AMETEK INC/
Form 10-K
February 26, 2014
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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, 2013

OR

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

For the transition period from to

Commission File Number 1-12981

AMETEK, Inc.

(Exact name of registrant as specified in its charter)

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

1100 Cassatt Road

Berwyn, Pennsylvania	**19312-1177**
(Address of principal executive offices)	(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 ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ 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 ¨

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 ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $10.3 billion as of June 28, 2013, 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 31, 2014 was 245,067,108.

Documents Incorporated by Reference

Part III incorporates information by reference from the Proxy Statement for the Annual Meeting of Stockholders on May 8, 2014.

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AMETEK, Inc.

2013 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 at 1100 Cassatt Road, Berwyn, Pennsylvania, 19312. 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 500 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, on the investor information portion of its website, its corporate governance guidelines, Board committee charters and codes of ethics. Those documents also are available in published form, free of charge, to any stockholder who requests them by writing to the Investor Relations Department at AMETEK, Inc., 1100 Cassatt Road, Berwyn, Pennsylvania, 19312.

Products and Services

The Company markets its products worldwide through two operating groups, the Electronic Instruments Group (EIG) and the Electromechanical Group (EMG). EIG provides monitoring, testing, calibration and display devices for the process, aerospace, power and industrial markets. EMG produces highly engineered electrical connectors for electronic applications; precision motion control solutions; specialty metals and alloys; and electric motors, blowers and heat exchangers. End markets include aerospace and defense, medical devices, factory automation, mass transit, petrochemical and other industrial markets. 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, power and industrial instrumentation markets. In EMG, the Company maintains significant market positions in many niche segments, including aerospace and defense, precision motion control, factory automation and robotics, medical devices and mass transit.

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

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the basis of product innovation in several highly specialized instrumentation markets, including process measurement, aerospace, power generation and distribution, heavy-vehicle dashboard and medical instrumentation. EMG s differentiated businesses focus on developing customized products for specialized applications in aerospace and defense, medical, factory automation and other industrial applications.

Efficient and Low-Cost Manufacturing Operations. EMG has manufacturing plants in Brazil, China, the Czech Republic, Malaysia, Mexico and Serbia 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, supply chain, 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 26 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 Operational Excellence, New Product Development, Global and Market Expansion, and Strategic Acquisitions. These strategies are 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 and share repurchases. AMETEK s commitment to earnings growth is reflected in its continued implementation of its new product development, global and market expansion, acquisition strategy and its operational excellence 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 improve operating efficiency, reduce production costs and improve its market positions. AMETEK believes that Operational Excellence, which focuses on Six Sigma process improvements in factories, design for Six Sigma in new product development efforts, global sourcing, lean manufacturing and emphasizing team building and a participative management culture, has enabled the Company to improve operating efficiencies and product quality, increase customer satisfaction, and has yielded higher cash flow from operations, while lowering operating and administrative costs and shortening manufacturing cycle times. The strategy also has played a key role in achieving synergies from newly acquired companies.

New Product Development. New products are essential to AMETEK s long-term growth. As a result, AMETEK has consistently maintained its investment in new product development, and, in 2013, added to its highly differentiated product portfolio with a range of new products across each of its businesses. Recent introductions include:

- Spectro Analytical s SPECTROSCOUT portable elemental analyzer performs rapid, laboratory-class analysis in the field or at remote locations, making it an ideal tool for environmental and geological field work and highly accurate, onsite precious metal analysis;

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Programmable Power added two new Sorensen SG DC power supply products. The widely used, bench top units offer high-quality power and higher voltage ranges and are well suited for testing components for electric vehicles, solar energy systems and semiconductor equipment;

Rotron Nanos II/3 and Minimax vaneaxial fans weigh less than two ounces but deliver maximum airflow for spot cooling of tightly packaged electronic and optical equipment. The fans compact size and minimal weight make them ideal for portable equipment and other space-limited electronic applications;

Sensors and Fluid Management Systems advanced fuel gauging system and remote fuel display panel were selected by Bell Helicopter for the new 525 Relentless super medium helicopter because of their state-of-the-art design capabilities, accuracy and reliability;

Taylor Hobson s Sutronic® S-100 Series portable surface measurement testers were developed to meet the requirements of precision manufacturers for a durable shop-floor surface roughness tester and a high-accuracy, easy-to-use inspection room instrument;

ORTEC Products Group introduced the Detective SPM-16 spectroscopic portal monitor for screening trains, trucks and cargo containers for potentially harmful radioactive materials and PINS 3-CF chemical munitions identification system for identifying hazardous chemicals inside munitions and other containers;

Engineered Medical Components patented the design for its new low-noise electrocardiogram (ECG) cable, which exceeds current low-noise and electromagnetic interference standards. While the standards pertain specifically to ECG cables, they are commonly used to establish performance requirements for other medical device cables as well;

Process Instruments Thermox® WDG-V next-generation combustion analyzer reliably measures oxygen, combustibles and methane in process heaters, burners and boilers, maximizing fuel efficiency and lowering combustion emissions, while improving safety and process control;

Vision Research s Phantom® v2010 ultrahigh speed digital camera delivers more than 22,000 frames per second at full megapixel resolution, bringing a new level of performance to scientists, researchers, engineers and others who need to capture high-speed digital images;

Power Instruments broadened its offering of power measurement, alarm management and utility communications products with the DMS-3K alarm management system with remote monitoring and alarm capabilities and a portable version of its Platinum 2.5K multifunctional electrical fault recorder;

Solartron Metrology extended the capabilities of its Orbit® precision measurement system with two new non-contact laser gauging probes. These high-accuracy measurement devices are designed for high-precision manufacturing of ultrasensitive devices such as smart phones and tablet computers;

Floorcare and Specialty Motors incorporated an innovative fan design and advanced noise-dampening technology in a new 5.4-inch diameter vacuum motor that achieves lighter weight and quieter, more efficient operation for high-demand commercial floorcare appliances;

Precitech Nanoform® L1000 multi-axis machining system combines the latest advances in ultra-precision machining with productivity and design improvements for the production of optical lenses, mold inserts, mirrors and ultra precision mechanical components;

Precision Motion Control upgraded its MICROjammer® Series of high-performance compact variable speed blowers with the latest electronic controllers that permit greater functional control and increased end-user customization for such end uses as business machines, medical devices, and printing and other equipment; and

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C-COM 3AD 3-inch analog gauge is the most recent addition to Vehicular Instrumentation Systems industry-leading dashboard instrumentation system. The versatile, stand-alone gauge satisfies the requirements for a wide range of vehicles, including trucks, buses, RVs, and construction and agricultural equipment.

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, Serbia, Romania, France, Austria, Switzerland and the Netherlands. These operations provide design, engineering and manufacturing capability, product-line breadth, enhanced European distribution channels, and low-cost production. AMETEK has grown sales in Latin America and Asia by building and expanding manufacturing facilities in Reynosa, Mexico: Sao Paulo, Brazil; and Shanghai, China. It also continues to achieve geographic and market expansion in Asia through an increased sales, service and marketing presence in China, India, Japan, Korea, Malaysia, Middle East, Russia, Singapore and Taiwan as well as joint ventures in China, Japan and Taiwan.

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 2009, through December 31, 2013, the Company has completed 24 acquisitions with annualized sales totaling approximately $1.1 billion, including three acquisitions in 2013 (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.

2013 OVERVIEW

Operating Performance

In 2013, AMETEK achieved sales of $3.6 billion, an increase of 7.8% from 2012 and established records for orders, net sales, operating income, operating income margins, net income, diluted earnings per share and operating cash flow.

Recent Acquisitions

The Company spent $414.3 million in cash, net of cash acquired, for three business acquisitions in 2013.

In August 2013, the Company acquired Controls Southeast (CSI), a leader in custom-engineered, thermal management solutions used to maintain temperature control of liquid and gas in a broad range of demanding industrial process applications. CSI is part of EIG.

In October 2013, the Company acquired Creaform, Inc., a leading developer and manufacturer of innovative portable 3D measurement technologies and a provider of 3D engineering services. Creaform is part of EIG.

In December 2013, the Company acquired Powervar, Inc., a leading provider of power management systems and uninterruptible power supply systems. Powervar is part of EIG.

Financial Information About Reportable Segments, Foreign Operations and Export Sales

Information with respect to reportable segments and geographic areas is set forth in Note 15 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

The Company s international sales increased 16.2% to $1,984.5 million in 2013. The increase in international sales resulted from recent acquisitions and includes the effect of foreign currency translation. The

Company experienced increases in export sales of products manufactured in the United States, as well as increased sales from overseas operations. International sales represented 55.2% of consolidated net sales in 2013 compared with 51.2% in 2012.

