

# platforms for growth



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# financial highlights

# 2006

(In millions, except per share amounts and number of employees)

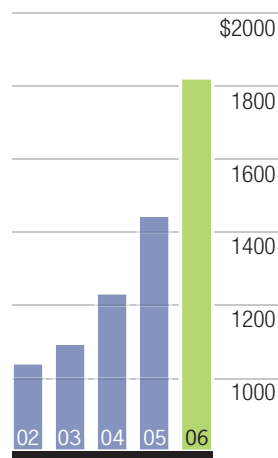
For the Year	2006	2005	2004	2003	2002
Net sales	<b>\$1,819.3</b>	\$1,434.5	\$1,232.3	\$1,091.6	\$1,040.5
Operating income <sup>(1)</sup>	<b>309.0</b>	233.5	191.2	151.8	144.2
Net income <sup>(1)</sup>	<b>181.9</b>	136.4	109.0	84.2	80.4
EBITDA <sup>(1) (2)</sup>	<b>351.4</b>	269.9	228.3	186.2	175.9
Free cash flow <sup>(1) (3)</sup>	<b>196.8</b>	132.4	134.8	134.6	88.4
Capital expenditures	<b>29.2</b>	23.3	21.0	21.3	17.4
<i>Per Share Data <sup>(4)</sup>:</i>					
Diluted earnings per share <sup>(1)</sup>	<b>1.71</b>	1.29	1.06	0.84	0.81
Cash dividends paid	<b>0.18</b>	0.16	0.16	0.08	0.08
<b>At Year-End</b>					
Total debt	<b>\$ 681.9</b>	\$ 631.4	\$ 450.1	\$ 424.4	\$ 390.1
Stockholders' equity <sup>(1)</sup>	<b>966.7</b>	809.5	663.3	532.9	423.6
Shares outstanding <sup>(4)</sup>	<b>106.1</b>	105.7	103.0	100.5	99.2
Number of employees	<b>10,400</b>	9,800	8,300	7,800	7,700

(1) Amounts for years prior to 2006 reflect the retrospective application of SFAS 123R to expense stock options effective January 1, 2006.

(2) EBITDA represents income before interest, income taxes, depreciation and amortization. (See table on page 25 for a reconciliation of net income reported in accordance with U.S. generally accepted accounting principles (U.S. GAAP) to EBITDA.)

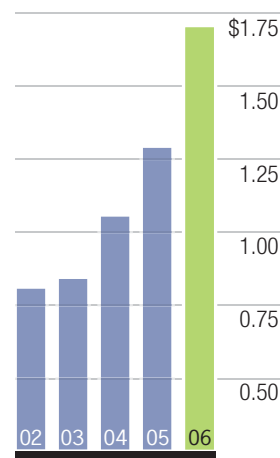
(3) Free cash flow represents cash flow from operating activities, less capital expenditures. (See table on page 25 for a reconciliation of cash flow from operating activities reported in accordance with U.S. GAAP to free cash flow.)

(4) Per share data and shares outstanding at year-end reflect a three-for-two stock split paid to shareholders on November 27, 2006.



**Net Sales**  
(in millions)

5-Year CAGR is 12%



**Diluted Earnings  
per Share**

5-Year CAGR is 22%

CAGR = Compound annual growth rate

# Letter to shareholders

## 2006 Was the Most Successful Year in Our History

We are extremely pleased with our performance in 2006. We established records for sales, operating income, net income and diluted earnings per share. Our record results were driven by strong sales, improved operating margins, a stronger business mix and a continued focus on our Operational Excellence initiatives.

Solid internal growth of 9% in our businesses and contributions from recent acquisitions resulted in a 27% increase in sales to \$1.82 billion. Operating income was up 32% to \$309 million. Net income was up 33% to \$182 million, and our diluted earnings per share were \$1.71, up 33% from 2005.

Our businesses also continued to demonstrate their ability to generate excellent cash flow. For the year, operating cash flow totaled \$226 million, up 45% from \$156 million achieved in 2005. That strong cash flow allows us to fund our internal growth and acquisition initiatives, while maintaining a healthy total debt-to-capital ratio.

## AMETEK Has Undergone a Dramatic Transformation

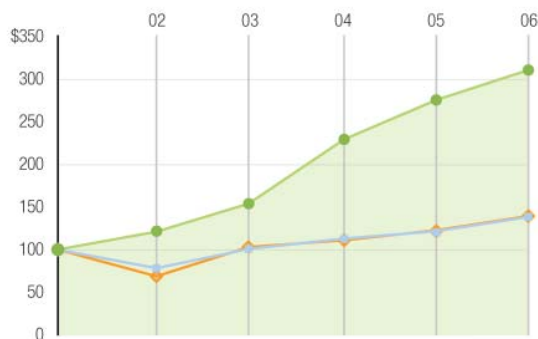
In 1999, we set out to transform AMETEK by focusing on businesses with highly differentiated products that compete on the basis of performance, rather than price. These types of businesses have excellent profitability and are efficient in their use of capital.

We decided to undertake our business portfolio shift incrementally, using our excellent cash flow to fuel this transition to a more differentiated business model. The results have been dramatic. Since 1999, we have expanded into promising new markets, including elemental analysis, microelectronics packaging and interconnects, nanotechnology, nuclear spectroscopy and homeland security.

Differentiated businesses now account for 85% of our revenues. This movement to a differentiated business model is the single largest factor in our strong stock performance as shown in the chart below.

## Our Vision

*Our vision for the Company remains unchanged: **To double the size and profitability of AMETEK over the next five years.***



## Total Return to Shareholders

Among AMETEK, Inc., the Russell 1000 Index, and the Dow Jones U.S. Electronic Equipment Index

● AMETEK, Inc.  
■ Russell 1000\*  
◇ Dow Jones U.S. Electronic Equipment\*

For \$100 invested on 12/31/01 in stock or index, including reinvestment of dividends. \* Includes AMETEK.

## Our Growth Strategies Are Driving Our Success

Our Four Growth Strategies—Operational Excellence, Global & Market Expansion, New Products and Strategic Acquisitions—continue to serve as the vehicles for achieving our vision. The solid execution of those strategies has been the key to our success.

**Operational Excellence** is our cornerstone strategy. It allows us to consistently deliver quality and value to our customers and to maintain the profitability of our businesses regardless of the economic cycle. It is essential to our cost-driven businesses, adds significant value to our differentiated businesses and is instrumental in improving the performance of our acquired businesses.

**Global & Market Expansion** remains a driver in our continued growth. International sales have increased from less than a third of total sales in 1999 to nearly one-half in 2006. We plan to further expand low-cost manufacturing in key global regions and to use acquisitions and new products to pursue growth opportunities in international markets. In addition, we are strengthening our marketing, purchasing and distribution capabilities worldwide.

**New Products** have spurred our growth. We enjoy an excellent reputation for technical innovation and product development know-how and have acquired businesses with excellent technical capabilities. In addition, we have made a significant investment in new product development. Over the past five years, we have invested more than \$300 million in new product development. The result has been the introduction of a steady stream of successful new products.

