

AMETEK INC/
Form 10-K
February 24, 2011

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

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
(State or other jurisdiction of
incorporation or organization)

14-1682544
(I.R.S. Employer
Identification No.)

1100 Cassatt Road
P.O. Box 1764
Berwyn, Pennsylvania
(Address of principal executive offices)

19312-1177
(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)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 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

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 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 No

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

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 Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$4.3 billion as of June 30, 2010, 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, 2011 was 160,780,060.

Documents Incorporated by Reference

Part III incorporates information by reference from the Proxy Statement for the Annual Meeting of Stockholders on May 3, 2011.

AMETEK, Inc.

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PART I

Item 1. Business

General Development of Business

AMETEK, Inc. (AMETEK or the Company) is incorporated in Delaware. Its predecessor was originally incorporated in Delaware in 1930 under the name American Machine and Metals, Inc. The Company maintains its principal executive offices in suburban Philadelphia, Pennsylvania at 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 MidCap 400 and the Russell 1000 Indices.

Website Access to Information

The Company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available free of charge on the Company s website at www.ametek.com (in the Investors Financial News and Information section), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The Company has posted, free of charge, to the investor information portion of its website, its corporate governance guidelines, Board committee charters and codes of ethics. Such documents are also available in published form, free of charge, to any stockholder who requests them by writing to the Investor Relations Department at AMETEK, Inc., 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 builds monitoring, testing, calibration and display devices for the process, aerospace, industrial and power markets. EMG is a supplier of electromechanical devices. EMG produces highly engineered electromechanical connectors for hermetic (moisture-proof) applications, specialty metals for niche markets and brushless air-moving motors, blowers and heat exchangers. End markets include aerospace, defense, mass transit, medical, office products and other industrial markets. The Company continues to grow through strategic acquisitions focused on differentiated niche markets in instrumentation and electromechanical devices.

Competitive Strengths

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

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

Technological and Development Capabilities. AMETEK believes it has certain technological advantages over its competitors that allow it to develop innovative products and maintain leading market positions. Historically, the

Company has grown by extending its technical expertise into the manufacture of customized products for its customers, as well as through strategic acquisitions. EIG competes primarily on the basis of

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product innovation in several highly specialized instrumentation markets, including process measurement, aerospace, power and heavy-vehicle dashboard instrumentation. EMG's differentiated businesses focus on developing customized products for specialized applications in aerospace and defense, medical, business machines and other industrial applications. In its floorcare and specialty motor business, EMG focuses on low-cost design and manufacturing, while enhancing motor-blower performance through advances in power, efficiency, lighter weight and quieter operation.

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

Experienced Management Team. Another key component of AMETEK's success is the strength of its management team and its commitment to the performance of the Company. AMETEK's senior management has extensive experience, averaging approximately 25 years with the Company, and is financially committed to the Company's success through Company-established stock ownership guidelines and equity incentive programs.

Business Strategy

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

AMETEK's Corporate Growth Plan consists of four key strategies:

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

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

SPECTRO MS[™] fully simultaneous measuring mass spectrometer is widely considered one of the most innovative new laboratory analyzers introduced in recent years;

ModuLab MTS[™] Materials Testing System is a modular fully integrated research system for testing the electrical characterization of materials from insulators to superconductors;

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Drexelbrook Impulse™ Series guided wave radar level measurement transmitter employs field-proven Time Domain Reflectometry for highly accurate level, distance and volumetric measurements;

LAND™ LSP-HD infrared line scanner combines high-speed scanning and high-resolution optics to set a new benchmark for industrial process imaging;

Talysurf™ CCI SunStar interferometer merges world-leading non-contact dimensional measurement with advanced film thickness technology for highly demanding photovoltaic and semiconductor film analysis;

AMETEK SER^{NET} sequence of events recorder is the latest advance in web-based alarm management for electric power utilities and industrial electric power users;

Elgar™ brand TerraSAS solar array simulator offers a fully integrated solution for testing inverters and micro-inverters used for domestic and industrial solar energy systems;

Vision Research Phantom® v341 high-speed, high-resolution digital camera was developed specifically for military, scientific and research applications;

PITTMAN® compact brush and brushless DC motors can be custom-tailored for a wide range of medical, biotech, data storage and automation applications;

Quizix™ QX precision, pulse-free metering pump is designed for critical fluid flow and extraction applications such as research labs, lab-scale micro plants, pilot plant and other highly precise fluid flow applications;

Grabner® MINIDIS ADXpert establishes a new standard for accuracy and reliability in the distillation testing of petroleum, biofuels, chemicals and other liquids;

UIP-S Universal Instrument Panel-Specialized is the latest addition to AMETEK's NCI Next Generation Instrument system for the dashboard instrument panels aboard heavy trucks and other vehicles;

AMETEK® 8.4-inch-diameter high-efficiency motor-blower achieves significantly greater efficiency and life expectancy by incorporating state-of-the-art fan design and patented bearing protection.