Description of Business

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

EIG

EIG applies its specialized market focus and technology to the manufacture of instruments used for testing, monitoring, calibration and display by the process, aerospace, power and industrial 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 practices, moving production to low-cost locales and reducing headcount. EIG is among the leaders in many of the specialized markets it serves, including airframe and aircraft engine sensors; process and analytical instruments; electric power generation, distribution and transmission instruments; and heavy-vehicle instrument panels. It has joint venture operations in China, Japan and Taiwan. In 2013, 58% of EIG s net sales was to customers outside the United States.

At December 31, 2013, EIG employed approximately 7,500 people, of whom approximately 1,400 were covered by collective bargaining agreements. EIG had 64 operating facilities: 42 in the United States, seven in the United Kingdom, six in Germany, two each in Canada and France, and one each in Austria, China, Denmark, Mexico and Switzerland at December 31, 2013. EIG also shares operating facilities with EMG in Brazil, China and Mexico.

Process and Analytical Instrumentation Markets and Products

Process and analytical instrumentation sales represented 70% of EIG s 2013 net sales. These include process analyzers; emission monitors; spectrometers, elemental and surface analysis instruments; level, pressure and temperature sensors and transmitters; radiation measurement devices; level measurement devices; precision pumping systems; force-materials and force-testing instruments; and contact and non-contact metrology products. EIG s focus is on the process industries, including oil, gas and petrochemical refining, power generation, pharmaceutical manufacture, specialty gas production, water and waste treatment, natural gas distribution and semiconductor manufacturing. AMETEK s analytical instruments also are used for precision measurement in a number of other applications, including radiation detection, trace element and materials analysis, nanotechnology research, ultra precision manufacturing and test and measurement applications.

Creaform, acquired in October 2013, is a leading developer and manufacturer of innovative portable 3D measurement technologies and a provider of 3D engineering services. Creaform broadens AMETEK s position in the metrology market.

CSI, acquired in August 2013, is a leader in custom-engineered, thermal management solutions used to maintain temperature control of liquid and gas in a broad range of demanding industrial process applications. CSI broadens AMETEK s position in the process and analytical instrumentation markets.

Crystal Engineering, acquired in December 2012, has high-end pressure measurement technology and manufactures high-end portable digital pressure calibrators and digital test gauges that fit well with AMETEK s JOFRA® temperature and pressure calibrators. Crystal Engineering strengthens the Company s technology and product offering in the calibration instruments market.

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Sunpower, Inc., acquired in December 2012, designs and develops high reliability cryocoolers and externally heated Stirling cycle engines. Sunpower s cryogenic cooling technology provides a critical enabling technology for use in the Company s ORTEC Detective® family of portable radiation identifiers.

Micro-Poise Measurement Systems (Micro-Poise), acquired in October 2012, has a large installed equipment base at many of the world s leading tire manufacturers and is the only industry supplier of all key test and measurement techniques with products that offer best-in-class accuracy, repeatability and cycle times. Micro-Poise broadens the Company s position in the materials test and measurement equipment market and makes AMETEK a leader in this growing industry segment.

O Brien Corporation, acquired in January 2012, has products and solutions which are used in critical applications in process industries worldwide. O Brien s product lines are both highly differentiated and highly complementary to AMETEK s process instruments businesses. Combined with the Company s analytical instrument solutions, AMETEK now can offer its customers a complete solution for most of their process analysis needs.

Power and Industrial Instrumentation Markets and Products

Power and industrial instrumentation sales represented 21% of EIG s 2013 net sales. 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.

Powervar, acquired in December 2013, is a leader in highly engineered and customized products designed to deliver reliable, high-quality power to critical applications. Powervar adds to AMETEK s position in power systems and instruments and provides access to attractive new market segments in medical and life sciences.

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

Aerospace Instrumentation Markets and Products

Aerospace instrumentation sales represented 9% of EIG s 2013 net sales. 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.

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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 8% of EIG s 2013 net sales was made to its five largest customers.

EMG

EMG is among the leaders in many of the specialized markets it serves, including highly engineered electrical connectors and electronics packaging used to protect sensitive electronic devices in aerospace, defense, medical and industrial applications, and advanced technical motor and motion control products used in electronic data storage, medical devices, office and business equipment, factory automation and robotics and other applications. EMG also provides high-purity powdered metals, strip and foil, specialty clad metals and metal matrix composites. EMG blowers and heat exchangers provide electronic cooling and environmental control for the aerospace and defense industries. Its motors are widely used in commercial appliances, fitness equipment, food and beverage machines, hydraulic pumps, industrial blowers and vacuum cleaners. Additionally, it operates a global network of aviation maintenance, repair and overhaul (MRO) facilities. 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. In 2013, 51% of EMG s net sales was to customers outside the United States.

At December 31, 2013, EMG employed approximately 6,900 people, of whom approximately 1,800 were covered by collective bargaining agreements. EMG had 65 operating facilities: 37 in the United States, ten in the United Kingdom, three each in China and France, two each in the Czech Republic, Germany, Italy and Mexico and one each in Brazil, Malaysia, Serbia and Taiwan at December 31, 2013.

Differentiated Businesses

Differentiated businesses account for an increasing proportion of EMG s overall sales base. Differentiated businesses sales represented 85% of EMG s net sales in 2013 and are comprised of the technical motors and systems sales and the engineered materials, interconnects and packaging sales.

Technical Motors and Systems Markets and Products

Technical motors and systems sales represented 54% of EMG s 2013 net sales. Technical motors and systems consists of brushless motors, blowers and pumps, heat exchangers, as well as other electromechanical systems. These products are used in aerospace and defense, semiconductor equipment, computer equipment, mass transit vehicles, medical equipment, power, and industrial applications.

EMG also produces motor-blower systems and heat exchangers used for thermal management and other applications on a wide variety of military and commercial aircraft and military ground vehicles.

EMG also serves the commercial and military aerospace third-party MRO market. These services are provided on a global basis with facilities in the United States, Europe and Asia.

Aero Components International (ACI), acquired in December 2012, repairs and overhauls fuel, hydraulic, pneumatic, power generation and heat exchanger components and is one of the few independent aviation repair shops with fuel system repair capabilities. Avtech Avionics and Instruments (Avtech), acquired in December 2012, is in the repair and maintenance of next generation and legacy avionics and instruments. The acquisitions of ACI and Avtech represent a further expansion of AMETEK s global aerospace MRO capabilities.

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Dunkermotoren GmbH, acquired in May 2012, is a global leader in highly engineered advanced motion control solutions for niche applications. Dunkermotoren expands the Company s leadership position in niche rotary and linear motion applications.

Engineered Materials, Interconnects and Packaging Markets and Products

Engineered materials, interconnects and packaging sales represented 31% of EMG s 2013 net sales. AMETEK is a leader in highly engineered electrical connectors and electronics packaging used to protect sensitive devices and mission-critical electronics. Its electrical connectors, terminals and headers are specifically designed for harsh environments and highly customized applications. AMETEK also is an innovator and market leader in specialized metal powder, strip, wire and bonded products used in automotive, appliance, medical and surgical, aerospace, telecommunications, marine and general industrial applications.

Floorcare and Specialty Motor Markets and Products

Floorcare and specialty motor sales represented 15% of EMG s 2013 net sales. Its specialty motors and motor-blowers are used in a wide range of products, such as floorcare products, ranging from hand-held, canister and upright vacuums to central vacuums for residential use to commercial floorcare equipment; 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.

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 8% of EMG s 2013 net sales was made to its five largest customers.

Marketing

The Company s marketing efforts generally are organized and carried out at the division level. EIG makes use of distributors and sales representatives in marketing its products, as well as direct sales in most 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 product technology, distribution, quality, service and price.

In the markets served by EIG, the Company believes that it ranks among the leading producers of certain analytical 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. 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 instruments 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 floorcare and specialty motor businesses, EMG has limited

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domestic competition in the U.S. while competition is strong from Asian motor manufacturers that serve both the U.S. and the European floorcare and specialty motor markets where AMETEK has a smaller market position. There is potential competition from vertically integrated manufacturers of floorcare 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.

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.

Backlog and Seasonal Variations of Business

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

	2013	2012	2011
		(In millions)	
Electronic Instruments	**$ 550.6**	$ 526.5	$ 437.5
Electromechanical	**589.4**	585.8	473.9
Total	**$ 1,140.0**	$ 1,112.3	$ 911.4

The higher backlog at December 31, 2013 was due to the acquired backlog of 2013 acquisitions.

