingdom, two in Germany and one each in France, Austria, Denmark, Argentina and Canada at December 31, 2009. EIG also shares manufacturing facilities with EMG in Mexico.

Process and Analytical Instrumentation Markets and Products

63% of EIG s 2009 sales were from instruments for process and analytical measurement and analysis. These include: oxygen, moisture, combustion and liquid analyzers; emission monitors; spectrometers; mechanical and electronic pressure sensors and transmitters; radiation measurement devices; level measurement devices; precision pumping systems; and force-measurement and materials testing instrumentation. EIG s focus is on the process industries, including oil, gas and petrochemical refining, power generation, specialty gas production, water and waste treatment, natural gas distribution and semiconductor manufacturing. AMETEK s analytical instruments are also used for precision measurement in a number of other applications including radiation detection for Homeland Security, materials analysis, nanotechnology research and other test and measurement applications.

Unispec Marketing Pvt. Ltd. and Thelsha Technical Services Pvt. Ltd., acquired in September 2009, provides an established sales, distribution and service network in India serving the quality control and analytical instrumentation market. These acquisitions strengthen our presence in India through AMETEK Instruments India Private Limited (AIIPL), established in early 2009. AIIPL provides a full range of pre- and post-sales support to customers from a newly opened facility in Whitefield, Bangalore.

Vision Research, Inc., acquired in June 2008, is a global leader and innovator in high-speed digital imaging technology. Its highly differentiated products include a broad array of high-speed digital cameras for capturing data in product characterization and motion analysis applications, including a high-speed digital camera, the Phantom® v12, capable of capturing one million pictures per second.

Power and Industrial Instrumentation Markets and Products

21% of EIG s 2009 sales were to the power and industrial instrumentation markets.

AMETEK s Power businesses provide analytical instruments, uninterruptible power supply systems and programmable power supplies used in a wide variety of industrial settings.

EIG is a leader in the design and manufacture of power measurement and recording instrumentation used by the electric power and manufacturing industries. Those products include power transducers and meters, event and transient recorders, annunciators and alarm monitoring systems used to measure, monitor and record variables in the transmission and distribution of electric power.

EIG s Solidstate Controls designs and manufactures uninterruptible power supply systems for the process and power generation industries. EIG also manufactures sensor systems for land-based gas turbines and for boilers and burners used by the utility, petrochemical, process and marine industries worldwide.

EIG s programmable power business is a leader in programmable AC and DC power sources and pursues growth opportunities in the highly attractive electronic test and measurement equipment market.

The programmable power business of Xantrex Technology, Inc., acquired in July 2008, is a leader in programmable AC and DC power sources used to test electrical and electronic products by simulating various input voltages, frequencies and potentially harmful line transients. Its products are used in design verification testing, manufacturing, quality assurance and regulatory compliance by its customers in a wide range of industries, including aviation, military, and general electronics.

EIG s Instrumentation and Specialty Controls business is a leading North American manufacturer of dashboard instruments for heavy trucks and is also among the major suppliers of similar products for construction vehicles. It has strong product development capability in solid-state instruments that primarily monitor and display

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engine operating parameters. EIG has a leading position in the food service instrumentation market and is a primary source for stand-alone and integrated timing controls for the food service industry.

Aerospace Instrumentation Markets and Products

16% of EIG s 2009 sales were from aerospace products. AMETEK s aerospace products are designed to customer specifications and are manufactured to stringent operational and reliability requirements. Its aerospace business operates in specialized markets, where its products have a technological and/or cost advantage. Acquisitions have complemented and expanded EIG s core sensor and transducer product line, used in a wide range of aerospace applications.

Aerospace products include: airborne data systems; turbine engine temperature measurement products; vibration-monitoring systems; indicators; displays; fuel and fluid measurement products; sensors; switches; cable harnesses; and transducers. EIG serves all segments of commercial aerospace, including helicopters, business jets, commuter aircraft and commercial airliners, as well as the military market.

Among its more significant competitive advantages are EIG s 50-plus years of experience as an aerospace supplier and its long-standing customer relationships with global commercial aircraft Original Equipment Manufacturers (OEMs). Its customers are the leading producers of airframes and jet engines and other aerospace system integrators. It also serves the commercial aerospace aftermarket with spare part sales and repair and overhaul services.

Customers

EIG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on EIG s operations. Approximately 14% of EIG s 2009 sales were made to its five largest customers and no one customer accounted for 10% or more of 2009 consolidated net sales.

EMG

EMG is among the leaders in many of the specialized markets it serves, including highly engineered motors, blowers, fans, heat exchangers, connectors, and other electromechanical products or systems for commercial and military aerospace applications, defense, medical equipment, business machines, computers and other power or industrial applications. In its cost-driven motor business, the Company believes that EMG is the world s largest producer of high-speed, air-moving electric motors for OEMs of floor care products. EMG designs products that, in many instances, are significantly different from, or technologically better than, competing products. It has reduced costs by implementing operational improvements, achieving acquisition synergies, improving supply chain management, moving production to low-cost locales and reducing headcount. 45% of EMG s 2009 sales were to customers outside the United States.

At December 31, 2009, EMG employed approximately 5,100 people, of whom approximately 1,900 were covered by collective bargaining agreements (including some that are covered by local unions). EMG had 51 manufacturing facilities: 30 in the United States, ten in the United Kingdom, three in France, two each in Italy, Mexico and the Czech Republic and one each in China and Brazil at December 31, 2009.

Differentiated Businesses

Differentiated businesses account for an increasing proportion of EMG s overall sales base. Differentiated businesses represented 76% of EMG s sales in 2009 and are comprised of the technical motors and systems businesses and the engineered materials, interconnects and packaging businesses.

Technical Motors and Systems Markets and Products

Technical motors and systems, representing 49% of EMG s 2009 sales, consist of brushless motors, blowers and pumps, as well as other electromechanical systems. These products are used in aerospace and defense, business machines, computer equipment, mass transit vehicles, medical equipment, power, and industrial applications.

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EMG produces electronically commutated (brushless) motors, blowers and pumps that offer long life, reliability and near maintenance-free operation. These motor-blower systems and heat exchangers are used for thermal management and other applications on a wide variety of military and commercial aircraft and military ground vehicles, and are used increasingly in medical and other applications, in which their long life, and spark-free and reliable operation is very important. These motors provide cooling and ventilation for business machines, computers and mass transit vehicles.

EMG also serves the commercial and military aerospace third party maintenance, repair and overhaul (MRO) market. These businesses provide these services on a global basis with facilities in the United States, Europe, and Singapore.

Ameron Global, acquired in December 2009, is a manufacturer of highly engineered pressurized gas components and systems for commercial and aerospace customers and is a leader in MRO of fire suppression and oxygen supply systems.

High Standard Aviation, acquired in January 2009, is a provider of electrical and electromechanical, hydraulic and pneumatic repair services to the aerospace industry.

Muirhead Aerospace Limited, acquired in November 2008, is a leading manufacturer of motion technology products and a provider of avionics repair and overhaul services for the aerospace and defense markets.

MCG, acquired in February 2008, is a leading global manufacturer of highly customized motors and motion control solutions for the medical, life sciences, industrial automation, semiconductor and aviation markets.

Drake Air, also acquired in February 2008, provides heat-transfer repair services to the commercial aerospace industry and represents a further expansion of AMETEK s growing presence in the global aerospace MRO industry.

Engineered Materials, Interconnects and Packaging Markets and Products

27% of EMG s 2009 sales are engineered materials, interconnects and packaging products. AMETEK is an innovator and market leader in specialized metal powder, strip, wire and bonded products. It produces stainless steel and nickel clad alloys; stainless steel, cobalt and nickel alloy powders; metal strip; specialty shaped and electronic wire; and advanced metal matrix composites used in electronic thermal management. Its products are used in automotive, appliance, medical and surgical, aerospace, telecommunications, marine and general industrial applications. Its niche market focus is based upon proprietary manufacturing technology and strong customer relationships.

Reading Alloys, acquired in April 2008, is a niche specialty metals producer. It produces titanium master alloys and expands our position in customized titanium products. Reading Alloys adds to our capabilities in strip and foil products used in medical devices, electronic components and aerospace instruments. Its metal powder production techniques complement our existing gas and water atomization capabilities.

Floor Care and Specialty Motor Markets and Products

24% of EMG s 2009 sales are to floor care and specialty motor markets, where it has the leading share, through its sales of air-moving electric motors to most of the world s major floor care OEMs, including vertically integrated OEMs that produce some of their own motors. EMG produces motor-blowers for a full range of floor care products, ranging from hand-held, canister and upright vacuums to central vacuums for residential use. High-performance vacuum motors also are marketed for commercial and industrial applications.

The Company also manufactures a variety of specialty motors used in a wide range of products, such as household and personal care appliances; fitness equipment; electric materials handling vehicles; and sewing machines.

Additionally, its products are used in outdoor power equipment, such as electric chain saws, leaf blowers, string trimmers and power washers.

EMG has been successful in directing a portion of its global floor care marketing at vertically integrated vacuum cleaner manufacturers, who seek to outsource all or part of their motor production. By purchasing their motors from EMG, these customers are able to realize economic and operational advantages by reducing or discontinuing their own motor production and avoiding the capital investment required to keep their motor manufacturing current with changing technologies and market demands.

Customers

EMG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on EMG s operations. Approximately 10% of EMG s 2009 sales were made to its five largest customers and no one customer accounted for 10% or more of 2009 consolidated net sales.

Marketing

The Company s marketing efforts generally are organized and carried out at the division level. EIG makes significant use of distributors and sales representatives in marketing its products, as well as direct sales in some of its more technically sophisticated products. Within aerospace, its specialized customer base of aircraft and jet engine manufacturers is served primarily by direct sales engineers. Given the technical nature of many of its products, as well as its significant worldwide market share, EMG conducts much of its domestic and international marketing activities through a direct sales force and makes some use of sales representatives and distributors both in the United States and in other countries.

Competition

In general, most of the Company s markets are highly competitive. The principal elements of competition for the Company s products are price, product technology, distribution, quality and service.

In the markets served by EIG, the Company believes that it ranks among the leading U.S. producers of certain measuring and control instruments. It also is a leader in the U.S. heavy-vehicle instrumentation and power instrument markets and one of the leading instrument and sensor suppliers to the commercial aviation market. Competition remains strong and can intensify for certain EIG products, especially its pressure gauge and heavy-vehicle instrumentation products. Both of these businesses have several strong competitors. In the process and analytical instruments market, numerous companies in each specialized market compete on the basis of product quality, performance and innovation. The aerospace and power instrument businesses have a number of diversified competitors, which vary depending on the specific market niche.

EMG s differentiated businesses have competition from a limited number of companies in each of their markets. Competition is generally based on product innovation, performance and price. There also is competition from alternative materials and processes. In its cost-driven businesses, EMG has limited domestic competition in the U.S. floor care market from independent manufacturers. Competition is increasing from Asian motor manufacturers that serve both the U.S. and the European floor care markets. Increasingly, global vacuum motor production is being shifted to Asia where AMETEK has a smaller but growing market position. There is potential competition from vertically integrated manufacturers of floor care products that produce their own motor-blowers. Many of these manufacturers would also be potential EMG customers if they decided to outsource their motor production.

Backlog and Seasonal Variations of Business

The Company s backlog of unfilled orders by business segment was as follows at December 31:

	2009	2008	2007
		(In millions)	

Electronic Instruments	**$ 284.3**	$ 324.8	$ 314.1
Electromechanical	**364.1**	393.8	374.1
Total	**$ 648.4**	$ 718.6	$ 688.2

The lower backlog at December 31, 2009 was primarily due to the global economic recession, partially offset by the acquisition of High Standard Aviation and Ameron Global in 2009 and the positive impact of a weakening U.S. dollar when compared to the British pound and Euro.

Of the total backlog of unfilled orders at December 31, 2009, approximately 82% is expected to be shipped by December 31, 2010. The Company believes that neither its business as a whole, nor either of its reportable segments, is subject to significant seasonal variations, although certain individual operations experience some seasonal variability.

Availability of Raw Materials

The Company s reportable segments obtain raw materials and supplies from a variety of sources and generally from more than one supplier. However, for EMG, certain items, including various base metals and certain steel components, are available only from a limited number of suppliers. The Company believes its sources and supplies of raw materials are adequate for its needs.

