GABELLI EQUITY TRUST INC
Form N-2/A
June 13, 2001

As filed with the Securities and Exchange Commission on June 13, 2001
Securities Act File No. 333-59874
Investment Company Act File No. 811-4700

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

[X] Registration Statement under the Securities Act of 1933
[X] Pre-Effective Amendment No. 3
[ ] Post-Effective Amendment No.

and/or

[X] Registration Statement under the Investment Company Act of 1940
[X] Amendment No. 26

(Check Appropriate Box or Boxes)

THE GABELLI EQUITY TRUST INC.
(Exact Name of Registrant as Specified in Charter)

One Corporate Center
Rye, New York 10580-1434
(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (800) 422-3554

Bruce N. Alpert
The Gabelli Equity Trust Inc.
One Corporate Center
Rye, New York 10580-1434
(914) 921-5100
(Name and Address of Agent for Service)

Copies to:

Richard T. Prins, Esq.
Skadden, Arps, Slate,
Meagher & Flom LLP
Four Times Square
New York, New York 10036
(212) 735-3000

James E. McKee, Esq.
The Gabelli Equity
Trust Inc.
One Corporate Center
Rye, New York
10580-1434
(914) 921-5100

Cynthia Cobden, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York
10017
(212) 455-2000

Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, as amended, other than securities offered in connection with a dividend reinvestment plan, check the following box. [ ]

It is proposed that this filing will become effective (check appropriate box)

[X] When declared effective pursuant to section 8(c).

If appropriate, check the following box:

[ ] This [post-effective] amendment designates a new effective date for a previously filed [post-effective amendment] [registration statement].

[ ] This form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration statement number of the earlier effective registration statement for the same offering is.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities	Amount Being Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
__% Tax Advantaged Series B Cumulative Preferred Stock	1,600,000 Shares	$ 25	$40,000,000	$10,000

(1) Estimated solely for the purpose of calculating the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

CROSS-REFERENCE SHEET

N-2 Item Number	Location in Part A (Caption)
PART A	
1. Outside Front Cover......................	Outside Front Cover Page
2. Inside Front and Outside Back Cover Page..................................	Outside Front Cover Page; Inside Front Cover Page
3. Fee Table and Synopsis...................	Not Applicable
4. Financial Highlights.....................	Financial Highlights
5. Plan of Distribution.....................	Outside Front Cover Page; Prospectus Summary; Underwriting
6. Selling Shareholders.....................	Not Applicable
7. Use of Proceeds..........................	Use of Proceeds; Investment Objectives and Policies
8. General Description of the Registrant............................	Outside Front Cover Page; Prospectus Summary; The Fund; Investment Objectives and Policies; Other Investments; Special Investment Methods; Risk Factors & Special Considerations; Description of Series B Cumulative Preferred Stock; Certain Provisions of the Charter and By Laws
9. Management...............................	Outside Front Cover Page; Prospectus Summary; Management of the Fund; Custodian, Transfer Agent and Dividend-Disbursing Agent
10. Capital Stock, Long-Term Debt, and Other Securities...................	Outside Front Cover Page; Prospectus Summary; Investment Objectives and Policies; Description of Series B Cumulative Preferred Stock; Description of Capital Stock and Other Securities; Taxation
11. Defaults and Arrears on Senior Securities............................	Not Applicable
12. Legal Proceedings........................	Not Applicable
13. Table of Contents of the Statement	

of Additional Information..............	Table of Contents of the Statement of Additional Information

PART B	Location in Statement of Additional Information
14. Cover Page...............................	Outside Front Cover Page
15. Table of Contents........................	Outside Front Cover Page
16. General Information and History...........	The Fund
17. Investment Objectives and Policies...............................	Investment Objectives and Policies; Investment Restrictions
18. Management...............................	Management of the Fund
19. Control Persons and Principal Holders of Securities..................	Management of the Fund; Beneficial Owners
20. Investment Advisory and Other Services...............................	Management of the Fund
21. Brokerage Allocation and Other Practices..............................	Portfolio Transactions
22. Tax Status...............................	Taxation
23. Financial Statements.....................	Financial Statements

PART C

Information required to be included in Part C is set forth under the appropriate Item, so numbered, in Part C to this Registration Statement.

[FLAG]

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2001

PROSPECTUS

6,600,000 Shares

[GABELLI LOGO] The Gabelli Equity Trust Inc.

__% Tax Advantaged Series B Cumulative Preferred Stock
(Liquidation Preference $25 per Share)

The Gabelli Equity Trust Inc. is a closed-end non-diversified management investment company that has a primary investment objective of long-term growth of capital and a secondary investment objective of income. The Fund's investments are selected by its Investment Adviser, Gabelli Funds, LLC. The Fund invests primarily in equity securities including common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities.

This prospectus offers shares of the Fund's __% Tax Advantaged Series B Cumulative Preferred Stock (the "Series B Preferred"), liquidation preference $25 per share. The shares of Series B Preferred will be listed and traded on the New York Stock Exchange. As of March 31, 2001, the Fund had outstanding 5,368,900 shares of 7.25% Tax Advantaged Cumulative Preferred Stock (the "Series A Preferred").

Dividends on the Series B Preferred are cumulative from the date of original issuance of the shares at the annual rate of __% of the liquidation preference of $25 per share and are payable quarterly on March 26, June 26, September 26 and December 26 in each year, commencing on September 26, 2001.

The Fund expects that dividends paid on the Series B Preferred will consist of long-term capital gains (consisting of 20% federal tax rate capital gains from the sale of assets held longer than 12 months), net investment income, short-term capital gains and, in unusual circumstances, return of capital. Over the past one, three and five fiscal years ending December 31, 2000, the distributions of taxable income by the Fund consisted of 85%, 88%, and 86% long-term capital gains. No assurance can be given, however, as to what percentage, if any, of the dividends paid on the Series B Preferred will consist of long-term capital gains, which are taxed at lower rates for individuals than ordinary income (net investment income and short-term capital gains).

The Series B Preferred cannot be issued unless it is rated 'aaa' by the Moody's Investors Service, Inc. In order to keep that rating, the Fund will be required to maintain a minimum discounted asset coverage with respect to the Series B Preferred and Series A Preferred under guidelines established by Moody's. See "Description of Series B Preferred -- Rating Agency Guidelines." The Fund is also required to maintain a minimum asset coverage by the Investment Company Act of 1940, as amended (the "1940 Act"). If the Fund fails to maintain either of those two minimum asset coverage requirements, the Fund can require that some or all of the Series A or Series B Preferred be sold back to it (redeemed) for cash at a price equal to $25 per share plus accumulated but unpaid dividends (whether or not earned or declared). See "Description of Series B Preferred -- Redemption."

On or after __, 2006 the Fund has the option of redeeming some or all of the Series B Preferred for cash at a price equal to the Redemption Price.

Application has been made to list the Series B Preferred on the New York Stock Exchange. Trading of the Series B Preferred on the New York Stock Exchange is expected to commence within 30 days of the date of this prospectus. Prior to this offering, there has been no public market for the Series B Preferred. See "Underwriting."

Investing in our Series B Preferred involves risks. See "Risk Factors" beginning on page _______.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price(1)	$	$
Underwriting Discount(2)	$	$
Proceeds to the Fund (before expenses) (3)	$	$

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(1) Plus accumulated dividends, if any, from .

(2) The Fund and the Investment Adviser have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3) Offering expenses payable by the Fund are estimated at $.

The shares of Series B Preferred are being offered by the underwriters listed in this prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of the shares of Series B Preferred will be made in book-entry form through the facilities of The Depository Trust Company on or about ___, 2001.

____

Salomon Smith Barney

Merrill Lynch & Co.

Gabelli & Company, Inc.

_____________, 2001

This prospectus sets forth concisely important information about the Fund that you should know before deciding whether to invest. You should

read the prospectus and retain it for future reference.

The Fund has also filed with the Securities Exchange Commission a Statement of Additional Information, dated, ______, 2001 (the "SAI"), which contains additional information about the Fund. The SAI is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the SAI on page __ of this prospectus. You may request a free copy of the SAI by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1434 or calling the Fund toll-free at (800) 422-3554. You may also obtain the SAI on the Securities and Exchange Commission's web site (http://www.sec.gov).

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the market price of the Series B Preferred of the Fund, including the entry of stabilizing bids, syndicate covering transactions or the imposition of penalty bids. For a description of these activities, see "Underwriting."

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained in the prospectus and the SAI.

The Fund	The Fund is a closed-end non-diversified management investment company that has been in operation since August 21, 1986. As of March 31, 2001, the net assets of the Fund were approximately $1.4 billion. The Fund's outstanding common stock, par value $.001 per share, is listed and traded on the New York Stock Exchange. As of March 31, 2001, the Fund had 126,803,143 shares of common stock outstanding. The Fund recently completed a Rights Offering for shares of common stock at a per share purchase price of $7.00. As of March 31, 2001, the Fund also had outstanding 5,368,900 shares of Series A Preferred, $25 per share liquidation preference. The Fund is offering shares of its Series B Preferred pursuant to this prospectus. The Series A Preferred and Series B Preferred have the same senority with respect to dividends and liquidation preference.
Investment Objectives	The Fund's primary investment objective is long-term growth of capital, primarily through investment in a portfolio of equity securities including common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities. Income is a secondary objective of the Fund. No assurance can be given that the Fund will achieve its investment objectives. See "Investment Objectives and Policies."
Dividends	

and Distributions	Dividends on the Series B Preferred, at the annual rate of __% of its liquidation preference, are cumulative from the original issue date and are payable, when, as and if declared by the Board of Directors of the Fund, out of funds legally available therefor, quarterly on March 26, June 26, September 26 and December 26 in each year, commencing September 26, 2001. In the event that for any calendar year the total distributions on shares of the Series A Preferred and Series B Preferred (collectively, the "Preferred Stock") exceed the Fund's net investment income and net capital gain allocable to those shares, the excess distributions will generally be treated as a tax-free return of capital (to the extent of the stockholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a stockholder's adjusted basis in his or her shares of Series B Preferred, thereby increasing the stockholder's potential gain or reducing his or her potential loss on the sale of the shares. The Fund has a policy, which may be modified at any time by its Board of Directors, of paying distributions on its common stock of at least 10% of average quarter-end net assets attributable to common stock. To implement this policy, the Fund makes quarterly distributions of $0.27 per share at the end of each of the first three calendar quarters of each year to holders of its common stock. The Fund's distribution in December for each calendar year is an adjusting distribution (equal to the sum of 2.5% of the net asset value of the Fund as of the last day of the four preceding calendar quarters less the aggregate distributions of $0.81 per share made for the most recent three calendar quarters) in order to meet the Fund's 10% pay-out goal. The common stock dividend policy of the Fund may be modified from time to time by the Board of Directors.
The Offering	The Fund is offering 6,600,000 shares of ___% Tax Advantaged Series B Cumulative Preferred, par value $.001 per share, liquidation preference $25 per share, at a purchase price of $25 per share.
Potential Tax Benefit to Certain Investors	Most individuals pay Federal income tax

at a lower rate on long term capital gains than on ordinary income and short-term capital gains. For individuals in the highest tax brackets this differential currently can be as great as 19.1%, the difference between 39.1% on ordinary income and short-term capital gains and 20% on long-term capital gains. In accordance with the current view of the Internal Revenue Service, the Fund intends to allocate its net long-term capital gain, net short-term capital gain and ordinary investment income proportionately among its common stock and Preferred Stock. Over the past one, three and five fiscal years ending December 31, 2000, the distributions of taxable income by the Fund consisted of 85%, 88%, and 86% long-term capital gains. If the Fund continues to pay a portion of its distributions in the form of long-term capital gain distributions, most individual investors will accordingly realize a tax benefit and pay a lower rate of Federal income tax on their Series B Preferred dividends than if the Fund did not distribute long-term capital gains.

Rating and Asset Coverage Requirements

Before it can be issued, the Series B Preferred must receive a rating of 'aaa' from Moody's. The Fund's Articles Supplementary, which set forth the rights and preferences of the Series B Preferred, contain certain tests that the Fund mustsatisfy to obtain and maintain a rating of 'aaa' from Moody's on the Series B Preferred. See "Description of Series B Preferred -- Rating Agency Guidelines."

Under the asset coverage tests to which the Fund is subject, the Fund is required to maintain (i) adjusted assets greater than or equal to a basic maintenance amount, both of which are calculated pursuant to the rating agency guidelines, and (ii) an asset coverage of at least 200% (or such higher or lower percentage as may be required at the time under the Investment Company Act of 1940, as amended), with respect to all outstanding senior stock of the Fund, including the Preferred Stock. See "Description of Series B Preferred -- Asset Maintenance."

Mandatory Redemption

The Series B Preferred may be subject to mandatory redemption by the Fund to the extent the Fund fails to maintain the asset coverage requirements in accordance

	with the rating agency guidelines or the 1940 Act described above and does not cure such failure by the applicable cure date. Any such redemption will be made for cash at a price equal to $25 per share plus accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. In such circumstances, the Fund may, but is not required to, redeem a sufficient number of shares of Preferred Stock so that after the redemption it exceeds the asset coverage required by each of the rating agency guidelines and the 1940 Act by 10%. See "Description of Series B Preferred -- Redemption -- Mandatory Redemption."
Optional Redemption	Commencing __, 2006 and at any time thereafter, the Fund at its option may redeem the Series B Preferred, in whole or in part, for cash at a price per share equal to the Redemption Price. Prior to __, 2006, the Series B Preferred will be redeemable at the option of the Fund at the redemption price only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. See "Description of Series B Preferred -- Redemption -- Optional Redemption."
Voting Rights	At all times, holders of shares of the Fund's preferred stock (including the Series B Preferred) outstanding at the time, voting as a single class, will be entitled to elect two members of the Fund's Board of Directors, and holders of the preferred stock and common stock, voting as a single class, will elect the remaining directors. However, upon a failure by the Fund to pay dividends on any of its preferred stock in an amount equal to two full years' dividends, holders of the preferred stock, voting as a single class, will have the right to elect the smallest number of directors that would constitute a majority of the directors until all cumulative dividends on all shares of preferred stock have been paid or provided for. Holders of Series B Preferred and any other preferred stock will vote separately as a class on certain other matters, as required under the Articles Supplementary, the 1940 Act and Maryland law. Except as otherwise indicated in this prospectus and as otherwise required by applicable law, holders of Series B Preferred will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote

together with holders of shares of common stock and any other preferred stock as a single class. See "Description of Series B Preferred -- Voting Rights."