Of the total backlog of unfilled orders at December 31, 2013, approximately 89% is expected to be shipped by December 31, 2014. 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.

Research, Development and Engineering

The Company is committed to research, development and engineering activities that are designed to identify and develop potential new and improved products or enhance existing products. Research, development and engineering costs before customer reimbursement were $178.7 million, $154.8 million and $137.6 million in 2013, 2012 and 2011, respectively. Customer reimbursements in 2013, 2012 and 2011 were $9.2 million, $5.0 million and $6.1 million, respectively. These amounts included net Company-funded research and development expenses of $93.9 million, $84.9 million and $78.0 million in 2013, 2012 and 2011, 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 13 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Patents, Licenses and Trademarks

The Company owns numerous unexpired U.S. 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

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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 reportable 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, 2013, the Company employed approximately 14,500 people in its EIG, EMG and corporate operations, of whom approximately 3,200 employees were covered by collective bargaining agreements. The Company has two collective bargaining agreements that will expire in 2014, which cover less than 100 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.

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, financial condition, results of operations and cash flows.

A prolonged downturn in the aerospace and defense, process instrumentation or power markets 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 power markets 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 2009, through December 31, 2013, 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 strategy 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;

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- 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.

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, financial condition, results of operations and cash flows.

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 2013 and 2012 represented 55.2% and 51.2% 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. Approximately half of our international sales are of products manufactured outside the United States. We have manufacturing operations in 15 countries outside the United States, with significant operations in China, the Czech Republic and Mexico. A prolonged disruption of our ability to obtain a supply of goods from these countries could have a material adverse effect on our operations. 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 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 for, our raw materials could increase our operating costs.

We have multiple sources of supply 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, financial condition, results of operations and cash flows.

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 product technology, quality, service, distribution and price. 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 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.

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Restrictions contained in our revolving credit facility and other debt agreements may limit our ability to incur additional indebtedness.

Our existing revolving credit facility and other debt agreements contain restrictive covenants, including restrictions on our ability to incur indebtedness. These restrictions could limit our ability to effectuate future acquisitions or restrict our financial flexibility.

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 the impairment 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, 2013, goodwill and other intangible assets, net of accumulated amortization, totaled $3,882.3 million or 66% 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 record, under current applicable accounting rules, a non-cash charge to operating income for goodwill or other intangible asset impairment. Any determination requiring the impairment 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

At December 31, 2013, the Company had 129 operating facilities in 24 states and 15 foreign countries. Of these facilities, 55 are owned by the Company and 74 are leased. The properties owned by the Company consist of approximately 606 acres, of which approximately 4.6 million square feet are under roof. Under lease is a total of approximately 2.8 million square feet. The leases expire over a range of years from 2014 to 2082, with renewal options for varying terms contained in many of the leases. Production facilities in China, Japan and Taiwan 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 Berwyn, Pennsylvania, occupy approximately 43,000 square feet under a lease that expires in September 2023.

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 reportable segment were as follows at December 31, 2013:

	Number of Operating Facilities		Square Feet Under Roof	
	Owned	Leased	Owned	Leased
Electronic Instruments	25	39	1,913,000	1,743,000
Electromechanical	30	35	2,645,000	1,054,000
Total	55	74	4,558,000	2,797,000

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Item 3. Legal Proceedings

Please refer to Environmental Matters in Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 13 to the Consolidated Financial Statements in this Annual Report on Form 10-K for information regarding certain litigation matters.

The Company is, from time to time, subject to a variety of litigation and similar proceedings incidental to its business. These lawsuits may involve claims for damages arising out of the use of the Company s products and services, personal injury, employment matters, tax matters, commercial disputes and intellectual property matters. The Company may also become subject to lawsuits as a result of past or future acquisitions. Based upon the Company s experience, the Company does not believe that these proceedings and claims will have a material adverse effect on its results of operations, financial position or cash flows.

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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 31, 2014, there were approximately 2,117 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 206,000 shares of common stock for $8.5 million in 2013 and 141,000 shares of common stock for $4.6 million in 2012 primarily to offset the dilutive effect of shares granted as equity-based compensation.

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
2013				
Dividends paid per share	**$ 0.06**	**$ 0.06**	**$ 0.06**	**$ 0.06**
Common stock trading range:				
High	**$ 43.46**	**$ 43.98**	**$ 48.01**	**$ 52.89**
Low	**$ 38.00**	**$ 39.46**	**$ 42.23**	**$ 43.40**
2012				
Dividends paid per share	$ 0.04	$ 0.06	$ 0.06	$ 0.06
Common stock trading range:				
High	$ 33.14	$ 35.21	$ 36.56	$ 38.21
Low	$ 27.93	$ 31.19	$ 29.86	$ 32.67

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Issuer Purchases of Equity Securities

The following table reflects purchases of AMETEK, Inc. common stock by the Company during the three months ended December 31, 2013:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
October 1, 2013 to October 31, 2013		$		$ 92,432,277
November 1, 2013 to November 30, 2013	305	49.07	305	92,417,328
December 1, 2013 to December 31, 2013				92,417,328
Total	305	49.07	305	

(1) Represents shares surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

(2) Consists of the number of shares purchased pursuant to the Company s Board of Directors $100 million authorization for the repurchase of its common stock announced in November 2011. Such purchases may be affected from time to time in the open market or in private transactions, subject to market conditions and at management s discretion.

Securities Authorized for Issuance Under Equity Compensation Plan Information

The following table sets forth information as of December 31, 2013 regarding all of the Company s existing compensation plans pursuant to which equity securities are authorized for issuance to employees and nonemployee directors:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	6,394,462	$ 27.13	11,812,047
Equity compensation plans not approved by security holders			
Total	6,394,462	27.13	11,812,047

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Stock Performance Graph

The following graph and accompanying table compare the cumulative total stockholder return for AMETEK, Inc. over the last five years ended December 31, 2013 with total returns for the same period for the Dow Jones U.S. Electronic Equipment Index, Russell 1000 Index and Standard and Poor s (S&P) 500 Index. The performance graph and table assume a $100 investment made on December 31, 2008 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.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

	December 31,					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
AMETEK, Inc.	$ 100.00	$ 127.48	$ 197.41	$ 212.99	$ 286.91	$ 404.39
Dow Jones U.S. Electronic Equipment Index*	100.00	143.79	193.37	176.18	216.11	289.26
Russell 1000 Index*	100.00	128.43	149.11	151.34	176.20	234.54
S&P 500 Index*	100.00	126.46	145.51	148.59	172.37	228.19

* Includes AMETEK, Inc.

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Item 6. Selected Financial Data

The following financial information for the five years ended December 31, 2013, 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 Annual Report on Form 10-K.

	2013	2012	2011	2010	2009
		(In millions, except per share amounts)			
Consolidated Operating Results (Year Ended December 31):					
Net sales	**$ 3,594.1**	$ 3,334.2	$ 2,989.9	$ 2,471.0	$ 2,098.4
Operating income	**$ 815.1**	$ 745.9	$ 635.9	$ 482.2	$ 366.1
Interest expense	**$ (73.6)**	$ (75.5)	$ (69.7)	$ (67.5)	$ (68.8)
Net income	**$ 517.0**	$ 459.1	$ 384.5	$ 283.9	$ 205.8
Earnings per share:					
Basic	**$ 2.12**	$ 1.90	$ 1.60	$ 1.19	$ 0.86
Diluted	**$ 2.10**	$ 1.88	$ 1.58	$ 1.18	$ 0.85
Dividends declared and paid per share	**$ 0.24**	$ 0.22	$ 0.16	$ 0.12	$ 0.11
Weighted average common shares outstanding:					
Basic	**243.9**	241.5	240.4	238.6	240.3
Diluted	**246.1**	244.0	243.2	241.3	242.7
Performance Measures and Other Data:					
Operating income Return on net sales	**22.7%**	22.4%	21.3%	19.5%	17.4%
Return on average total assets	**14.7%**	15.7%	15.6%	13.6%	11.6%
Net income Return on average total capital	**12.1%**	12.6%	12.3%	10.2%	8.2%
Return on average stockholders equity	**18.2%**	20.0%	20.1%	17.0%	14.4%
EBITDA(1)	**$ 916.3**	$ 842.7	$ 712.2	$ 545.9	$ 428.0
Ratio of EBITDA to interest expense(1)	**12.4x**	11.2x	10.2x	8.2x	6.3x
Depreciation and amortization	**$ 118.7**	$ 105.5	$ 86.5	$ 72.9	$ 65.5
Capital expenditures	**$ 63.3**	$ 57.4	$ 50.8	$ 39.2	$ 33.1
Cash provided by operating activities	**$ 660.7**	$ 612.5	$ 508.6	$ 423.0	$ 364.7
Free cash flow(2)	**$ 597.4**	$ 555.1	$ 457.8	$ 383.8	$ 331.6
Consolidated Financial Position (At December 31):					
Current assets	**$ 1,369.1**	$ 1,164.7	$ 1,059.1	$ 974.5	$ 969.4
Current liabilities	**$ 874.5**	$ 880.0	$ 628.9	$ 550.9	$ 424.3
Property, plant and equipment, net	**$ 402.8**	$ 383.5	$ 325.3	$ 318.1	$ 310.1
Total assets	**$ 5,877.9**	$ 5,190.1	$ 4,319.5	$ 3,818.9	$ 3,246.0
Long-term debt	**$ 1,141.8**	$ 1,133.1	$ 1,123.4	$ 1,071.4	$ 955.9
Total debt	**$ 1,415.1**	$ 1,453.8	$ 1,263.9	$ 1,168.5	$ 1,041.7
Stockholders equity	**$ 3,136.1**	$ 2,535.2	$ 2,052.8	$ 1,775.2	$ 1,567.0
Stockholders equity per share	**$ 12.80**	$ 10.42	$ 8.53	$ 7.36	$ 6.46
Total debt as a percentage of capitalization	**31.1%**	36.4%	38.1%	39.7%	39.9%
Net debt as a percentage of capitalization(3)	**26.3%**	33.8%	34.8%	36.2%	33.7%