Research, Product Development and Engineering

The Company is committed to research, product development and engineering activities that are designed to identify and develop potential new and improved products or enhance existing products. Research, product development and engineering costs before customer reimbursement were $101.4 million, $115.9 million and $102.9 million in 2009, 2008 and 2007, respectively. Customer reimbursements in 2009, 2008 and 2007 were $5.5 million, $6.1 million and $7.1 million, respectively. These amounts included net Company-funded research and development expenses of $50.5 million, $57.5 million and $52.9 million, respectively. All such expenditures were directed toward the development of new products and processes and the improvement of existing products and processes.

Environmental Matters

Information with respect to environmental matters is set forth in the section of Management s Discussion and Analysis of Financial Condition and Results of Operations entitled Environmental Matters and in Note 19 to the Consolidated Financial Statements.

Patents, Licenses and Trademarks

The Company owns numerous unexpired U.S. patents and foreign patents, including counterparts of its more important U.S. patents, in the major industrial countries of the world. The Company is a licensor or licensee under patent agreements of various types and its products are marketed under various registered and unregistered U.S. and foreign trademarks and trade names. However, the Company does not consider any single patent or trademark, or any group thereof, essential either to its business as a whole or to either of its business segments. The annual royalties received or paid under license agreements are not significant to either of its reportable segments or to the Company s overall operations.

Employees

At December 31, 2009, the Company employed approximately 10,100 people in its EMG, EIG and corporate operations, of whom approximately 2,600 employees were covered by collective bargaining agreements. The Company has five collective bargaining agreements that will expire in 2010, which covers less than 200 employees. The Company expects no material adverse effects from the pending labor contract negotiations.

Working Capital Practices

The Company does not have extraordinary working capital requirements in either of its reportable segments. Customers generally are billed at normal trade terms, which may include extended payment provisions. Inventories are closely controlled and maintained at levels related to production cycles and are responsive to the normal delivery requirements of customers.

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Item 1A. Risk Factors

You should consider carefully the following risk factors and all other information contained in this Annual Report on Form 10-K and the documents we incorporate by reference in this Annual Report on Form 10-K. Any of the following risks could materially and adversely affect our business, results of operations, liquidity and financial condition.

Current economic conditions and uncertain economic outlook could adversely affect our results of operations and financial condition.

The global economy has recently undergone a period of unprecedented volatility and distress in financial markets, as well as a general slowdown in demand, including in many of the end markets we serve. A prolonged period of economic decline or stagnation could have a material adverse effect on our results of operations and financial condition and exacerbate the other risk factors we have described below. These economic developments affect businesses such as ours in a number of ways. Our global business is adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, capital spending, air travel, industrial production and government procurement. Any economic slowdown results in a decrease in or cancellation of orders for our products and services and negatively impacts the ability of our customers to make timely payments. In addition, the potential for one or more of our customers or suppliers to experience financial distress or bankruptcy is increased. Furthermore, a disparate impact on, or government actions affecting, one of the major economies could produce volatility in the rate of exchange for the U.S. dollar against certain major currencies, adversely affecting our results. We are unable to predict the timing, duration and severity of any further disruptions in financial markets or adverse economic conditions in the U.S. and other countries.

A prolonged downturn in the aerospace and defense, process instrumentation or electric motor businesses could adversely affect our business.

Several of the industries in which we operate are cyclical in nature and therefore are affected by factors beyond our control. A prolonged downturn in the aerospace and defense, process instrumentation or electric motor businesses could have an adverse effect on our business, financial condition and results of operations.

Our growth strategy includes strategic acquisitions. We may not be able to consummate future acquisitions or successfully integrate recent and future acquisitions.

A portion of our growth has been attributed to acquisitions of strategic businesses. Since the beginning of 2005, through December 31, 2009, we have completed 24 acquisitions. We plan to continue making strategic acquisitions to enhance our global market position and broaden our product offerings. Although we have been successful with our acquisition strategies in the past, our ability to successfully effectuate acquisitions will be dependent upon a number of factors, including:

- Our ability to identify acceptable acquisition candidates;

- The impact of increased competition for acquisitions, which may increase acquisition costs and affect our ability to consummate acquisitions on favorable terms and may result in us assuming a greater portion of the seller s liabilities;

- Successfully integrating acquired businesses, including integrating the financial, technological and management processes, procedures and controls of the acquired businesses with those of our existing operations;

Adequate financing for acquisitions being available on terms acceptable to us;

U.S. and foreign competition laws and regulations affecting our ability to make certain acquisitions;

Unexpected losses of key employees, customers and suppliers of acquired businesses;

Mitigating assumed, contingent and unknown liabilities; and

Challenges in managing the increased scope, geographic diversity and complexity of our operations.

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The process of integrating acquired businesses into our existing operations may result in unforeseen operating difficulties and may require additional financial resources and attention from management that would otherwise be available for the ongoing development or expansion of our existing operations. Furthermore, even if successfully integrated, the acquired business may not achieve the results we expected or produce expected benefits in the time frame planned. Failure to continue with our acquisition strategy and the successful integration of acquired businesses could have a material adverse effect on our business, results of operations, liquidity and financial condition.

We may experience unanticipated start-up expenses and production delays in opening new facilities or product line transfers.

Certain of our businesses are relocating or have recently relocated manufacturing operations to low-cost locales. Unanticipated start-up expenses and production delays in opening new facilities or completing product line transfers, as well as possible underutilization of our existing facilities, could result in production inefficiencies, which would adversely affect our business and operations.

Our substantial international sales and operations are subject to customary risks associated with international operations.

International sales for 2009 and 2008 represented 49% and 48% of our consolidated net sales, respectively. As a result of our growth strategy, we anticipate that the percentage of sales outside the United States will increase in the future. International operations are subject to the customary risks of operating in an international environment, including:

- Potential imposition of trade or foreign exchange restrictions;
- Overlap of different tax structures;
- Unexpected changes in regulatory requirements;
- Changes in tariffs and trade barriers;
- Fluctuations in foreign currency exchange rates, including changes in the relative value of currencies in the countries where we operate, subjecting us to exchange rate exposures;
- Restrictions on currency repatriation;
- General economic conditions;
- Unstable political situations;
- Nationalization of assets; and
- Compliance with a wide variety of international and U.S. laws and regulatory requirements.

Our international sales and operations may be adversely impacted by compliance with export laws.

We are required to comply with various import, export, export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons, including in certain cases dealings with or between our employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies and in other circumstances, we may be required to obtain an export license before exporting a controlled item. In addition, failure to comply with any of these regulations could result in civil and criminal, monetary and non-monetary penalties, disruptions to our business, limitations on our ability to import and export products and services and damage to our reputation.

Any inability to hire, train and retain a sufficient number of skilled officers and other employees could impede our ability to compete successfully.

If we cannot hire, train and retain a sufficient number of qualified employees, we may not be able to effectively integrate acquired businesses and realize anticipated performance results from those businesses, manage our expanding international operations and otherwise profitably grow our business. Even if we do hire and retain a sufficient number of employees, the expense necessary to attract and motivate these officers and employees may adversely affect our results of operations.

If we are unable to develop new products on a timely basis, it could adversely affect our business and prospects.

We believe that our future success depends, in part, on our ability to develop, on a timely basis, technologically advanced products that meet or exceed appropriate industry standards. Although we believe we have certain technological and other advantages over our competitors, maintaining such advantages will require us to continue investing in research and development and sales and marketing. There can be no assurance that we will have sufficient resources to make such investments, that we will be able to make the technological advances necessary to maintain such competitive advantages or that we can recover major research and development expenses. We are not currently aware of any emerging standards or new products, which could render our existing products obsolete, although there can be no assurance that this will not occur or that we will be able to develop and successfully market new products.

A shortage of or price increases in our raw materials could increase our operating costs.

We have multiple sources of supplies for our major raw material requirements and we are not dependent on any one supplier; however, certain items, including base metals and certain steel components, are available only from a limited number of suppliers and are subject to commodity market fluctuations. Shortages in raw materials or price increases therefore could affect the prices we charge, our operating costs and our competitive position, which could adversely affect our business, results of operations, liquidity and financial condition.

Certain environmental risks may cause us to be liable for costs associated with hazardous or toxic substance clean-up which may adversely affect our financial condition.

Our businesses, operations and facilities are subject to a number of federal, state, local and foreign environmental and occupational health and safety laws and regulations concerning, among other things, air emissions, discharges to waters and the use, manufacturing, generation, handling, storage, transportation and disposal of hazardous substances and wastes. Environmental risks are inherent in many of our manufacturing operations. Certain laws provide that a current or previous owner or operator of property may be liable for the costs of investigating, removing and remediating hazardous materials at such property, regardless of whether the owner or operator knew of, or was responsible for, the presence of such hazardous materials. In addition, the Comprehensive Environmental Response, Compensation and Liability Act generally imposes joint and several liability for clean-up costs, without regard to fault, on parties contributing hazardous substances to sites designated for clean-up under the Act. We have been named a potentially responsible party at several sites, which are the subject of government-mandated clean-ups. As the result of our ownership and operation of facilities that use, manufacture, store, handle and dispose of various hazardous materials, we may incur substantial costs for investigation, removal, remediation and capital expenditures related to compliance with environmental laws. While it is not possible to precisely quantify the potential financial impact of pending environmental matters, based on our experience to date, we believe that the outcome of these matters is not likely to have a material adverse effect on our financial position or future results of operations. In addition, new laws and regulations, new classification of hazardous materials, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that future environmental liabilities will not occur or that environmental damages due to prior or present practices will not result in future liabilities.

We are subject to numerous governmental regulations, which may be burdensome or lead to significant costs.

Our operations are subject to numerous federal, state, local and foreign governmental laws and regulations. In addition, existing laws and regulations may be revised or reinterpreted and new laws and regulations, including with respect to climate change, may be adopted or become applicable to us or customers for our products. We cannot predict the form any such new laws or regulations will take or the impact any of these laws and regulations will have on our business or operations.

We may be required to defend lawsuits or pay damages in connection with alleged or actual harm caused by our products.

We face an inherent business risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in harm to others or to property. For example, our operations expose us to potential liabilities for personal injury or death as a result of the failure of, for instance, an aircraft component that has been designed, manufactured or serviced by us. We may incur a significant liability if product liability lawsuits against us are successful. While we believe our current general liability and product liability insurance is adequate to protect us from future claims, we cannot assure that coverage will be adequate to cover all claims that may arise. Additionally, we may not be able to maintain insurance coverage in the future at an acceptable cost. Any liability not covered by insurance or for which third-party indemnification is not available could have a material adverse effect on our business, financial condition and results of operations.

We operate in highly competitive industries, which may adversely affect our results of operations or ability to expand our business.

Our markets are highly competitive. We compete, domestically and internationally, with individual producers, as well as with vertically integrated manufacturers, some of which have resources greater than we do. The principal elements of competition for our products are price, product technology, distribution, quality and service. EMG s competition in specialty metal products stems from alternative materials and processes. In the markets served by EIG, although we believe EIG is a market leader, competition is strong and could intensify. In the pressure gauge, aerospace and heavy-vehicle markets served by EIG, a limited number of companies compete on the basis of product quality, performance and innovation. Our competitors may develop new or improve existing products that are superior to our products or may adapt more readily to new technologies or changing requirements of our customers. There can be no assurance that our business will not be adversely affected by increased competition in the markets in which it operates or that our products will be able to compete successfully with those of our competitors.

Our access to sources of liquidity may be limited by market conditions and restrictions in our revolving credit facility and other agreements.

In 2009, the financial markets have experienced a significant liquidity shortfall as a result of diverse conditions that have caused the failure and near failure of a number of large financial services companies. If the availability of funds remains limited, we could incur increased costs associated with renewal of our credit facility and/or other debt instruments. In addition, it is possible that our ability to access the credit market may be limited by these or other factors, at a time when we would like, or need, to do so, which could have an impact on our ability to refinance maturing debt and/or react to changing economic and business conditions. Notwithstanding the foregoing, at this time, we believe that available short-term and long-term capital resources are sufficient to fund our working capital requirements, scheduled debt payments, interest payments, capital expenditures, benefit plan contributions, income tax obligations, dividends to our shareholders, any contemplated acquisitions and share repurchases for the foreseeable future.