Liquidation Preference	The liquidation preference of each share of Series B Preferred is $25 plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date of distribution. See "Description of Series B Preferred -- Liquidation Rights."
Use of Proceeds	The Fund will use the net proceeds from the Offering to purchase additional portfolio securities in accordance with its investment objectives and policies. See "Use of Proceeds."
Listing	Prior to the Offering, there has been no public market for the Series B Preferred. Series B Preferred will be listed on the New York Stock Exchange. However, during an initial period which is not expected to exceed 30 days after the date of this prospectus, the Series B Preferred will not be listed on any securities exchange.
Special Characteristics and Risks	The market price for the Series B Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series B Preferred and other factors. As indicated above, the Series B Preferred is subject to redemption under specified circumstances. Subject to such circumstances, the Series B Preferred is perpetual. The credit rating on the Series B Preferred could be reduced or withdrawn while an investor holds shares, and the credit rating does not eliminate or mitigate the risks of investing in the Series B Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series B Preferred. The Series B Preferred is not an obligation of the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series B Preferred for the full redemption price. As a non-diversified investment company under the 1940 Act, the Fund is not limited in the proportion of its assets that may be invested in securities of a single issuer, and, accordingly, an investment in the Fund may, under certain

circumstances, present greater risk to an investor than an investment in a diversified company. See "Risk Factors and Special Considerations -- Non-Diversified Status."

The Fund may invest up to 35% of its total assets in foreign securities. Investing in securities of foreign companies and foreign governments, which generally are denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluation of currencies. See "Risk Factors and Special Considerations - Foreign Securities."

The Investment Adviser (as hereinafter defined) is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund's investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser.

During an initial period which is not expected to exceed 30 days after the date of this prospectus, the Series B Preferred will not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series B Preferred; however, they have no obligation to do so. Consequently, an investment in the Series B Preferred may be illiquid during such period.

Federal Income Tax Considerations

The Fund has qualified, and intends to remain qualified, for Federal income tax purposes, as a regulated investment company. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common stock if the Fund fails to satisfy the 1940 Act's asset coverage requirements could jeopardize the Fund's ability to meet the distribution requirements. The Fund presently intends, however, to purchase or redeem Preferred Stock to the extent necessary in order to

maintain compliance with such asset coverage requirements. See "Taxation" for a more complete discussion of these and other Federal income tax considerations.

Management and Fees

Gabelli Funds, LLC serves as the Fund's investment adviser and is compensated for its services and its related expenses at an annual rate of 1.00% of the Fund's average weekly net assets. The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party administrator. Notwithstanding the foregoing, the Investment Adviser will waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the Series B Preferred for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than the stated dividend rate of the Series B Preferred (prorated during the year the Series B Preferred is issued and the final year the Series B Preferred is outstanding).

Repurchase of Common Stock and Anti-takeover Provisions

The Fund is authorized, subject to maintaining required asset coverage on the Preferred Stock, to repurchase its common stock on the open market when the shares are trading at a discount of 10% or more (or such other percentage as its Board of Directors may determine from time to time) from their net asset value. In addition, certain provisions of the Fund's Charter and By Laws may be regarded as "anti-takeover" provisions. Pursuant to these provisions, only one of three classes of directors is elected each year, and the affirmative vote of the holders of 66 2/3% of the outstanding shares of each class of stock of the Fund is necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company and an affirmative vote of 66 2/3% of each class of the outstanding voting shares of the Fund may be necessary to authorize certain business transactions with any beneficial owner of more than 5% of the outstanding shares of the Fund. The overall effect of these provisions is to render more difficult the accomplishment

of a merger with, or the assumption of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their shares at a premium to the prevailing market price. See "Certain Provisions of the Charter and By Laws."

Custodian, Transfer Agent and Dividend-Disbursing Agent	Boston Safe Deposit and Trust Company serves as the Fund's custodian. With respect to the Series B Preferred, State Street Bank and Trust Company serves as transfer and dividend-disbursing agent and registrar and as agent to provide notice of redemption and certain voting rights. See "Custodian, Transfer Agent and Dividend-Disbursing Agent."

TAX ATTRIBUTES OF PREFERRED STOCK DIVIDENDS

The Fund intends to distribute to its stockholders substantially all of its net capital gains and net investment income. The Fund operates as a regulated investment company under the Internal Revenue Code of 1986, as amended, (the "Code") and distributions by a regulated investment company generally retain their character as capital gain or ordinary income when received by its preferred and common stockholders. Distributions of short-term capital gain are taxed at ordinary income rates. Thus, the stated __% dividends paid by the Fund to holders of the Series B Preferred may, for Federal income tax purposes, consist of varying proportions of long-term capital gain, short-term capital gain, ordinary income and/or returns of capital.

Capital gain on assets held longer than 12 months generally is currently taxable to individuals at a maximum rate of 20%. Net investment income and short-term capital gain of the Fund are currently taxable to individuals at a maximum rate of 39.1%.

Although the Fund is not managed using a tax-focused investment strategy and does not seek to achieve any particular distribution composition, individual investors in the Series B Preferred would, under current Federal income tax law, realize a tax savings on their investment to the extent that distributions by the Fund to its stockholders are composed of long-term capital gain taxed at a lower rate. In contrast, preferred stock dividends distributed by corporations that are not regulated investment companies are generally comprised, for Federal income tax purposes, only of ordinary income.

Over the past one, three and five fiscal years ending December 31, 2000, the distributions of taxable income by the Fund consisted of 85%, 88%, and 86% long-term capital gains. The Fund has no reason to expect that these percentages will decrease materially in the future although it cannot provide any assurances in this regard.

The Federal income tax characteristics of the Fund and the taxation of its stockholders are described more fully under "Taxation."

ASSUMPTIONS

The following tables show examples of the pure ordinary income equivalent yield that would be generated by the stated dividend rate on the Series B Preferred, assuming distributions for Federal income tax purposes consisting of different proportions of long-term capital gain and ordinary income (including short-term capital gain) for an individual in the 39.1% and 30.5% Federal marginal income tax brackets. In reading these tables, you should understand that a number of factors could affect the actual composition for Federal income tax purposes of the Fund's distributions each year. Such factors include (i) the Fund's investment performance for any particular year, which may result in distributions of varying proportions of long-term capital gain, ordinary income and/or return of capital, and (ii) revocation or revision of the Internal Revenue Service revenue ruling requiring the proportionate allocation of types of income among holders of various classes of a regulated investment company's capital stock.

These tables are for illustrative purposes only and cannot be taken as an indication of the actual composition for Federal income tax purposes of the Fund's future distributions.

Percentage of Series B Preferred Stated Annual Dividend Comprised of		Series B Preferred Annual Dividend Rate			Series B Preferred Annual Dividend Rate		
		7.00%	7.25%	7.50%	7.00%	7.25%	7.
		Tax Equivalent Yield for an Individual in the 39.1% Federal Income Tax Bracket			Tax Equivalent Yield for a Individual in the 30.5% Federal Income Tax Bracket		
Long-Term Capital Gains	Ordinary Income						
83.3%	16.7%	8.83%	9.14%	9.46%	7.88%	8.16%	8.4
75.0%	25.0%	8.65%	8.96%	9.26%	7.79%	8.07%	8.3
66.7%	33.3%	8.46%	8.77%	9.07%	7.71%	7.98%	8.2
50.0%	50.0%	8.10%	8.39%	8.68%	7.53%	7.80%	8.0
33.3%	66.7%	7.73%	8.01%	8.28%	7.35%	7.61%	7.8
25.0%	75.0%	7.55%	7.82%	8.09%	7.26%	7.52%	7.7
16.7%	83.3%	7.37%	7.63%	7.89%	7.18%	7.43%	7.6
0.0%	100.0%	7.00%	7.25%	7.50%	7.00%	7.25%	7.5

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(1) Annual taxable income levels corresponding to the 2001 Federal marginal tax brackets are as follows:

2001 Federal Income Tax Bracket(2)	Single	Joint
39.1%	over $ 297,300	over $297,300
35.5%	over $136,750 - $297,300	over $166,450 - $297,300
30.5%	over $65,550 - $136,750	over $109,250 - $166,450
27.5%	over $27,050 - $65,550	over $45,200 - $109,250
15.0%	over $6,000 - $27,050	over $12,000 - $45,200

10.0%	up to and including $6,000	up to and including $12,000

Your Federal marginal income tax rates may exceed the rates shown in the above tables due to the reduction, or possible elimination, of the personal exemption deduction for high-income taxpayers and an overall limit on itemized deductions. Income may be subject to certain state, local and foreign taxes. If you pay alternative minimum tax, equivalent yields may be lower than those shown above. The tax rates shown above do not apply to corporate taxpayers.

(2) The Economic Growth and Tax Relief Reconciliation Act of 2001, effective for taxable years beginning after December 31, 2000, creates a new 10 percent income tax bracket and reduces the tax rates applicable to ordinary income over a six year phase-in period. Beginning in the taxable year 2006, ordinary income will be subject to a 35% maximum rate, with approximately proportionate reductions in the other ordinary rates.

FINANCIAL HIGHLIGHTS

The selected data set forth below is for shares of common stock outstanding for the periods presented. The financial information was derived from and should be read in conjunction with the Financial Statements of the Fund incorporated by reference into this prospectus and the SAI. The financial information for each of the five years ended December 31, 2000 has been audited by PricewaterhouseCoopers LLP, independent accountants, whose unqualified report on such financial statements is included in the SAI.

	Year Ended December 31		
	2000(a)	1999(a)	1998(a)
Operating Performance:			
Net asset value, beginning of period.........	$12.75	$11.47	$11.56
Net investment income.......................	0.05	0.04	0.07
Net realized and unrealized gain (loss)	(0.51)	3.25	1.09
on investmentsTotal from investment operations...	(0.46)	3.29	1.16
Increase (decrease) in net asset value from Equity Trust share transactions....	--	--	--
Offering expenses charged to capital surplus....	--	--	(0.04)
Distributions to Common Stock Shareholders:			
Net investment income........................	(0.04)	(0.03)(c)	(0.06)
In excess of net investment income...........	--	--	--
Net realized gain on investments.............	(1.25)	(1.21)(c)	(1.10)
In excess of net realized gains on investments	(0.02)	--	--
Paid-in capital..............................	--	(0.68)(c)	--
Distributions to Preferred Stock Shareholders:			
Net investment income........................	(0.00)(d)	(0.00)(d)	(0.00)(d)
Net realized gain on investments	(0.09)	(0.09)	(0.05)
Total distributions..........................	(1.40)	(2.01)	(1.21)
Net asset value, end of period..................	$10.89	$12.75	$11.47
Market value, end of period..................	$11.44	$12.56	$11.56
Net asset value total return**...............	(4.39)%	29.49%	9.55%

Total investment return*.....................	1.91%	26.57%	9.23%
Ratios to Average Net Assets Available to Common Stock Shareholders and Supplemental Data:			
Net assets, end of period (in 000's).........	$1,318,263	$1,503,641	$1,352,190
Net assets attributable to common shares, end of period (in 000's).....................	$1,184,041	$1,368,981	$1,217,190
Ratio of net investment income to average net assets attributable to common stock........	0.42%	0.34%	0.60%
Ratio of operating expenses to average total net assets attributable to common stock	1.14%	1.27%	1.15%
Ratio of operating expenses to average total net assets(e)...............................	1.03%	1.15%	1.09%
Portfolio turnover rate......................	32.1%	38.0%	39.8%
Preferred Stock:			
Liquidation value, end of period (in 000's)....	$ 134,223	$ 134,660	$ 135,000
Total shares outstanding (in 000's)...........	5,369	5,386	5,400
Asset coverage................................	972%	1,117%	1,001%
Liquidation preference per share..............	$ 25.00	$ 25.00	$ 25.00
Average market value(f).......................	$ 22.62	$ 24.43	$ 25.63

See footnotes on following page.

FINANCIAL HIGHLIGHTS (Cont.)

	Year Ended December 31,			
	1995(a)	1994(a)	1993(a)	1992
Operating Performance:				
Net asset value, beginning of period.........	$ 9.46	$11.23	$10.58	$10.61
Net investment income.......................	0.13	0.14	0.14	0.19
Net realized and unrealized gain (loss) on investments	1.74	(0.08)	2.13	1.21
Total from investment operations............	1.87	0.06	2.27	1.40
Increase (decrease) in net asset value from Equity Trust share transactions...	(0.37)	--	(0.50)	(0.36)
Offering expenses charged to capital surplus.	(0.01)	--	(0.01)	(0.01)
Distributions to Common Stock Shareholders:				
Net investment income.......................	(0.13)	(0.14)(b)	(0.11)	(0.19)
In excess of net investment income...........	--	--	--	--
Net realized gain on investments	(0.47)	(0.37)(b)	(0.77)	(0.38)
In excess of net realized gain on investments.	(0.02)	--	(0.02)	--
Paid-in capital.............................	(0.38)	(1.32)(b)	(0.21)	(0.49)
Distributions to Preferred Stock Shareholders:				
Net investment income.......................	--	--	--	--
Net realized gain on investments	--	--	--	--
Total distributions........................	(1.00)	(1.83)	(1.11)	(1.06)
Net asset value, end of period.............	$ 9.95	$ 9.46	$11.23	$10.58
Market value, end of period.................	$ 9.375	$ 9.625	$12.125	$10.250
Net asset value total return**..............	20.60%	0.50%	22.40%	14.20%
Total investment return*....................	11.70%	(5.10)%	36.50%	15.90%

Ratios to Average Net Assets Available to Common Stock Shareholders and Supplemental Data:					
Net assets, end of period (in 000's).........	$1,034,091	$825,193	$937,773	$725,263	$5
Net assets attributable to common shares, end of period (in 000's)..................	$1,034,091	$825,193	$937,773	$725,263	$5
Ratio of net investment income to average net assets attributable to common stock........	1.26%	1.29%	1.25%	1.88%	
Ratio of operating expenses to average total net assets(e)............................	1.21%	1.19%	1.20%	1.22%	
Portfolio turnover rate.....................	25.1%	22.2%	24.4%	12.5%	
Preferred Stock:					
Liquidation value, end of period (in 000's)....	--	--	--	--	
Total shares outstanding (in 000's)...........	--	--	--	--	
Asset coverage...............................	--	--	--	--	
Liquidation preference per share..............	--	--	--	--	
Average market value(f)......................	--	--	--	--	

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* Based on market value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholder

** Based on net asset value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholder

(a) Per share amounts have been calculated using the monthly average shares outstanding method

(b) A distribution equivalent to $0.75 per share for The Gabelli Global Multimedia Trust Inc. spin-off from net investment income, realized short-term gains, and paid-in capital were $0.064, $0.031, and $0.655, respectively.