See Notes to Selected Financial Data on the following page.

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Notes to Selected Financial Data

(1) EBITDA represents earnings 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,				
	2013	**2012**	**2011**	**2010**	**2009**
			(In millions)		
Net income	**$ 517.0**	$ 459.1	$ 384.5	$ 283.9	$ 205.8
Add (deduct):					
Interest expense	**73.6**	75.5	69.7	67.5	68.8
Interest income	**(0.8)**	(0.7)	(0.7)	(0.7)	(1.0)
Income taxes	**207.8**	203.3	172.2	122.3	88.9
Depreciation	**57.2**	53.7	48.9	45.4	42.2
Amortization	**61.5**	51.8	37.6	27.5	23.3
Total adjustments	**399.3**	383.6	327.7	262.0	222.2
EBITDA	**$ 916.3**	$ 842.7	$ 712.2	$ 545.9	$ 428.0

(2) 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 1 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,				
	2013	**2012**	**2011**	**2010**	**2009**
			(In millions)		
Cash provided by operating activities	**$ 660.7**	$ 612.5	$ 508.6	$ 423.0	$ 364.7
Deduct: Capital expenditures	**(63.3)**	(57.4)	(50.8)	(39.2)	(33.1)
Free cash flow	**$ 597.4**	$ 555.1	$ 457.8	$ 383.8	$ 331.6

(3) Net debt represents total debt minus cash and cash equivalents. Net debt 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 1 above). The following table presents the reconciliation of total debt reported in accordance with U.S. GAAP to net debt:

	December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
			(In millions)		
Total debt	**$ 1,415.1**	$ 1,453.8	$ 1,263.9	$ 1,168.5	$ 1,041.7

Less: Cash and cash equivalents	**(295.2)**	(158.0)	(170.4)	(163.2)	(246.4)
Net debt	**1,119.9**	1,295.8	1,093.5	1,005.3	795.3
Stockholders equity	**3,136.1**	2,535.2	2,052.8	1,775.2	1,567.0
Capitalization (net debt plus stockholders equity)	**$ 4,256.0**	$ 3,831.0	$ 3,146.3	$ 2,780.5	$ 2,362.3
Net debt as a percentage of capitalization	**26.3%**	33.8%	34.8%	36.2%	33.7%

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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 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 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 Annual Report on Form 10-K.

Business Overview

AMETEK s operations are affected by global, regional and industry economic factors. However, the Company s strategic geographic and industry diversification, and its mix of products and services, have helped to limit the potential adverse impact of any unfavorable developments in any one industry or the economy of any single country on its consolidated operating results. In 2013, the Company established records for orders, sales, operating income, operating income margins, net income, diluted earnings per share and operating cash flow. Contributions from recent acquisitions, combined with successful Operational Excellence initiatives, had a positive impact on 2013 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 2013 were:

- In 2013, net sales were $3.6 billion, an increase of $259.9 million or 7.8% from 2012, on contributions from the 2012 and 2013 acquisitions.
- Net income for 2013 was $517.0 million, an increase of $57.9 million or 12.6%, compared with $459.1 million in 2012.
- During 2013, the Company completed the following acquisitions:
  - In August 2013, the Company acquired Controls Southeast (CSI), a leader in custom-engineered, thermal management solutions used to maintain temperature control of liquid and gas in a broad range of demanding industrial process applications;
  - In October 2013 the Company acquired Creaform, Inc., a leading developer and manufacturer of innovative portable 3D measurement technologies and a provider of 3D engineering services; and
  - In December 2013, the Company acquired Powervar, Inc., a leading provider of power management systems and uninterruptible power supply systems.
- Higher earnings resulted in record cash flow provided by operating activities that totaled $660.7 million for 2013, a $48.2 million or 7.9% increase from 2012.
- The Company continues to maintain a strong international sales presence. International sales, including U.S. export sales, were $1,984.5 million or 55.2% of net sales in 2013, compared with $1,707.6 million or 51.2% of net sales in 2012.

New orders for 2013 were a record at $3,621.9 million, an increase of $86.8 million or 2.5%, compared with $3,535.1 million in 2012. As a result, the Company s backlog of unfilled orders at December 31, 2013 was $1,140.0 million.

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The Company continued its emphasis on investment in research, development and engineering, spending $178.7 million in 2013 before customer reimbursement of $9.2 million. Sales from products introduced in the last three years were $768.4 million or 21.4% of net sales.

Results of Operations

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

	Year Ended December 31, 2013	2012 (In thousands)	2011
Net sales(1):			
Electronic Instruments	**$ 2,034,594**	$ 1,872,557	$ 1,647,195
Electromechanical	**1,559,542**	1,461,656	1,342,719
Consolidated net sales	**$ 3,594,136**	$ 3,334,213	$ 2,989,914
Operating income and income before income taxes:			
Segment operating income(2):			
Electronic Instruments	**$ 552,110**	$ 497,116	$ 420,197
Electromechanical	**309,402**	292,205	262,710
Total segment operating income	**861,512**	789,321	682,907
Corporate administrative and other expenses	**(46,433)**	(43,449)	(46,966)
Consolidated operating income	**815,079**	745,872	635,941
Interest and other expenses, net	**(90,284)**	(83,397)	(79,299)
Consolidated income before income taxes	**$ 724,795**	$ 662,475	$ 556,642

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

(2) Segment operating income represents net sales less all direct costs and expenses (including certain administrative and other expenses) applicable to each segment, but does not include interest expense.

Results of Operations for the year ended December 31, 2013 compared with the year ended December 31, 2012

In 2013, the Company established records for orders, sales, operating income, operating income margins, net income, diluted earnings per share and operating cash flow. The Company achieved these results primarily through contributions from acquisitions completed in 2013 and the acquisitions of Dunkermotoren GmbH in May 2012, Micro-Poise Measurement Systems (Micro-Poise) in October 2012, Aero Components International (ACI), Avtech Avionics and Instruments (Avtech), Sunpower, Inc. and Crystal Engineering in December 2012, as well as our Operational Excellence initiatives. The full year impact of the 2013 acquisitions and our continued focus on and implementation of Operational Excellence initiatives are expected to have a positive impact on our 2014 results.

Net sales for 2013 were $3,594.1 million, an increase of $259.9 million or 7.8%, compared with net sales of $3,334.2 million in 2012. Net sales for the Electronic Instruments Group (EIG) were $2,034.6 million in 2013, an increase of 8.7% from net sales of $1,872.6 million in 2012. Net sales for the Electromechanical Group (EMG) were $1,559.5 million in 2013, an increase of 6.7% from net sales of $1,461.7 million in 2012. The increase in net sales was attributable to higher order rates, as well as the impact of the acquisitions mentioned above. The net sales increase for 2013 included internal sales growth of approximately 2%. Foreign currency translation was flat period over period.

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Total international sales for 2013 were $1,984.5 million or 55.2% of net sales, an increase of $276.9 million or 16.2%, compared with international sales of $1,707.6 million or 51.2% of net sales in 2012. The $276.9 million increase in international sales resulted from the acquisitions mentioned above, primarily driven by Dunkermotoren and Micro-Poise, and includes the effect of foreign currency translation. Both reportable segments of the Company maintain strong international sales presences in Europe and Asia. Export shipments from the United States, which are included in total international sales, were $1,037.0 million in 2013, an increase of $174.4 million or 20.2%, compared with $862.6 million in 2012. Export shipments improved due to increased exports from the 2013 and 2012 acquisitions noted above, excluding Creaform and Dunkermotoren.