**Strategic Acquisitions:** We have completed 27 acquisitions since the beginning of 1999. Despite deploying more than \$1 billion in capital for those acquisitions, our total debt-to-capital ratio has declined from 61% at the end of 1999 to 41% at year-end 2006.

## 2006: Year of Accomplishment

In 2006, the impact of our portfolio transformation, along with the continued success of our Four Growth Strategies, was evident from our strong growth. New Products, Global & Market Expansion, and Operational Excellence were key to driving our internal growth and profitability. In addition, we completed the acquisition of six differentiated businesses that represent combined annual revenue of approximately \$150 million and further expand our positions in aerospace, power, process and analytic instruments and in technical motors.

## Operational Excellence Guides Our Course

Operational Excellence contributed significantly to our success in 2006, playing a key part in the smooth migration of manufacturing to our low-cost plants in Mexico, China and the Czech Republic. Those modern, low-cost plants account for a growing share of our Company's revenues, totaling \$286 million in 2006, an increase of \$43 million versus 2005.

While our low-cost plants have been especially important to the best-cost manufacturing strategy in our cost-driven motor businesses, they also have taken on a greater role in our differentiated instrument businesses.

We continue to ramp up the activity at our Global Sourcing Organization in Shanghai, China. Originally established to support our motor manufacturing, that operation now serves many of our divisions and generated more than \$4 million in savings in 2006 from materials procured in China.

As a result of those and other Operational Excellence initiatives, our group operating margins have risen from 14.6% in 2001 to 18.9% today, despite higher raw material and energy costs—a *remarkable achievement*.

### AMETEK Has Been Reshaped into a Global Company

We now have over two dozen non-U.S. manufacturing facilities in 13 countries around the world, including joint ventures with Asian partners in China, Japan, Korea and Taiwan. We also have nearly 60 direct sales and service centers in more than 30 countries outside the United States.

In 2006, international sales grew to \$866 million, up 32% compared with \$656 million in 2005. Asia led the way with sales growth of 39%, driven by strong performance in our process, aerospace and power businesses as well the ongoing success of our Shanghai motor operation.

Recently acquired businesses with strong overseas sales components have contributed significantly to our international growth. These include Taylor Hobson, a U.K.-based developer of nanotechnology instruments acquired in 2004; SPECTRO, a German-based leader in optical emission and X-ray spectrometers acquired in 2005; and Land Instruments, a U.K.-based manufacturer of high-end analytic instruments acquired in 2006.

We also have strengthened our global marketing and distribution capabilities by more than tripling our sales and service personnel in Europe, Asia and the Middle East since 1999.

In 2006, we targeted additional spending to bolster our sales and marketing in key international regions. We opened new sales offices in Moscow and Chengdu, China, and further expanded our presence in Japan and the Middle East.

### We Have Leveraged Our Investment in New Products

New products are the lifeblood of AMETEK, and we have consistently invested in new product development. In 2006, that investment totaled \$88 million, up 15% from 2005. We also have deployed Design for Six Sigma, a proven methodology for improving the pace and quality of innovation.

As Design for Six Sigma has gained traction, we have seen an increase in the efficiency of our research and development spending. The percentage of revenue from products introduced over the last three years totaled 20% in 2006, compared with 16% in 2005, reflecting the outstanding job AMETEK colleagues have done in anticipating the needs of our customers and in developing the right products to meet those needs.

Our most recent product introductions include high-resolution radiation detectors for homeland security, engine and airframe sensors for the world's most advanced aircraft, sophisticated blowers for electronic cooling and environmental control, and state-of-the-art process analyzers and monitors for the oil, gas and power industries.

**Frank S. Hermance**  
Chairman and  
Chief Executive  
Officer



**Robert W. Chlebek**  
President,  
Electronic Instruments



**David A. Zapico**  
President,  
Electronic Instruments







**John J. Molinelli**  
*Executive Vice President –  
Chief Financial Officer*

## We Are an Active and Disciplined Acquirer

We have a focused acquisition strategy, a thorough due diligence process and a proven ability to quickly integrate newly acquired businesses. During 2006, we acquired six companies that fit our criteria:

- **Pulsar Technologies**, a leading manufacturer of highly specialized communications equipment for the electric utility market
- **PennEngineering Motion Technologies**, a supplier of highly engineered motors for niche applications in electronic data storage and aviation
- **Land Instruments**, a high-end analytic instrument company with a full line of optical temperature measurement products
- **Precitech**, a leading manufacturer of ultraprecision machining systems for such markets as nanotechnology, military, defense and ophthalmic
- **Southern Aeroparts**, a third-party maintenance, repair and overhaul services provider to the commercial airline industry
- **General Ceramics**, which provided us the technology for making ceramic components for our microelectronics packaging business

## Our Success Has Translated into Value for Our Shareholders

The success of our Growth Strategies is reflected in our strong stock performance. Over the past five years, our stock price has more than tripled, significantly outpacing the returns of our benchmark indexes (the Russell 1000 and the Dow Jones U.S. Electronic Equipment Indexes).

That performance results directly from the outstanding efforts of AMETEK colleagues around the world. Their commitment to our success is the greatest single asset that we carry into the future.

We believe that 2007 will be another outstanding year. We are confident that we will build on our record of success and that our Four Growth Strategies will continue to create value for our shareholders.

Finally, we thank Lewis Cole, who served on our Board for 20 years and retires this April. We are extremely grateful for his many contributions and dedicated service to AMETEK.

On behalf of my colleagues, I thank you for your support and confidence and look forward to reporting to you on the results of our efforts.

**Frank S. Hermance**  
Chairman and Chief Executive Officer  
March 7, 2007



**Timothy N. Jones**  
*President,  
Electromechanical Group*

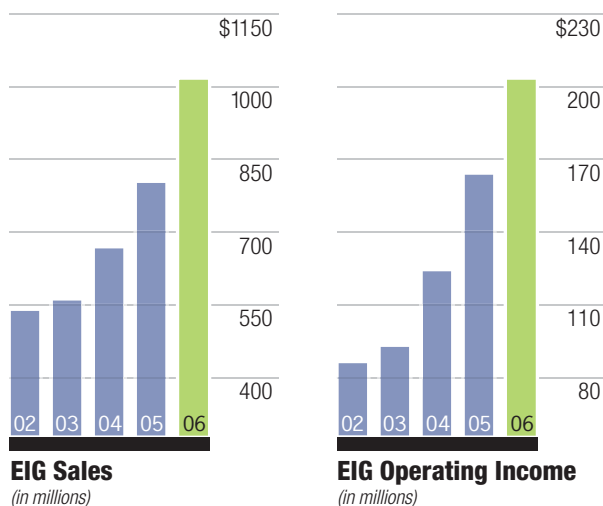
We are a leading global manufacturer of electronic instruments and electromechanical devices. We have over 10,000 colleagues at more than 70 manufacturing locations and more than 70 direct sales and service centers in the United States and over 30 other countries around the world.