(c) A distribution equivalent to $0.75 per share for the Gabelli Utility Trust spin-off from n investment income, realized short-term gains, realized long-term gains, and paid-in capita were $0.01029, $0.07453, $0.34218 and $0.32300, respectively.

(d) Amount represents less than $0.005 per share.

(e) Amounts are attributable to both common and preferred stock assets. Prior to 1998, there w no preferred stock outstanding.

(f) Based on weekly prices.

The following table provides information about the Fund's Series A Preferred since its issuance in June 1998. The information has been audited by PricewaterhouseCoopers LLP, independent accountants.

Year ended December 31,	Shares Outstanding	Asset Coverage Per Share	Involuntary Liquidation Preference Per Share	Average Market Value Per Share
2000	5,368,900	$ 245.54	$25.00	$22.62
1999	5,386,400	$ 279.16	$25.00	$24.43
1998	5,400,000	$ 250.41	$25.00	$25.63

For purposes of the foregoing table, the Asset Coverage Per Share is calculated by dividing the total value of the Fund's assets on December 31 of the relevant year by the number of shares of Series A Preferred outstanding on that date. Involuntary Liquidation Preference Per Share refers to the amount holders of Series A Preferred are entitled to receive per share in the event of liquidation of the Fund prior to the holders of common stock being entitled to receive any amounts in respect of the assets of the Fund. The Average Market Value Per Share is the average of the weekly closing prices of the Series A Preferred on the New York Stock Exchange each week during the relevant year.

USE OF PROCEEDS

The net proceeds of the Offering are estimated at $_______, after deduction of the underwriting discounts and estimated offering expenses payable by the Fund. The Investment Adviser expects that it will be able to invest the proceeds of the Offering according to the Fund's investment objectives and policies within six months after the completion of the Offering. Pending such investment, the Fund will hold the proceeds in high quality short-term debt securities and instruments.

THE FUND

The Fund, incorporated in Maryland on May 20, 1986, is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund's common stock is traded on the New York Stock Exchange under the symbol "GAB." The Fund recently completed a Rights Offering for 18,114,735 shares of common stock at a per share purchase price of $7.00. The Fund's Series A Preferred is traded on the New York Stock Exchange under the symbol "GAB Pr".

The Fund's primary investment objective is long-term growth of capital. The Fund seeks to achieve its objective by investing primarily in a portfolio of equity securities which include the common stock, preferred stock, convertible securities, options and warrants of foreign and domestic companies selected by the Investment Adviser. Income is the secondary investment objective of the Fund. Under normal market conditions, the Fund will invest at least 65% of its total assets in equity securities.

INVESTMENT OBJECTIVES AND POLICIES

The primary investment objective of the Fund is long-term growth of capital. Income is a secondary objective of the Fund. The Fund attempts to achieve its objectives by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities selected by the Investment Adviser. The Investment Adviser selects investments on the basis of fundamental value and, accordingly, the Fund typically invests in the securities of companies that are believed by the Investment Adviser to be priced lower than justified in relation to their underlying assets. Other important factors in the selection of investments include favorable price/earnings and debt/equity ratios and strong management.

The Fund's secondary investment objective is income, which the Fund seeks to achieve, in part, by investing up to 10% of its total assets in a portfolio consisting primarily of high-yielding, fixed-income securities, such as corporate bonds, debentures, notes, convertible securities, preferred stocks and domestic and foreign government obligations. Generally, debt securities purchased by the Fund will be rated in the lower rating categories of recognized statistical rating agencies, such as securities rated "CCC" or lower by Standard & Poor's Ratings Services or "Caa" or lower by Moody's, or will be nonrated securities of comparable quality. These debt securities are predominantly speculative and involve major risk exposure to adverse conditions and are often referred to in the financial press as "junk bonds."

The Fund's investment objectives of long-term growth of capital and income are fundamental policies and may not be changed without shareholder approval.

INVESTMENT METHODOLOGY OF THE FUND

In selecting securities for the Fund, the Investment Adviser normally will consider the following factors, among others: (1) the Investment Adviser's own evaluations of the private market value, cash flow, earnings per share and other fundamental aspects of the underlying assets and business of the company, (2) the potential for capital appreciation of the securities; (3) the interest or dividend income generated by the securities; (4) the prices of the securities relative to other comparable securities; (5) whether the securities are entitled to the benefits of call protection or other protective covenants (e.g., events of acceleration or events of default for failure to comply with certain financial ratios or to satisfy other financial covenants or benchmarks); (6) the existence of any anti-dilution protections or guarantees of the security; and (7) the diversification of the portfolio of the Fund as to issuers. The Investment Adviser's investment philosophy with respect to equity securities seeks to identify securities of companies that are selling in the public market at a discount to their private market value, which the Investment Adviser defines as the value informed purchasers are willing to pay to acquire assets with similar characteristics. The Investment Adviser also normally evaluates the issuer's free cash flow and long-term earnings trends. Finally, the Investment Adviser looks for a catalyst -- something in the company's industry or indigenous to the company or country itself that will surface additional value.

INVESTMENT PRACTICES

Foreign Securities. The Fund may invest up to 35% of its total assets in foreign securities. Among the foreign securities in which the Fund may invest are those issued by companies located in developing countries, which are countries in the initial stages of their industrialization cycles. Investing in the equity and debt markets of developing countries involves exposure to economic structures that are generally less diverse and less mature, and to political systems that can be expected to have less stability, than those of developed countries. The markets of developing countries historically have been more volatile than the markets of the more mature economies of developed countries, but often have provided higher rates of return to investors. The Fund may also invest in debt securities of foreign governments.

Temporary Investments. Although under normal market conditions at least 65% of the Fund's total assets will consist of equity securities, when a temporary defensive posture is believed by the Investment Adviser to be warranted ("temporary defensive periods"), the Fund may without limitation hold cash or invest its assets in money market instruments and repurchase agreements in respect of those instruments. The Fund may also invest up to 10% of the market value of its total assets during temporary defensive periods in shares of money market mutual funds that invest primarily in U.S. Government Securities and repurchase agreements in respect of those securities. For a further description of such transactions, see "Investment Objectives and Policies -- Investment Practices" in the SAI. Such actions on the part of the Fund may adversely affect its ability to achieve its investment objectives.

Lower Rated Securities. The Fund may invest up to 10% of its total assets in fixed-income securities issued by U.S. and foreign corporations, governments and agencies that are rated below investment grade by primary rating services such as S&P and Moody's. These high-yield, higher-risk securities are commonly known as "junk bonds." These debt securities are predominantly speculative and involve major risk exposure to adverse conditions.

Repurchase Agreements. The Fund may engage in repurchase agreement transactions with banks, registered broker-dealers and government securities dealers approved by the Investment Adviser under the supervision of the Board of Directors. The Fund will not enter into repurchase agreements with the Investment Adviser or any of its affiliates. Under the terms of a typical repurchase agreement, the Fund would acquire an underlying debt obligation for a relatively short period (usually not more than one week) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed price and time, thereby determining the yield during its holding period. Thus, repurchase agreements may be seen to be loans by the Fund collateralized by the underlying debt obligation. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the holding period. The value of the underlying securities will be at least equal at all times to the total amount of the repurchase obligation, including interest. The Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed in or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period in which it seeks to assert these rights. The Investment Adviser, acting under the supervision of the Fund's Board of Directors, reviews the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate these risks and monitors on an ongoing basis the value of the securities subject to repurchase agreements to ensure that the value is maintained at the required level.

Other Investments. The Fund is permitted to invest in special situations, illiquid securities, warrants, options and other rights and futures contracts, engage in forward currency transactions and enter into forward commitments for the purchase or sale of securities, including on a "when issued" or "delayed delivery" basis. See the SAI for a discussion of these investments and techniques and the risks associated with them.

LEVERAGING

As provided in the 1940 Act, the Fund may issue debt or preferred stock so long as the Fund's net assets exceed 300% of the amount of the debt outstanding and exceed 200% of the amount of preferred stock and debt outstanding. Leverage entails two primary risks. The first risk is that the use of leverage magnifies the impact on the common stockholders of changes in net asset value. For example, a fund that uses 33% leverage will show a 1.5% increase or decline in net asset value for each 1% increase or decline in the value of its total assets. The second risk is that the cost of leverage will exceed the return on the securities acquired with the proceeds of leverage, thereby diminishing rather than enhancing the return to common stockholders. These two risks would generally make the Fund's total return to common stockholders more volatile to the extent it utilizes leverage. In addition, the Fund may be required to sell investments in order to meet dividend or interest payments on the debt or preferred stock when it may be disadvantageous to do so.

If the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock dividend payments and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Code. See "Taxation." Finally, if the asset coverage for preferred stock or debt securities declines to less than the level required under the 1940 Act or the terms of the preferred stock or debt (as a result of market fluctuations or otherwise), the Fund may be required to sell a portion of its investments to redeem the preferred stock or repay the debt when it may

be disadvantageous to do so.

Further information on the investment objectives and policies of the Fund are set forth in the SAI.

INVESTMENT RESTRICTIONS

The Fund operates under certain restrictions that may not be changed without shareholder approval. For a description of such restrictions, see "Investment Restrictions" in the SAI.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Investors should consider the following special considerations associated with investing in the Fund.

PREFERRED STOCK

There are a number of risks associated with an investment in Series B Preferred. The market price for the Series B Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series B Preferred and other factors. The Series B Preferred is subject to redemption under specified circumstances and investors may not be able to reinvest the proceeds of any such redemption in an investment providing the same or a better rate than that of the Series B Preferred. Subject to such circumstances, the Series B Preferred is perpetual. The credit rating on the Series B Preferred could be reduced or withdrawn while an investor holds shares, and the credit rating does not eliminate or mitigate the risks of investing in the Series B Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series B Preferred. The Series B Preferred is not an obligation of the Fund. The Series B Preferred would be junior in respect of dividends and liquidation preference to any indebtedness incurred by the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series B Preferred for the full redemption price.

NON-DIVERSIFIED STATUS

The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. However, the Fund has in the past conducted and intends to conduct its operations so as to qualify as a "regulated investment company" for purposes of the Code, which will relieve it of any liability for Federal income tax to the extent its earnings are distributed to shareholders. To qualify as a "regulated investment company," among other requirements, the Fund will limit its investments so that, with certain exceptions, at the close of each quarter of the taxable year:

- not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer or any two or more issuers that the Fund controls and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses, and

- at least 50% of the market value of the Fund's assets will be represented by cash, securities of other regulated investment companies, U.S. Government

Securities and other securities with such other securities limited, in respect of any one issuer to an amount not greater than 5% of the value of the Fund's assets and not more than 10% of the outstanding voting securities of such issuer.

The investments of the Fund in U.S. Government Securities are not subject to the foregoing limitations. As a non-diversified investment company, the Fund may invest in the securities of individual issuers to a greater degree than a diversified investment company. As a result, the Fund may be more vulnerable to events affecting a single issuer and therefore subject to greater volatility than a fund that is more broadly diversified. Accordingly, an investment in the Fund may present greater risk to an investor than an investment in a diversified company.

LOWER RATED SECURITIES

High yield securities, also sometimes referred to as "junk bonds," generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following:

- greater volatility
- greater credit risk
- potentially greater sensitivity to general economic or industry conditions
- potential lack of attractive resale opportunities (illiquidity)
- additional expenses to seek recovery from issuers who default

The market value of lower-rated securities may be more volatile than the market value of higher-rated securities and generally tends to reflect the market's perception of the creditworthiness of the issuer and short-term market developments to a greater extent than more highly rated securities, which reflect primarily fluctuations in general levels of interest rates.

Ratings are relative and subjective and not absolute standards of quality. Securities ratings are based largely on the issuer's historical financial condition and the rating agencies' analysis at the time of rating. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition.

For a further description of lower rated securities and the risks associated therewith, see "Investment Objectives and Policies -- Investment Practices" in the SAI. For a description of the ratings categories of certain recognized statistical ratings agencies, see Appendix A to this prospectus.

FOREIGN SECURITIES

The Fund may invest up to 35% of its total assets in foreign securities. The risks which the Fund faces when it invests in securities of foreign companies and foreign governments include:

- fluctuations in exchange rates between the U.S. dollar

and foreign currencies

- unavailable or deficient key information about an issuer, security or market
- lack of uniform financial reporting standards and other regulatory requirements
- expropriations, capital or currency controls, punitive taxes or nationalizations
- economic policy changes, social and political instability, military action and war
- changed circumstances in dealings between nations
- greater volatility and illiquidity of foreign securities
- costs incurred in connection with conversion between various currencies
- higher foreign brokerage commissions
- possible extended settlement period
- revaluations of currencies
- transfer taxes or transaction charges
- greater difficulty in protecting and enforcing the Fund's rights

Each of the above risks is more pronounced with respect to the Fund's investments in securities of companies and governments in the world's emerging (less developed) markets. For a further description of the Fund's investments in foreign securities, see "Investment Objectives and Policies -- Certain Practices -- Foreign Securities."

The Fund may purchase sponsored American Depository Receipts of U.S. denominated securities of foreign issuers, which shall not be included in the Fund's 35% foreign securities investment limitation. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs.

DEPENDENCE ON KEY PERSONNEL

The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund's investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser.

ILLIQUIDITY PRIOR TO EXCHANGE LISTING

Prior to the Offering, there has been no public market for the Series B Preferred. Application has been made to list the Series B Preferred on the New York Stock Exchange. However, during an initial period

which is not expected to exceed 30 days after the date of this prospectus, the Series B Preferred will not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series B Preferred; however, they have no obligation to do so. Consequently, an investment in the Series B Preferred may be illiquid during such period.

MANAGEMENT OF THE FUND

DIRECTORS AND OFFICERS

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors, and the day-to-day operations of the Fund are conducted through or under the direction of the officers of the Fund. Although the Fund is a Maryland corporation, Karl Otto Pohl, one of its Directors, is a resident of Germany, and substantially all of his assets are located outside of the United States. Mr. Pohl has not authorized an agent for service of process in the United States. Consequently, it may be difficult for investors to effect service of process upon him within the United States or to enforce, in United States courts, judgments against him obtained in such courts predicated on the civil liability provisions of the United States securities laws. In addition, there is doubt as to the enforceability in German courts of liabilities predicated solely upon the United States securities laws, whether or not such liabilities are based upon judgments of courts in the United States. For certain information regarding the Directors and officers of the Fund, see "Management of the Fund" in the SAI.