New orders for 2013 were a record at $3,621.9 million, an increase of $86.8 million or 2.5%, compared with $3,535.1 million in 2012. The increase in orders was primarily attributable to 2013 and 2012 acquisitions. As a result, the Company s backlog of unfilled orders at December 31, 2013 was $1,140.0 million, an increase of $27.7 million or 2.5%, compared with $1,112.3 million at December 31, 2012.

Segment operating income for 2013 was $861.5 million, an increase of $72.2 million or 9.1%, compared with segment operating income of $789.3 million in 2012. The increase in segment operating income resulted primarily from the acquisitions mentioned above, as well as the benefits of the Company s lower cost structure through Operational Excellence initiatives. Segment operating income, as a percentage of net sales, increased to 24.0% in 2013, compared with 23.7% in 2012. The increase in segment operating margins resulted primarily from the benefits of the Company s lower cost structure through Operational Excellence initiatives.

Selling, general and administrative (SG&A) expenses for 2013 were $398.2 million, an increase of $17.7 million or 4.7%, compared with $380.5 million in 2012. As a percentage of net sales, SG&A expenses were 11.1% for 2013, compared with 11.4% in 2012. Selling expenses increased $14.8 million or 4.4% for 2013 primarily driven by the increase in net sales noted above. Selling expenses, as a percentage of net sales, decreased to 9.8% for 2013, compared with 10.1% in 2012. Base business selling expenses decreased approximately 2% for 2013 compared to 2012, primarily due to cost containment initiatives.

Corporate administrative expenses for 2013 were $46.0 million, an increase of $2.9 million or 6.7%, compared with $43.1 million in 2012. The increase in corporate administrative expenses was primarily driven by higher consulting and professional fees. As a percentage of net sales, corporate administrative expenses were 1.3% for both 2013 and 2012.

Consolidated operating income was $815.1 million or 22.7% of net sales for 2013, an increase of $69.2 million or 9.3%, compared with $745.9 million or 22.4% of net sales in 2012.

Interest expense was $73.6 million for 2013, a decrease of $1.9 million or 2.5%, compared with $75.5 million in 2012. The decrease was due to lower borrowings under revolving credit facilities.

Other expenses, net were $16.7 million for 2013, an increase of $8.8 million, compared with $7.9 million in 2012. The increase was primarily driven by acquisition-related expenses and professional fees, and the unfavorable impact from foreign currency in 2013.

The effective tax rate for 2013 was 28.7%, compared with 30.7% in 2012. The effective tax rate for 2013 reflects the higher proportion of foreign earnings, which are taxed at lower rates, as well as an improved state effective tax rate that reflects the ongoing benefit of favorable planning initiatives. In addition, the retroactive extension of the U.S. research and development (R&D) tax credit for calendar year 2012 was enacted on January 2, 2013, resulting in an incremental R&D tax credit in 2013. See Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further details.

Net income for 2013 was $517.0 million, an increase of $57.9 million or 12.6%, compared with $459.1 million in 2012. Diluted earnings per share for 2013 were $2.10, an increase of $0.22 or 11.7%, compared with $1.88 per diluted share in 2012.

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Segment Results

EIG s net sales totaled $2,034.6 million for 2013, an increase of $162.0 million or 8.7%, compared with $1,872.6 million in 2012. The net sales increase was driven by the acquisitions of Powervar, Creaform, CSI and Micro-Poise. Internal sales growth was approximately 2%, primarily driven by increases in EIG s process instruments businesses. Foreign currency translation was flat period over period.

EIG s operating income was $552.1 million for 2013, an increase of $55.0 million or 11.1%, compared with $497.1 million in 2012. EIG s increase in operating income was primarily due to higher sales mentioned above. EIG s operating margins were 27.1% of net sales for 2013, compared with 26.5% of net sales in 2012. EIG s increase in operating margins was primarily due to the Group s lower cost structure through Operational Excellence initiatives. EIG s 2013 operating margins included a $11.6 million gain on the sale of a facility recorded in third quarter, which was partially offset by incremental growth investments in the businesses recorded in the third and fourth quarters.

EMG s net sales totaled $1,559.5 million for 2013, an increase of $97.8 million or 6.7%, compared with $1,461.7 million in 2012. The net sales increase was driven by the acquisition of Dunkermotoren. Internal sales growth was approximately 1%, driven by EMG s floorcare and specialty motors businesses. Foreign currency translation was flat period over period.

EMG s operating income was $309.4 million for 2013, an increase of $17.2 million or 5.9%, compared with $292.2 million in 2012. EMG s increase in operating income was primarily due to higher sales mentioned above. EMG s operating margins were 19.8% of net sales for 2013, compared with 20.0% of net sales in 2012. EMG s decrease in operating margins was driven by weaker performance in its differentiated businesses, including the impact of the Dunkermotoren acquisition, which has a lower operating margin than the Group s base businesses.

Results of Operations for the year ended December 31, 2012 compared with the year ended December 31, 2011

In 2012, the Company established records for orders, sales, operating income, operating income margins, net income, diluted earnings per share and operating cash flow. The Company achieved these results through contributions from acquisitions completed in 2012 and the acquisitions of Technical Manufacturing Corporation (TMC) in December 2011, EM Test (Switzerland) GmbH and Reichert Technologies in October 2011, Coining Holding Company (Coining) in May 2011 and Avicenna Technology, Inc. (Avicenna) in April 2011, as well as our Operational Excellence initiatives.

Net sales for 2012 were $3,334.2 million, an increase of $344.3 million or 11.5%, compared with net sales of $2,989.9 million in 2011. Net sales for EIG were $1,872.6 million in 2012, an increase of 13.7% from net sales of $1,647.2 million in 2011. Net sales for EMG were $1,461.7 million in 2012, an increase of 8.9% from net sales of $1,342.7 million in 2011. The increase in net sales was attributable to higher order rates, as well as the impact of the acquisitions mentioned above. The net sales increase for 2012 included internal sales growth of approximately 1%, which excludes a 1% unfavorable effect of foreign currency translation.

Total international sales for 2012 were $1,707.6 million or 51.2% of net sales, an increase of $206.5 million or 13.8%, compared with international sales of $1,501.1 million or 50.2% of net sales in 2011. The $206.5 million increase in international sales resulted from the acquisitions mentioned above, primarily driven by Dunkermotoren, and includes the effect of foreign currency translation. Both reportable segments of the Company maintain strong international sales presences in Europe and Asia despite weakness in the global economy. Export shipments from the United States, which are included in total international sales, were $862.6 million in 2012, an increase of $87.7 million or 11.3%, compared with $774.9 million in 2011. Export shipments improved due to increased exports from the 2012 and 2011 acquisitions noted above, excluding Dunkermotoren and EM Test.

New orders for 2012 were a record at $3,535.1 million, an increase of $462.6 million or 15.1%, compared with $3,072.5 million in 2011. The increase in orders was primarily attributable to 2012 and 2011 acquisitions, excluding a 1% unfavorable effect of foreign currency translation. As a result, the Company s backlog of unfilled orders at December 31, 2012 was a record at $1,112.3 million, an increase of $200.9 million or 22.0%, compared with $911.4 million at December 31, 2011.

Segment operating income for 2012 was $789.3 million, an increase of $106.4 million or 15.6%, compared with segment operating income of $682.9 million in 2011. Segment operating income, as a percentage of net sales, increased to 23.7% in 2012, compared with 22.8% in 2011. The increase in segment operating income and segment operating margins resulted primarily from the benefits of the Company s lower cost structure through Operational Excellence initiatives.

SG&A expenses for 2012 were $380.5 million, an increase of $31.2 million or 8.9%, compared with $349.3 million in 2011. As a percentage of net sales, SG&A expenses were 11.4% for 2012, compared with 11.7% in 2011. Selling expenses increased $34.7 million or 11.4% for 2012 primarily driven by the increase in net sales noted above. Selling expenses, as a percentage of net sales, were 10.1% for both 2012 and 2011. Base business selling expenses were essentially flat year over year, which was in line with internal sales growth.

Corporate administrative expenses for 2012 were $43.1 million, a decrease of $3.5 million or 7.5%, compared with $46.6 million in 2011. The decrease in corporate administrative expenses was primarily driven by lower consulting and compensation-related expenses. As a percentage of net sales, corporate administrative expenses were 1.3% for 2012, compared with 1.6% in 2011.