We are subject to possible insolvency of financial counterparties.

We engage in numerous financial transactions and contracts including insurance policies, letters of credit, credit facilities, financial derivatives and investment management agreements involving various counterparties. We are subject to the risk that one or more of these counterparties may become insolvent and, therefore, be unable to discharge its obligations under such contracts.

Our goodwill and other intangible assets represent a substantial amount of our total assets and write-off of such substantial goodwill and intangible assets could have a negative impact on our financial condition and results of operations.

Our total assets include substantial amounts of intangible assets, primarily goodwill. At December 31, 2009, goodwill and other intangible assets, net of accumulated amortization, totaled $1,799.2 million or 55% of our total assets. The goodwill results from our acquisitions, representing the excess of cost over the fair value of the net tangible and other identifiable intangible assets we have acquired. At a minimum, we assess annually whether there has been impairment in the value of our intangible assets. If future operating performance at one or more of our business units were to fall significantly below current levels, we could reflect, under current applicable accounting rules, a non-cash charge to operating earnings for goodwill or other intangible asset impairment. Any determination requiring the write-off of a significant portion of goodwill or other intangible assets would negatively affect our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company has 99 operating plant facilities in 22 states and 12 foreign countries. Of these facilities, 50 are owned by the Company and 49 are leased. The properties owned by the Company consist of approximately 640 acres, of which approximately 4.3 million square feet are under roof. Under lease is a total of approximately 1.5 million square feet. The leases expire over a range of years from 2010 to 2082, with renewal options for varying terms contained in many of the leases. Production facilities in China, Taiwan and Japan provide the Company with additional production capacity through the Company s investment in 50% or less owned joint ventures. The Company s executive offices in Paoli, Pennsylvania, occupy approximately 34,000 square feet under a lease that expires in September 2010.

The Company s machinery and equipment, plants and offices are in satisfactory operating condition and are adequate for the uses to which they are put. The operating facilities of the Company by business segment was as follows at December 31, 2009:

	Number of Operating Plant Facilities		Square Feet Under Roof	
	Owned	Leased	Owned	Leased
Electronic Instruments	25	23	1,994,000	788,000
Electromechanical	25	26	2,257,000	685,000
Total	50	49	4,251,000	1,473,000

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Item 3. Legal Proceedings

The Company and/or its subsidiaries have been named as defendants, along with many other companies, in a number of asbestos-related lawsuits. To date, no judgments have been entered against the Company. The Company believes it has strong defenses to the claims and intends to continue to defend itself vigorously in these matters. Other companies are also indemnifying the Company against certain of these claims. To date, these parties have met their obligations in all material respects; however, one of these companies filed for bankruptcy liquidation in 2007.

In August 2009, the Company agreed to a Stipulation and Settlement Agreement with the San Diego Regional Water Quality Control Board regarding the 2008 Notice of Administrative Civil Liability related to a former subsidiary which became a separate company in 1988 and filed for bankruptcy liquidation in 2007, whereby the Company paid and deferred minor penalties, which were covered by previously established reserves. (Also see Environmental Matters in Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 19 to the Consolidated Financial Statements.)

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company s security holders, through the solicitation of proxies or otherwise, during the last quarter of the fiscal year ended December 31, 2009.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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. On January 29, 2010, there were approximately 2,200 holders of record of the Company s common stock.

Market price and dividend information with respect to the Company s common stock is set forth below. Future dividend payments by the Company will be dependent on future earnings, financial requirements, contractual provisions of debt agreements and other relevant factors.

Under its share repurchase program, the Company repurchased approximately 1,263,000 shares of common stock for $57.4 million in 2008 to offset the dilutive effect of shares granted as equity-based compensation. The Company did not repurchase shares in 2009.

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
2009				
Dividends paid per share	**$ 0.06**	**$ 0.06**	**$ 0.06**	**$ 0.06**
Common stock trading range:				
High	**$ 33.36**	**$ 35.78**	**$ 38.63**	**$ 39.79**
Low	**$ 24.54**	**$ 29.42**	**$ 30.25**	**$ 33.26**
2008				
Dividends paid per share	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Common stock trading range:				
High	$ 46.95	$ 53.12	$ 52.50	$ 41.24
Low	$ 37.09	$ 43.80	$ 37.74	$ 27.32

Securities Authorized for Issuance Under Equity Compensation Plan Information

The following table sets forth information as of December 31, 2009 regarding all of the Company s existing compensation plans pursuant to which equity securities are authorized for issuance to employees and nonemployee directors:

	Number of securities to be issued	Weighted average	Number of securities remaining available for future issuance

Plan Category	**upon exercise of outstanding options, warrants and rights (a)**		**exercise price of outstanding options, warrants and rights (b)**	**under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	4,405,521	$	31.56	2,464,592
Equity compensation plans not approved by security holders				
Total	4,405,521	$	31.56	2,464,592

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Stock Performance Graph

The following stock performance graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The following graph and accompanying table compare the cumulative total shareholder return for AMETEK, Inc. over the last five years ended December 31, 2009 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, 2004 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 stock price performance.

	December 31,					
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
AMETEK, Inc.	$ 100.00	$ 119.96	$ 135.49	$ 200.54	$ 130.09	$ 165.84
Russell 1000 Index*	100.00	106.27	122.70	129.78	80.99	104.01
Dow Jones U.S. Electronic Equipment Index*	100.00	107.66	124.17	145.71	85.54	123.00

* Includes AMETEK, Inc.

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Item 6. Selected Financial Data

The following financial information for the five years ended December 31, 2009, has been derived from the Company s consolidated financial statements. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto included elsewhere in this Form 10-K.

	2009	2008	2007	2006	2005
		(In millions, except per share amounts)			
Consolidated Operating Results (Year Ended December 31):					
Net sales	**$ 2,098.4**	$ 2,531.1	$ 2,136.9	$ 1,819.3	$ 1,434.5
Operating income(1)	**$ 366.1**	$ 432.7	$ 386.6	$ 309.0	$ 233.5
Interest expense	**$ (68.8)**	$ (63.7)	$ (46.9)	$ (42.2)	$ (32.9)
Net income(1)	**$ 205.8**	$ 247.0	$ 228.0	$ 181.9	$ 136.4
Earnings per share(1):					
Basic	**$ 1.93**	$ 2.33	$ 2.15	$ 1.74	$ 1.31
Diluted	**$ 1.91**	$ 2.30	$ 2.12	$ 1.71	$ 1.29
Dividends declared and paid per share	**$ 0.24**	$ 0.24	$ 0.24	$ 0.18	$ 0.16
Weighted average common shares outstanding:					
Basic	**106.8**	106.1	105.8	104.8	103.7
Diluted	**107.9**	107.4	107.6	106.6	105.6
Performance Measures and Other Data:					
Operating income Return on sales(1)	**17.4%**	17.1%	18.1%	17.0%	16.3%
Return on average total assets(1)	**11.6%**	14.9%	15.9%	15.8%	14.6%
Net income Return on average total capital(1)(5)	**8.2%**	10.9%	12.0%	11.8%	10.7%
Return on average stockholders equity(1)(5)	**14.4%**	19.5%	20.7%	20.5%	18.5%
EBITDA(1)(2)	**$ 428.0**	$ 489.4	$ 433.9	$ 351.4	$ 269.9
Ratio of EBITDA to interest expense(1)(2)	**6.3x**	7.7x	9.3x	8.3x	8.2x
Depreciation and amortization	**$ 65.5**	$ 63.3	$ 52.7	$ 45.9	$ 39.4
Capital expenditures	**$ 33.1**	$ 44.2	$ 37.6	$ 29.2	$ 23.3
Cash provided by operating activities	**$ 364.7**	$ 247.3	$ 278.5	$ 226.0	$ 155.7
Free cash flow(3)	**$ 331.6**	$ 203.1	$ 240.9	$ 196.8	$ 132.4
Ratio of earnings to fixed charges(6)	**4.8x**	6.1x	7.3x	6.6x	6.2x
Consolidated Financial Position (At December 31):					
Current assets	**$ 969.4**	$ 954.6	$ 952.2	$ 684.1	$ 556.3
Current liabilities	**$ 424.3**	$ 447.5	$ 640.8	$ 480.9	$ 405.8
Property, plant and equipment, net	**$ 310.1**	$ 307.9	$ 293.1	$ 258.0	$ 228.5
Total assets	**$ 3,246.0**	$ 3,055.5	$ 2,745.7	$ 2,130.9	$ 1,780.6
Long-term debt	**$ 955.9**	$ 1,093.2	$ 667.0	$ 518.3	$ 475.3
Total debt	**$ 1,041.7**	$ 1,111.7	$ 903.0	$ 681.9	$ 631.4

Stockholders equity(5)	**$ 1,567.0**	$ 1,287.8	$ 1,240.7	$ 966.7	$ 809.5
Stockholders equity per share(5)	**$ 14.53**	$ 12.07	$ 11.56	$ 9.11	$ 7.66
Total debt as a percentage of capitalization(5)	**39.9%**	46.3%	42.1%	41.4%	43.8%
Net debt as a percentage of capitalization(4)(5)	**33.7%**	44.3%	37.1%	39.6%	42.4%

See Notes to Selected Financial Data on page 20.

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Notes to Selected Financial Data

(1) Amounts for 2005 reflect the retrospective application of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Compensation Stock Compensation Topic 718, (ASC 718) to expense stock options. The adoption of ASC 718 reduced operating income, net income and diluted earnings per share by the following amounts:

Impact of Adopting ASC 718	Reduction of Amounts Originally Reported: Operating Income	Net Income	Diluted Earnings Per Share
	(In millions, except per share amounts)		
2005	$ 5.9	$ 4.3	$ 0.04

(2) 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 consolidated financial statements. Furthermore, EBITDA measures shown for the Company may not be comparable to similarly titled measures used by other companies. The following table presents the reconciliation of net income reported in accordance with U.S. generally accepted accounting principles (GAAP) to EBITDA:

	Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(In millions)				
Net income	**$ 205.8**	$ 247.0	$ 228.0	$ 181.9	$ 136.4
Add (deduct):					
Interest expense	**68.8**	63.7	46.9	42.2	32.9
Interest income	**(1.0)**	(3.9)	(2.1)	(0.4)	(0.7)
Income taxes	**88.9**	119.3	108.4	81.8	61.9
Depreciation	**42.2**	45.8	42.3	38.9	35.0
Amortization	**23.3**	17.5	10.4	7.0	4.4
Total adjustments	**222.2**	242.4	205.9	169.5	133.5
EBITDA	**$ 428.0**	$ 489.4	$ 433.9	$ 351.4	$ 269.9

(3) 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 2 above). The following table presents the reconciliation of

cash flow from operating activities reported in accordance with U.S. GAAP to free cash flow:

	Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
			(In millions)		
Cash provided by operating activities	**$ 364.7**	$ 247.3	$ 278.5	$ 226.0	$ 155.7
Deduct: Capital expenditures	**(33.1)**	(44.2)	(37.6)	(29.2)	(23.3)
Free cash flow	**$ 331.6**	$ 203.1	$ 240.9	$ 196.8	$ 132.4

(4) Net debt represents total debt minus cash and cash equivalents. Net debt is presented because the Company is aware that it is used by securities analysts, investors and other parties in evaluating the Company. (Also see note 2 above). The following table presents the reconciliation of total debt in accordance with U.S. GAAP to net debt:

	Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
			(In millions)		
Total debt	**$ 1,041.7**	$ 1,111.7	$ 903.0	$ 681.9	$ 631.4
Less: Cash and cash equivalents	**(246.4)**	(87.0)	(170.1)	(49.1)	(35.5)
Net debt	**795.3**	1,024.7	732.9	632.8	595.9
Stockholders equity	**1,567.0**	1,287.8	1,240.7	966.7	809.5
Capitalization (net debt plus stockholders equity)	**$ 2,362.3**	$ 2,312.5	$ 1,973.6	$ 1,599.5	$ 1,405.4
Net debt as a percentage of capitalization	**33.7%**	44.3%	37.1%	39.6%	42.4%

(5) The adoption of certain provisions in FASB ASC Compensation Retirement Benefits Topic 715, for our defined benefit pension plans, which were effective December 31, 2006, resulted in a reduction of $32.7 million to stockholders equity. The adoption of provisions in FASB ASC Income Taxes Topic 740, as of January 1, 2007, resulted in a $5.9 million charge to the opening balance of stockholders equity.