We consist of two business groups: **Electronic Instruments**, which is a leader in advanced instruments for the process, aerospace, power and industrial markets, and **Electromechanical**, which is a differentiated supplier of electrical interconnects, technical motors and systems, and electric motors for floor care and other applications.

## Electronic Instruments Group (EIG)

- EIG ranks among the global leaders in process and analytical instrumentation for the chemical/petrochemical, oil and gas, pharmaceutical, semiconductor, factory automation, and research and laboratory equipment markets.
- Our aerospace instruments business includes engine and aircraft sensors and monitoring systems, data acquisition units, fuel and fluid measurement systems, and cable and harness assemblies.
- Our power instruments business supplies the electric power generation, transmission and distribution industry with power monitoring and quality instrumentation, uninterruptible power supply and battery monitoring systems, and sensors for gas turbine generators.
- EIG also is a leader in dashboard instruments for heavy trucks, construction equipment, and military and other vehicles, as well as a leading provider of timing controls and cooking computers for the food service industry.

## EIG Operating Results

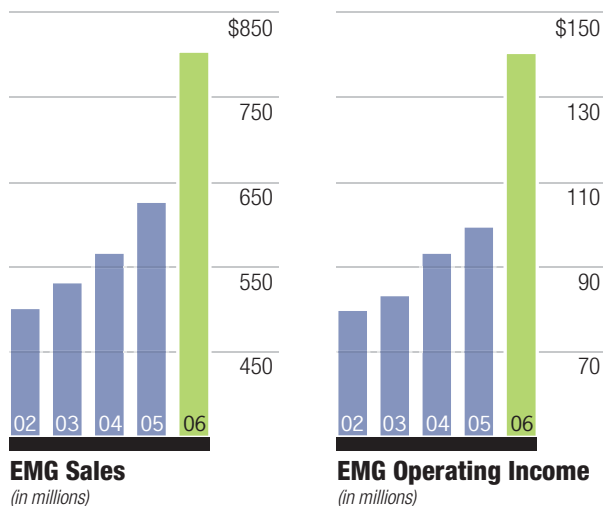




## Electromechanical Group (EMG)

- EMG is a leader in electrical interconnects, microelectronics packaging, specialty metal products, and technical motors and systems. In addition, it produces electric motors and blowers for floor care and other specialty applications.
- Our highly engineered connectors, terminals and microelectronics packages protect sensitive electronic devices used in aerospace, defense and industrial applications from thermal and environmental damage.
- Our specialty metal products include high-purity powdered metals, specialty clad metals, strip and shaped wire, and metal matrix composites used for electronic thermal management.
- EMG provides components and systems consisting of brushless DC motors, blowers and heat exchangers used for environmental control, electronic cooling and NBC (nuclear, biological and chemical) filtration. Key markets include military and aerospace, medical devices, mass transit, business equipment and fuel cells.
- Our vacuum motors are widely used in household and commercial vacuum cleaners and other floor care appliances. Our specialty motors are found in outdoor power equipment, household and personal care appliances, fitness equipment, and other consumer products. Our drive motors are used in industrial equipment, material handling vehicles, pumps and winches.
- Among our other electromechanical products are industrial battery chargers, contactors, solenoids, switches and devices used in telecommunications.

## EMG Operating Results



# platforms for growth

Over the past several years, AMETEK has undergone a dramatic transformation using acquisitions and internal development to expand into new markets and establish new platforms for growth.

In Electronic Instruments, AMETEK has expanded into promising new markets including high-end instrumentation for oil, gas and electric power; advanced instrumentation for elemental analysis and nanotechnology; and highly sensitive radiation detection systems for homeland security.

In its Electromechanical businesses, AMETEK has grown beyond its roots as a floor care and specialty motor manufacturer, establishing new business platforms in highly engineered microelectronics packaging and technical motors for niche applications.

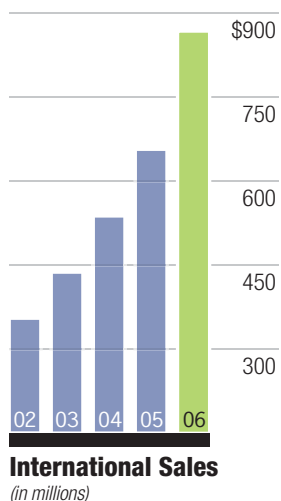
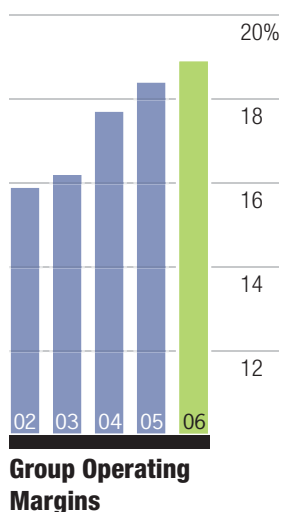
## Process and Analytical

AMETEK has broadened its high-end analytical instrument business into fields that mesh well with its core competency in measuring physical phenomena and that offer promising opportunities for growth.

AMETEK has substantially added to the range of products it offers the high-end analytical instruments market, and sales have increased to nearly \$600 million annually.

Recently acquired businesses have strengthened AMETEK's position in instruments for elemental analysis, microscopy, laboratory equipment, nuclear spectroscopy, and oil and gas production and distribution. They include:

- **SPECTRO**, which manufactures a wide range of optical emission and X-ray spectrometers used worldwide for elemental analysis in a variety of end markets
- **Solartron**, a leader in analytical instruments for the process, laboratory and industrial markets
- **Land Instruments**, which produces instruments for measuring temperature, optimizing combustion efficiency and monitoring environmental emissions







AMETEK serves the industrial, process and energy production markets with a growing range of high-tech products. Among its recent product introductions are:

- **SPECTRO ARCOS ICP** and **iQII XRF** spectrometers for the ultratrace analysis of various materials
- **EDAX Apollo Series** X-ray detectors and **Hikari** high-speed cameras that represent the latest advancements in X-ray microanalysis and electron diffraction instrumentation
- **Process Instruments' Model 5100 NCM**, a laser-tunable diode analyzer that provides a highly reliable and cost-effective method for measuring water vapor in natural gas
- **Solartron SST 3000 DP Transmitter** and retrievable instrument packs that are designed to operate in harsh deep-sea oil production in depths up to 10,000 feet (3,000 meters)

## Aerospace and Defense

For more than half a century, AMETEK has served the global aerospace industry with engine and aircraft sensors and monitoring systems, fuel and fluid measurement systems, and cockpit instruments and displays. During that time, it has earned a well-deserved reputation for innovation and reliability, and its customers include nearly all of the world's top airframe and aircraft engine manufacturers.

More recently, AMETEK has set out to broaden its position in aerospace and defense by offering environmental integrity systems and thermal management subsystems.