Consolidated operating income was $745.9 million or 22.4% of net sales for 2012, an increase of $110.0 million or 17.3%, compared with $635.9 million or 21.3% of net sales in 2011.

Interest expense was $75.5 million for 2012, an increase of $5.8 million or 8.3%, compared with $69.7 million in 2011. The increase was due to higher borrowings under revolving credit facilities and higher fees associated with the full year impact of the revolving credit facility signed in September 2011 primarily for the acquisitions previously mentioned, as well as the full year impact of the issuance of a 55 million Swiss franc senior note in the fourth quarter of 2011.

Other expenses, net were $7.9 million for 2012, a decrease of $1.7 million, compared with $9.6 million in 2011. The decrease was primarily driven by higher investment income, a favorable impact from foreign currency in 2012 and the non-recurrence of costs incurred to demolish a vacant facility in 2011.

The effective tax rate for 2012 was 30.7%, compared with 30.9% in 2011. The effective tax rate for 2012 and 2011 includes the impact of international statutory tax rate reductions and the ongoing benefits obtained from international tax planning initiatives. See Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further details.

Net income for 2012 was $459.1 million, an increase of $74.6 million or 19.4%, compared with $384.5 million in 2011. Diluted earnings per share for 2012 were $1.88, an increase of $0.30 or 19.0%, compared with $1.58 per diluted share in 2011.

Segment Results

EIG s net sales totaled $1,872.6 million for 2012, an increase of $225.4 million or 13.7%, compared with $1,647.2 million in 2011. The net sales increase was due to internal sales growth of approximately 3%, excluding an unfavorable 1% effect of foreign currency translation, primarily driven by increases in EIG s oil and gas, aerospace and power businesses. The acquisitions of Micro-Poise, O Brien, TMC, EM Test and Reichert Technologies accounted for the remainder of the net sales increase.

EIG s operating income was $497.1 million for 2012, an increase of $76.9 million or 18.3%, compared with $420.2 million in 2011. EIG s operating margins were 26.5% of net sales for 2012, compared with 25.5% of net sales in 2011. The increase in segment operating income and operating margins was driven by the leveraged impact of the Group s increase in internal sales growth noted above, as well as the benefit of the Group s lower cost structure through Operational Excellence initiatives.

EMG s net sales totaled $1,461.7 million for 2012, an increase of $119.0 million or 8.9%, compared with $1,342.7 million in 2011. The net sales increase was due to the acquisitions of Dunkermotoren, Coining and Avicenna, partially offset by an internal sales decline of 1% and an unfavorable 1% effect of foreign currency translation.

EMG s operating income was $292.2 million for 2012, an increase of $29.5 million or 11.2%, compared with $262.7 million in 2011. EMG s operating margins were 20.0% of net sales for 2012, compared with 19.6% of net sales in 2011. EMG s increase in operating income and operating margins was primarily due to the benefit of the Group s lower cost structure through Operational Excellence initiatives.

Liquidity and Capital Resources

Cash provided by operating activities totaled $660.7 million in 2013, an increase of $48.2 million or 7.9%, compared with $612.5 million in 2012. The increase in cash provided by operating activities was primarily due to the $57.9 million increase in net income. Free cash flow (cash flow provided by operating activities less capital expenditures) was $597.4 million in 2013, compared with $555.1 million in 2012. EBITDA (earnings before interest, income taxes, depreciation and amortization) was $916.3 million in 2013, compared with $842.7 million in 2012. 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 in this Annual Report on Form 10-K for a reconciliation of U.S. generally accepted accounting principles (GAAP) measures to comparable non-GAAP measures).

Cash used for investing activities totaled $460.3 million in 2013, compared with $803.7 million in 2012. In 2013, the Company paid $414.3 million, net of cash acquired, to acquire CSI in August 2013, Creaform in October 2013 and Powervar in December 2013. In 2012, the Company paid $747.7 million, net of cash acquired, to acquire O Brien in January 2012, Dunkermotoren in May 2012, Micro-Poise in October 2012, and ACI, Avtech, Sunpower and Crystal Engineering in December 2012. In 2013, the Company received $12.8 million for the sale of a facility. Additions to property, plant and equipment totaled $63.3 million in 2013, compared with $57.4 million in 2012.

Cash used for financing activities totaled $70.3 million in 2013, compared with $174.5 million of cash provided by financing activities in 2012. In 2013, net total borrowings decreased by $44.9 million, compared with a net total borrowings increase of $177.9 million in 2012. In 2013, the Company repurchased approximately 206,000 shares of its common stock for $8.5 million, compared with $4.6 million used for repurchases of approximately 141,000 shares of the Company s common stock in 2012. At December 31, 2013, $92.4 million was available under the Board authorization for future share repurchases.

The Company has a revolving credit facility with a total borrowing capacity of $700 million, which excludes an accordion feature that permits the Company to request up to an additional $200 million in revolving credit commitments at any time during the life of the revolving credit agreement under certain conditions. The revolving credit facility was amended in December 2013 and now expires in December 2018. Interest rates on outstanding loans under the revolving credit facility are at the applicable benchmark rate plus a negotiated spread or at the U.S. prime rate. The revolving credit facility provides the Company with additional financial flexibility to support its growth plans, including its successful acquisition strategy. At December 31, 2013, the Company had available borrowing capacity of $587.0 million under its revolving credit facility, including the $200 million accordion feature.

At December 31, 2013, total debt outstanding was $1,415.1 million, compared with $1,453.8 million at December 31, 2012, with no significant maturities until 2015. The debt-to-capital ratio was 31.1% at December 31, 2013, compared with 36.4% at December 31, 2012. The net debt-to-capital ratio (total debt less cash and cash equivalents divided by the sum of net debt and stockholders equity) was 26.3% at December 31, 2013, compared with 33.8% at December 31, 2012. 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 in this Annual Report on Form 10-K for a reconciliation of U.S. GAAP measures to comparable non-GAAP measures).

Additional financing activities for 2013 include cash dividends paid of $58.4 million, compared with $53.1 million in 2012. Proceeds from the exercise of employee stock options were $26.1 million in 2013, compared with $39.4 million in 2012.

As a result of all of the Company s cash flow activities in 2013, cash and cash equivalents at December 31, 2013 totaled $295.2 million, compared with $158.0 million at December 31, 2012. At December 31, 2013, the Company had $291.4 million in cash outside the United States, compared with $150.6 million at December 31, 2012. The Company utilizes this cash to operate its international operations, as well as acquire international businesses. In October 2013, the Company acquired a Canadian company, Creaform, Inc., for approximately 125 million Canadian dollars (approximately $120 million). The Company is in compliance with all covenants, including financial covenants, for all of its debt agreements. The Company believes it has sufficient cash-generating capabilities from domestic and unrestricted foreign sources, available credit facilities and access to long-term capital funds to enable it to meet its operating needs and contractual obligations in the foreseeable future.

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, 2013.

		Payments Due			
Contractual Obligations(1)	**Total**	**Less Than One Year**	**One to Three Years**	**Four to Five Years**	**After Five Years**
			(In millions)		
Long-term debt(2)	$ 1,129.5	$	$ 260.1	$ 575.0	$ 294.4
Revolving credit loans(3)	268.3	268.3			
Capital lease(4)	9.5	1.1	2.3	6.1	
Other indebtedness	7.8	3.9	1.5	2.4	
Total debt	1,415.1	273.3	263.9	583.5	294.4
Interest on long-term fixed-rate debt	289.7	67.3	120.4	81.0	21.0
Noncancellable operating leases(5)	155.9	32.9	45.4	24.0	53.6
Purchase obligations(6)	335.0	304.9	30.0	0.1	
Employee severance and other	7.7	6.9	0.8		
Total	$ 2,203.4	$ 685.3	$ 460.5	$ 688.6	$ 369.0

(1) The liability for uncertain tax positions was not included in the table of contractual obligations as of December 31, 2013 because the timing of the settlements of these uncertain tax positions cannot be reasonably estimated at this time. See Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further details.

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

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(3) Although not contractually obligated, the Company expects to have the capability to repay the revolving credit loan within one year as permitted in the credit agreement. Accordingly, $268.3 million was classified as short-term debt at December 31, 2013.

(4) Represents a capital lease for a building and land associated with the Cameca SAS acquisition. The lease has a term of 12 years, which began in July 2006, and is payable quarterly.

(5) The leases expire over a range of years from 2014 to 2082 with renewal or purchase options, subject to various terms and conditions, contained in most of the leases.

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

Other Commitments

The Company has standby letters of credit and surety bonds of $51.3 million related to performance and payment guarantees at December 31, 2013. Based on experience with these arrangements, the Company believes that any obligations that may arise will not be material to its financial position.