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

Strategic Acquisitions and Alliances. The Company continues to pursue strategic acquisitions, both domestically and internationally, to expand and strengthen its product lines, improve its market share positions and increase earnings through sales growth and operational efficiencies at the acquired businesses. Since the beginning of 2006, through December 31, 2010, the Company has completed 27 acquisitions with annualized sales totaling approximately \$935 million, including 6 acquisitions in 2010 (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.

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2010 OVERVIEW

Operating Performance

In 2010, AMETEK generated sales of \$2.5 billion, an increase of 18% from 2009 and established records for operating income, operating income margins, net income, diluted earnings per share and operating cash flow. The Company achieved these results from strong internal growth in each of the Company's two reportable segments, as well as contributions from recent acquisitions.

On November 2, 2010, the Company's Board of Directors declared a three-for-two split of the Company's common stock. The stock split resulted in the issuance of one additional share for every two shares owned. The stock split was paid on December 21, 2010, to stockholders of record at the close of business on December 10, 2010. Additionally, the Board of Directors approved a 50% increase in the quarterly cash dividend rate on the Company's common stock to \$0.06 per common share from \$0.04 per common share on a post-split basis. All share and per share information included in this report reflects the impact of the stock split. See Note 2 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

In 2010, the Company repurchased 3.1 million shares of its common stock for \$78.6 million in cash under its current share purchase authorization. In 2009, the Company did not repurchase any shares of its common stock. At December 31, 2010, \$64.9 million was available under the current Board authorization for future share repurchases.

Financing

In the third quarter of 2010, the Company paid in full an expiring 50 million British pound (\$78.2 million) 5.96% senior note. In the third quarter of 2010, the Company issued an 80 million British pound (\$124.8 million at December 31, 2010) 4.68% senior note due in September 2020.

Recent Acquisitions

The Company spent \$538.6 million in cash, net of cash acquired, for six business acquisitions in 2010.

In January 2010, the Company acquired Sterling Ultra Precision, a privately held reseller of machine tools for the ophthalmic lens market. Sterling Ultra Precision is a part of EIG.

In April 2010, the Company acquired Imago Scientific Instruments, a privately held manufacturer of 3D atom probes. Imago Scientific Instruments is a part of EIG.

In June 2010, the Company acquired Technical Services for Electronics (TSE), a manufacturer of engineered interconnect solutions for the medical device industry. TSE is a part of EMG.

In July 2010, the Company acquired Haydon Enterprises, a leader in linear actuators and lead screw assemblies for the medical, industrial equipment, aerospace, analytical instrument, computer peripheral and semiconductor industries. Haydon Enterprises is a part of EMG.

In August 2010, the Company acquired American Reliance's Power Division (AMREL Power), a provider of highly differentiated direct current (DC) power supplies and electronic loads for the automated test equipment market. AMREL Power is a part of EIG.

In November 2010, the Company acquired Atlas Material Testing Technology LLC (Atlas), the world s leading provider of weathering test instruments and related testing and consulting services. Atlas is a part of EIG.

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Financial Information About Reportable Segments, Foreign Operations and Export Sales

Information with respect to reportable segments and geographic areas is set forth in Note 18 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 17% to \$1,211.3 million in 2010. The increase in international sales resulted from higher sales growth noted above, as well as continued expansion into Asia 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 49.0% of consolidated net sales in 2010 compared with 49.2% in 2009.

Description of Business

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

EIG

EIG is comprised of a group of differentiated businesses. EIG applies its specialized market focus and technology to manufacture instruments used for testing, monitoring, calibration and display for the process, aerospace, industrial and power markets. EIG's growth is based on the four strategies outlined in AMETEK's Corporate Growth Plan. EIG designs products that, in many instances, are significantly different from, or technologically better than, competing products. It has reduced costs by implementing operational improvements, achieving acquisition synergies, improving supply chain management, moving production to low-cost locales and reducing headcount. EIG is among the leaders in many of the specialized markets it serves, including aerospace engine sensors, heavy-vehicle instrument panels, analytical instrumentation, level measurement products, power instruments and pressure gauges. It has joint venture operations in China, Taiwan and Japan. 53% of EIG's 2010 sales were to customers outside the United States.