*The Talyrond 385 from AMETEK Taylor Hobson provides flexible, ultrahigh-precision measurement of components to the nanometric level.*

## Nanotechnology

Nanotechnology is a rapidly emerging science focused on the submicroscopic level that holds the potential for wide-scale applications in such far-ranging industries as semiconductors, electronics, medicine and the life sciences.

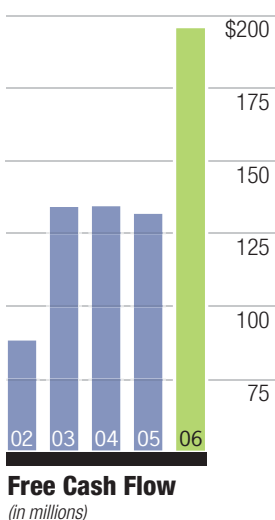
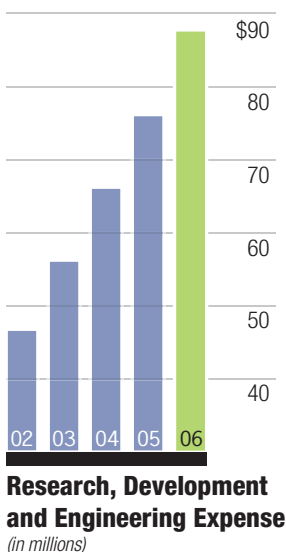
AMETEK Taylor Hobson has been at the forefront of nanotechnology, working with leading academic and research institutions worldwide to resolve their most demanding measurement requirements.

In 2006, Taylor Hobson took the lead in establishing a state-of-the-art nanotechnology and metrology center of excellence at its Leicester, England, headquarters. Funded in part by the U.K. government, the center has as its goal to further speed the development of nanotechnologies.

In addition, Taylor Hobson, Solartron Metrology, a leader in precision measurement of machined parts, and recently acquired Precitech, a maker of ultraprecision machining systems, have joined to form AMETEK Ultra Precision Technologies.

Together, these businesses allow AMETEK to leverage its combined manufacturing and technological capabilities to provide its customers with the broadest range of the most advanced metrology and ultraprecise manufacturing products available.





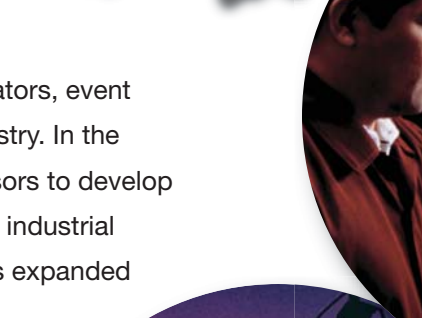
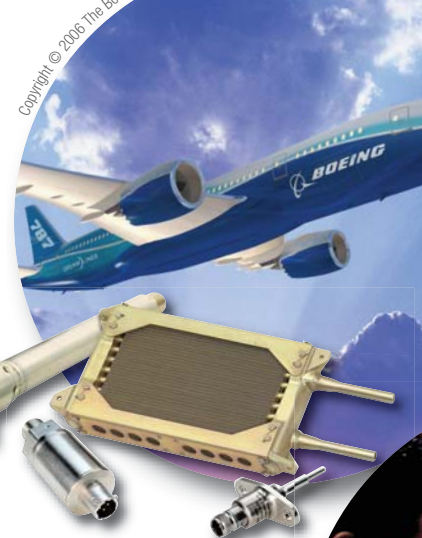
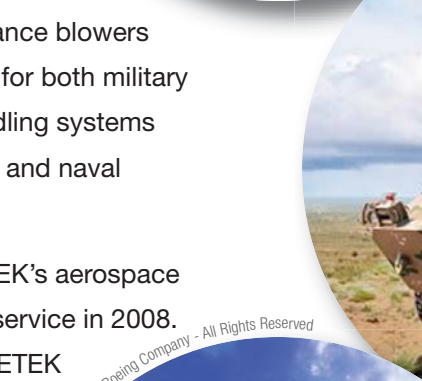
AMETEK has coupled the experience of its Hughes-Treidler business unit in heat exchangers and thermal management products with its Airtechnology and Rotron high-performance blowers and fans for heat transfer and electronic cooling systems for both military and commercial aircraft. These include advanced air handling systems used on commercial and military aircraft, military vehicles and naval vessels.

An excellent example of the expanding scope of AMETEK's aerospace products is Boeing's 787 Dreamliner, scheduled to enter service in 2008. The aircraft's advanced hydraulic system includes 26 AMETEK pressure transducers and other sensors and a specially designed lightweight Hughes-Treidler heat exchanger. In addition, advanced air-moving products from AMETEK are used on other systems aboard the aircraft.

AMETEK's acquisition of Southern Aeroparts in 2006 positions AMETEK to capture more maintenance, repair and overhaul (MRO) business, as the world's leading air carriers outsource those services to third-party providers. Southern Aeroparts' MRO expertise covers a broad range of aircraft components, including increasingly complex aircraft subsystems.

## Power

AMETEK has long been a leader in control room annunciators, event monitors and graphic displays for the electric power industry. In the 1990s, it leveraged its competency in aircraft engine sensors to develop instruments and sensors for land-based gas turbines and industrial and utility boiler applications. More recently, AMETEK has expanded into power transmission and distribution with Rochester Instruments power measurement and quality recorders as well as Solidstate Controls uninterruptible power supply systems and battery management systems.







## Homeland Security

*Nuclear terrorism poses a real and present danger. To counter that threat, AMETEK has taken the lead in the development of the next generation of radiation detection technology.*

*AMETEK's Detective® family of high-resolution radiation detection systems is considered the gold standard for detecting potentially harmful radioactive material without interfering with the normal flow of commerce. They employ a unique class of high-purity germanium-based gamma ray detectors that are the best available technology for quickly, accurately and reliably identifying nuclear material and determining whether or not it poses a threat.*

*In 2006, AMETEK was awarded contracts from the U.S. Departments of Homeland Security, Defense and Energy, as well as the U.K. Ministry of Defence, for its portable high-resolution systems. Those systems will be used by the military, customs and border protection, public safety officials and other first responders to screen vehicles and search public facilities for potentially harmful radioactive materials.*

In 2006, AMETEK added Pulsar Technologies, a developer and manufacturer of highly specialized communications equipment for the electric utility market that provides critical feedback on faults and other functions between power substations and electric power lines.

### Differentiated Electromechanical Products

AMETEK's 2005 acquisition of HCC Industries represented a new growth platform for AMETEK's electromechanical products. HCC is a leader in hermetically sealed glass-to-metal connectors, terminals and microelectronics packages that protect sensitive devices used in aerospace and defense as well as industrial, petrochemical and telecommunications markets from environmental and thermal damage.

In 2006, AMETEK acquired the capabilities for high-temperature, co-fired ceramic technology with the addition of General Ceramics. That technology allows AMETEK to broaden its product line and offer a more complete range of hermetic seals and microelectronics packaging solutions.