(6) Penalties and interest accrued related to unrecognized tax benefits are recognized in income tax expense. Refer to Exhibit 12 for the calculation of the ratio of earnings to fixed charges.

Item 7. 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. In this report, the Company discloses important factors that could cause actual results to differ materially from management s expectations. For more information on these and other factors, see Forward-Looking Information herein.

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with Item 1A. Risk Factors, Item 6. Selected Financial Data and the consolidated financial statements and related notes included elsewhere in this Form 10-K.

Business Overview

As a global 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. Beginning in the fourth quarter of 2008 and throughout most of 2009, the Company experienced lower order rates as a result of the global economic recession. However, order rates stabilized in the third quarter of 2009 and began to increase in the fourth quarter of 2009. In 2009, the Company posted solid sales, operating income, net income and diluted earnings per share given the global economic recession. The impact of contributions from recent acquisitions combined with successful Operational Excellence initiatives had a positive impact on 2009 results. The Company also benefited from 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 2009 were:

During 2009, the Company completed the following acquisitions:

In January 2009, the Company acquired High Standard Aviation. High Standard Aviation is a provider of electrical and electromechanical, hydraulic and pneumatic repair services to the aerospace industry.

In September 2009, the Company completed a small acquisition of two businesses in India, Unispec Marketing Pvt. Ltd. and Thelsha Technical Services Pvt. Ltd. This acquisition provides the Company with an established sales, distribution and service network in India serving the quality control and analytical instrumentation market.

In December 2009, the Company acquired Ameron Global, a manufacturer of highly engineered pressurized gas components and systems for commercial and aerospace customers. Ameron Global is also a leader in maintenance, repair and overhaul of fire suppression and oxygen supply systems

The Company continues to maintain a strong international sales presence. International sales, including U.S. export sales, were $1,031.7 million or 49.2% of consolidated sales in 2009, compared with $1,225.5 million or 48.4% of consolidated sales in 2008.

The Company continued its emphasis on investment in research, development and engineering, spending $101.4 million in 2009 before customer reimbursement of $5.5 million. Sales from products introduced in the last three years were $394.0 million or 18.8% of sales.

In 2009, the Company paid in full a 40 million British pound ($62.0 million) borrowing under the revolving credit facility in the second quarter and a 10.5 million British pound ($16.9 million) floating-rate term note in the fourth quarter.

As a result of the 2009 and 2008 Operational Excellence initiatives, which included initiatives associated with the 2008 year end restructuring, the Company achieved $135 million in cost savings in 2009. The 2008 year end restructuring included pre-tax charges totaling $40.0 million, which had the effect of reducing net income by $27.3 million ($0.25 per diluted share). These charges include restructuring costs for employee reductions and facility closures ($32.6 million), as well as asset write-downs ($7.4 million).

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Results of Operations

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

	Year Ended December 31,		
	2009	**2008**	**2007**
		(In thousands)	
Net sales(1):			
Electronic Instruments	**$ 1,146,578**	$ 1,402,653	$ 1,199,757
Electromechanical	**951,777**	1,128,482	937,093
Consolidated net sales	**$ 2,098,355**	$ 2,531,135	$ 2,136,850
Operating income and income before income taxes:			
Segment operating income(2):			
Electronic Instruments	**$ 232,875**	$ 306,764	$ 260,338
Electromechanical	**166,582**	175,181	167,166
Total segment operating income	**399,457**	481,945	427,504
Corporate administrative and other expenses	**(33,407)**	(49,291)	(40,930)
Consolidated operating income	**366,050**	432,654	386,574
Interest and other expenses, net	**(71,417)**	(66,438)	(50,130)
Consolidated income before income taxes	**$ 294,633**	$ 366,216	$ 336,444

(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.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Results of Operations

In 2009, the Company posted solid sales, operating income, net income, diluted earnings per share and cash flow given the global economic recession. The Company s results include contributions from acquisitions completed in 2009 and the acquisitions of Motion Control Group (MCG), Drake Air (Drake) and Newage Testing Instruments in February 2008, Reading Alloys in April 2008, Vision Research, Inc. in June 2008, the programmable power business of Xantrex Technology, Inc. (Xantrex Programmable) in August 2008 and Muirhead Aerospace Limited (Muirhead) in November 2008. The Company believes the impact of the global economic recession stabilized in the third quarter of 2009, with increased operating results in the fourth quarter of 2009 in most of its markets when compared to the previous quarters of 2009, and expects operating results in 2010 to show further moderate improvement. The full year impact of the 2009 acquisitions and our Operational Excellence capabilities should have a positive impact on our 2010 results.

Net sales for 2009 were $2,098.4 million, a decrease of $432.7 million or 17.1% when compared with net sales of $2,531.1 million in 2008. Net sales for Electronic Instruments Group (EIG) were $1,146.6 million in 2009, a decrease of 18.3% from sales of $1,402.7 million in 2008. Net sales for Electromechanical Group (EMG) were $951.8 million in 2009, a decrease of 15.7% from sales of $1,128.5 million in 2008. The decline in net sales was primarily attributable to lower order rates as a result of the global economic recession, partially offset by the impact of the acquisitions mentioned above. The Company s internal sales declined approximately 21% in 2009, which excludes a 2% unfavorable effect of foreign currency translation. The acquisitions mentioned above offset approximately 6% of the Company s internal sales decline.

Total international sales for 2009 were $1,031.7 million or 49.2% of consolidated net sales, a decrease of $193.8 million or 15.8% when compared with international sales of $1,225.5 million or 48.4% of consolidated net sales in 2008. The decline in international sales resulted from decreased international sales from base businesses of

$272.5 million, which includes the effect of foreign currency translation, partially offset by the impact of the acquisitions completed in 2009 and 2008. The Company maintains a strong international sales presence in Europe and Asia by both reportable segments. Export shipments from the United States, which are included in total international sales, were $400.6 million in 2009, a decrease of $77.9 million or 16.3% compared with $478.5 million in 2008. Export shipments declined primarily due to decreased exports from the base businesses, partially offset by the acquisitions noted above.

New orders for 2009 were $2,028.1 million, a decrease of $533.4 million or 20.8% when compared with $2,561.5 million in 2008. Throughout most of 2009, the Company experienced lower order rates as a result of the global economic recession. However, order rates stabilized in the third quarter of 2009 and began to increase in the fourth quarter of 2009. As a result, the Company s backlog of unfilled orders at December 31, 2009 was $648.4 million, a decrease of $70.2 million or 9.8% when compared with $718.6 million at December 31, 2008.

Segment operating income for 2009 was $399.5 million, a decrease of $82.4 million or 17.1% when compared with segment operating income of $481.9 million in 2008. Segment operating income, as a percentage of sales, was 19.0% in both 2009 and 2008. The decrease in segment operating income resulted primarily from the decrease in sales noted above and higher defined benefit pension expense, partially offset by profit contributions made by the acquisitions and cost reduction initiatives, including $135 million of cost savings achieved in 2009 primarily from the restructuring activities related to the fourth quarter of 2008 restructuring charges. As a result of defined benefit pension plan contributions in 2009 and 2008, as well as overall stock market performance in 2009, the Company expects defined benefit pension expense to be lower in 2010.

Selling, general and administrative (SG&A) expenses for 2009 were $254.1 million, a decrease of $68.5 million or 21.2% when compared with $322.6 million in 2008. As a percentage of sales, SG&A expenses were 12.1% for 2009, compared with 12.7% in 2008. The decrease in SG&A expenses was primarily the result of lower sales and the Company s cost savings initiatives. Additionally, 2008 SG&A expenses includes both a $7.1 million charge, recorded in corporate administrative expenses, related to the accelerated vesting of an April 2005 restricted stock grant in the second quarter of 2008 and $7.1 million of SG&A expense related to fourth quarter of 2008 restructuring charges and asset write-downs. Base business selling expenses decreased approximately 22%, which was in line with the Company s 2009 sales decline. Selling expenses, as a percentage of sales, decreased to 10.5% for 2009, compared with 10.8% in 2008 due to the previously mentioned cost savings initiatives.

Corporate administrative expenses for 2009 were $33.2 million, a decrease of $16.0 million or 32.5% when compared with $49.2 million in 2008. As a percentage of sales, corporate administrative expenses were 1.6% for 2009, compared with 1.9% in 2008. The decrease in corporate administrative expenses was driven by the equity-based compensation associated with the accelerated vesting of restricted stock in the second quarter of 2008, lower short-term incentive compensation in 2009 and the Company s cost saving initiatives, including the restructuring activities, noted above.

Consolidated operating income was $366.1 million or 17.4% of sales for 2009, a decrease of $66.6 million or 15.4% when compared with $432.7 million or 17.1% of sales in 2008.

Interest expense was $68.8 million for 2009, an increase of $5.1 million or 8.0% when compared with $63.7 million in 2008. The increase was due to the full-year impact of the funding of the long-term private placement senior notes in the third and fourth quarters of 2008, partially offset by the repayment of 40 million British-pound-denominated debt under the revolver in the second quarter of 2009.

The effective tax rate for 2009 was 30.2% compared with 32.6% in 2008. The lower effective tax rate for 2009 primarily reflects the impact of settlements of income tax examinations and benefits obtained from state and international income tax planning initiatives. The higher effective tax rate for 2008 primarily reflects an increase in state and foreign income taxes and the impact of accelerated vesting of non-deductible restricted stock amortization, offset by the impact of settlements of various income tax issues with U.S. taxing authorities and a favorable agreement in the United Kingdom related to deductible interest expense for which previously unrecognized tax benefits were recognized. See Note 13 of the notes to consolidated financial statements included in this Form 10-K for further details.

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Net income for 2009 was $205.8 million, a decrease of $41.2 million or 16.7% when compared with $247.0 million in 2008. Diluted earnings per share for 2009 was $1.91, a decrease of $0.39 or 17.0% when compared with $2.30 per diluted share in 2008. Diluted earnings per share for 2008 includes the impact of the fourth quarter of 2008 restructuring charges and asset write-downs, which negatively impacted earnings by $0.25 per diluted share.

Segment Results

EIG s sales totaled $1,146.6 million for 2009, a decrease of $256.1 million or 18.3% when compared with $1,402.7 million in 2008. The sales decrease was due to an internal sales decline of approximately 20%, excluding an unfavorable 2% effect of foreign currency translation, driven primarily by EIG s process and industrial products businesses. Partially offsetting the sales decrease was the 2008 acquisitions of Vision Research, Inc. and Xantrex Programmable.

EIG s operating income was $232.9 million for 2009, a decrease of $73.9 million or 24.1% when compared with $306.8 million in 2008. EIG s operating margins were 20.3% of sales for 2009 compared with 21.9% of sales in 2008. The decrease in segment operating income and operating margins was driven by the decrease in sales noted above, predominantly by weakness in the aerospace aftermarket, process and industrial businesses and higher defined benefit pension expense, which was partially offset by the cost savings achieved from the restructuring activities related to the fourth quarter of 2008 restructuring charges. The fourth quarter of 2008 restructuring charges and asset write-downs of $20.4 million had a negative impact on EIG s operating margins of 140 basis points.

EMG s sales totaled $951.8 million for 2009, a decrease of $176.7 million or 15.7% from $1,128.5 million in 2008. The sales decrease was due to an internal sales decline of approximately 21%, excluding an unfavorable 3% effect of foreign currency translation, driven primarily by the engineered materials, interconnects and packaging products (EMIP) and cost driven motors businesses. Partially offsetting the sales decrease was the 2009 acquisition of High Standard Aviation and the 2008 acquisitions of Drake, MCG, Reading Alloys and Muirhead.