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 financial condition and results of operations 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 included in Part II, Item 8 of this Annual Report on Form 10-K.

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, collectability 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 Company s 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, 2013, 2012 and 2011, the accrual for future warranty obligations was $28.0 million, $27.8 million and $22.5 million, respectively. The Company s expense for warranty obligations was $8.6 million, $10.1 million and $13.2 million in 2013, 2012 and 2011, 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.

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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 $9.5 million and $10.8 million at December 31, 2013 and 2012, respectively.

Inventories. The Company uses the first-in, first-out (FIFO) method of accounting, which approximates current replacement cost, for approximately 80% of its inventories at December 31, 2013. The last-in, first-out (LIFO) method of accounting is used to determine cost for the remaining 20% of its inventory at December 31, 2013. For inventories where cost is determined by the LIFO method, the FIFO value would have been $23.3 million and $25.4 million higher than the LIFO value reported in the consolidated balance sheet at December 31, 2013 and 2012, 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 Intangible 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. For the purpose of the goodwill impairment test, the Company can elect to perform a qualitative analysis to determine if it is more likely than not that the fair values of its reporting units are less than the respective carrying values of those reporting units. The Company elected to bypass performing the qualitative screen and went directly to performing the first step quantitative analysis of the goodwill impairment test in the current year. The Company may elect to perform the qualitative analysis in future periods. The first step in the quantitative process 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 any 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 unit in which a particular 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 sale 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

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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 goodwill impairment test to changes in the fair value calculations, the Company applied a hypothetical 10% decrease in fair values of each reporting unit. The 2013 results (expressed as a percentage of carrying value for the respective reporting unit) showed that, despite the hypothetical 10% decrease in fair value, the fair values of the Company s reporting units still exceeded their respective carrying values by 1% to 555% 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 can elect to perform a qualitative analysis to determine if it is more likely than not that the fair values of its indefinite-lived intangible assets are less than the respective carrying values of those assets. The Company elected to bypass performing the qualitative screen. The Company may elect to perform the qualitative analysis in future periods. 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, 2013, goodwill and other indefinite-lived intangible assets totaled $2,864.3 million or 48.7% of the Company s total assets. The Company performed its required annual impairment tests in the fourth quarter of 2013 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 is 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 2013, 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 2013 pension cost was 4.1% for U.S. defined benefit pension plans and 4.44% for foreign plans. The discount rate used for determining the funded status of the plans at December 31, 2013 and determining the 2014 defined benefit pension cost was 5.0% for U.S. plans and 4.38% 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 2013 of 7.75% for U.S. defined benefit pension plans and 6.91% for foreign plans. In 2014, the Company will use 7.75% for the U.S. plans and 6.93% for the foreign plans. 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 and equity investments, and adjusts its estimate as deemed appropriate. The rate of compensation increase used in determining the 2013 pension expense for the

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U.S. plans was 3.75% and was 2.89% for the foreign plans. The U.S. rate of compensation increase will remain unchanged in 2014. The foreign plans rates of compensation increase will increase slightly to 2.92% in 2014. In 2013, the Company recognized consolidated pre-tax pension expense of $0.8 million from its U.S. and foreign defined benefit pension plans, compared with pre-tax pension expense of $2.3 million recognized for these plans in 2012. The Company estimates its 2014 U.S. and foreign defined benefit pension pre-tax income to be approximately $10.6 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 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 in 2013, which totaled $5.9 million, compared with $4.3 million in 2012. The Company anticipates making approximately $4 million to $7 million in cash contributions to its defined benefit pension plans in 2014.

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 which 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.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* (ASU 2012-02). The amendments in ASU 2012-02, similar to the amendments of ASU No. 2011-08, *Testing Goodwill for Impairment*, permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired, as a basis for determining whether it is necessary to perform the quantitative impairment test described in FASB Accounting Standards Codification Topic 350, *Intangibles Goodwill and Other*. ASU 2012-02 was effective on January 1, 2013 for the Company and the adoption did not have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

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In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 was effective on January 1, 2013 for the Company. See the Consolidated Statement of Comprehensive Income for the Company s disclosure reflecting these requirements.

In March 2013, the FASB issued ASU No. 2013-05, *Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). ASU 2013-05 provides guidance for the treatment of the cumulative translation adjustment when an entity ceases to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective for interim and annual reporting periods beginning after December 15, 2013. The Company does not expect the adoption of ASU 2013-05 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In July 2013, the FASB issued ASU No. 2013-11*, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). ASU 2013-11 provides guidance for the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 is effective for interim and annual reporting periods beginning after December 15, 2013, with early adoption permitted. The Company does not expect the adoption of ASU 2013-11 to have a significant impact on the Company s financial statement presentation.

Internal Reinvestment

Capital Expenditures

Capital expenditures were $63.3 million or 1.8% of net sales in 2013, compared with $57.4 million or 1.7% of net sales in 2012. In 2013, 57% of the expenditures were for improvements to existing equipment or additional equipment to increase productivity and expand capacity. The Company s 2013 capital expenditures increased due to a continuing emphasis on spending to improve productivity and expand manufacturing capabilities. Capital expenditures in 2014 are expected to approximate 1.8% of net sales, with a continued emphasis on spending to improve productivity.

Development and Engineering

The Company is committed to research, development and engineering activities that are designed to identify and develop potential new and improved products or enhance existing products. Research, development and engineering costs before customer reimbursement were $178.7 million, $154.8 million and $137.6 million in 2013, 2012 and 2011, respectively. Customer reimbursements in 2013, 2012 and 2011 were $9.2 million, $5.0 million and $6.1 million, respectively. These amounts included net Company-funded research and development expenses of $93.9 million, $84.9 million and $78.0 million in 2013, 2012 and 2011, 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. The Company believes these waste products

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were handled in compliance with regulations existing at that time. At December 31, 2013, the Company is named a Potentially Responsible Party (PRP) at 15 non-AMETEK-owned former waste disposal or treatment sites (the non-owned sites). The Company is identified as a de minimis party in 13 of these sites based on the low volume of waste attributed to the Company relative to the amounts attributed to other named PRPs. In nine of these sites, the Company has reached a tentative agreement on the cost of the de minimis settlement to satisfy its obligation and is awaiting executed agreements. The tentatively agreed-to settlement amounts are fully reserved. In the other four sites, the Company is continuing to investigate the accuracy of the alleged volume attributed to the Company as estimated by the parties primarily responsible for remedial activity at the sites to establish an appropriate settlement amount. At the 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 or investigating the PRP claim and reserves have been established sufficient to satisfy the Company s expected obligations. The Company historically has resolved these issues within established reserve levels and reasonably expects this result will continue. In addition to these non-owned sites, the Company has an ongoing practice of providing reserves for probable remediation activities at certain of its current or previously owned manufacturing locations (the owned sites). For claims and proceedings against the Company with respect to other environmental matters, reserves are established once the Company has determined that a loss is probable and 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, 2013 and 2012 were $21.9 million and $23.6 million, respectively, for both non-owned and owned sites. In 2013, the Company recorded $1.6 million in reserves. Additionally, the Company spent $3.3 million on environmental matters in 2013. The Company s reserves for environmental liabilities at December 31, 2013 and 2012 include reserves of $13.3 million and $14.7 million, respectively, for an owned site acquired in connection with the 2005 acquisition of HCC Industries (HCC). The Company is the designated performing party for the performance of remedial activities for one of several operating units making up a Superfund site in the San Gabriel Valley of California. The Company has obtained indemnifications and other financial assurances from the former owners of HCC related to the costs of the required remedial activities. At December 31, 2013, the Company had $11.3 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.

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 results of operations, financial position or cash flows of the Company.

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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 financial condition and results of operations. 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 income 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 included in Part II, Item 8 of this Annual Report on Form 10-K.

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, the Canadian dollar and the Mexican peso. Exposure to foreign currency rate fluctuation is monitored, and when possible, mitigated through the use of local borrowings and occasional 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 are 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.

Item 8. Financial Statements and Supplementary Data

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 internal control 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 Company s Proxy Statement for the 2014 Annual Meeting of Stockholders. 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 herein.

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, 2013 based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992). Based on that evaluation, our management concluded that the Company s internal control over financial reporting was effective as of December 31, 2013.

The Company s internal control over financial reporting as of December 31, 2013 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

AMETEK, Inc.

February 26, 2014

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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, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (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, 2013, 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, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2013, and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania

February 26, 2014

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, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2013. 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, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania

February 26, 2014

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AMETEK, Inc.