At December 31, 2010, EIG employed approximately 5,500 people, of whom approximately 800 were covered by collective bargaining agreements. EIG had 53 manufacturing facilities: 34 in the United States, seven in the United Kingdom, five in Germany, three in France and one each in Argentina, Austria, Canada and Denmark at December 31, 2010. EIG also shares manufacturing facilities with EMG in China and Mexico.

Process and Analytical Instrumentation Markets and Products

63% of EIG's 2010 sales were from instruments for process and analytical measurement and analysis. These include: oxygen, moisture, combustion and liquid analyzers; emission monitors; spectrometers; mechanical and electronic pressure sensors and transmitters; radiation measurement devices; level measurement devices; precision pumping systems; and force-measurement and materials testing instrumentation. EIG's focus is on the process industries, including oil, gas and petrochemical refining, power generation, specialty gas production, water and waste treatment, natural gas distribution and semiconductor manufacturing. AMETEK's analytical instruments are also used for precision measurement in a number of other applications including radiation detection for the U.S. Department of Homeland Security, materials analysis, nanotechnology research and other test and measurement applications.

Atlas, acquired in November 2010, has products which include weather exposure test systems, corrosion-testing instruments, specialty lighting systems, and large-scale weathering test chambers. In addition, Atlas offers indoor laboratory and outdoor testing services, photovoltaic and solar testing and consulting. Atlas provides the Company with another growth platform in the materials testing equipment market and broadens AMETEK's presence in the fast-growing photovoltaic testing market.

Unispec Marketing Pvt. Ltd. and Thelsha Technical Services Pvt. Ltd., acquired in September 2009, provide an established sales, distribution and service network in India serving the quality control and analytical

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instrumentation market. These acquisitions strengthen our presence in India through AMETEK Instruments India Private Limited (AIPL), established in early 2009. AIPL provides a full range of pre- and post-sales support to customers from a facility in Whitefield, Bangalore.

Power and Industrial Instrumentation Markets and Products

25% of EIG's 2010 sales were to the power and industrial instrumentation markets.

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

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

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

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

EIG's Instrumentation and Specialty Controls business is a leading North American manufacturer of dashboard instruments for heavy trucks and is also among the major suppliers of similar products for construction vehicles. It has strong product development capability in solid-state instruments that primarily monitor and display engine operating parameters. EIG has a leading position in the food service instrumentation market and is a primary source for stand-alone and integrated timing controls for the food service industry.

Aerospace Instrumentation Markets and Products

12% of EIG's 2010 sales were from aerospace products. AMETEK's aerospace products are designed to customer specifications and are manufactured to stringent operational and reliability requirements. Its aerospace business operates in specialized markets, where its products have a technological and/or cost advantage. Acquisitions have complemented and expanded EIG's core sensor and transducer product line, used in a wide range of aerospace applications.

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

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

Customers

EIG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on EIG's operations. Approximately 9% of EIG's 2010 sales were made to its five largest customers.

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EMG

EMG is among the leaders in many of the specialized markets it serves, including highly engineered motors, blowers, fans, heat exchangers, connectors, and other electromechanical products or systems for commercial and military aerospace applications, defense, medical equipment, business machines, computers and other power or industrial applications. In its floorcare and specialty motor business, the Company believes that EMG is the world's largest producer of high-speed, air-moving electric motors for OEMs of floorcare products. EMG designs products that, in many instances, are significantly different from, or technologically better than, competing products. It has reduced costs by implementing operational improvements, achieving acquisition synergies, improving supply chain management, moving production to low-cost locales and reducing headcount. 45% of EMG's 2010 sales were to customers outside the United States.

At December 31, 2010, EMG employed approximately 5,900 people, of whom approximately 1,500 were covered by collective bargaining agreements (including some that are covered by local unions). EMG had 57 manufacturing facilities: 34 in the United States, ten in the United Kingdom, three in France, two each in China, Czech Republic, Italy and Mexico and one each in Brazil and Taiwan at December 31, 2010.

Differentiated Businesses

Differentiated businesses account for an increasing proportion of EMG's overall sales base. Differentiated businesses represented 78% of EMG's sales in 2010 and are comprised of the technical motors and systems businesses and the engineered materials, interconnects and packaging businesses.

Technical Motors and Systems Markets and Products

Technical motors and systems, representing 47% of EMG's 2010 sales, consist of brushless motors, blowers and pumps, as well as other electromechanical systems. These products are used in aerospace and defense, business machines, computer equipment, mass transit vehicles, medical equipment, power, and industrial applications.