EMG s operating income was $166.6 million for 2009, a decrease of $8.6 million or 4.9% when compared with $175.2 million in 2008. EMG s decrease in operating income was driven by the decrease in sales noted above, predominantly by weakness in the EMIP businesses, which was partially offset by profit contributions made by the acquisitions mentioned above and the fourth quarter of 2008 restructuring charges and asset write-downs of $19.4 million. EMG s operating margins were 17.5% of sales for 2009 compared with 15.5% of sales in 2008. The increase in operating margins was primarily driven by Operational Excellence capabilities and cost reduction initiatives throughout the Group, including the cost savings achieved from the restructuring activities related to the fourth quarter of 2008 restructuring charges and asset write-downs. The fourth quarter of 2008 restructuring charges and asset write-downs of $19.4 million had a negative impact on operating margins of 170 basis points.

Fourth Quarter Results

Net sales for the fourth quarter of 2009 were $523.5 million, a decrease of $100.2 million or 16.1% when compared with net sales of $623.7 million for the fourth quarter of 2008. Net sales for EIG were $286.0 million in 2009, a decrease of 20.9% from sales of $361.6 million in 2008. Net sales for EMG were $237.5 million in 2009, a decrease of 9.4% from sales of $262.1 million in 2008. The Company s internal sales decline was approximately 20%, which excludes a 2% favorable effect of foreign currency translation. The acquisitions mentioned above offset approximately 2% of the Company s internal sales decline.

The three months ended December 31, 2008 results include pre-tax charges totaling $40.0 million, which had the effect of reducing net income by $27.3 million ($0.25 per diluted share). These charges include restructuring costs for employee reductions and facility closures ($32.6 million), as well as asset write-downs ($7.4 million). Of the

$40.0 million in charges, $32.9 million of the restructuring charges and asset write-downs were recorded in cost of sales and $7.1 million of the restructuring charges and asset write-downs were recorded in SG&A expenses. The restructuring charges and asset write-downs were reported in segment operating income as follows: $20.4 million in EIG, $19.4 million in EMG and $0.2 million in Corporate administrative and other expenses. The restructuring costs for employee reductions and facility closures relate to plans established by the Company as part of cost reduction initiatives that were broadly implemented across the Company s various businesses during fiscal 2009. The restructuring costs include the consolidation of manufacturing facilities, the migration of production to low cost locales and a general reduction in workforce in response to lower levels of expected sales volumes in certain of the Company s businesses. The Company recorded pre-tax charges of $30.1 million for severance costs for more than 10% of the Company s workforce. The Company also recorded pre-tax charges of $1.5 million for lease termination costs associated with the closure of certain facilities in 2009. See Note 5 of the notes to consolidated financial statements included in this Form 10-K for further details.

Net income for the fourth quarter of 2009 was $51.9 million, an increase of $8.1 million or 18.5% when compared with $43.8 million for the fourth quarter of 2008. Diluted earnings per share in the fourth quarter of 2009 was $0.48, an increase of $0.07 or 17.1% when compared with $0.41 per diluted share in the fourth quarter of 2008. Diluted earnings per share includes the impact of the fourth quarter of 2008 restructuring charges and asset write-downs, which negatively impacted earnings by $0.25 per diluted share.

Year Ended December 31, 2008 Compared with Year Ended December 31, 2007

Results of Operations

In 2008, the Company posted record sales, operating income, net income and diluted earnings per share. The Company achieved these results from contributions from acquisitions completed in 2008 and 2007, as well as internal growth in both EIG and EMG. Operating income increased, driven by the record sales and a continued focus on cost reduction programs under our Operational Excellence initiatives.

Net sales for 2008 were $2,531.1 million, an increase of $394.2 million or 18.4% when compared with net sales of $2,136.9 million in 2007. Net sales for EIG were $1,402.7 million in 2008, an increase of 16.9% from sales of $1,199.8 million in 2007. Net sales for EMG were $1,128.5 million in 2008, an increase of 20.4% from sales of $937.1 million in 2007. The Company s internal sales growth was approximately 4% in 2008, which excludes a 1% favorable effect of foreign currency translation, driven by strength in its differentiated businesses. The acquisitions mentioned above contributed the remainder of the net sales increase.

Total international sales for 2008 were $1,225.5 million or 48.4% of consolidated net sales, an increase of $171.8 million or 16.3% when compared with international sales of $1,053.7 million or 49.3% of consolidated net sales in 2007. The increase in international sales resulted from increased international sales from base businesses of $29.3 million or 17.0% of the increase, which includes the effect of foreign currency translation, as well as the acquisitions completed in 2008 and 2007, most notably Cameca SAS (Cameca), the Repair & Overhaul Division of Umeco plc (Umeco R&O), Reading Alloys, California Instruments Corporation (California Instruments) and Vision Research. Increased international sales came primarily from sales to Europe and Asia by both reportable segments. Export shipments from the United States, which are included in total international sales, were $478.5 million in 2008, an increase of $84.1 million or 21.3% compared with $394.4 million in 2007. Export shipments improved primarily due to increased exports from the base businesses and the acquisitions noted above.

New orders for 2008 were a record at $2,561.5 million, an increase of $273.2 million or 11.9% when compared with $2,288.3 million in 2007. The increase in new orders was primarily due to the recent acquisitions noted above. As a result, the Company s backlog of unfilled orders at December 31, 2008 was $718.6 million, an increase of $30.4 million or 4.4% when compared with $688.2 million at December 31, 2007. The increase in backlog was primarily due to the acquired backlog of the recent acquisitions noted above.

The year ended December 31, 2008 results include fourth quarter pre-tax charges totaling $40.0 million, which had the effect of reducing net income by $27.3 million ($0.25 per diluted share). These charges include restructuring costs for employee reductions and facility closures ($32.6 million), as well as asset write-downs ($7.4 million). Of the $40.0 million in charges, $32.9 million of the restructuring charges and asset write-downs were recorded in cost of sales and $7.1 million of the restructuring charges and asset write-downs were recorded in SG&A expenses. The restructuring charges and asset write-downs were reported in segment operating income as follows: $20.4 million in EIG, $19.4 million in EMG and $0.2 million in Corporate administrative and other expenses. The restructuring costs for employee reductions and facility closures relate to plans established by the Company as part of cost reduction initiatives that were broadly implemented across the Company s various businesses during fiscal 2009.

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The restructuring costs include the consolidation of manufacturing facilities, the migration of production to low cost locales and a general reduction in workforce in response to lower levels of expected sales volumes in certain of the Company s businesses. The Company recorded pre-tax charges of $30.1 million for severance costs for more than 10% of the Company s workforce. The Company also recorded pre-tax charges of $1.5 million for lease termination costs associated with the closure of certain facilities in 2009.

Segment operating income for 2008 was $481.9 million, an increase of $54.4 million or 12.7% when compared with segment operating income of $427.5 million in 2007. Segment operating income, as a percentage of sales, decreased to 19.0% for 2008 from 20.0% in 2007. The increase in segment operating income resulted primarily from strength in the Company s differentiated businesses and profit contributions made by the acquisitions, partially offset by the fourth quarter pre-tax restructuring charges and asset write-downs described above. The decrease in segment operating margins resulted primarily from the restructuring charges and asset write-downs, which negatively impacted segment operating margins by 160 basis points.

SG&A expenses for 2008 were $322.6 million, an increase of $59.1 million or 22.4% when compared with $263.5 million in 2007. As a percentage of sales, SG&A expenses were 12.7% for 2008, compared with 12.3% in 2007. The increase in SG&A expenses was the result of higher sales, as well as a $7.1 million charge representing a 0.3% increase in SG&A expenses recorded in corporate administrative expenses related to the accelerated vesting of an April 2005 restricted stock grant in the second quarter of 2008 and $7.1 million of SG&A expense related to the fourth quarter of 2008 restructuring charges and asset write-downs described above. Additionally, 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 approximately 7.9%. Excluding the impact of the fourth quarter restructuring charges and asset write-downs on selling expense of $6.9 million, a 3.2% impact, and foreign currency translation, the increase in 2008 base business selling expenses was in line with internal sales growth. Selling expenses, as a percentage of sales, increased to 10.8% for 2008, compared with 10.4% in 2007.

Corporate administrative expenses for 2008 were $49.2 million, an increase of $8.4 million or 20.6% when compared with $40.8 million in 2007. As a percentage of sales, corporate administrative expenses were 1.9%, in both 2008 and 2007. The increase in corporate administrative expenses was primarily the result of equity-based compensation associated with the accelerated vesting of restricted stock in the second quarter of 2008, noted above, as well as other expenses necessary to grow the Company, partially offset by equity-based compensation associated with the accelerated vesting of restricted stock in the first and third quarters of 2007.

Consolidated operating income was $432.7 million or 17.1% of sales for 2008, an increase of $46.1 million or 11.9% when compared with $386.6 million or 18.1% of sales in 2007.

Interest expense was $63.7 million for 2008, an increase of $16.8 million or 35.8% when compared with $46.9 million in 2007. The increase was due to the impact of the funding of the private placement senior notes in the fourth quarter of 2007 and the third and fourth quarters of 2008, higher average borrowings to fund the recent acquisitions and the repurchase of 1.3 million shares of the Company s common stock in 2008.

The effective tax rate for 2008 was 32.6% compared with 32.2% in 2007. The higher effective tax rate for 2008 primarily reflects an increase in state and foreign income taxes and the impact of accelerated vesting of non-deductible restricted stock amortization, offset by the impact of settlements of various income tax issues with U.S. taxing authorities and a favorable agreement in the United Kingdom related to deductible interest expense for which previously unrecognized tax benefits were recognized. The lower effective tax rate in 2007 primarily reflects an enacted decrease in certain foreign corporate tax rates in the second half of 2007, partially offset by the elimination of the Foreign Sales Corporation/Extraterritorial Income (FSC/ETI) tax benefit.

Net income for 2008 was $247.0 million, an increase of $19.0 million or 8.3% when compared with $228.0 million in 2007. Diluted earnings per share for 2008 was $2.30, an increase of $0.18 or 8.5% when compared with $2.12 per diluted share in 2007. Diluted earnings per share for 2008 includes the impact of the fourth quarter of 2008 restructuring charges and asset write-downs, which negatively impacted earnings by $0.25 per diluted share.

Segment Results

EIG s sales totaled $1,402.7 million for 2008, an increase of $202.9 million or 16.9% when compared with $1,199.8 million in 2007. The sales increase was due to internal growth of approximately 5%, excluding a favorable 1% effect of foreign currency translation, driven primarily by EIG s aerospace, power, and process and analytical instrument businesses. The acquisitions of Advanced Industries, Inc., B&S Aircraft Parts and Accessories, Cameca, California Instruments, Vision Research, Inc. and Xantrex Programmable accounted for the remainder of the sales increase.

EIG s operating income was $306.8 million for 2008, an increase of $46.5 million or 17.9% when compared with $260.3 million in 2007. The increases in segment operating income were due to the contribution from the higher sales by EIG s aerospace, power and process and analytical businesses, which includes the acquisitions mentioned above, partially offset by the fourth quarter of 2008 restructuring charges and asset write-downs of $20.4 million. EIG s operating margins were 21.9% of sales for 2008 compared with 21.7% of sales in 2007. The increase in operating margins was driven by operational excellence initiatives throughout the group. The fourth quarter of 2008 restructuring charges and asset write-downs had a negative impact on EIG s operating margins of 140 basis points.

EMG s sales totaled $1,128.5 million for 2008, an increase of $191.4 million or 20.4% from $937.1 million in 2007. The sales increase was due to internal growth of approximately 2%, excluding a favorable 1% effect of foreign currency translation, driven primarily by EMG s differentiated businesses. The acquisitions of Seacon Phoenix, subsequently renamed AMETEK SCP, Inc., Hamilton Precision Metals, Umeco R&O, Drake Air, MCG, Reading Alloys and Muirhead accounted for the remainder of the sales increase.

EMG s operating income was $175.2 million for 2008, an increase of $8.0 million or 4.8% when compared with $167.2 million in 2007. EMG s increase in operating income was primarily due to higher sales from the group s differentiated businesses, which include the acquisitions mentioned above, partially offset by the fourth quarter of 2008 restructuring charges and asset write-downs of $19.4 million. EMG s operating margins were 15.5% of sales for 2008 compared with 17.8% of sales in 2007. The decrease in operating margins was primarily driven by the fourth quarter of 2008 restructuring charges and asset write-downs, which had a negative impact on operating margins of 170 basis points. The remainder of the decrease was the dilutive impact of recent acquisitions.