AMETEK also added to its range of differentiated technical motors and systems in 2006 with the acquisition of PennEngineering Motion Technologies, a leader in highly engineered motors used for data storage, medical devices, electronic equipment, factory automation and commercial aviation.



*The ORTEC Detective® radiation identifier incorporates a high-resolution germanium detector.*



## Best-Cost Manufacturing and Global Expansion

AMETEK's motor manufacturing facilities in China, Mexico and the Czech Republic recently celebrated 10th anniversaries. Over the past decade, these operations have provided an increasingly important global manufacturing base for AMETEK's cost-driven businesses and have served as platforms for growth for AMETEK's differentiated products in Asia, Latin America and Eastern Europe.

More than half of AMETEK's market opportunities are outside the United States and include the fastest-growing regions of the globe. AMETEK has made significant progress

## 2006 Dr. John H. Lux Total Quality Accomplishment Award Winners



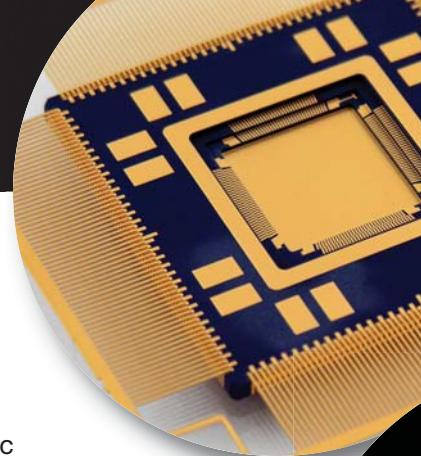
*The **Thermocouple Manufacturing Cell Team from AMETEK Power Instruments**, winner of the 2006 Dr. John H. Lux Total Quality Accomplishment Award, serves as an example of the expanding role of Lean Manufacturing at AMETEK.*

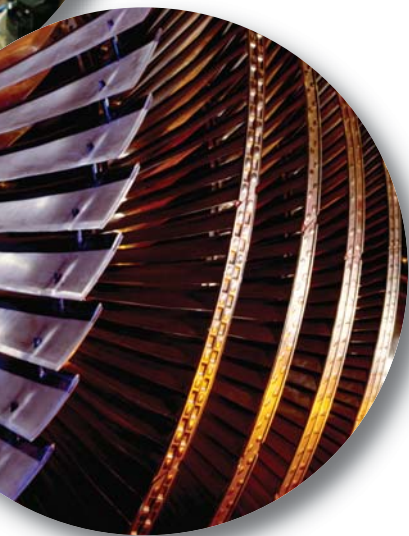
*The team, which consists of colleagues from Reynosa, Mexico; Rochester, New York; Troy, Ohio; and Wilmington, Massachusetts, was selected for its success in becoming the sole supplier of gas turbine thermocouples to a world-leading producer of industrial gas turbines for electric power generation, oil and natural gas production, and gas transmission.*



*Relying on Lean Manufacturing and Six Sigma tools, the team developed 35 unique thermocouple designs and then created an independent manufacturing cell to meet its customer's stringent quality and delivery requirements.*

*The Thermocouple Manufacturing Cell Team from AMETEK Power Instruments consists of (top photo, left to right): front row: Ezequiel Borjas, Dora Olvera, and Liliana Guajardo; middle row: Brian Hoffmann, Patricia Valdez, Jesus Torres, Nadia Hernandez, and Michael Miller; back row: Rich Lane and Gary Nalen; (bottom photo, left to right): Nick Cianciotta, Centa Lane, Jerry Schaefer, and Ray Roth.*





toward growing its international sales to more than half of its total revenues. As recently as 1999, international sales accounted for less than a third of AMETEK's total revenues. In 2006, they were \$866 million, up 32% from 2005, and accounted for 48% of AMETEK's total revenues.

AMETEK's Asian sales led the way in 2006, up 39% from 2005. Asia is the fastest-growing global region for AMETEK. Since 1999, AMETEK's Asian sales have increased nearly fivefold, to \$275 million in 2006. AMETEK added a new sales office in Chengdu in southwest China in 2006, complementing its Shanghai and Beijing sales offices and Shanghai motor manufacturing facility.

AMETEK further bolstered its international sales and marketing capabilities in 2006 by expanding its presence in Japan and the Middle East and opening a sales office in Moscow. All are key and growing markets for AMETEK's differentiated instruments and electromechanical devices.



## Cathodic Protection

*Shutdown of the Alaskan oil pipeline in 2006 demonstrated how critical it is to protect vital oil and gas pipelines, and storage and distribution facilities from corrosion-related disruptions.*

*Cathodic Protection Systems from AMETEK Solidstate Controls have proven the most reliable and advanced technology for protecting essential energy pipelines and structures—such as tanks and other storage vessels—from costly corrosion-related problems.*

*Designed to operate in the harshest environmental conditions, AMETEK's Cathodic Protection Systems utilize the electrical properties of the pipeline or other structures to protect them from corrosion. They offer significant economic and environmental advantages over paints and corrosion-resistant coatings and incorporate the latest remote-monitoring capabilities.*



*AMETEK Solidstate Controls Automatic Cathodic Protection System offers corrosion protection for oil and gas pipeline and distribution facilities.*



## Management's Discussion and Analysis

This 2006 summary annual report contains abbreviated financial information. The complete text of Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and footnotes are presented in AMETEK's 2006 Form 10-K, and in Appendix B to the Company's Proxy Statement for its 2007 Annual Meeting.

### Overview

As a multinational business, AMETEK's operations are affected by global, regional and industry economic factors. However, the Company's strategic geographic and industry diversification, and its mix of products and services, have helped to limit the potential adverse impact of any unfavorable developments in any one industry or the economy of any single country on its consolidated operating results. In 2006, the Company experienced strong sales, improved operating margins, and a stronger mix in its businesses. Strong internal growth and the contribution from recent acquisitions, combined with successful Operational Excellence initiatives, enabled the Company to post another year of record sales, operating income, net income, diluted earnings per share, and cash flow from operating activities in 2006.

In October 2006, the Company's Board of Directors declared a three-for-two split of its common stock. The stock split resulted in the issuance of one additional share for every two shares owned. The stock split was distributed on November 27, 2006, to shareholders of record at the close of business on November 13, 2006. All share and per share data in this report reflect the impact of the stock split. Additionally, the Board of Directors approved a 50% increase in the quarterly cash dividend rate on the Company's common stock to \$0.06 per share from \$0.04 per share on a post-split basis. The first increased quarterly dividend was payable to shareholders with the December 2006 dividend payment.

The table on the opposite page sets forth net sales and operating income for the Company by business segment and on a consolidated basis for the years ended December 31, 2006, 2005, and 2004. The discussion that follows should be read in conjunction with the condensed consolidated financial statements appearing elsewhere in this summary annual report.