INVESTMENT ADVISER

The Investment Adviser, whose principal business address is One Corporate Center, Rye, New York 10580, is a New York limited liability company which also serves as investment adviser to other closed-end investment companies and open-end investment companies with aggregate assets in excess of $10.3 billion as of March 31, 2001. The Investment Adviser is a registered investment adviser under the Investment Advisers Act of 1940. Mr. Mario J. Gabelli may be deemed a "controlling person" of the Investment Adviser on the basis of his controlling interest in the parent company of the Investment Adviser. The Investment Adviser has several affiliates that provide investment advisory services: GAMCO Investors, Inc. acts as investment adviser for individuals, pension trusts, profit-sharing trusts and endowments, and had assets under management of approximately $10.7 billion under its management as of March 31, 2001; Gabelli Advisers, Inc. acts as investment adviser to the Gabelli Westwood Funds with assets under management of approximately $494 million as of March 31, 2001; Gabelli Securities, Inc. acts as general partner or investment manager to certain alternative investments products, consisting primarily of risk arbitrage and merchant banking limited partnerships and offshore companies, with assets under management of approximately $473 million as of March 31, 2001; and Gabelli Fixed Income, LLC acts as investment adviser for the three portfolios of The Treasurer's Fund and separate accounts having assets under management of approximately $1.7 billion as of March 31, 2001.

The Investment Adviser has sole investment discretion for the Fund with respect to the Fund's portfolio under the supervision of the Fund's Board of Directors and in accordance with the Fund's stated policies. The Investment Adviser will select investments for the Fund and will place purchase and sale orders on behalf of the Fund. For its services, the Investment Adviser is paid a fee computed daily and paid monthly at an annual rate of 1.00% of the average weekly net assets of the Fund. The Investment Adviser is responsible for administration of the Fund and

currently utilizes and pays the fees of a third party administrator. Notwithstanding the foregoing, the Investment Adviser will waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the Series B Preferred for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than the stated dividend rate of the Series B Preferred (prorated during the year the Series B Preferred is issued and the final year the Series B Preferred is outstanding). For additional information regarding the Investment Adviser, see "The Investment Adviser" in the SAI.

Non-U.S. shareholders should note that there may be difficulty enforcing any legal rights against the Investment Adviser because it is resident only in the U.S. and all of its assets are situated in the U.S.

PORTFOLIO MANAGEMENT

Mario J. Gabelli, who is Chief Investment Officer of the Investment Adviser, has managed the Fund's assets since its inception. In addition, over the past five years, Mr. Gabelli has served as Chairman of the Board and Chief Executive Officer of Gabelli Asset Management Inc.; Chief Investment Officer of GAMCO Investors, Inc.; Chairman of the Board and Chief Executive Officer of Lynch Corporation, a diversified manufacturing company, and Lynch Interactive Corporation, a multimedia and communications services company; and Director of Spinnaker Industries, Inc., a manufacturing company.

SUB-ADMINISTRATOR

The Investment Adviser has certain administrative responsibilities to the Fund under its Advisory Agreement with the Fund. The Investment Adviser has retained PFPC, Inc. as Sub-Administrator to provide certain administrative services necessary for the Fund's operations other than those performed by the Investment Adviser under its Advisory Agreement. These services include, but are not limited to, supplying the Investment Adviser with office facilities, statistical and research data, data processing services, clerical, accounting and bookkeeping services, internal audit and regulatory administration services, the preparation and distribution of materials for meeting of the Fund's Board of Directors, compliance testing of the Fund's activities and the preparation of stockholder reports, tax returns and other regulatory filings. For such services by the Sub-Administrator, the Investment Adviser pays the Sub-Administrator a monthly fee based upon the aggregate average daily net assets of certain funds advised by the Investment Adviser, including the Fund, as follows: .0275% on aggregate net assets under administration of $0-$10 billion, .0125% on aggregate net assets under administration of $10-$15 billion and .0100% on aggregate net assets under administration over $15 billion, which together with services rendered, is subject to re-negotiation if net assets under administration exceed $20 billion. The Investment Adviser also reimburses the Sub-Administrator for certain out-of-pocket expenses incurred by the Sub-Administrator as a result of its duties under the sub-administrative agreement. The Sub-Administrator has its principal office located at 3200 Horizon Drive, King of Prussia, Pennsylvania 19406.

PAYMENT OF EXPENSES

For purposes of the calculation of the fees payable to the Investment Adviser by the Fund, average weekly net assets of the Fund are determined at the end of each month on the basis of its average net assets for each week during the month. The assets for each weekly period are

determined by averaging the net assets at the end of a week with the net assets at the end of the prior week.

The Investment Adviser will be obligated to pay expenses associated with providing the services contemplated by the Advisory Agreement including compensation of and office space for its officers and employees connected with investment and economic research, trading and investment management and administration of the Fund, as well as the fees of all Directors of the Fund who are affiliated with the Investment Adviser. The Fund pays all other expenses incurred in its operation including, among other things, expenses for legal and independent accountants' services, costs of printing proxies, stock certificates and shareholder reports, rating agency fees, charges of the custodian, any subcustodian and transfer and dividend paying agent, Securities and Exchange Commission fees, fees and expenses of unaffiliated Directors, accounting and pricing costs, membership fees in trade associations, fidelity bond coverage for its officers and employees, directors' and officers' errors and omission insurance coverage, interest, brokerage costs, taxes, stock exchange listing fees and expenses, expenses of qualifying its shares for sale in various states, litigation and other extraordinary or non-recurring expenses, and other expenses properly payable by the Fund.

PORTFOLIO TRANSACTIONS

Principal transactions are not entered into with affiliates of the Fund. However, Gabelli & Company, Inc., an affiliate of the Investment Adviser, may execute portfolio transactions on stock exchanges and in the over-the-counter markets on an agency basis and receive a stated commission therefor. For a more detailed discussion of the Fund's brokerage allocation practice, see the SAI under "Portfolio Transactions."

DIVIDEND AND DISTRIBUTION POLICY

DISTRIBUTION POLICY

The Fund's policy is to make quarterly distributions of $0.27 per share at the end of each of the first three calendar quarters of each year to holders of its common stock. The Fund's distribution in December for each calendar year is an adjusting distribution (equal to the sum of 2.5% of the net asset value of the Fund as of the last day of the four preceding calendar quarters less the aggregate distributions of $0.81 per share made for the most recent three calendar quarters) in order to meet the Fund's 10% pay-out goal.

The dividend policy of the Fund may be modified from time to time by the Board of Directors. As a regulated investment company under the Code, the Fund will not be subjected to U.S. Federal income tax on its net investment income that it distributes to shareholders, provided that at least 90% of its net investment income for the taxable year is distributed to its shareholders.

The Fund, along with other closed-end registered investment companies advised by the Investment Adviser has obtained an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting the Fund to make periodic distributions of long-term capital gains provided that the Fund maintains distribution policies with respect to the common stock and preferred stock calling for periodic distributions over a specified period of time in an amount equal to a fixed dollar amount or percentage of the Fund's average net asset value or market price per share of common stock or, in the case of the preferred stock, in accordance with its terms. If

the total distributions required by the proposed periodic pay-out policy exceed the Fund's net investment income and net capital gains, the excess will be treated as a return of capital. If the Fund's net investment income, net short-term capital gains and net long-term capital gains for any year exceed the amount required to be distributed under the proposed periodic pay-out policy, the Fund generally intends to pay such excess once a year, but may, in its discretion, retain and not distribute net long-term capital gains to the extent of such excess.

DESCRIPTION OF SERIES B PREFERRED

The following is a brief description of the terms of the Series B Preferred. This description does not purport to be complete and is qualified by reference to the Articles Supplementary, the form of which is filed as an exhibit to the Fund's Registration Statement. For complete terms of the Series B Preferred, including definitions of terms used in this prospectus, please refer to the actual terms of the Series B Preferred, which are set forth in the Articles Supplementary.

GENERAL

Under the Articles Supplementary, the Fund is authorized to issue up to 10,000,000 shares of preferred stock as Series B Preferred. No fractional shares of Series B Preferred will be issued. As of March 31, 2001, there were 5,368,900 shares of Series A Preferred outstanding. The Board of Directors reserves the right to issue additional shares of preferred stock, including Preferred Stock, from time to time, subject to the restrictions in the Articles Supplementary and the 1940 Act. The shares of Series B Preferred will, upon issuance, be fully paid and nonassessable and will have no preemptive, exchange or conversion rights. Any shares of Series B Preferred repurchased or redeemed by the Fund will be classified as authorized but unissued preferred stock. The Board of Directors may by resolution classify or reclassify any authorized but unissued capital stock of the Fund from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or terms or conditions of redemption. The Fund will not issue any class of stock senior to the shares of Preferred Stock.

RATING AGENCY GUIDELINES

Moody's has established various requirements in connection with the Fund's receipt and maintenance of a rating for the Series B Preferred of 'aaa' by Moody's. Moody's, a nationally-recognized securities rating organization, issues ratings for various securities reflecting the perceived creditworthiness of such securities. The requirements utilized for both the Series A and Series B Preferred have been developed by Moody's in connection with issuances of asset-backed and similar securities, including debt obligations and various types of preferred stocks. The requirements are designed to ensure that assets underlying outstanding debt or preferred stock will be sufficiently varied and will be of sufficient quality and amount to justify investment-grade ratings. The requirements do not have the force of law but are being adopted by the Fund in order for the above-described rating for the Series B Preferred, which may be relied upon by investors in determining whether to purchase the Series B Preferred and at what price in relation to other fixed income securities. The requirements provide a set of tests for portfolio composition and asset coverage that supplement (and in some cases are more restrictive than) the applicable asset coverage requirements of the 1940 Act. Moody's current guidelines are included in the Articles Supplementary and are referred to in this prospectus as the "Rating Agency Guidelines."

The Rating Agency Guidelines require that the Fund maintain a level of asset coverage that is at least equal to a Basic Maintenance Amount set by Moody's. In general terms, the Basic Maintenance Amount (as of a particular valuation date) is a dollar amount equal to the sum of:

- o the total liquidation preference of all outstanding shares of Preferred Stock;
- o the amount of any indebtedness for borrowed money;
- o the unpaid dividends due or accruing in respect of such shares over the next 70 days; and
- o current and other liabilities of the Fund due or accruing over the next 90 days,

reduced by:

- o the Fund's cash and
- o certain of the Fund's high-grade investments.

In determining asset coverage, the Rating Agency Guidelines give no credit for certain securities or for shares of a particular issuer in excess of specified issuer diversification and industry concentration limitations and apply specified discounts to all other securities (except certain money market securities) that range from 5% to 75% of the market value of such securities.

Moody's discounts are based on factors including the sensitivity of the market value of the relevant asset to changes in interest rates, the liquidity and depth of the market for the relevant asset, the historical volatility of common stock prices in general and within particular industry groups, the credit quality of the relevant asset (for example, the lower the rating of a corporate debt obligation, the higher the related discount factor), the frequency with which the relevant asset is marked to market and the amount of time the Fund may take to cure a failure to meet the Basic Maintenance Amount test. The Moody's discount percentage relating to any asset of the Fund, the assets eligible for inclusion in the calculation of adjusted assets for the purpose of meeting the Basic Maintenance Amount, and the Basic Maintenance Amount and the definitions and methods of calculation relating thereto may be changed from time to time by the Board of Directors, provided that, among other things, such changes will not impair the rating then assigned to the Series B Preferred by the Moody's. This feature will permit the Fund to respond to changes required or permitted by Moody's from time to time without requiring a vote of stockholders and should enhance the ability of the Fund to earn an incremental return for the holders of its common stock without impairing the rating of the Series B Preferred. For a detailed description of these provisions, which are (or are related to) the Basic Maintenance Amount and Adjusted Value, see the description in the Articles Supplementary.

If the Fund fails to maintain asset coverage at least equal to the Basic Maintenance Amount and such failure is not cured by the applicable cure date, the Fund will be required to redeem some or all of the Preferred Stock. See "Description of Series B Preferred -- Redemption -- Mandatory Redemption Relating to Asset Coverage Requirements." The Investment Adviser does not believe that compliance with the Rating Agency Guidelines will have an adverse effect on its management of the Fund's portfolio or on the achievement of the Fund's investment objectives. It is the Fund's present intention to continue to comply with the Rating Agency Guidelines.

On or before the fifth Business Day after each quarterly valuation date, the Fund is required to deliver to Moody's a report setting forth whether the Fund was in compliance with the Rating Agency Guidelines asset coverage requirements as of the relevant valuation date. Within ten Business Days after delivery of such report to Moody's and on one other occasion chosen annually at random by Fund's independent accountants, the Fund will deliver letters prepared by the Fund's independent accountants regarding the accuracy of the calculations made by the Fund in, and certain other matters relating to, its most recent report.

The Fund may, but is not required to, adopt any modifications to the Rating Agency Guidelines that may hereafter be established by Moody's. Failure to adopt such modifications, however, may result in a change in Moody's rating or a withdrawal of a rating altogether. In addition, Moody's may, at any time, change or withdraw such rating. However, failure to comply with the Rating Agency Guidelines included in the Articles Supplementary would require the Fund to redeem all or part of the Preferred Stock if such failure to comply is not cured within the specified time periods.

A preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock obligations. The rating on the Series B Preferred is not a recommendation to purchase, hold or sell such shares, inasmuch as the rating does not comment as to market price or suitability for a particular investor. Nor do Moody's requirements address the likelihood that a holder of Series B Preferred will be able to sell such shares. The rating is based on current information furnished to Moody's by the Fund and the Investment Adviser and information obtained from other sources. The rating may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information.

DIVIDENDS

Holders of shares of Series B Preferred will be entitled to receive, when, as and if declared by the Board of Directors of the Fund out of funds legally available therefor, cumulative cash dividends, at the annual rate of __% of the liquidation preference of $25 per share, payable quarterly on March 26, June 26, September 26 and December 26 in each year or, if any such day is not a Business Day, the next succeeding Business Day (the "Dividend Payment Date"), commencing on September 26, 2001, to the persons in whose names the shares of Series B Preferred are registered at the close of business on the fifth preceding Business Day.

Dividends on the shares of Series B Preferred will accumulate from the date on which such shares are issued; provided, however, that any shares of Series B Preferred issued within 30 days of the original issue date of the series, will accumulate dividends from the series' original date of issue.

No dividends will be declared or paid or set apart for payment on shares of Series B Preferred for any dividend period or part thereof unless full cumulative dividends have been or contemporaneously are declared and paid on all outstanding shares of Preferred Stock through the most recent dividend payment date thereof. If full cumulative dividends are not paid on the Preferred Stock, all dividends on the shares of Preferred Stock will be paid pro rata to the holders of the shares of Preferred Stock in proportion to the respective amounts of dividends accumulated but unpaid on each such Series. Holders of Series B Preferred will not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment that may be in arrears.