Fourth Quarter Results

Net sales for the fourth quarter of 2008 were $623.7 million, an increase of $40.4 million or 6.9% when compared with net sales of $583.3 million for the fourth quarter of 2007. Net sales for EIG were $361.6 million in 2008, an increase of 7.6% from sales of $336.1 million in 2007. Net sales for EMG were $262.1 million in 2008, an increase of 6.1% from sales of $247.1 million in 2007. The Company s internal sales growth was approximately negative 2%, which excludes a 4% unfavorable effect of foreign currency translation. The acquisitions mentioned above made up the net sales increase.

The three months ended December 31, 2008 results include pre-tax charges totaling $40.0 million, which had the effect of reducing net income by $27.3 million ($0.25 per diluted share). These charges include restructuring costs for employee reductions and facility closures ($32.6 million), as well as asset write-downs ($7.4 million). Of the $40.0 million in charges, $32.9 million of the restructuring charges and asset write-downs were recorded in cost of sales and $7.1 million of the restructuring charges and asset write-downs were recorded in SG&A expenses. The restructuring charges and asset write-downs were reported in segment operating income as follows: $20.4 million in EIG, $19.4 million in EMG and $0.2 million in Corporate administrative and other expenses. The restructuring costs for employee reductions and facility closures relate to plans established by the Company as part of cost reduction initiatives that were broadly implemented across the Company s various businesses during fiscal 2009. The restructuring costs include the consolidation of manufacturing facilities, the migration of production to low cost locales and a general reduction in workforce in response to lower levels of expected sales volumes in certain of the Company s businesses. The Company recorded pre-tax charges of $30.1 million for severance costs for more than 10% of the Company s workforce. The Company also recorded pre-tax charges of $1.5 million for lease termination costs associated with the closure of certain facilities in 2009.

Net income for the fourth quarter of 2008 was $43.8 million, a decrease of $18.1 million or 29.2% when compared with $61.9 million for the fourth quarter of 2007. Diluted earnings per share in the fourth quarter of 2008 was $0.41, a decrease of $0.16 or 28.1% when compared with $0.57 per diluted share in the fourth quarter of 2007. Diluted earnings per share includes the impact of the fourth quarter of 2008 restructuring charges and asset write-downs, which negatively impacted earnings by $0.25 per diluted share.

Liquidity and Capital Resources

Cash provided by operating activities totaled $364.7 million in 2009, an increase of $117.4 million or 47.5% when compared with $247.3 million in 2008. The increase in operating cash flow was primarily the result of lower overall operating working capital levels, which includes the impact of a tax refund received in 2009 that resulted from the Company s higher year end 2008 defined benefit pension contributions and $21.1 million in defined benefit pension contributions paid in 2009, compared with $79.9 million in defined benefit pension contributions paid in 2008. As a result of the 2009 and 2008 defined benefit pension plan contributions, as well as overall stock market performance in 2009, the Company s overall defined benefit pension plans were over funded at December 31, 2009. The increase in cash provided by lower overall operating working capital was partially offset by the $41.2 million decrease in net income. Free cash flow (operating cash flow less capital spending) was $331.6 million in 2009, compared to $203.1 million in 2008. EBITDA (earnings before interest, income taxes, depreciation and amortization) was $428.0 million in 2009, compared with $489.4 million in 2008, which includes the fourth quarter of 2008 pre-tax restructuring charges and asset write-downs of $40.0 million. Free cash flow and EBITDA are presented because the Company is aware that they are measures used by third parties in evaluating the Company. (See the Notes to Selected Financial Data included in Item 6 for a reconciliation of U.S. generally accepted accounting principles (GAAP) measures to comparable non-GAAP measures).

Cash used for investing activities totaled $106.3 million in 2009, compared with $496.6 million in 2008. In 2009, the Company paid $72.9 million for three business acquisitions, net of cash received, compared with $463.0 million paid for six business acquisitions and one technology line acquisition, net of cash received, in 2008. Additions to property, plant and equipment totaled $33.1 million in 2009, compared with $44.2 million in 2008.

Cash used for financing activities totaled $102.5 million in 2009, compared with $173.5 million of cash provided by financing activities in 2008. In 2009, net total borrowings decreased by $92.4 million, compared with a net total borrowings increase of $266.9 million in 2008. Short-term borrowings decreased $13.0 million in 2009, compared with an increase of $69.7 million in 2008. Long-term borrowings decreased $79.4 million in 2009, compared to an increase of $197.2 million in 2008.

During the second quarter of 2009, the Company paid in full a 40 million British pound ($62.0 million) borrowing under the revolving credit facility. During the fourth quarter of 2009, the Company paid in full a 10.5 million British pound ($16.9 million) floating-rate term note.

In May 2009, the Company chose not to renew its $100 million accounts receivable securitization facility. There were no borrowings under this facility at December 31, 2008.

In July 2008, the Company paid in full the $225 million 7.20% senior notes due July 2008 using the proceeds from borrowings under its existing revolving credit facility.

The second funding of the third quarter of 2007 private placement agreement to sell $450 million occurred in July 2008 for $80 million in aggregate principal amount of 6.35% senior notes due July 2018. The 2007 private placement carries a weighted average interest rate of 6.25%. The proceeds from the second funding of the notes were used to pay down a portion of the borrowings outstanding under the Company s revolving credit facility.

In the third quarter of 2008, the Company completed a private placement agreement to sell $350 million in senior notes to a group of institutional investors. There were two funding dates for the senior notes. The first funding occurred in September 2008 for $250 million, consisting of $90 million in aggregate principal amount of 6.59% senior notes due September 2015 and $160 million in aggregate principal amount of 7.08% senior notes due September 2018. The second funding date occurred in December 2008 for $100 million, consisting of $35 million in aggregate principal amount of 6.69% senior notes due December 2015 and $65 million in aggregate principal amount of 7.18% senior notes due December 2018. The senior notes carry a weighted average interest rate

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of 6.93%. The senior notes are subject to certain customary covenants, including financial covenants that, among other things, require the Company to maintain certain debt-to-EBITDA and interest coverage ratios. The proceeds from the senior notes were used to pay down a portion of the borrowings outstanding under the Company s revolving credit facility.

The Company s revolving credit facility s total borrowing capacity is $550 million, which includes an accordion feature that permits the Company to request up to an additional $100 million in revolving credit commitments at any time during the life of the revolving credit agreement under certain conditions. The term of the facility is June 2012. At December 31, 2009, the Company had $532.2 million available under its revolving credit facility, including the $100 million accordion feature. At December 31, 2009, no amounts were drawn under the revolving credit facility.

At December 31, 2009, total debt outstanding was $1,041.7 million, compared with $1,111.7 million at December 31, 2008, with no significant maturities until 2012. The debt-to-capital ratio was 39.9% at December 31, 2009, compared with 46.3% at December 31, 2008. The net debt-to-capital ratio (total debt less cash and cash equivalents divided by the sum of net debt and stockholders equity) was 33.7% at December 31, 2009, compared with 44.3% at December 31, 2008. The net debt-to-capital ratio is presented because the Company is aware that this measure is used by third parties in evaluating the Company. (See the Notes to Selected Financial Data included in Item 6 for a reconciliation of U.S. GAAP measures to comparable non-GAAP measures).

Additional financing activities for 2009 include the receipt of net cash proceeds from the exercise of employee stock options of $11.6 million compared with $7.5 million in 2008. Cash dividends paid were $25.6 million in 2009, compared with $25.7 million in 2008. In 2008, the Company repaid $21.4 million in life insurance policy loans.

Repurchases of 1.3 million shares of the Company s common stock in 2008 totaled $57.4 million. No shares were repurchased in 2009. At December 31, 2009, $68.5 million was available under the current Board authorization for future share repurchases. On January 28, 2010, the Board of Directors authorized an increase of $75 million in the authorization for the repurchase of its common stock. This increase was added to the $68.5 million that remained available from existing authorizations approved in 2008, for a total of $143.5 million available for repurchases of the Company s common stock. Subsequent to December 31, 2009, the Company repurchased 1,128,200 shares of its common stock for approximately $41.8 million. The remaining balance available for repurchases of the Company s common stock is $101.7 million as of the filing of this report.

As a result of all of the Company s cash flow activities in 2009, cash and cash equivalents at December 31, 2009 totaled $246.4 million, compared with $87.0 million at December 31, 2008. Additionally, the Company is in compliance with all of its debt covenants, which includes its financial covenants, for all of its debt agreements. The Company believes it has sufficient cash-generating capabilities from domestic and unrestricted foreign sources, available credit facilities and access to long-term capital funds to enable it to meet its operating needs and contractual obligations in the foreseeable future.

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The following table summarizes AMETEK s contractual cash obligations and the effect such obligations are expected to have on the Company s liquidity and cash flows in future years at December 31, 2009.

Contractual Obligations(4)	Total	Payments Due Less Than One Year	One to Three Years	Four to Five Years	After Five Years
			(In millions)		
Long-term debt(1)	$ 1,017.1	$ 80.8	$	$	$ 936.3
Capital lease(2)	13.9	0.9	1.8	1.8	9.4
Other indebtedness	10.7	4.1	3.7	2.4	0.5
Total debt	1,041.7	85.8	5.5	4.2	946.2
Interest on long-term fixed-rate debt	479.9	63.6	119.7	119.5	177.1
Noncancellable operating leases	76.0	16.3	20.5	11.2	28.0
Purchase obligations(3)	161.9	148.3	13.4	0.2	
Employee severance and other	23.1	23.1			
Total	$ 1,782.6	$ 337.1	$ 159.1	$ 135.1	$ 1,151.3

(1) Includes the $450 million private placement completed in 2007 and the $350 million private placement completed in 2008.

(2) Represents a capital lease for a building and land associated with the Cameca acquisition. The lease has a term of twelve years, which began July 2006, and is payable quarterly.

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

(4) The liability for uncertain tax positions was not included in the table of contractual obligations as of December 31, 2009 because the timing of the settlements of these uncertain tax positions cannot be reasonably estimated at this time. See Note 13 to the consolidated financial statements for further details.

Other Commitments

The Company has standby letters of credit and surety bonds of $20.4 million related to performance and payment guarantees at December 31, 2009. Based on experience with these arrangements, the Company believes that any obligations that may arise will not be material to its financial position.

The Company may, from time to time, repurchase its long-term debt in privately negotiated transactions, depending upon availability, market conditions and other factors.

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 to the consolidated financial statements.

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, the Company recognizes 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. The Company has 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. Accruals for sales returns, other allowances and estimated warranty costs are provided at the time revenue is recognized based upon past experience. At December 31, 2009, 2008 and 2007, the accrual for future warranty obligations was $16.0 million, $16.1 million and $14.4 million, respectively. The Company s expense for warranty obligations was $8.2 million, $12.2 million and $11.3 million in 2009, 2008 and 2007, 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 and 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 $5.8 million and $8.5 million at December 31, 2009 and 2008, respectively.

Inventories. The Company uses the first-in, first-out (FIFO) method of accounting, which approximates current replacement cost, for approximately 66% of its inventories at December 31, 2009. The last-in, first-out (LIFO) method of accounting is used to determine cost for the remaining 34% of its inventory at December 31, 2009. For inventories where cost is determined by the LIFO method, the FIFO value would have been $20.8 million and $30.8 million higher than the LIFO value reported in the consolidated balance sheet at December 31, 2009 and 2008, 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. 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. The impairment test for goodwill requires a two-step process. 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.

The Company identifies its reporting units at the component level, which is one level below our operating segments. Generally, goodwill arises from acquisitions of specific operating companies and is assigned to the reporting units based upon the reporting unit in which that operating company resides. Our reporting units are composed of the business units one level below our operating segment at which discrete financial information is prepared and regularly reviewed by segment management.

The Company principally relies on a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an appropriate discount rate. The Company believes that market participants would use a discounted cash flow analysis to determine the fair value of its reporting units in a sales transaction. The annual goodwill impairment test requires the Company to make a number of assumptions and estimates concerning future levels of revenue growth, operating margins, depreciation, amortization and working capital requirements, which are based upon the Company s long range plan. The Company s long range plan is updated as part of its annual planning process and is reviewed and approved by management. The discount rate is an estimate of the overall after-tax rate of return required by a market participant whose weighted average cost of capital includes both equity and debt, including a risk premium. While the Company uses the best available information to prepare its cash flow and discount rate assumptions, actual future cash flows or market conditions could differ significantly resulting in future impairment charges related to recorded goodwill balances. While there are always changes in assumptions to reflect changing business and market conditions, the Company s overall methodology and the population of assumptions used have remained unchanged. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, the Company applied a hypothetical 10% decrease in fair values of each reporting unit. The results (expressed as a percentage of carrying value for the respective reporting unit) from this hypothetical 10% decrease in fair value ranged from an excess of the fair values of the Company s reporting units over their respective carrying values of 22% to 411% for each of the Company s reporting units.