### Review of Operations

AMETEK reported sales of \$1,819.3 million in 2006, an increase of \$384.8 million, or 26.8%, from sales of \$1,434.5 million in 2005. The 2006 sales increase was the result of strong internal growth in the Company's Electronic Instruments Group (EIG) and its Electromechanical Group (EMG), as well as contributions from the recent acquisitions. Net sales for EIG were \$1,016.5 million in 2006, an increase of 25.7% from sales of \$808.5 million in 2005. EIG's internal sales growth was 9% in 2006, driven by strength in its process, aerospace and power businesses. The acquisitions of SPECTRO in June 2005, Solartron in September 2005, Pulsar in February 2006 and Land Instruments in June 2006 also contributed to EIG's sales growth. Net sales for EMG were \$802.8 million in 2006, an increase of 28.2% from sales of \$626.0 million in 2005. EMG's internal sales growth was also 9% in 2006, driven by the Group's differentiated businesses. The acquisitions of HCC Industries in October 2005 and PennEngineering Motion Technologies in May 2006 contributed to EMG's sales growth.

Total international sales for 2006 increased to \$866.0 million and represented 47.6% of consolidated sales, an increase of \$210.1 million, or 32.0%, compared with international sales of \$655.9 million or 45.7% of consolidated sales in 2005. The increase in international sales resulted from the acquisitions previously mentioned as well as from base businesses. Increased international sales came mainly from sales to Asia and Europe by both Groups. Export shipments from the United

(Dollars in thousands)				
Year Ended December 31,				
	2006	2005	2004	
<b>Net Sales:</b>				
Electronic Instruments	\$1,016,503	\$ 808,493	\$ 667,418	
Electromechanical	802,787	625,964	564,900	
Total net sales	\$1,819,290	\$1,434,457	\$1,232,318	
	% of Sales	% of Sales	% of Sales	
<b>Operating Income:</b>				
Segment operating income:				
Electronic Instruments	\$ 203,430 20.0	\$ 164,248 20.3	\$ 124,611 18.7	
Electromechanical	139,926 17.4	99,244 15.9	93,289 16.5	
Total segment operating income	343,356 18.9	263,492 18.4	217,900 17.7	
Corporate administrative and other expenses	(34,362) (1.9)	(30,004) (2.1)	(26,726) (2.2)	
Consolidated operating income <sup>(1)</sup>	\$ 308,994 17.0	\$ 233,488 16.3	\$ 191,174 15.5	

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

States, which are included in total international sales, were \$343.8 million in 2006, an increase of \$76.5 million or 28.6% compared with \$267.3 million in 2005. Export shipments improved primarily due to increased exports from base businesses.

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

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

Selling, general, and administrative (SG&A) expenses were \$219.5 million in 2006, compared with \$174.2 million in 2005, an increase of \$45.2 million or 26.0%. As a percentage of sales, SG&A expenses in 2006 were flat with 2005 at 12.1% of sales. Selling expenses, as a percentage of sales, were 10.2% in 2006, essentially unchanged from 2005. Most of the increase in selling expenses was due to the acquired businesses. The Company's acquisition strategy generally is to acquire differentiated businesses, which because of their distribution channels and higher marketing costs tend to have a higher content of selling expenses. Base business selling expenses increased 4.9%, which is significantly lower than the Company's 9% internal sales growth rate for 2006.

# financial review

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

Consolidated operating income was \$309.0 million in 2006, an increase of \$75.5 million or 32.3% when compared with \$233.5 million in 2005. This represents an operating margin of 17.0% of sales for 2006 compared with 16.3% of sales in 2005. Consolidated operating income reflects the retrospective application of SFAS 123R to expense stock options effective January 1, 2006. See Note 1 to the tables on pages 15 and 25.

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

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

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

## Review of Cash Flow and Financial Position

Cash provided by operating activities totaled \$226.0 million for 2006, compared with \$155.7 million in 2005, an increase of \$70.3 million, or 45.2%. The increase in operating cash flow was primarily the result of higher earnings and lower overall operating working capital requirements. In 2006, the Company contributed \$13.7 million to its defined benefit pension plans compared with \$11.3 million contributed in 2005. Free cash flow (operating cash flow less capital spending) was \$196.8 million in 2006, compared with \$132.4 million in 2005. EBITDA (earnings before interest, income taxes, depreciation and amortization) was \$351.4 million in 2006, compared with \$269.9 million in 2005, a 30.2% improvement. (See the table on page 25 for a reconciliation of U.S. GAAP measures to comparable non-GAAP measures).

Cash used for investing activities was \$206.0 million for 2006, compared with \$361.8 million in 2005. In 2006, the Company paid \$177.6 million for five businesses and two small technology lines, net of cash received. In 2005, the Company paid \$340.7 million for three acquisitions and two small technology lines, net of cash received. Additions to property, plant and equipment totaled \$29.2 million in 2006, compared with \$23.3 million in 2005. Approximately 53% of the capital expenditures in 2006 were to increase productivity and expand production capacity. The Company expects 2007 capital expenditures to be higher than the 2006 level and approximate 2% of sales, with continuing emphasis on spending to improve productivity and expand production capacity of its low-cost manufacturing facilities.

Cash used for financing activities totaled \$10.0 million in 2006, compared with cash provided of \$207.0 million in 2005. In 2006, total borrowings, net of repayments, increased by \$15.4 million, compared with a net increase of \$197.5 million in 2005. The net increase in long-term borrowings was \$11.3 million in 2006 compared with a net increase of \$91.8 million in 2005. Short-term borrowings increased \$4.0 million in 2006, compared with an increase of \$105.7 million in 2005. At December 31, 2006, the Company had available borrowing capacity of \$276.1 million under its \$400 million revolving



bank credit facility, which includes an accordion feature allowing \$100 million of additional borrowing capacity. At year-end 2006, the Company had fully utilized its \$75 million accounts receivable securitization facility. The accounts receivable securitization facility was amended in October 2006 only to extend its expiration date from December 2006 to March 2007. The revolving bank credit facility was also amended in October 2006 to extend its expiration date from June 2010 to October 2011. This amendment also lowers the Company's cost of capital and provides the Company with increased financing flexibility to support its growth plans. The Company's debt agreements contain various covenants including limitations on indebtedness and dividend payments, and maintenance of certain financial ratios. At December 31, 2006 and 2005, the Company was in compliance with the debt covenants.

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

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

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

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

### Forward-Looking Information and Risk Factors

Except for historical information contained in this summary annual report, certain statements made herein, which state the Company's prediction for the future, are forward-looking statements, which involve risks and uncertainties that exist in the Company's operations and business environment and are subject to change based on various important factors. Actual results may differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company. Additional information concerning risk and other factors that could have a material adverse effect on the business, or cause actual results to differ from projections, is contained in the Company's Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission (SEC).

### Certifications

The Chief Executive Officer and Chief Financial Officer have certified in writing to the SEC as to the integrity of the Company's financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed with the SEC, and the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting. The certifications are filed as Exhibit 31 to the Form 10-K mentioned above. On May 2, 2006, the Chief Executive Officer also certified to the New York Stock Exchange that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards.