For so long as any shares of Preferred Stock are outstanding, the Board of Directors of the Fund will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares or rights to purchase shares of stock ranking junior to the Preferred Stock as to dividends and upon liquidation) in respect of the common stock or any other stock of the Fund ranking junior to the Preferred Stock as to dividends and upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any shares of its common stock or any other stock of the Fund ranking junior to the Preferred Stock as to dividends and upon liquidation (except by conversion into or exchange for stock of the Fund ranking junior to the Preferred Stock as to dividends and upon liquidation), unless, in each case:

- immediately after such transaction, the Fund will meet the asset coverage requirements set forth both in the Rating Agency Guidelines and under the 1940 Act (see "-- Rating Agency Guidelines" above and "-- Asset Maintenance Requirements" below);

- full cumulative dividends on all shares of Preferred Stock due on or prior to the date of the transactions have been declared and paid (or sufficient cash or cash equivalents to cover such payment have been deposited with the Dividend-Disbursing Agent); and

- the Fund has redeemed the full number of shares of Preferred Stock required to be redeemed by any provision for mandatory redemption contained in the Articles Supplementary.

ASSET MAINTENANCE REQUIREMENTS

The Fund will be required to satisfy two separate asset maintenance requirements under the terms of the Articles Supplementary. The Moody's requirements are summarized under "-- Rating Agency Guidelines" above. The 1940 Act requirements are summarized below.

The Fund will be required under the Articles Supplementary to maintain as of the last Business Day of each March, June, September and December of each year, an "asset coverage" (as defined in the 1940 Act) of at least 200% (or such higher or lower percentage as may be required at the time under the 1940 Act) with respect to all outstanding senior securities of the Fund which are stock, including the Series B Preferred. If the Fund fails to maintain the asset coverage required under the 1940 Act on such dates and such failure is not cured within 60 days, the Fund will be required under certain circumstances to redeem shares of Preferred Stock sufficient to satisfy such asset coverage. See "-- Redemption" below.

If the shares of Series B Preferred offered hereby had been issued and sold as of December 31, 2000, the asset coverage required under the 1940 Act immediately following such issuance and sale (after giving effect to the deduction of the underwriting discounts and estimated offering expenses for such shares of $5,670,825), would have been computed as follows:

value of Fund assets less liabilities not constituting senior securities ($1,477,592,589) / senior securities representing indebtedness plus liquidation preference of each class of preferred stock $299,222,500 = 494%

REDEMPTION

Mandatory Redemption Relating to Asset Coverage Requirements. The Fund will be required to redeem, at a redemption price equal to $25 per share plus accumulated and unpaid dividends through the date of redemption (whether or not earned or declared), shares of Preferred Stock (to the extent permitted under the 1940 Act and Maryland law) in the event that:

- the Fund fails to maintain the asset coverage requirements specified under the 1940 Act and such failure is not cured on or before 60 days following such failure; or

- the Fund fails to maintain the asset coverage requirements as calculated in accordance with the Rating Agency Guidelines as of any valuation date, and such failure is not cured on or before the 7th day after such valuation date.

The number of shares of Preferred Stock that will be redeemed in the case of a mandatory redemption will equal the minimum number of outstanding shares of Preferred Stock the redemption of which, if such redemption had occurred immediately prior to the opening of business on the applicable cure date, would have resulted in the relevant asset coverage requirement having been met or, if the required asset coverage cannot be so restored, all of the shares of Preferred Stock. In the event that shares of Preferred Stock are redeemed due to a failure to satisfy the 1940 Act asset coverage requirements, the Fund may, but is not required to, redeem a sufficient number of shares of Preferred Stock so that the Fund's assets exceed the asset coverage requirements under the 1940 Act after the redemption by 10% (that is, 220% asset coverage). In the event that shares of Preferred Stock are redeemed due to a failure to satisfy the Rating Agency Guidelines, the Fund may, but is not required to, redeem a sufficient number of shares of Preferred Stock so that the Fund's adjusted assets (as determined in accordance with the Rating Agency Guidelines) after redemption exceed the Rating Agency Guidelines' asset coverage requirements by up to 10%.

If the Fund does not have funds legally available for the redemption of, or is otherwise unable to redeem, all the shares of Preferred Stock to be redeemed on any redemption date, the Fund will redeem on such redemption date that number of shares for which it has legally available funds, or is otherwise able to redeem ratably from each holder whose shares are to be redeemed, and the remainder of the shares required to be redeemed will be redeemed on the earliest practicable date on which the Fund will have funds legally available for the redemption of, or is otherwise able to redeem, such shares upon written notice of redemption.

If fewer than all shares of the Preferred Stock are to be redeemed, the Fund, at its discretion will select the series from which shares will be redeemed. If fewer than all of the shares of a series of Preferred Stock are to be redeemed, such redemption will be made pro rata from each holder of such shares in accordance with the respective number of shares of such series held by each such holder on the record date for such redemption. If fewer than all shares of the Preferred Stock held by any holder are to be redeemed, the notice of redemption mailed to such holder will specify the number of shares to be redeemed from such holder.

Optional Redemption. Prior to __, 2006, the shares of Series B

Preferred are not subject to any optional redemption by the Fund unless such redemption is necessary, in the judgment of the Fund, to maintain the Fund's status as a regulated investment company under the Code. Commencing __, 2006 and thereafter, the Fund may at any time redeem shares of Series B Preferred in whole or in part at the redemption price. Such redemptions are subject to the limitations of the 1940 Act and Maryland law.

Redemption Procedures. A notice of redemption will be given to the holders of record of Preferred Stock selected for redemption not less than 30 or more than 45 days prior to the date fixed for the redemption. Each notice of redemption will state (i) the redemption date, (ii) the number of shares of Preferred Stock to be redeemed, (iii) the CUSIP number(s) of such shares, (iv) the redemption price, (v) the place or places where such shares are to be redeemed, (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date and (vii) the provision of the Articles Supplementary under which the redemption is being made. No defect in the notice of redemption or in the mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law.

LIQUIDATION RIGHTS

Upon a liquidation, dissolution or winding up of the affairs of the Fund (whether voluntary or involuntary), holders of shares of Series B Preferred then outstanding will be entitled to receive out of the assets of the Fund available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment of assets is made to holders of the common stock or any other class of stock of the Fund ranking junior to the Preferred Stock as to liquidation payments, a liquidation distribution in the amount of $25 per share, plus an amount equal to all unpaid dividends accrued to and including the date fixed for such distribution or payment (whether or not earned or declared by the Fund but excluding interest thereon), and such holders will be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up. If, upon any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the assets of the Fund available for distribution among the holders of all outstanding shares of Preferred Stock and any other outstanding class or series of preferred stock of the Fund ranking on a parity with the Preferred Stock as to payment upon liquidation, will be insufficient to permit the payment in full to such holders of Preferred Stock and other parity preferred stock of the amounts due upon liquidation with respect to such shares, then such available assets will be distributed among the holders of Series B Preferred and such other Preferred Stock and other parity preferred stock ratably in proportion to the respective preferential amounts to which they are entitled. Unless and until the liquidation payments due to holders of the Series B Preferred and such other Preferred Stock and other parity preferred stock have been paid in full, no dividends or distributions will be made to holders of the common stock or any other stock of the Fund ranking junior to the Preferred Stock and other parity preferred stock as to liquidation.

VOTING RIGHTS

Except as otherwise stated in this prospectus and as otherwise required by applicable law, holders of shares of Series B Preferred, along with holders of shares of Series A Preferred and any other preferred stock, will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote together with holders of shares of common stock and of any other preferred stock then outstanding as a single class.

In connection with the election of the Fund's directors, holders

of shares of Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class, will be entitled at all times to elect two of the Fund's directors, and the remaining directors will be elected by holders of shares of common stock and holders of shares of Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class. In addition, if at any time dividends on outstanding shares of Series B Preferred, Series A Preferred and/or any other preferred stock are unpaid in an amount equal to at least two full years' dividends thereon, then the number of directors constituting the Board of Directors automatically will be increased by the smallest number that, when added to the two directors elected exclusively by the holders of shares of Preferred Stock and any other preferred stock as described above, would constitute a majority of the Board of Directors as so increased by such smallest number. Such additional directors will be elected by the holders of Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class, at a special meeting of stockholders which will be called and held as soon as practicable. The terms of office of the persons who are directors at the time of that election will continue. If the Fund thereafter pays, or declares and sets apart for payment in full, all dividends payable on all outstanding shares of Preferred Stock and any other preferred stock for all past dividend periods, the additional voting rights of the holders of shares of Preferred Stock and any other preferred stock as described above will cease, and the terms of office of all of the additional or replacement directors elected by the holders of shares of Preferred Stock and any other preferred stock (but not of the directors with respect to whose election the holders of shares of common stock were entitled to vote or the two directors the holders of shares of Preferred Stock and any other preferred stock have the right to elect as a separate class in any event) will terminate at the earliest time permitted by law.

So long as shares of the Series B Preferred are outstanding, the Fund will not, without the affirmative vote of the holders of a majority (as defined in the 1940 Act) of the shares of Preferred Stock outstanding at the time, voting separately as one class, amend, alter or repeal the provisions of the Fund's Charter, whether by merger, consolidation or otherwise, so as to materially adversely affect any of the contract rights expressly set forth in the Charter of holders of shares of the Preferred Stock or any other preferred stock. Also, to the extent permitted under the 1940 Act, in the event shares of more than one series of Preferred Stock are outstanding, the Corporation shall not approve any of the actions set forth in the preceding sentence which materially adversely affect the contract rights expressly set forth in the Charter of a holder of shares of a series of Preferred Stock (such as the Series B Preferred Stock) differently than those of a holder of shares of any other series of Preferred Stock without the affirmative vote of the holders of at least a majority of the shares of Preferred Stock of each series materially adversely affected and outstanding at such time (each such materially adversely affected series voting separately as a class). Unless a higher percentage is provided for under the Charter or applicable provisions of Maryland General Corporation Law, the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding shares of the Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class, will be required to approve any plan of reorganization adversely affecting such shares or any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in the Fund's investment objective or changes in the investment restrictions described as fundamental policies under "Investment Objectives and Policies" and "Investment Restrictions" in the prospectus and the SAI. For purposes of this paragraph, except as otherwise required under the 1940 Act, the phrase "vote of the holders of a majority of the outstanding shares of Preferred Stock" means, in accordance with

Section 2(a)(42) of the 1940 Act, the vote at the annual or a special meeting of the stockholders of the Fund duly called (A) of 67% or more of the shares of Preferred Stock present at such meeting, if the holders of more than 50% of the outstanding shares of Preferred Stock are present or represented by proxy or (B) more than 50% of the outstanding shares of Preferred Stock, whichever is less. The class vote of holders of shares of the Series B Preferred, Series A Preferred and any other preferred stock described above in each case will be in addition to a separate vote of the requisite percentage of shares of common stock, Preferred Stock and any other preferred stock, voting together as a single class, that may be necessary to authorize the action in question.

Under applicable Maryland law, the holders of Preferred Stock may take action or consent to any action without holding a meeting by the written consent of the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a stockholders meeting if the Fund gives notice of the action to each stockholder not late than 10 days after the effective time of the action. Also, the calculation and the elements and definitions of the terms of the Rating Agency Guidelines may be modified by action of the Board of Directors without further action by the stockholders if the Board determines that such modification is necessary to prevent a reduction in rating of the shares of Preferred Stock by Moody's or is in the best interests of the holders of shares of common stock and is not adverse to the holders of Preferred Stock in view of advice to the Fund by Moody's that such modification would not adversely affect its then current rating of the shares of Series B Preferred Stock.

The foregoing voting provisions will not apply to any shares of Series B Preferred if, at or prior to the time when the act with respect to which such vote otherwise would be required will be effected, such shares will have been (i) redeemed or (ii) called for redemption and sufficient cash or cash equivalents provided to the Dividend-Disbursing Agent to effect such redemption. The holders of Series B Preferred will have no preemptive rights or rights to cumulative voting.

LIMITATION ON INCURRENCE OF ADDITIONAL INDEBTEDNESS AND ISSUANCE OF ADDITIONAL PREFERRED STOCK

So long as any shares of Series B Preferred are outstanding and subject to compliance with the Fund's investment objectives, policies and restrictions, the Fund may issue and sell one or more series of a class of senior securities of the Fund representing indebtedness under the 1940 Act and/or otherwise create or incur indebtedness, provided that the Fund will, immediately after giving effect to the incurrence of such indebtedness and to its receipt and application of the proceeds thereof, have an "asset coverage" for all senior securities of the Fund representing indebtedness, as defined in the 1940 Act, of at least 300% of the amount of all indebtedness of the Fund then outstanding and no such additional indebtedness will have any preference or priority over any other indebtedness of the Fund upon the distribution of the assets of the Fund or in respect of the payment of interest. Any possible liability resulting from lending and/or borrowing portfolio securities, entering into reverse repurchase agreements, entering into futures contracts and writing options, to the extent such transactions are made in accordance with the investment restrictions of the Fund then in effect, will not be considered to be indebtedness limited by the Articles Supplementary.

So long as any shares of Series B Preferred are outstanding, subject to receipt of approval from Moody's, and subject to compliance with the Fund's investment objectives, policies and restrictions, the Fund may

issue and sell shares of one of more other series of preferred stock in addition to the shares of Series B Preferred, provided that the Fund will, immediately after giving effect to the issuance of such additional preferred stock and to its receipt and application of the proceeds thereof, have an "asset coverage" for all senior securities of the Fund which are stock, as defined in the 1940 Act, of at least 200% of the sum of the liquidation preference of the shares of Preferred Stock and all other preferred stock of the Fund then outstanding and all indebtedness of the Fund constituting senior securities and no such additional preferred stock will have any preference or priority over any other preferred stock of the Fund upon the distribution of the assets of the Fund or in respect of the payment of dividends.

REPURCHASE OF SERIES B PREFERRED

The Fund is a closed-end investment company and, as such, holders of Series B Preferred do not, and will not, have the right to redeem their shares of the Fund. The Fund, however, may repurchase shares of the Series B Preferred when it is deemed advisable by the Board of Directors in compliance with the requirements of the 1940 Act and the rules and regulations thereunder and other applicable requirements.

BOOK-ENTRY

Shares of Series B Preferred will initially be held in the name of Cede & Co ("Cede"), as nominee for The Depository Trust Company ("DTC"). The Fund will treat Cede as the holder of record of the Series B Preferred for all purposes. In accordance with the procedures of DTC, however, purchasers of Series B Preferred will be deemed the beneficial owners of shares purchased for purposes of dividends, voting and liquidation rights. Purchasers of Series B Preferred may obtain registered certificates by contacting the Transfer Agent (as defined below).