The impairment test for indefinite-lived intangibles other than goodwill (primarily trademarks and trade names) consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset as of the impairment testing date. The Company estimates the fair value of its indefinite-lived intangibles using the relief from royalty method. The Company believes the relief from royalty method is a widely used valuation technique for such assets. The fair value derived from the relief from royalty method is measured as the discounted cash flow savings realized from owning such trademarks and trade names and not having to pay a royalty for their use.

The Company s acquisitions have generally included a significant goodwill component and the Company expects to continue to make acquisitions. At December 31, 2009, goodwill and other indefinite-lived intangible assets totaled $1,447.4 million, or 44.6% of the Company s total assets. The Company performed its required annual impairment tests in the fourth quarter of 2009 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.

Other intangible assets with finite lives are evaluated for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of other intangible assets with finite lives are considered impaired when the total projected undiscounted cash flows from those assets are less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of those assets. Fair market value is determined primarily using present value techniques based on projected cash flows from the asset group.

Pensions. The Company has U.S. and foreign defined benefit and defined contribution pension plans. 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 2009, the Company considered rates of return on high-quality, fixed-income investments that have maturities consistent with the anticipated funding requirements of the plan. The discount rate used in determining the 2009 pension cost was 6.50% for U.S. defined benefit pension plans and 6.09% for foreign plans. The discount rate used for determining the funded status of the plans at December 31, 2009 and determining the 2010 defined benefit pension cost is 5.90% for U.S. plans and 5.98% for foreign plans. In estimating the U.S. and foreign discount rates, 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 2009 of 8.25% for U.S. defined benefit pension plans and 6.97% for foreign plans. The Company will continue to use these rates for 2010 for the 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 2009 pension expense for the U.S. plans was 3.75% and was 2.98% for the foreign plans. Both the U.S. and foreign plans rates of compensation will remain unchanged in 2010. For the year ended December 31, 2009, the Company recognized consolidated pre-tax pension expense of $10.3 million from its U.S. and foreign defined benefit pension plans as compared with pre-tax pension income of $6.8 million recognized for these plans in 2008. The Company estimates its 2010 U.S. and foreign defined benefit pension plans pre-tax income to be approximately $1.6 million.

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. The Company uses a December 31 measurement date (the date at which plan assets and benefit obligations are measured) for its U.S. and foreign defined benefit plans.

To fund the plans, the Company made cash contributions to its defined benefit pension plans during 2009 which totaled $21.1 million, compared with $79.9 million in 2008. The Company anticipates making approximately $2.0 million to $5.0 million in cash contributions to its defined benefit pension plans in 2010.

Income Taxes. The process of providing for income taxes and determining the related balance sheet accounts requires management to assess uncertainties, make judgments regarding outcomes and utilize estimates. The Company conducts a broad range of operations around the world and is therefore subject 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 the Company s tax assets and liabilities. To the extent the final outcome differs, future adjustments to the Company s tax assets and liabilities may be necessary.

The Company assesses the realizability of its deferred tax assets, taking into consideration the Company s 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 the amount of, valuation allowances against the Company s deferred tax assets. To the extent facts and circumstances change in the future, adjustments to the valuation allowances may be required.

The Company assesses the uncertainty in its tax positions, by applying a minimum recognition threshold a tax position is required to meet before a tax benefit is recognized in the financial statements. Once the minimum threshold is met, using a more likely than not standard, a series of probability estimates is made for each item to properly measure and record a tax benefit. The tax benefit recorded is generally equal to the highest probable outcome that is more than 50% likely to be realized after full disclosure and resolution of a tax examination. The underlying probabilities are determined based on the best available objective evidence such as recent tax audit outcomes, published guidance, external expert opinion, or by analogy to the outcome of similar issues in the past. There can be no assurance that these estimates will ultimately be realized given continuous changes in tax policy, legislation and audit practice. The Company recognizes interest and penalties accrued related to uncertain tax positions in income tax expense.

Recently Issued Financial Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Fair value Measurements and Disclosures* (ASU 2010-06). ASU 2010-06 provides amendments that clarify existing disclosures and require new disclosures related to fair value measurements, particularly to provide greater disaggregated information on each class of assets and liabilities and more robust disclosures on transfers between levels 1 and 2 and activity in level 3 fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about activity in level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2010-06 on our fair value measurement disclosures.

In October 2009, the FASB issued ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements* (ASU 2009-14). ASU 2009-14 provides guidance for revenue arrangements that include both tangible products and software elements that are essential to the functionality of the hardware. ASU 2009-14 provides factors to help constituents determine what software elements are considered essential to the functionality of the tangible product. This guidance will now subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple-deliverables. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and is not expected to have a significant impact on the Company s consolidated results of operations, financial position and cash flows.

In October 2009, the FASB issued ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 provides guidance on accounting and reporting for arrangements including multiple revenue-generating activities. ASU 2009-13 provides guidance for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. ASU 2009-13 also requires significantly expanded disclosures to provide information about a vendor s multiple-deliverable revenue arrangements and the judgments made by the vendor that affect the timing or amount of revenue recognition. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and is not expected to have a significant impact on the Company s consolidated results of operations, financial position and cash flows.

In August 2009, the FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value* (ASU 2009-05), which provides clarification on the application of fair value techniques when a quoted price in an active market for the identical liability is not available and clarifies that when estimating the fair value of a liability, the fair value is not adjusted to reflect the impact of contractual restrictions that prevent its transfer. ASU 2009-05 was effective on October 1, 2009 for the Company and the adoption did not have a significant impact on the Company s consolidated results of operations, financial position and cash flows.

In June 2009, the FASB issued Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* (SFAS 168). SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of SFAS 168 did not have an impact on the Company s consolidated results of operations, financial position and cash flows.

In May 2009, the FASB issued Accounting Standards Codification (ASC) Subsequent Events Topic 855, (ASC 855). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of ASC 855 did not have an impact on the Company s consolidated results of operations, financial position and cash flows. The Company evaluated all events and transactions that occurred after December 31, 2009 up through February 25, 2010, the date the Company issued these financial statements. During this period, the Company did not have any material recognizable or non-recognizable subsequent events.

The Company accounts for business combinations in accordance with FASB ASC Business Combinations Topic 805 (ASC 805), which includes provisions adopted effective January 1, 2009. The accounting for business combinations retains the underlying concepts of the previously issued standard, but changes the method of applying the acquisition method in a number of significant aspects. These changes were effective on a prospective basis for business combinations for which the acquisition date is on or after January 1, 2009, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. Adjustments for valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to January 1, 2009 would also apply the revised accounting for business combination provisions. The adoption of certain provisions within ASC 805 effective January 1, 2009 did not have a significant impact on the Company s consolidated results of operations, financial position or cash flows. However, depending on the nature of an acquisition or the quantity of acquisitions entered into after the adoption, ASC 805 may significantly impact the Company s consolidated results of operations, financial position or cash flows and result in more earnings volatility and generally lower earnings due to, among other items, the expensing of transaction costs and restructuring costs of acquired companies.

In April 2009, the FASB issued ASC 820-10-65-4, *Transition Related to FASB Staff Position FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (ASC 820-10-65-4). ASC 820-10-65-4 amends ASC 820, and provides additional guidance for estimating fair value in accordance with ASC 820 when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. ASC 820-10-65-4 is applied prospectively with retrospective application not permitted. ASC 820-10-65-4 was effective for interim and annual periods ending after June 15, 2009. The adoption of ASC 820-10-65-4 did not have an impact on the Company s consolidated results of operations, financial position and cash flows.

In April 2009, the FASB issued ASC 320-10-65-1, *Transition Related to FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments* (ASC 320-10-65-1). ASC 320-10-65-1 amends previously issued standards to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. ASC 320-10-65-1 replaces the existing requirement that the entity s management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security, and it is more likely than not it will not have to sell the security before recovery of its cost basis. ASC 320-10-65-1 provides increased disclosure about the credit and noncredit components of impaired debt securities that are not expected to be sold and also requires increased and more frequent disclosures regarding expected cash flows, credit losses and an aging of securities with unrealized losses. Although ASC 320-10-65-1 does not result in a change in the carrying amount of debt securities, it does require that the portion of an other-than-temporary impairment not related to a credit loss for a held-to-maturity security be recognized in a new category of other comprehensive income and be amortized over the remaining life of the debt security as an increase in the carrying value of the security. ASC 320-10-65-1 was effective for interim and annual periods ending after June 15, 2009. The adoption of ASC 320-10-65-1 did not have an impact on the Company s consolidated results of operations, financial position and cash flows.

In April 2009, the FASB issued ASC 825-10-65-1, *Transition Related to FASB Staff Position FAS 107-1 and Accounting Principles Board 28-1, Interim Disclosures about Fair Value of Financial Instruments* (ASC 825-10-65-1). ASC 825-10-65-1 amends previously issued standards to require disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to ASC 825-10-65-1, fair values for these assets and liabilities were only disclosed annually. ASC 825-10-65-1 applies to all financial instruments within the scope of ASC 825 and requires all entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments. ASC 825-10-65-1 was effective for interim periods ending after June 15, 2009. See Note 15.

Internal Reinvestment

Capital Expenditures

Capital expenditures were $33.1 million or 1.6% of sales in 2009, compared with $44.2 million or 1.7% of sales in 2008. 56% of the expenditures in 2009 were for improvements to existing equipment or additional equipment to increase productivity and expand capacity. The Company s 2009 capital expenditures decreased due to the global economic recession with a continuing emphasis on spending to improve productivity and expand manufacturing capabilities. The 2010 capital expenditures are expected to approximate 2.0% of sales, with a continued emphasis on spending to improve productivity.

Product Development and Engineering

The Company is committed to research, product development and engineering activities that are designed to identify and develop potential new and improved products or enhance existing products. Research, product development and engineering costs before customer reimbursement were $101.4 million, $115.9 million and $102.9 million in 2009, 2008 and 2007, respectively. Customer reimbursements in 2009, 2008 and 2007 were $5.5 million, $6.1 million and $7.1 million, respectively. These amounts included net Company-funded research and development expenses of $50.5 million, $57.5 million and $52.9 million, respectively. All such expenditures were directed toward the development of new products and processes and the improvement of existing products and processes.

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, 2009, the Company is named a Potentially Responsible Party (PRP) at 16 non-AMETEK-owned former waste disposal or treatment sites (the non-owned sites). The Company is identified as a de minimis party in 14 of these sites based on the low volume of waste attributed to the Company relative to the amounts attributed to other named PRPs. In ten of these sites, the Company has reached a tentative agreement on the cost of the de minimis settlement to satisfy its obligation and is awaiting executed agreements. The tentatively agreed-to settlement amounts are fully reserved. In the other four sites, the Company is continuing to investigate the accuracy of the alleged volume attributed to the Company as estimated by the parties primarily responsible for remedial activity at the sites to establish an appropriate settlement amount. In the two 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-owned sites, the Company has an ongoing practice of providing reserves for probable remediation activities at certain of its current or previously owned manufacturing locations (the owned sites). For claims and proceedings against the Company with respect to other environmental matters, reserves are established once the Company has determined that a loss is probable and 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 consolidated financial statements; however, the amounts of such variances are not expected to result in a material change to the consolidated financial statements. In estimating the Company s liability for remediation, the Company also considers the likely proportionate share of the anticipated remediation expense and the ability of the other PRPs to fulfill their obligations.