## Reports of Management

### Management's Responsibility for Financial Statements

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

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

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

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

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

The Company's independent registered public accounting firm, Ernst & Young LLP, is engaged to render an opinion as to whether management's financial statements present fairly, in all material respects, the Company's financial position and operating results. This report is included on page 20.

### Management's Report on Internal Control over Financial Reporting

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

Our management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which appears on page 19.

February 26, 2007



**Frank S. Hermance**  
Chairman and Chief Executive Officer



**John J. Molinelli**  
Executive Vice President—Chief Financial Officer

## Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

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

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

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

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

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

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

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

*Ernst & Young LLP*

Philadelphia, Pennsylvania  
February 26, 2007

# financial review

## Report of Independent Registered Public Accounting Firm on Condensed Consolidated Financial Statements

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

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of AMETEK, Inc. at December 31, 2006 and 2005, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2006, (not presented separately herein) and in our report dated February 26, 2007, we expressed an unqualified opinion on those consolidated financial statements. As noted in Notes 3 and 12 of that Report, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* as of December 31, 2006. In our opinion, the information set forth in the accompanying condensed consolidated financial statements (which appear on pages 21 through 23) is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

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

*Ernst + Young LLP*

Philadelphia, Pennsylvania  
February 26, 2007

# condensed consolidated statement of income

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

These condensed consolidated financial statements should be read in conjunction with the full financial statements and the notes presented in Appendix B to the Proxy Statement for the 2007 Annual Meeting.



# condensed consolidated balance sheet

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

These condensed consolidated financial statements should be read in conjunction with the full financial statements and the notes presented in Appendix B to the Proxy Statement for the 2007 Annual Meeting.

# condensed consolidated statement of cash flows

	(In thousands)		
	Year Ended December 31,		
	2006	2005	2004
<b>Cash provided by (used for):</b>			
<b>Operating activities:</b>			
Net income	\$181,934	\$ 136,357	\$ 108,991
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	45,929	39,428	39,909
Deferred income taxes	(524)	9,133	6,178
Stock-based compensation expense	12,441	10,581	6,137
Changes in assets and liabilities (net of acquisitions):			
Increase in receivables, inventories, and other current assets	(32,267)	(22,878)	(24,570)
Increase (decrease) in payables, accruals, and income taxes	29,751	(12,279)	18,222
(Decrease) increase in other long-term liabilities	(1,819)	3,887	2,914
Pension contribution	(13,721)	(11,307)	(6,114)
Other	4,243	2,739	4,091
Total operating activities	225,967	155,661	155,758
<b>Investing activities:</b>			
Additions to property, plant, and equipment	(29,156)	(23,261)	(21,025)
Purchase of businesses	(177,639)	(340,672)	(143,535)
Other	770	2,142	10,098
Total investing activities	(206,025)	(361,791)	(154,462)
<b>Financing activities:</b>			
Net change in short-term borrowings	4,048	105,708	(55,603)
Additional long-term borrowings	29,507	177,790	97,356
Reduction in long-term borrowings	(18,186)	(86,029)	(26,217)
Repurchases of common stock	(21,075)	—	—
Cash dividends paid	(18,832)	(16,814)	(16,277)
Excess tax benefits from share-based payments	4,706	10,203	5,522
Proceeds from employee stock plans and other	9,878	16,158	16,286
Total financing activities	(9,954)	207,016	21,067
Effect of exchange rate changes on cash and cash equivalents	3,558	(2,923)	906
Increase (decrease) in cash and cash equivalents	13,546	(2,037)	23,269
<b>Cash and cash equivalents:</b>			
Beginning of year	35,545	37,582	14,313
End of year	\$ 49,091	\$ 35,545	\$ 37,582

These condensed consolidated financial statements should be read in conjunction with the full financial statements and the notes presented in Appendix B to the Proxy Statement for the 2007 Annual Meeting.

# selected financial data

(Dollars and shares in millions, except per share amounts)

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

# selected financial data

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

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

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

- (3) EBITDA represents income before interest, income taxes, depreciation and amortization. EBITDA is presented because the Company is aware that it is used by rating agencies, securities analysts, investors and other parties in evaluating the Company. It should not be considered, however, as an alternative to operating income as an indicator of the Company's operating performance, or as an alternative to cash flows as a measure of the Company's overall liquidity as presented in the Company's financial statements. Furthermore, EBITDA measures shown for the Company may not be comparable to similarly titled measures used by other companies. The table below presents the reconciliation of net income reported in accordance with U.S. GAAP to EBITDA.

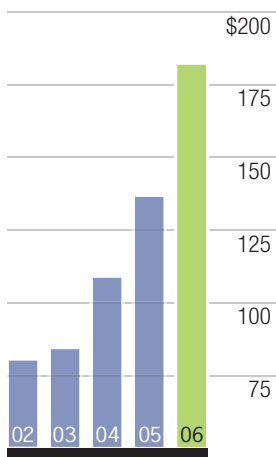
	(In millions)				
	2006	2005	2004	2003	2002
<b>EBITDA</b>					
Net income	<b>\$ 181.9</b>	\$136.4	\$109.0	\$ 84.2	\$ 80.4
Add (deduct):					
Interest expense	<b>42.2</b>	32.9	28.3	26.0	25.2
Interest income	<b>(0.4)</b>	(0.7)	(0.6)	(0.5)	(0.7)
Income taxes	<b>81.8</b>	61.9	51.7	41.0	38.0
Depreciation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

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

	(In millions)				
	2006	2005	2004	2003	2002
<b>Free Cash Flow:</b>					
Cash provided by operating activities	<b>\$ 226.0</b>	\$155.7	\$155.8	\$155.9	\$105.8
Deduct: Capital expenditures	<b>(29.2)</b>	(23.3)	(21.0)	(21.3)	(17.4)
Free cash flow	<b>\$ 196.8</b>	\$132.4	\$134.8	\$134.6	\$ 88.4

- (5) The adoption of SFAS 158 for our defined benefit pension plans, which was effective December 31, 2006, resulted in a reduction of \$32.7 million to stockholders' equity.