Consolidated Statement of Income

(In thousands, except per share amounts)

	Year Ended December 31,		
	2013	**2012**	**2011**
Net sales	**$ 3,594,136**	$ 3,334,213	$ 2,989,914
Operating expenses:			
Cost of sales, excluding depreciation	**2,323,642**	2,154,132	1,955,779
Selling, general and administrative	**398,177**	380,532	349,321
Depreciation	**57,238**	53,677	48,873
Total operating expenses	**2,779,057**	2,588,341	2,353,973
Operating income	**815,079**	745,872	635,941
Other expenses:			
Interest expense	**(73,572)**	(75,472)	(69,729)
Other, net	**(16,712)**	(7,925)	(9,570)
Income before income taxes	**724,795**	662,475	556,642
Provision for income taxes	**207,796**	203,343	172,178
Net income	**$ 516,999**	$ 459,132	$ 384,464
Basic earnings per share	**$ 2.12**	$ 1.90	$ 1.60
Diluted earnings per share	**$ 2.10**	$ 1.88	$ 1.58
Weighted average common shares outstanding:			
Basic shares	**243,915**	241,512	240,383
Diluted shares	**246,065**	243,986	243,161

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Comprehensive Income

(In thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
Net income	**$ 516,999**	$ 459,132	$ 384,464
Other comprehensive income (loss):			
Amounts arising during the period gains (losses), net of tax (expense) benefit:			
Foreign currency translation:			
Translation adjustments	**2,550**	17,722	(12,465)
Change in long-term intercompany notes	**25,047**	6,926	(4,624)
Net investment hedges, net of tax of ($1,587), ($1,416) and $221 in 2013, 2012 and 2011, respectively	**2,938**	2,629	(410)
Defined benefit pension plans:			
Net actuarial gain (loss), net of tax of ($28,884), $15,222 and $28,505 in 2013, 2012 and 2011, respectively	**47,498**	(30,509)	(50,582)
Amortization of net actuarial loss, net of tax of ($5,038), ($4,598) and ($1,358) in 2013, 2012 and 2011, respectively	**8,446**	7,563	2,914
Amortization of prior service costs, net of tax of ($66), ($441) and ($30) in 2013, 2012 and 2011, respectively	**(174)**	1,541	33
Unrealized holding gain (loss) on available-for-sale securities:			
Unrealized gain (loss), net of tax of ($114), $33 and ($92) in 2013, 2012 and 2011, respectively	**(214)**	61	(171)
Other comprehensive income (loss)	**86,091**	5,933	(65,305)
Total comprehensive income	**$ 603,090**	$ 465,065	$ 319,159

See accompanying notes.

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AMETEK, Inc.

Consolidated Balance Sheet

(In thousands, except share amounts)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 295,203**	$ 157,984
Receivables, less allowance for possible losses	**536,701**	507,850
Inventories	**452,848**	428,935
Deferred income taxes	**38,815**	33,301
Other current assets	**45,562**	36,673
Total current assets	**1,369,129**	1,164,743
Property, plant and equipment, net	**402,790**	383,483
Goodwill	**2,408,363**	2,208,239
Other intangibles, net of accumulated amortization	**1,473,926**	1,309,727
Investments and other assets	**223,694**	123,864
Total assets	**$ 5,877,902**	$ 5,190,056
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	**$ 273,315**	$ 320,654
Accounts payable	**347,638**	321,183
Income taxes payable	**40,007**	40,598
Accrued liabilities	**213,585**	197,534
Total current liabilities	**874,545**	879,969
Long-term debt	**1,141,750**	1,133,121
Deferred income taxes	**558,555**	482,852
Other long-term liabilities	**166,931**	158,963
Total liabilities	**2,741,781**	2,654,905
Stockholders equity:		
Preferred stock, $0.01 par value; authorized: 5,000,000 shares; none issued		
Common stock, $0.01 par value; authorized: 800,000,000 shares; issued: 2013 257,984,830 shares; 2012 256,451,866 shares	**2,581**	2,565
Capital in excess of par value	**448,700**	387,871
Retained earnings	**2,966,015**	2,507,419
Accumulated other comprehensive loss	**(65,239)**	(151,330)
Treasury stock: 2013 12,978,377 shares; 2012 13,056,595 shares	**(215,936)**	(211,374)
Total stockholders equity	**3,136,121**	2,535,151
Total liabilities and stockholders equity	**$ 5,877,902**	$ 5,190,056

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Stockholders Equity

(In thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
Capital Stock			
Preferred stock, $0.01 par value	**$**	$	$
Common stock, $0.01 par value			
Balance at the beginning of the year	**2,565**	2,538	2,521
Shares issued	**16**	27	17
Balance at the end of the year	**2,581**	2,565	2,538
Capital in Excess of Par Value			
Balance at the beginning of the year	**387,871**	315,688	262,450
Issuance of common stock under employee stock plans	**23,053**	37,829	18,035
Share-based compensation costs	**21,591**	19,384	22,147
Excess tax benefits from exercise of stock options	**16,185**	14,970	13,056
Balance at the end of the year	**448,700**	387,871	315,688
Retained Earnings			
Balance at the beginning of the year	**2,507,419**	2,101,615	1,755,742
Net income	**516,999**	459,132	384,464
Cash dividends paid	**(58,405)**	(53,083)	(38,366)
Other	**2**	(245)	(225)
Balance at the end of the year	**2,966,015**	2,507,419	2,101,615
Accumulated Other Comprehensive (Loss) Income			
Foreign currency translation:			
Balance at the beginning of the year	**(31,624)**	(58,901)	(41,402)
Translation adjustments	**2,550**	17,722	(12,465)
Change in long-term intercompany notes	**25,047**	6,926	(4,624)
Net investment hedges, net of tax of ($1,587), ($1,416) and $221 in 2013, 2012 and 2011, respectively	**2,938**	2,629	(410)
Balance at the end of the year	**(1,089)**	(31,624)	(58,901)
Defined benefit pension plans:			
Balance at the beginning of the year	**(119,838)**	(98,433)	(50,798)
Net actuarial gain (loss), net of tax of ($28,884), $15,222 and $28,505 in 2013, 2012 and 2011, respectively	**47,498**	(30,509)	(50,582)
Amortization of net actuarial loss, net of tax of ($5,038), ($4,598) and ($1,358) in 2013, 2012 and 2011, respectively	**8,446**	7,563	2,914
Amortization of prior service costs, net of tax of ($66), ($441) and ($30) in 2013, 2012 and 2011, respectively	**(174)**	1,541	33
Balance at the end of the year	**(64,068)**	(119,838)	(98,433)

Unrealized holding gain (loss) on available-for-sale securities:			
Balance at the beginning of the year	**132**	71	242
Increase (decrease) during the year, net of tax	**(214)**	61	(171)
Balance at the end of the year	**(82)**	132	71
Accumulated other comprehensive loss at the end of the year	**(65,239)**	(151,330)	(157,263)
Treasury Stock			
Balance at the beginning of the year	**(211,374)**	(209,773)	(153,551)
Issuance of common stock under employee stock plans	**3,905**	3,041	3,114
Purchase of treasury stock	**(8,467)**	(4,642)	(59,336)
Balance at the end of the year	**(215,936)**	(211,374)	(209,773)
Total Stockholders Equity	**$ 3,136,121**	$ 2,535,151	$ 2,052,805

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Cash Flows

(In thousands)

	Year Ended December 31,		
	2013	**2012**	**2011**
Cash provided by (used for):			
Operating activities:			
Net income	**$ 516,999**	$ 459,132	$ 384,464
Adjustments to reconcile net income to total operating activities:			
Depreciation and amortization	**118,657**	105,471	86,532
Deferred income taxes	**1,414**	3,552	12,154
Share-based compensation expense	**21,591**	19,384	22,147
Gain on sale of facility	**(11,590)**		
Changes in assets and liabilities, net of acquisitions:			
Decrease (increase) in receivables	**5,247**	(4,225)	(12,450)
(Increase) decrease in inventories and other current assets	**(1,790)**	29,555	(11,923)
Increase (decrease) in payables, accruals and income taxes	**7,951**	(10,304)	28,053
Increase in other long-term liabilities	**9,702**	9,535	550
Pension contribution	**(5,856)**	(4,292)	(5,386)
Other	**(1,666)**	4,656	4,424
Total operating activities	**660,659**	612,464	508,565
Investing activities:			
Additions to property, plant and equipment	**(63,314)**	(57,427)	(50,816)
Purchases of businesses, net of cash acquired	**(414,315)**	(747,675)	(474,441)
Proceeds from sale of facility	**12,799**		
Other	**4,497**	1,371	(1,196)