DESCRIPTION OF CAPITAL STOCK AND OTHER SECURITIES

Common Stock. The Fund, which was incorporated under the laws of the State of Maryland on May 20, 1986, is authorized to issue 200,000,000 shares of capital stock of which 184,000,000 shares are currently classified as common stock, par value $.001 per share. Each share of common stock has equal voting, dividend, distribution and liquidation rights. The Fund's capital stock is subject to reclassification from time to time by the Board of Directors. The shares of common stock outstanding are fully paid and nonassessable. Shares of the common stock are not redeemable and have no preemptive, conversion or cumulative voting rights. The Fund's shares of common stock are listed and traded on the New York Stock Exchange under the symbol "GAB."

Preferred Stock. Currently, 16,000,000 shares of the Fund's capital stock are authorized as preferred stock, par value $.001 per share. The terms of such preferred stock may be fixed by the Board of Directors and would materially limit and/or qualify the rights of the holders of the Fund's common stock. As of December 31, 2000, the Fund had outstanding 5,368,900 shares of Series A Preferred, which, along with the Series B Preferred being issued in connection with this prospectus, are senior securities of the Fund. The Series A Preferred is the same class as the Series B Preferred and is ranked on a parity with the Series B Preferred as to dividend and liquidation preference. Dividends on the Series A Preferred accrue at an annual rate of 7.25% of the liquidation preference of $25 per share, are cumulative from the date of original issuance thereof and are payable quarterly on March 26, June 26, September 26 and December 26 in each year. The Series A Preferred is listed and traded on the New York

Stock Exchange under the symbol "GAB Pr."

The Series A Preferred is rated "aaa" by Moody's and the Fund is required to meet identical asset coverage requirements with respect to the Series A Preferred as are described in this prospectus for the Series B Preferred.

As with the Series B Preferred, the Series A Preferred is subject to mandatory redemption irs, stockholder proposals must be received at our executive offices no l

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REPORT OF THE AUDIT COMMITTEE

The responsibilities of the Audit Committee are set forth in its charter, which is accessible at the Investors section of www.ametek.com**.** Among other things, the charter charges the Committee with the responsibility for reviewing AMETEK s audited financial statements and the financial reporting process. In fulfilling its oversight responsibilities, the Committee reviewed with management and Ernst & Young LLP, AMETEK s independent registered public accounting firm, the audited financial statements contained in AMETEK s 2015 Annual Report on Form 10-K and included in Appendix A to this Proxy Statement. The Committee discussed with Ernst & Young LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended (AICPA, *Professional Standards*, Vol. 1. AU Section 380) and as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

In addition, the Committee received the written disclosures and letter from Ernst & Young LLP required by Public Company Accounting Oversight Board Rule 3526, *Communication with Audit Committees Concerning Independence*, and has discussed with Ernst & Young LLP its independence.

The Committee discussed with AMETEK s internal auditors and Ernst & Young LLP the overall scope and plans for their respective audits. The Committee met with the internal auditors and Ernst & Young LLP, with and without management present, to discuss the results of their examinations, their evaluations of AMETEK s disclosure control process and internal control over financial reporting, and the overall quality of AMETEK s financial reporting. The Committee held eight meetings during 2015, which included telephonic meetings prior to quarterly earnings announcements.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board approved, the inclusion of the audited financial statements in AMETEK s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, for filing with the Securities and Exchange Commission.

Respectfully submitted,

The Audit Committee:

Anthony J. Conti, Chairperson

Steven W. Kohlhagen

James R. Malone

Gretchen W. McClain

Dated: March 24, 2016

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ELECTION OF DIRECTORS

(Proposal 1 on Proxy Card)

The nominees for election at this year s Annual Meeting are Ruby R. Chandy and Steven W. Kohlhagen. Ms. Chandy and Mr. Kohlhagen have been nominated to serve as Class I Directors and, if elected, will serve until the Annual Meeting in 2019. There are no other nominees competing for their seats on the Board. This means we have an uncontested election.

If a quorum is present, Directors in uncontested elections are elected by a majority of the votes cast, in person or by proxy. This means that the two nominees will be elected if they receive more for votes than against votes. Votes marked for a nominee will be counted in favor of that nominee. Votes marked abstain will have no effect on the vote since a majority of the votes cast at the Annual Meeting is required for the election of each nominee. Since we do not have cumulative voting, you may not cast all of your votes for a single Director nominee. In accordance with the Company s Corporate Governance Guidelines, any nominee for Director who does not receive a majority of votes cast shall immediately tender his or her resignation for consideration by the Corporate Governance/Nominating Committee of the Board of Directors. The Committee will promptly consider the resignation tendered by the Director and will recommend to the Board whether to accept the tendered resignation or reject it. In considering whether to accept or reject the tendered resignation, the Committee will weigh all factors it deems relevant, including the reasons for the against votes by stockholders, the length of service and qualifications of the Director, and the Director s contributions to the Company. No Director whose tendered resignation is under consideration will participate in the deliberation process as a member of the Corporate Governance/Nominating Committee or the process of the Board described below. The Board will act on the Corporate Governance/Nominating Committee s recommendation within 120 days following certification of the stockholders vote and will promptly disclose (by press release, filing of a Current Report on Form 8-K or any other public means of disclosure deemed appropriate) its decision regarding whether to accept the Director s resignation offer. In considering the Corporate Governance/Nominating Committee s recommendation, the Board will weigh the factors considered by the Committee and any additional information deemed relevant by the Board. If one or more Directors resignations are accepted by the Board, the Corporate Governance/Nominating Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate, unless the Board determines to reduce the number of Directors. The Directors biographies are set forth on page 15.

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

APPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS

IN THE COMPANY S 2011 OMNIBUS INCENTIVE COMPENSATION PLAN

(Proposal 2 on Proxy Card)

At the Annual Meeting, stockholders will be asked to approve the material terms of the performance goals included in our 2011 Omnibus Incentive Compensation Plan applicable to performance-based awards. Stockholders approved the plan in 2011, but this re-approval is necessary for continued compliance with the qualified performance-based compensation exception under Section 162(m) of the Internal Revenue Code. The approval of this proposal by the stockholders will not result in any increase in the number of shares of Common Stock available for issuance under the plan. Section 162(m) limits the deductibility of certain compensation in excess of $1 million per year paid by a publicly traded corporation to its chief executive officer and next three most highly compensated executive officers other than the chief financial officer, unless the compensation qualifies as qualified performance-based compensation as defined under Section 162(m).

One of the requirements for compensation under the plan to qualify as qualified performance-based compensation under Section 162(m) is that the Company s stockholders must approve at least every five years the material terms of the performance goals applicable to performance-based awards. For purposes of Section 162(m), the material terms of the performance goals applicable to performance-based awards are: (i) the persons eligible to receive awards under the plan (Eligible Participants); (ii) a description of the business criteria on which the performance goals are based (Performance Goals); and (iii) the maximum compensation that can be paid to an employee under the performance goal during any specified period (Individual Award Limits). Approval of this proposal will constitute approval of the material terms of the performance goals in the plan.

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Stockholder approval of this proposal will allow the Company to continue granting awards intended to qualify as qualified performance-based compensation within the meaning of Section 162(m), preserving the Company s tax deduction of such compensation. Under the plan, awards of stock options, stock appreciation rights, restricted shares, restricted share units and cash-based awards may be awards intended to qualify as qualified performance-based compensation within the meaning of Section 162(m). If the stockholders do not approve this proposal, no awards granted under the plan will be considered qualified performance-based compensation within the meaning of Section 162(m).

Notwithstanding the approval of the performance goals applicable to performance-based awards by the Company s stockholders, the Company reserves the right to pay its employees, including recipients of performance-based awards under the plan, amounts which may or may not be tax-deductible under Section 162(m) or other provisions of the Internal Revenue Code.

Summary of the Eligible Participants, Performance Goals and Individual Award Limits

The following is a summary of our plan s eligible participants, performance goals and individual award limits. This summary is qualified in its entirety by the specific language of the plan, a copy of which may be accessed from the Securities and Exchange Commission s website at www.sec.gov, filed as Exhibit 4 to our Form S-8 dated May 6, 2011.

Eligible Participants. Executive officers and other officers and employees of the Company or any affiliate, and any person who is a non-employee Director of the Company, are eligible to be granted awards, including performance-based awards, under the plan. The Company and its affiliates have approximately 16,000 employees and Directors, as of the date of this proxy statement.

Performance Goals. The right of a participant to exercise or receive a grant or settlement of an award under the plan, and the timing thereof, may be subject to such performance conditions as may be specified by the Compensation Committee.

The performance goals that must be achieved as a condition of payment or settlement of a performance award or annual bonus award can consist of (i) one or more business criteria and (ii) targeted level(s) of performance with respect to each business criterion. For performance-based awards intended to meet the requirements of Section 162(m) of the Internal Revenue Code, the business criteria can only include the business criteria specified in the plan, which are: stock price, earnings per share, diluted earnings per share, price-earnings multiples, net income, operating income, revenues, working capital, operating working capital, number of days sales outstanding in accounts receivable, inventory turnover, productivity, operating income margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, stockholder return, return on equity, return on capital employed, growth in assets, unit volume, sales, sales growth, return on sales, internal sales growth, operating cash flow, free cash flow, market share, relative performance to a comparison group designated by the Compensation Committee, or strategic business criteria consisting of one or more objectives based on meeting specified revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. The performance goals may relate to one or more business units or the performance of the Company and its subsidiaries as a whole, or any combination of the foregoing. Performance goals need not be uniform among participants.

Subject to the requirements of the plan, the Compensation Committee may establish the terms and other criteria for performance awards, including annual bonus awards, and the required levels of performance with respect to the business criteria, the corresponding amounts payable upon achievement of such levels of performance, termination and forfeiture provisions, the form of settlement and such other terms as the Compensation Committee may determine. Additionally, the Compensation Committee may require adjustments to awards upon the occurrence of extraordinary corporate events or changes in accounting principles.

Individual Award Limits. Pursuant to the plan, the maximum number of shares of Common Stock that may be subject to stock option or stock appreciation rights or other share-based awards intended to qualify as performance-based compensation under Section 162(m) granted to any participant during any calendar year, in each case, will not exceed 4,462,500, without regard to whether any such award is settled in cash or in shares of Common Stock. In the event of any recapitalization, reorganization, merger, stock split or combination, stock dividend or other similar event or transaction, substitutions or adjustments will be made by our Compensation Committee to these individual limits.

The maximum aggregate cash value of payments to any participant under a cash-based award intended to qualify as performance-based compensation under Section 162(m) in respect of an annual performance period is $5,000,000.

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The affirmative vote of the holders of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting on the matter is required to approve this proposal. Abstentions and broker non-votes will each be counted as present for purposes of determining a quorum but will not have any effect on the outcome of the proposal.

Your Board of Directors Recommends a Vote FOR the Approval of the Material Terms of the Performance Goals in the Company s 2011 Omnibus Incentive Compensation Plan.

ADVISORY APPROVAL OF THE COMPANY S EXECUTIVE COMPENSATION

(Proposal 3 on Proxy Card)

In accordance with the results of the last advisory vote on the appropriate frequency of our advisory vote on executive compensation at the Company s 2011 Annual Meeting, our Board determined to implement an annual non-binding stockholder vote on our executive compensation (commonly referred to as say-on-pay). Our Board has had a long-standing commitment to good corporate governance and recognizes the interest that investors have in executive compensation. We also are committed to achieving a high level of total return to our stockholders.

We encourage you to review the Compensation Discussion and Analysis beginning on page 17 of this proxy statement, as well as the 2015 Summary Compensation table and related compensation tables and narrative, appearing on pages 25 through 37, which provide detailed information on the Company s compensation policies and practices and the compensation of our named executive officers. We believe that our compensation program is designed to attract, motivate and retain the talent required to achieve the short- and long-term performance goals necessary to create stockholder value. Our balanced approach to executive compensation through a combination of base pay, annual incentives and long-term incentives, with a mix of cash and non-cash awards, aligns with creating and sustaining stockholder value. The result of our compensation program is reflected in the total return to our stockholders.

In 2015, our Company s total return to stockholders, including cash and stock dividends, was 3% compared with 1% for the Russell 1000 and 1% for the S&P 500 Index. For the last three years ended December 31, 2015, our total return to stockholders has been 45% compounded annually as compared to 52% for the Russell 1000 and 53% for the S&P 500 Index. When compared to the total stockholder returns generated by Pay Governance s general industry group used for compensation comparisons (see pages 17-18), our Company s total stockholder returns were at the median for the one-year period and the three-year period, and above the median for the five-year period. For the year ended December 31, 2015, we grew our earnings per share by 5%, resulting in the most profitable year in the history of our Company.

The Board strongly endorses the Company s executive compensation program and recommends that the stockholders vote in favor of the following resolution:

RESOLVED, that the stockholders approve the compensation of the Company s executives named in the Summary Compensation Table, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission (which disclosure includes the Compensation Discussion and Analysis and the accompanying compensation tables and related material disclosed in this Proxy Statement).

The affirmative vote of the holders of a majority of eligible shares present at the Annual Meeting, in person or by proxy, and voting on the matter is required to approve this proposal. Abstentions and broker non-votes will each be counted as present for purposes of determining a quorum but will not have any effect on the outcome of the proposal.

Although the vote is non-binding, our Board and Compensation Committee will take into account the outcome of the vote when making future decisions about the Company s executive compensation policies and procedures.

Your Board of Directors Recommends a Vote FOR the Approval of the Company s Executive Compensation.

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RATIFICATION OF APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Proposal 4 on Proxy Card)

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the Company s independent registered public accounting firm. To execute this responsibility, the Audit Committee engages in a comprehensive annual evaluation of the independent registered public accounting firm s qualifications, performance and independence. Further, the Audit Committee evaluates whether the independent registered public accounting firm should be rotated, and considers the advisability and potential impact of selecting a different independent registered public accounting firm.

The Audit Committee has selected, and the Board of Directors has ratified the selection of, Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2016. The Audit Committee is responsible for the audit fee negotiations associated with the Company s retention of Ernst & Young LLP. Further, in conjunction with the mandated rotation of the audit firm s lead engagement partner, the Chairman and other members of the Audit Committee are directly involved in the selection of Ernst & Young LLP s new lead engagement partner. Ernst & Young LLP and its predecessor have served continuously as our independent auditors since our incorporation in 1930.