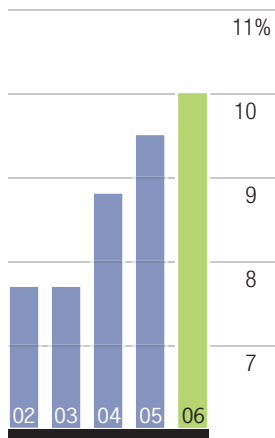
# financial review



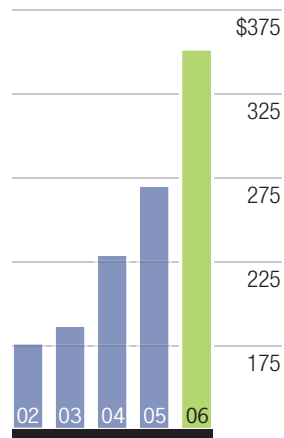
**Net Income**  
(in millions)

5-Year CAGR is 23%

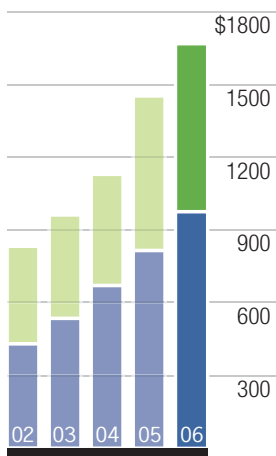
CAGR = Compound annual growth rate



**Net Income as a Percentage of Sales**

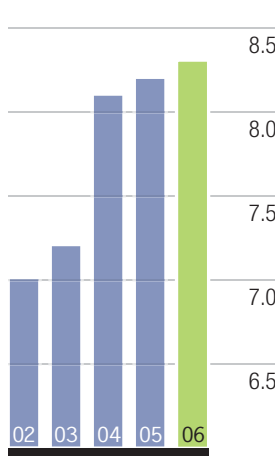


**EBITDA**  
(in millions)

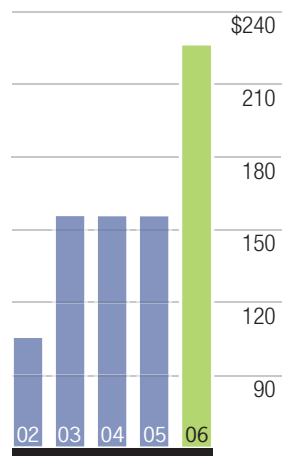


**Capitalization**  
(in millions)

■ Equity ■ Debt



**Interest Coverage Ratio**  
(times interest earned)



**Cash Flow from Operations**  
(in millions)



# directors and officers of the Company

## BOARD OF DIRECTORS

### **Lewis G. Cole\***

*Of Counsel, Stroock & Stroock & Lavan  
LLP, Attorneys*

### **Sheldon S. Gordon**

*Chairman of Union Bancaire Privée  
International Holdings, Inc.*

### **Frank S. Hermance**

*Chairman and Chief Executive Officer*

### **Charles D. Klein**

*Financial Adviser; A Managing Director  
of American Securities, L.P.*

### **Steven W. Kohlhausen**

*Retired Banker*

### **James R. Malone**

*Founder and Managing Partner,  
Qorval LLC*

### **David P. Steinmann**

*A Managing Director  
of American Securities, L.P.*

### **Elizabeth R. Varet**

*Private Investor; Chairman  
of American Securities, L.P.*

### **Dennis K. Williams**

*Retired Executive*

*\*Retires as a Director on April 24, 2007.*

## CORPORATE EXECUTIVE OFFICE

### **Frank S. Hermance**

*Chairman and Chief Executive Officer*

### **John J. Molinelli**

*Executive Vice President—  
Chief Financial Officer*

### **Robert W. Chlebek**

*President, Electronic Instruments*

### **Timothy N. Jones**

*President, Electromechanical Group*

### **David A. Zapico**

*President, Electronic Instruments*

## CORPORATE OFFICERS

### **William D. Eginton**

*Senior Vice President,  
Corporate Development*

### **Robert R. Mandos, Jr.**

*Senior Vice President  
and Comptroller*

### **William J. Burke**

*Vice President, Investor Relations  
and Treasurer*

### **Donald W. Carlson**

*Vice President,  
Strategic Procurement*

### **Thomas A. Deeney**

*Vice President,  
Compliance and Auditing*

### **Elaine M. Gorman**

*Vice President, Shared Services*

### **William P. Lawson**

*Vice President and  
Chief Information Officer*

### **Ramesh Nuggihalli**

*Vice President,  
Corporate Development*

### **Isaac S. Smalls**

*Vice President, Financial Reporting*

### **John J. Weaver**

*Vice President, Human Resources*

## OPERATING OFFICERS

### **John Wesley Hardin**

*Senior Vice President,  
Aerospace and Defense*

### **Tiziano M. Barni**

*Vice President, Vacuum Products  
Division, Ciaramella Division and  
AMETEK electromotory S.R.O.*

### **Jeffrey A. Beck**

*Vice President,  
Power Systems and Instruments*

### **Preben Carøe**

*Vice President, Measurement and  
Calibration Technologies*

### **Timothy F. Croal**

*Vice President, Dixon*

### **Deidre E. Cusack**

*Vice President,  
Measurement and Power Systems,  
Aerospace and Defense*

### **Peter C. de Jong**

*Vice President, Operations,  
Electromechanical Group*

### **Alan H. Devenish**

*Vice President, Materials Analysis*

### **Matthew C. French**

*Vice President,  
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### **Allan Imrie**

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*Vice President,  
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### **Charles F. Kovac**

*Vice President, Global Floor Care  
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### **Lim Meng Kee**

*Vice President, Asia*

### **Richard A. Madamba**

*Vice President, Thermal Management  
Systems, Aerospace and Defense*

### **Thomas C. Marecic**

*Vice President,  
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### **H. Ian McGavisk**

*Vice President, Engineered Materials,  
Interconnects and Packaging*

### **Gregory Myers**

*Vice President, HCC Industries*

### **Denise M. Schier**

*Vice President, Commercial Motors*

### **Roger A. Smith**

*Vice President, Sales/Marketing,  
Commercial Motors/Global Floor Care*

### **James E. Visnic**

*Vice President, Chemical Products*

### **Bruce P. Wilson**

*Vice President, Ultra Precision  
Technologies*

# shareholder information

## CORPORATE OFFICE

### **AMETEK, Inc.**

37 North Valley Road, Building 4  
Paoli, PA 19301-0801  
610-647-2121 or 800-473-1286

The Corporate Office is located in suburban Philadelphia.

## INVESTOR COMMUNICATIONS

Investors seeking the Form 10-K and additional information about the Company may call or write to Investor Relations at the Corporate Office. AMETEK earnings announcements, press releases, SEC filings, and other investor information are available at Investors on AMETEK's Web site: **[www.ametek.com](http://www.ametek.com)**.

## ANNUAL MEETING

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

All shareholders are invited to attend.

## STOCK EXCHANGE LISTING

New York Stock Exchange  
Symbol: AME

## SHAREHOLDER SERVICES

American Stock Transfer & Trust Co.  
59 Maiden Lane  
New York, NY 10038  
Attn: Shareholder Services  
718-921-8124 or 800-937-5449  
[www.amstock.com](http://www.amstock.com)

AMETEK's transfer agent responds to inquiries regarding dividend payments, direct deposit of dividends, stock transfers, address changes, and replacement of lost dividend payments and lost stock certificates.

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
Philadelphia, Pennsylvania

## CORPORATE COUNSEL

Stroock & Stroock & Lavan LLP  
New York, New York

*AMETEK is an equal opportunity employer.*





37 North Valley Road  
Paoli, PA 19301-0801

[www.ametek.com](http://www.ametek.com)

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