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

Haydon Enterprises, acquired in July 2010, has a product line which complements the Company's highly differentiated technical motor business, which shares common markets, customers and distribution channels, and places AMETEK in a unique position as the premier industry provider of high-end linear and rotary motion control solutions.

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

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

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

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Engineered Materials, Interconnects and Packaging Markets and Products

31% of EMG's 2010 sales were engineered materials, interconnects and packaging products. AMETEK is an innovator and market leader in specialized metal powder, strip, wire and bonded products. It produces stainless steel and nickel clad alloys; stainless steel, cobalt and nickel alloy powders; metal strip; specialty shaped and electronic wire; and advanced metal matrix composites used in electronic thermal management. Its products are used in automotive, appliance, medical and surgical, aerospace, telecommunications, marine and general industrial applications. Its niche market focus is based upon proprietary manufacturing technology and strong customer relationships.

TSE, acquired in June 2010, expands the Company's position in the medical device market and is an excellent fit with the HCC Industries division, which manufactures highly engineered electronic interconnects and microelectronics packaging for sophisticated electronic applications.

Floorcare and Specialty Motor Markets and Products

22% of EMG's 2010 sales were to floorcare and specialty motor markets, where it has the leading share, through its sales of air-moving electric motors to most of the world's major floorcare OEMs, including vertically integrated OEMs that produce some of their own motors. EMG produces motor-blowers for a full range of floorcare products, ranging from hand-held, canister and upright vacuums to central vacuums for residential use. High-performance vacuum motors also are marketed for commercial and industrial applications.

The Company also manufactures a variety of specialty motors used in a wide range of products, such as household and personal care appliances; fitness equipment; electric materials handling vehicles; and sewing machines. Additionally, its products are used in outdoor power equipment, such as electric chain saws, leaf blowers, string trimmers and power washers.

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

Customers

EMG is not dependent on any single customer such that the loss of that customer would have a material adverse effect on EMG's operations. Approximately 10% of EMG's 2010 sales were made to its five largest customers.

Marketing

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

Competition

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

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

EMG's differentiated businesses have competition from a limited number of companies in each of their markets. Competition is generally based on product innovation, performance and price. There also is competition from alternative materials and processes. In its floorcare and specialty motor businesses, EMG has limited domestic competition in the U.S. floorcare market from independent manufacturers. Competition is increasing from Asian motor manufacturers that serve both the U.S. and the European floorcare markets. Increasingly, global vacuum motor production is being shifted to Asia where AMETEK has a smaller but growing market position. There is potential competition from vertically integrated manufacturers of 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.

Backlog and Seasonal Variations of Business

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

	2010	2009	2008
	(In millions)		
Electronic Instruments	\$ 370.2	\$ 284.3	\$ 324.8
Electromechanical	458.6	364.1	393.8
Total	\$ 828.8	\$ 648.4	\$ 718.6

The higher backlog at December 31, 2010 was due to higher order levels and the acquired backlog of 2010 acquisitions.

Of the total backlog of unfilled orders at December 31, 2010, approximately 83% is expected to be shipped by December 31, 2011. The Company believes that neither its business as a whole, nor either of its reportable segments, is subject to significant seasonal variations, although certain individual operations experience some seasonal variability.

Availability of Raw Materials

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

Research, Product Development and Engineering

The Company is committed to research, product development and engineering activities that are designed to identify and develop potential new and improved products or enhance existing products. Research, product development and engineering costs before customer reimbursement were \$112.1 million, \$101.4 million and \$115.9 million in 2010, 2009 and 2008, respectively. Customer reimbursements in 2010, 2009 and 2008 were \$6.4 million, \$5.5 million and \$6.1 million, respectively. These amounts included net Company-funded research and development expenses of \$56.8 million, \$50.5 million and \$57.5 million in 2010, 2009 and 2008, respectively.

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

Employees

At December 31, 2010, the Company employed approximately 11,600 people in its EMG, EIG and corporate operations, of whom approximately 2,300 employees were covered by collective bargaining agreements. The Company has two collective bargaining agreements that will expire in 2011, 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, results of operations, liquidity and financial condition.

A prolonged downturn in the aerospace and defense, process instrumentation or electric motor 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 electric motor 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 2006, through December 31, 2010, we have completed 27 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

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our acquisition strategies in the past, our ability to successfully effectuate acquisitions will be dependent upon a number of factors, including:

Our ability to identify acceptable acquisition candidates;

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

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

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

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

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

Mitigating assumed, contingent and unknown liabilities; and

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

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

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

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

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

International sales for 2010 and 2009 represented 49.0% and 49.2% 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. 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;

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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.