The Audit Committee and the Board of Directors believe that the continued retention of Ernst & Young LLP as our independent registered public accounting firm is in the best interest of the Company and our stockholders, and we are asking our stockholders to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2016. Although action by stockholders on this matter is not required, the Audit Committee believes that it is appropriate to seek stockholder ratification of this appointment, and the Audit Committee may reconsider the appointment if the stockholders do not ratify it.

Fees billed to us by Ernst & Young LLP for services rendered in 2015 and 2014 totaled $7,332,000 and $6,767,000 respectively, and consisted of the following:

	2015	2014
Audit fees	$ 6,087,000	$ 5,467,000
Audit-related fees	51,000	50,000
Tax fees	1,192,000	1,248,000
All other fees	2,000	2,000
Total	$ 7,332,000	$ 6,767,000

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

The amounts shown for Audit-related fees primarily include fees for audits of employee benefit plans and due diligence in connection with acquisitions.

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

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

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

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

Your Board of Directors Recommends a Vote FOR Ratification.

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THE BOARD OF DIRECTORS

As discussed under Consideration of Director Candidates , the Corporate Governance/Nominating Committee analyzes a number of factors when considering Directors for selection to the Board. Each of our Directors has been selected based on their demonstrated leadership and significant experience in areas significant to our Company; ability to offer advice and guidance based upon that experience and expertise; sound business judgment; and character and integrity that support the core values of the Company. The biographical information set forth below includes a description of each Director s background that supported the Board s consideration of that Director for nomination. Unless we indicate otherwise, each Director has maintained the principal occupation and directorships described below for more than five years.

Class I: Nominees for election at this Annual Meeting for terms expiring in 2019:

RUBY R. CHANDY Director since 2013 Age 54	Ms. Chandy was the President of the Industrial Division of Pall Corporation from April 2012 to November 2015. Previously, she was Managing Director, Vice President of Dow Plastics Additives, a unit of The Dow Chemical Company, from 2011 to April 2012. From 2009 to 2011, Ms. Chandy served as Chief Marketing Officer of The Dow Chemical Company. Ms. Chandy brings to the Board her executive management experience, marketing and strategy skills, relevant experience in life science and industrial companies, and extensive engineering and management education. Ms. Chandy was a Director of IDEX Corporation from April 2006 until April 2013.
STEVEN W. KOHLHAGEN Director since 2006 Age 68	Mr. Kohlhagen is a retired financial executive. Mr. Kohlhagen brings to the Board expertise in financial accounting, finance and risk management through his extensive experience in, and knowledge of, the financial, securities and foreign exchange markets. He is currently a Director of the Federal Home Loan Mortgage Corporation and GulfMark Offshore, Inc. Mr. Kohlhagen was a Director of Abtech Holdings, Inc. from August 2012 to March 2014.

Class II: Directors whose terms continue until 2017:

ANTHONY J. CONTI Director since 2010 Age 67	Mr. Conti is retired from his position as a Partner at PricewaterhouseCoopers. Mr. Conti brings to the Board expertise in financial accounting, finance, strategy, risk management and human resources management with his more than 35 years experience at a public accounting firm. He is currently a Director of BioTelemetry, Inc.
FRANK S. HERMANCE Director since 1999 Age 67	Mr. Hermance is Chairman of the Board and Chief Executive Officer of AMETEK. Mr. Hermance brings to the Board extensive knowledge of our Company and the markets in which we operate through his more than 30 years experience in our industry. He is currently a Director of UGI Corporation. Mr. Hermance was a Director of IDEX Corporation from January 2004 to April 2012.
GRETCHEN W. MCCLAIN Director since 2014 Age 53	Ms. McClain was the founding President and Chief Executive Officer of Xylem Inc. from October 2011 to September 2013. Previously, she was President of ITT Corporation s Fluid and Motion Control business from December 2008 to October 2011. Ms. McClain brings to the Board her extensive business, developmental, strategic and technical background from more than 25 years of global experience across multiple industries, including as CEO of a publicly traded industrial company and government agency leadership. She is currently a Director of Booz Allen Hamilton Holding Corporation and Boart Longyear Limited. Ms. McClain was a Director of Xylem Inc. from October 2011 to September 2013. She was a Director of Con-way, Inc. from June 2015 to October 2015, when it was acquired by XPO Logistics, Inc.

Class III: Directors whose terms continue until 2018:

JAMES R. MALONE Director since 1994 Age 73	Mr. Malone is founder and Managing Partner of Qorval LLC. Mr. Malone brings to the Board considerable experience and insight into issues facing large public companies gained as CEO of four Fortune 500 companies, and as a director of a number of other public companies. He has extensive acquisition experience and knowledge specific to our markets with more than 30 years experience in our industry. Mr. Malone was the Chairman of the Board of Governors of Citizens Property Insurance Corporation from July 2008 to July 2011. He was a Director of Regions Financial Corporation from August 1993 to May 2015.
ELIZABETH R. VARET	

Director since 1987 Age 72	Ms. Varet is a Managing Director of American Securities Management L.P. and chairman of the corporate general partner of several affiliated entities. Ms. Varet brings to the Board expertise in finance and investment through her extensive management and investment experience at private equity and other investment firms.
DENNIS K. WILLIAMS Director since 2006 Age 70	Mr. Williams is retired from his position as President, Chief Executive Officer and Chairman of the Board of IDEX Corporation. Mr. Williams brings to the Board considerable experience and insight into issues facing large public companies gained as CEO of IDEX Corporation. He has extensive acquisition experience and knowledge specific to our markets with more than 30 years experience in our industry. Mr. Williams is currently a Director of Owens-Illinois, Inc. and Actuant Corporation.

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EXECUTIVE OFFICERS

Officers are appointed by the Board of Directors to serve for the ensuing year and until their successors have been elected and qualified. Information about our executive officers as of March 17, 2016 is shown below:

Name	Age	Present Position with AMETEK
Frank S. Hermance	67	Chairman of the Board and Chief Executive Officer
David A. Zapico	51	Executive Vice President Chief Operating Officer
Robert R. Mandos	57	Executive Vice President Chief Financial Officer
John W. Hardin	51	President Electronic Instruments
Thomas C. Marecic	54	President Electronic Instruments
Ronald J. Oscher	48	President Electronic Instruments
Timothy N. Jones	59	President Electromechanical Group
William J. Burke	54	Senior Vice President Comptroller & Treasurer

Frank S. Hermance s employment history with us and other directorships held during the past five years are described under the section The Board of Directors on page 15. Mr. Hermance has 25 years of service with us.

David A. Zapico was elected Executive Vice President Chief Operating Officer effective January 1, 2013. Mr. Zapico served as President Electronic Instruments from October 2003 to November 2014. Mr. Zapico has 26 years of service with us.

Robert R. Mandos was elected Executive Vice President Chief Financial Officer effective July 1, 2012. Previously he served as Senior Vice President and Comptroller from October 2004 to June 2012. Mr. Mandos has 34 years of service with us.

John W. Hardin was elected President Electronic Instruments effective July 23, 2008. Mr. Hardin has 17 years of service with us.

Thomas C. Marecic was elected President Electronic Instruments effective November 5, 2014. Previously he served as Senior Vice President Electronic Instruments from March 2013 to November 2014. From February 2006 to March 2013, Mr. Marecic served as Vice President and General Manager Process & Analytical Instruments Division. Mr. Marecic has 21 years of service with us.

Ronald J. Oscher was elected President Electronic Instruments effective November 5, 2014. Previously he served as Senior Vice President Electronic Instruments from March 2013 to November 2014. From May 2010 to March 2013, Mr. Oscher served as Vice President and General Manager Materials Analysis Division. Mr. Oscher has 5 years of service with us.

Timothy N. Jones was elected President Electromechanical Group effective February 1, 2006. Mr. Jones has 36 years of service with us.

William J. Burke was elected Senior Vice President Comptroller & Treasurer effective July 1, 2012. Previously he served as Vice President Treasurer from November 2011 to June 2012. From March 2007 to November 2011, Mr. Burke served as Vice President Investor Relations and Treasurer. Mr. Burke has 28 years of service with us.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

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

Each year, the Compensation Committee, in consultation with an independent compensation consultant as needed, carefully reviews our compensation policies and procedures to determine if they are in the best interests of our stockholders and employees. The Compensation Committee conducted this review in the fall of 2015. In light of the strong level of stockholder approval of our executive compensation that we received at our 2015 Annual Meeting of Stockholders (approximately 97% of the advisory vote), the Compensation Committee determined that it is in the best interests of our stockholders as well as our employees to maintain our compensation policies and procedures which have been in effect for a number of years and which are described in this Compensation Discussion and Analysis.

2015 Compensation

Compensation Objectives

The compensation paid or awarded to our named executive officers for 2015 was designed to meet the following objectives:

- Provide compensation that is competitive with market levels of compensation provided to other companies executive officers who provide comparable services, taking into account the size of our Company or operating group, as applicable. We refer to this objective as competitive compensation.

- Create a compensation structure under which a meaningful portion of total compensation is based on achievement of performance goals. We refer to this objective as performance incentives.

- Encourage the aggregation and maintenance of meaningful equity ownership, and alignment of executive and stockholder interests. We refer to this objective as stakeholder incentives.

- Provide an incentive for long-term continued employment with us. We refer to this objective as retention incentives.

We fashioned various components of our 2015 compensation payments and awards to meet these objectives as follows:

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

Determination of Competitive Compensation

In assessing the competitiveness of our compensation levels, we review current-year compensation data provided to us by an independent compensation consultant, Pay Governance LLC. The Company targets the 50th percentile of the general industry market (a collection of approximately 500 companies) as its primary reference point. Additional data at the 25th percentile and 75th percentile are also reviewed. Our approach provides us reference information, allowing us to compete effectively in the marketplace for top talent, while providing us the flexibility to respond to our changing business conditions and the performance of each individual.

We used the following process to determine a reference point for the compensation for each named executive officer in 2015:

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

The compensation consultant employed its standard methodology to provide market compensation levels for comparable executives. Comparable executives are seasoned executives having similar responsibilities. The

competitive compensation information was based on general industry data derived principally from Willis Towers Watson s Executive Compensation Database. The data was size-adjusted to reflect the estimated revenues of our Company and its relevant operating groups as appropriate. The compensation consultant advised us that it used general industry data rather than data relating only to electronics and electronic component companies because general industry data provides a much larger sampling of companies, and does not differ meaningfully from the data produced by an electronics and electronic component subset.

In considering the data provided by the compensation consultant, we believe that compensation is competitive if it is within a range of 20 percent above or 20 percent below the compensation reference points at the 50th percentile for comparable executives. We believe that variations within this range typically occur due to differences in experience, responsibilities and performance.

Salaries

The salary amounts set forth in the Summary Compensation Table for 2015 reflect salary decisions made by the Compensation Committee of our Board of Directors in 2014. All named executive officers salaries were within the competitive compensation guideline of 20 percent above or below salaries for comparable executives at the 50th percentile.

Short-Term Incentive Program

The principal objective of our short-term incentive program is to provide a performance-based incentive. We set target short-term incentive opportunities in order to provide target total cash compensation that is within 20 percent above or below the total cash compensation guideline at the 50th percentile for comparable executives. However, larger variations from market, both positive and negative, may result based on actual performance.

For 2015, we set target bonus amounts, which are typically stated as a percentage of base salary, for the named executive officers as follows: Mr. Hermance 110%; Mr. Zapico 80%; Mr. Mandos 75%; Mr. Jones 65%; and Mr. Hardin 65%.

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

The target goal for each non-discretionary measure in 2015 was derived from our 2015 budget. Consistent with past practice, the Compensation Committee can make adjustments on a case-by-case basis, such as for group operating income, as described below.

Diluted earnings per share (EPS) We believe that the paramount objective of a principal executive officer is to increase stockholder return significantly, and that for a large, well-established industrial corporation, EPS is typically a key metric affecting share price. Therefore, we believe EPS is an excellent measure of our executive officers performance. For 2015, we adjusted diluted earnings per share to exclude realignment costs.

Organic revenue growth Revenue growth is key to the long-term vitality of a business and we believe this is an indicator of our executive officers performance. This measure is applied either on a Companywide basis, or, for our group presidents, with regard to their respective operating groups. We define our organic revenue growth measure as actual revenue compared to prior-year revenue without giving effect to (i) increases in revenues from businesses that we acquired during the year and (ii) foreign currency effects.

Operating income This measure applies to our group presidents with regard to their respective operating groups, and reflects adjustments deemed appropriate by the Compensation Committee. We believe this measure is a reliable indicator of corporate and operating group performance. Adjustments to operating unit income in 2015 consisted of the inclusion of estimated tax benefits pertaining to the disposal of excess and obsolete inventory, the inclusion of specified financing costs related to acquisitions, and the exclusion of realignment costs. We increased operating unit income by the estimated tax benefit realized through the disposal of excess and obsolete inventory. This adjustment encourages our operating executives to dispose of excess and obsolete inventory so stockholders benefit from the lower taxes. We reduced operating unit income by the estimated amount of interest cost we incur on funds borrowed to finance an acquisition where the results of operations of the acquired business are included in the unit s operating results. We believe that reducing the operating unit income derived from an acquired business by these interest costs better reflects the contribution of the acquisition to the operating unit s performance. By excluding realignment costs, we encourage our operating executives to take appropriate long-term actions for the

business.

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Operating working capital   This measure represents inventory plus accounts receivable less accounts payable as a percentage of sales. We use this measure to encourage our executives to manage our working capital in a manner that increases cash available for investment. Operating working capital is reported at the Corporate and Group level. A lower working capital percentage is an indicator of the executives   success in increasing our cash resources.

Discretionary   A portion of each executive   s award, ranging from 10% to 20%, is based on discretionary factors that are deemed appropriate by the Compensation Committee. In the case of the chief operating officer and group presidents, these factors take into account acquisition activity of the Company and their respective operating groups.

The weighting of performance measures for each named executive officer is set forth in the table below. The target award is payable upon achievement of 100 percent of a designated goal. Payment amounts increase from 0 percent to 200 percent of the target award in proportion to the increase from 80 percent (threshold) to 110 percent (maximum) of the goal attainment with regard to each measure except for organic revenue growth and working capital. Payment amounts increase from 0 percent to 200 percent of the target award in proportion to the increase from 3 percentage points below target (threshold) to 3 percentage points above target (maximum) of the organic revenue growth goal and in proportion to the decrease from 110 percent (threshold) to 90 percent (maximum) of the working capital goal. The discretionary portions of the award opportunities are not subject to any specified formula.