Total environmental reserves at December 31, 2009 and 2008 were $27.0 million and $28.4 million, respectively, for non-owned and owned sites. In 2009, the Company received $1.3 million of additional reserves from a third party for existing sites. Additionally, the Company spent $2.7 million on environmental matters in 2009. The Company s reserves for environmental liabilities at December 31, 2009 and 2008 include reserves of $19.2 million and $17.9 million, respectively, for an owned site acquired in connection with the fiscal 2005 acquisition of HCC Industries (HCC). The Company is the designated performing party for the performance of remedial activities for one of several operating units making up a large Superfund site in the San Gabriel Valley of California. The Company has obtained indemnifications and other financial assurances from the former owners of HCC related to the costs of the required remedial activities. At December 31, 2009, the Company has $13.9 million in receivables related to HCC for probable recoveries from third-party escrow funds and other committed third-party funds to support the required remediation. Also, the Company is indemnified by HCC s former owners for approximately $19.0 million of additional costs.

The Company has agreements with other former owners of certain of its acquired businesses, as well as new owners of previously owned businesses. Under certain of the agreements, the former or new owners retained, or assumed and agreed to indemnify the Company against, certain environmental and other liabilities under certain circumstances. The Company and some of these other parties also carry insurance coverage for some environmental matters. To date, these parties have met their obligations in all material respects; however, one of these companies filed for bankruptcy liquidation in 2007, as discussed further in the following paragraph.

In August 2009, the Company agreed to a Stipulation and Settlement Agreement with the San Diego Regional Water Quality Control Board regarding the 2008 Notice of Administrative Civil Liability related to a former subsidiary which became a separate company in 1988 and filed for bankruptcy liquidation in 2007, whereby the Company paid and deferred minor penalties, which were covered by previously establish reserves.

The Company believes it has established reserves which are sufficient to perform all known responsibilities under existing claims and consent orders. The Company has no reason to believe that other third parties would fail to perform their obligations in the future. In the opinion of management, based 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, foreign currency exchange rates and commodity prices, which could impact its results of operations and financial condition. The Company addresses its exposure to these risks through its normal operating and financing activities. The Company s differentiated and global business activities help to reduce the impact that any particular market risk may have on its operating earnings as a whole.

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 consolidated 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, the 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 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, aluminum, copper, steel, titanium 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, the Company s 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 Form 10-K are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 (PSLRA), 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. Some, but not all, of the factors or uncertainties that could cause actual results to differ from present expectations are set forth above and under Item 1A. Risk Factors. The Company undertakes 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information concerning market risk is set forth under the heading Market Risk in Management s Discussion and Analysis of Financial Condition and Results of Operations herein.

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Item 8. Financial Statements and Supplementary Data

Financial Statement Schedules (Item 15(a) 2)

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

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 2010 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 41.

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, 2009 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, 2009.

The Company s internal control over financial reporting as of December 31, 2009 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which appears on page 40.

/s/ AMETEK, Inc.

February 25, 2010

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

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

We have audited AMETEK, Inc. s internal control over financial reporting as of December 31, 2009, 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 included in the accompanying *Management s Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, AMETEK, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, 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, 2009 and 2008, and the related consolidated statements of income, cash flows, and stockholders equity for each of the three years in the period ended December 31, 2009, and our report dated February 25, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania

February 25, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS

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

We have audited the accompanying consolidated balance sheets of AMETEK, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income, cash flows, and stockholders equity for each of the three years in the period ended December 31, 2009. 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, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AMETEK, Inc. s internal control over financial reporting as of December 31, 2009, 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 25, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 25, 2010

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AMETEK, Inc.

Consolidated Statement of Income
(In thousands, except per share amounts)

	Year Ended December 31,		
	2009	**2008**	**2007**
Net sales	**$ 2,098,355**	$ 2,531,135	$ 2,136,850
Operating expenses:			
Cost of sales, excluding depreciation	**1,435,953**	1,730,086	1,444,514
Selling, general and administrative	**254,143**	322,552	263,472
Depreciation	**42,209**	45,843	42,290
Total operating expenses	**1,732,305**	2,098,481	1,750,276
Operating income	**366,050**	432,654	386,574
Other expenses:			
Interest expense	**(68,750)**	(63,652)	(46,866)
Other, net	**(2,667)**	(2,786)	(3,264)
Income before income taxes	**294,633**	366,216	336,444
Provision for income taxes	**88,863**	119,264	108,424
Net income	**$ 205,770**	$ 246,952	$ 228,020
Basic earnings per share	**$ 1.93**	$ 2.33	$ 2.15
Diluted earnings per share	**$ 1.91**	$ 2.30	$ 2.12
Weighted average common shares outstanding:			
Basic shares	**106,788**	106,148	105,832
Diluted shares	**107,850**	107,443	107,580

See accompanying notes.

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AMETEK, Inc.

Consolidated Balance Sheet
(In thousands, except share amounts)

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 246,356**	$ 86,980
Marketable securities	**4,994**	4,230
Receivables, less allowance for possible losses	**331,383**	406,012
Inventories	**311,542**	349,509
Deferred income taxes	**30,669**	30,919
Other current assets	**44,486**	76,936
Total current assets	**969,430**	954,586
Property, plant and equipment, net	**310,053**	307,908
Goodwill	**1,277,291**	1,240,052
Other intangibles, net of accumulated amortization	**521,888**	441,785
Investments and other assets	**167,370**	111,211
Total assets	**$ 3,246,032**	$ 3,055,542
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	**$ 85,801**	$ 18,438
Accounts payable	**191,779**	203,742
Income taxes payable	**13,345**	31,649
Accrued liabilities	**133,357**	193,684
Total current liabilities	**424,282**	447,513
Long-term debt	**955,880**	1,093,243
Deferred income taxes	**206,354**	144,941
Other long-term liabilities	**92,492**	82,073
Total liabilities	**1,679,008**	1,767,770
Stockholders equity:		
Preferred stock, $0.01 par value; authorized: 5,000,000 shares; none issued		
Common stock, $0.01 par value; authorized: 400,000,000 shares; issued: 2009 111,000,578 shares; 2008 110,188,937 shares	**1,110**	1,102
Capital in excess of par value	**224,057**	203,000
Retained earnings	**1,500,471**	1,320,470

Accumulated other comprehensive (loss)	**(75,281)**	(144,767)
Treasury stock: 2009 3,116,579 shares; 2008 3,461,541 shares	**(83,333)**	(92,033)
Total stockholders equity	**1,567,024**	1,287,772
Total liabilities and stockholders equity	**$ 3,246,032**	$ 3,055,542

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Stockholders Equity
(In thousands)

	Year Ended December 31,					
	2009		2008		2007	
	Comprehensive Income	Stockholders Equity	Comprehensive Income	Stockholders Equity	Comprehensive Income	Stockholders Equity
Capital Stock						
Preferred Stock, $0.01 par value		**$**		$		$
Common Stock, $0.01 par value						
Balance at the beginning of the year		**1,102**		1,097		1,085
Shares issued		**8**		5		12
Balance at the end of the year		**1,110**		1,102		1,097
Capital in Excess of Par Value						
Balance at the beginning of the year		**203,000**		174,450		134,001
Issuance of common stock under employee stock plans		**3,459**		3,474		15,455
Share-based compensation costs		**13,502**		20,186		15,530
Excess tax benefits from exercise of stock options		**4,096**		4,890		9,464
Balance at the end of the year		**224,057**		203,000		174,450
Retained Earnings						
Balance at the beginning of the year		**1,320,470**		1,099,111		902,379
Adoption of FIN 48						(5,901)
Net income	**$ 205,770**	**205,770**	$ 246,952	246,952	$ 228,020	228,020
Cash dividends paid		**(25,579)**		(25,685)		(25,748)
Other		**(190)**		92		361

Balance at the end of the year		**1,500,471**		1,320,470		1,099,111
Accumulated Other Comprehensive (Loss) Income						
Foreign currency translation:						
Balance at the beginning of the year		**(50,706)**		7,331		(1,137)
Translation adjustments	**38,357**		(46,784)		6,056	
Gain (loss) on net investment hedges, net of tax (expense) benefit of ($2,290), $6,058 and ($1,298) in 2009, 2008 and 2007, respectively	**4,253**		(11,253)		2,412	
	42,610	**42,610**	(58,037)	(58,037)	8,468	8,468
Balance at the end of the year		**(8,096)**		(50,706)		7,331
Defined benefit pension plans:						
Balance at the beginning of the year		**(93,360)**		(3,040)		(33,213)
Change in pension plans, net of tax (expense) benefit of ($15,830), $56,344 and ($14,141) in 2009, 2008 and 2007, respectively	**26,239**	**26,239**	(90,320)	(90,320)	30,173	30,173
Balance at the end of the year		**(67,121)**		(93,360)		(3,040)
Unrealized holding gain (loss) on available-for-sale securities:						
Balance at the beginning of the year		**(701)**		1,079		798
Increase (decrease) during the year, net of tax benefit (expense) of $343, ($958) and $151 in 2009, 2008 and 2007, respectively	**637**	**637**	(1,780)	(1,780)	281	281
		(64)		(701)		1,079

Balance at the end of the year			
Total other comprehensive income (loss) for the year	**69,486**	(150,137)	38,922
Total comprehensive income for the year	**$ 275,256**	$ 96,815	$ 266,942
Accumulated other comprehensive (loss) income at the end of the year	**(75,281)**	(144,767)	5,370
Treasury Stock			
Balance at the beginning of the year	**(92,033)**	(39,321)	(37,241)
Issuance of common stock under employee stock plans	**8,700**	4,732	3,357
Purchase of treasury stock		(57,444)	(5,437)
Balance at the end of the year	**(83,333)**	(92,033)	(39,321)
Total Stockholders Equity	**$ 1,567,024**	$ 1,287,772	$ 1,240,707

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Cash Flows
(In thousands)

	Year Ended December 31,		
	2009	**2008**	**2007**
Cash provided by (used for):			
Operating activities:			
Net income	**$ 205,770**	$ 246,952	$ 228,020
Adjustments to reconcile net income to total operating activities:			
Depreciation and amortization	**65,500**	63,261	52,665
Deferred income tax expense	**5,768**	29,742	4,769
Share-based compensation expense	**13,502**	20,186	15,530
Changes in assets and liabilities, net of acquisitions:			
Decrease (increase) in receivables	**87,146**	6,636	(26,944)
Decrease (increase) in inventories and other current assets	**83,622**	(35,180)	194
(Decrease) increase in payables, accruals and income taxes	**(91,622)**	3,161	13,421
Increase (decrease) in other long-term liabilities	**3,345**	(1,907)	(7,153)
Pension contribution	**(21,127)**	(79,905)	(5,162)
Other	**12,767**	(5,681)	3,183
Total operating activities	**364,671**	247,265	278,523
Investing activities:			
Additions to property, plant and equipment	**(33,062)**	(44,215)	(37,620)
Purchases of businesses, net of cash acquired	**(72,919)**	(463,012)	(300,569)
(Increase) decrease in marketable securities	**(638)**	6,323	(1,700)
Other	**275**	4,282	5,228
Total investing activities	**(106,344)**	(496,622)	(334,661)
Financing activities:			
Net change in short-term borrowings	**(13,013)**	69,693	(162,589)
Additional long-term borrowings	**1,466**	430,000	370,000
Reduction in long-term borrowings	**(80,817)**	(232,835)	(26,553)
Repayment of life insurance policy loans		(21,394)	
Repurchases of common stock		(57,444)	(5,437)
Cash dividends paid	**(25,579)**	(25,685)	(25,748)
Excess tax benefits from share-based payments	**4,096**	4,890	9,464
Proceeds from employee stock plans and other	**11,328**	6,238	14,961
Total financing activities	**(102,519)**	173,463	174,098
Effect of exchange rate changes on cash and cash equivalents	**3,568**	(7,265)	3,088

Increase (decrease) in cash and cash equivalents	**159,376**	(83,159)	121,048
Cash and cash equivalents:			
Beginning of year	**86,980**	170,139	49,091
End of year	**$ 246,356**	$ 86,980	$ 170,139

See accompanying notes.

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 (GAAP) 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, 2009 and 2008, 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 three years. The aggregate market value of equity and fixed-income securities at December 31, 2009 and 2008 was $13.2 million ($13.5 million amortized cost) and $11.9 million ($12.9 million amortized cost), respectively. 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 significant. The Company had $0.2 million of other-than-temporary impairment losses in 2008. Certain of the Company s other investments, which are not significant, are also accounted for by the equity method of accounting as discussed above.