Name	Performance Measure	Threshold	Designated Goal (Target)	Maximum	Actual Results	Performance Measure as a Percentage of Total Target Award Opportunity	Actual Award	Actual Award as Percentage of Target Award Opportunity for the Performance Measure
Frank S. Hermance	Diluted Earnings Per Share	$ 2.08	$ 2.60	$ 2.86	$ 2.55	80%	$ 986,734	90%
	Discretionary	0%	100%	200%	200%	20%	$ 545,853	200%
Robert R. Mandos	Diluted Earnings Per Share	$ 2.08	$ 2.60	$ 2.86	$ 2.55	70%	$ 258,613	90%
	Organic Revenue Growth	0%	3%	6%	-1.41%	10%	$ 0	0%
	Corporate Working Capital	18.7%	17%	15.3%	18.8%	10%	$ 0	0%
	Discretionary	0%	100%	200%	200%	10%	$ 81,750	200%
David A. Zapico	Diluted Earnings Per Share	$ 2.08	$ 2.60	$ 2.86	$ 2.55	70%	$ 354,308	90%
	Organic Revenue Growth	0%	3%	6%	-1.41%	10%	$ 0	0%
	Discretionary	0%	100%	200%	193%	20%	$ 216,160	193%
Timothy N. Jones	Diluted Earnings Per Share	$ 2.08	$ 2.60	$ 2.86	$ 2.55	35%	$ 93,251	90%
	Organic Revenue Growth	0.10%	3.10%	6.10%	-2.80%	10%	$ 0	0%
	Group Operating Income	$ 213,392,778	$ 266,740,973	$ 293,415,070	$ 252,140,875	35%	$ 74,936	73%
	Group Working Capital	17.82%	16.2%	14.58%	18.30%	10%	$ 0	0%

	Discretionary	0%	100%	200%	180%	10%	$ 53,060	180%
John W. Hardin	Diluted Earnings Per Share	$ 2.08	$ 2.60	$ 2.86	$ 2.55	35%	$ 92,079	90%
	Organic Revenue Growth	0.10%	3.10%	6.10%	1.32%	10%	$ 11,837	41%
	Group Operating Income	$ 260,465,061	$ 325,581,326	$ 358,139,459	$ 311,712,234	35%	$ 80,176	79%
	Group Working Capital	23.21%	21.1%	18.99%	22.47%	10%	$ 10,187	35%
	Discretionary	0%	100%	200%	198%	10%	$ 57,632	198%

As a result of our actual outcomes with respect to the performance measures and the Committee s determinations with respect to the discretionary component, the award payments and the percentage of the aggregate target award represented by the award payments are as follows: Mr. Hermance, $1,532,587 (112%); Mr. Mandos, $340,363 (83%); Mr. Zapico, $570,468 (102%); Mr. Jones, $221,247 (75%); and Mr. Hardin, $251,911 (87%). In accordance with SEC regulations, the award payments are reflected in two separate columns of the Summary Compensation Table. The discretionary awards for the named executive officers appear in the Bonus column. The other awards are reflected in the Non-Equity Incentive Plan Compensation column.

The actual total cash compensation for the named executive officers, as a percentage of the dollar amount of target total cash compensation at the 50th percentile reference point for comparable executives ranged from 106% to 128%. The level of total cash compensation delivered to the named executive officers was primarily driven by the short-term incentive payouts achieved based on performance.

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In providing a discretionary award to Mr. Hermance, the Compensation Committee considered our success in the following areas:

Earnings Growth We grew diluted earnings per share 5%, to a record $2.55 in 2015.

Operational Excellence We achieved record operating margins of 23.8% in 2015, an increase of 100 basis points over 2014.

Strategic acquisitions We deployed approximately $360 million on two acquisitions in 2015 and added approximately $180 million in annualized revenue.

New products We introduced a number of new products that contributed to our revenue and profitability. Sales from new products introduced over the last three years grew 3% in 2015 versus 2014. Additionally, new products as a percentage of total sales increased to 24% of sales in 2015 from 23% in 2014.

In the case of Mr. Mandos, the Compensation Committee considered the same factors as those considered for Mr. Hermance. The discretionary awards for Messrs. Zapico, Jones and Hardin reflected the Committee s assessment of acquisition activities for their respective areas of responsibility as these executives were instrumental in the purchase and integration of the acquired businesses.

Equity-Based Compensation

Our equity-based compensation in 2015 consisted of awards of stock options and restricted stock. We use the most recent year 50th percentile of the general industry group as a reference point for assessing and establishing our equity awards. Our equity-based awards were within the competitive compensation guideline of 20 percent above or below equity-based awards for comparable executives at the 50th percentile.

We granted 50 percent of the long-term incentive award value in the form of stock options and 50 percent in the form of restricted stock. To determine the option award size, we applied a Black-Scholes methodology and to determine the restricted stock award size, we divided the intended award value by the fair market value of a share of the Company s common stock. As a result, we awarded options and restricted stock to the named executive officers as set forth in the Grants of Plan-Based Awards table on page 27 under the column headings, All Other Option Awards: Number of Securities Underlying Options and All Other Stock Awards: Number of Shares of Stock or Units respectively.

The dollar amounts shown in the Summary Compensation Table under Option Awards and Stock Awards generally reflect the grant date fair values computed in accordance with ASC 718. See the footnotes to the Summary Compensation Table for further information.

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

We believe that the vesting provisions of our equity awards also serve as an incentive for continued employment. However, to encourage performance that ultimately enhances stockholder value, we provide for immediate vesting of a restricted stock award if the closing price of our Common Stock during any five consecutive trading days reaches 200 percent of the price of our Common Stock on the date of grant. In the event that the performance criterion is met prior to the first anniversary of the date of grant, then the vesting is delayed until the first anniversary of the date of grant.

Stock-Based Award Grant Practices

Our practices for the grant of stock-based awards encompass the following principles:

The majority of stock-based awards are approved annually by the Compensation Committee on a pre-scheduled date, which occurs in close proximity to the date of our Annual Meeting of Stockholders.

The annual stock-based awards will not be made when the Compensation Committee is aware that executive officers or non-employee Directors are in possession of material, non-public information, or during quarterly or other specified blackout periods.

While stock-based awards other than annual awards may be granted to address, among other things, the recruiting or hiring of new employees and promotions, such awards will not be made to executive officers if the Committee is aware that the executive officers are in possession of material, non-public information, or during quarterly or other specified blackout periods.

The Compensation Committee has established that stock options are granted only on the date the Compensation Committee approves the grant and with an exercise price equal to the fair market value on the date of grant, except in cases where international sub-plans require compliance with specific grant date criteria. In these cases, the Compensation Committee may grant stock options at a specified future date with the exercise prices equal to the fair market value on the date of grant.

Backdating of stock options is prohibited.

Stockholder approval is required to reprice stock options and stock appreciation rights or for cash buy-outs of underwater stock options and stock appreciation rights except in connection with a corporate transaction involving the Company including, without limitation, any stock dividend, distribution (whether in the form of cash, Company stock, other securities or other property), stock split, extraordinary cash dividend, recapitalization, change of control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Company stock or other securities, or similar transaction(s).

Stock Ownership Guidelines

We believe that by encouraging our executives to maintain a meaningful equity interest in our Company, we will align the interests of our executives with those of our stockholders. Mr. Hermance is required to hold a multiple of five times his base salary in our stock. Mr. Zapico is required to hold a multiple of four times his base salary. The multiple for Messrs. Mandos, Jones and Hardin is three times base salary. Under our guidelines, an executive is expected to reach his or her stock ownership requirement within five years of being promoted to his or her position. As of December 31, 2015, each of our named executive officers met his stock ownership guideline.

Compensation Risk

The Company reviews the risks associated with employee compensation policies and practices as an element of the annual incentive compensation process. As part of this process, we establish a pay mix of fixed pay, short-term incentives and long-term incentives designed to motivate behaviors and decisions that promote disciplined progress towards longer-term, sustainable goals. The multi-year vesting of our equity-based compensation award program, along with our stock ownership guidelines, serves as a control mechanism to our longer-term risk horizon. The structural components of the short-term incentive compensation, including the quantitative nature of our goals, the setting of capped payout targets with actual payouts based on a capped achievement scale, and the individual performance evaluation process, are designed to prevent excessive risk-taking that would potentially harm our value or reward poor executive judgment. We reviewed our compensation policies and practices and concluded that they are not reasonably likely to have a material adverse effect on the Company.

Anti-Hedging and Anti-Pledging Policies

The Board of Directors and our executive officers are prohibited from hedging their ownership of the Company s stock, including trading in publicly-traded options, puts, calls, or other derivative instruments related to the Company s stock. They are also prohibited from pledging Company stock. This prohibition relates to any type of pledge arrangement, including margin accounts covering Company stock.

Clawback Policy

The Company reserves the right to recover, or claw back, from a current or former executive officer any wrongfully earned performance-based compensation, including stock-based awards, upon the determination by the Compensation Committee of the following:

There has been restatement of Company financials, due to the material noncompliance with any financial reporting requirement (other than a restatement caused by a change in applicable accounting rules or interpretations), and such executive officer engaged in fraud or intentional illegal conduct which materially contributed to the need for such restatement,

The cash incentive or equity compensation to be recouped was calculated on, or its realized value affected by, the financial results that were subsequently restated,

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The cash incentive or equity compensation would have been less valuable than what was actually awarded or paid based upon the application of the correct financial results, and

The pay affected by the calculation was earned or awarded within three years of the determination of the necessary restatement.
Any recoupment under this policy may be in addition to any other remedies that may be available to the Company under applicable law, including disciplinary actions up to and including termination of employment.

The Compensation Committee has exclusive authority to modify, interpret and enforce this provision in compliance with all regulations.

Tax Gross-Up Provisions

The Company will not enter into any new agreements with an executive officer that include excise tax gross-up provisions with respect to payments contingent upon a change of control of the Company. There is one legacy agreement which is not affected by this policy.

Ongoing and Post-employment Agreements

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

The Employees Retirement Plan This plan is a tax-qualified defined benefit plan available to all U.S.-based salaried employees who commenced employment with us prior to January 1, 1997. The plan pays annual benefits based on final average plan compensation and years of credited service. The amount of compensation that can be taken into account is subject to limits imposed by the Internal Revenue Code ($265,000 in 2015), and the maximum annual benefits payable under the plan also are subject to Internal Revenue Code limits ($210,000 in 2015). Messrs. Hermance, Mandos, Zapico and Jones participate in The Employees Retirement Plan. See the Pension Benefits table and accompanying narrative for additional information.

The Retirement and Savings Plan This is a tax-qualified defined contribution plan under which our participating employees may contribute a percentage of specified compensation on a pretax basis. In the case of highly compensated employees, including the named executive officers, contributions of up to ten percent of eligible compensation can be made, subject to a limit mandated by the Internal Revenue Code, which was $18,000 for 2015, or, if the participant was at least 50 years old, $24,000. We provide a matching contribution equal to one-third of the first six percent of compensation contributed, subject to a maximum of $1,200. A participant may invest the participant s contributions and matching contributions in one or more of a number of investment alternatives, including our Common Stock, and the value of a participant s account will be determined by the investment performance of the participant s account. No more than 25 percent of a participant s contributions can be invested in our Common Stock. All of the named executive officers participate in The Retirement and Savings Plan. Our matching contributions are included in the All Other Compensation column of the Summary Compensation Table.

Retirement Feature of The Retirement and Savings Plan The Retirement Feature is available to participants in The Retirement and Savings Plan who meet specified criteria, including ineligibility to participate in any of our defined benefit plans. Mr. Hardin participates in the Retirement Feature. We make retirement contributions based on the total of a participant s age plus years of service. For Mr. Hardin, we contributed an amount equal to five percent of his compensation subject to Social Security taxes and seven percent of his additional compensation. We also make an employer incentive retirement contribution equal to one percent of a participant s eligible compensation if the participant is contributing at least six percent of his or her compensation under The Retirement and Savings Plan. See the notes to the All Other Compensation column of the Summary Compensation Table for further information regarding our contributions to the Retirement Feature for the account of Mr. Hardin.

Supplemental Executive Retirement Plan (SERP) This plan is a non-qualified deferred compensation plan that provides benefits for executives to the extent that their compensation cannot be taken into account under our tax-qualified plans because the compensation exceeds limits imposed by the Internal Revenue Code. We refer to the compensation that exceeds these limits as excess compensation. For 2015, compensation in excess of $265,000

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constitutes excess compensation. Under the SERP, each year we credit to the account of a participant an amount equal to 13% of the executive s excess compensation, which is then deemed to be invested in our Common Stock. Payout of an executive s account, which is subject to tax liability, occurs upon termination of the executive s employment and is made in shares of our Common Stock. Therefore, the ultimate value of the shares paid out under the SERP will depend on the performance of our Common Stock during the period an executive participates in the SERP. All of the named executive officers participate in the SERP. See the Non-qualified Deferred Compensation table and accompanying narrative for additional information.

Deferred Compensation Plan This plan provides an opportunity for executives to defer payment of their short-term incentive award to the extent that such award, together with other relevant compensation, constitutes excess compensation. In advance of the year in which the short-term incentive award will be paid, an executive may elect to defer all or part of his or her eligible incentive award into a notional investment in our Common Stock, in an interest-bearing account or in both. A participant generally may elect to have the value of his or her account distributed following retirement, either in a lump sum or in up to five annual installments, or in the form of an in-service distribution, payable either in a lump sum or in up to four annual installments commencing on a date specified by the participant in his or her distribution election. Payments may commence sooner upon the participant s earlier separation from service, upon the death of the participant, in the event of an unforeseeable financial emergency or upon a change of control. Payments from the notional Common Stock fund are made in shares of our Common Stock, while payments from the interest-bearing account are paid in cash. Messrs. Hermance and Mandos participate in the Deferred Compensation Plan. See the Non-qualified Deferred Compensation table and accompanying narrative for additional information.

Supplemental Senior Executive Death Benefit Program Under this program, Mr. Hermance has entered into an agreement that requires us to pay death benefits to his designated beneficiaries and to pay benefits to him under certain circumstances during his lifetime. If a covered executive dies before retirement or before age 65 while on disability retirement, the executive s beneficiary will receive monthly payments of up to $8,333 from the date of the executive s death until the date he or she would have attained age 80. If a covered executive retires, or reaches age 65 while on disability retirement, the Program provides for a maximum benefit of $100,000 per year for a period of 10 years. We have purchased an insurance policy on the life of Mr. Hermance to fund our obligations under the Program. See the Pension Benefits table and accompanying narrative for additional information.

2004 Executive Death Benefit Plan This plan provides for retirement benefits or, if the executive dies before retirement, a death benefit. Generally, if the executive dies before retirement, the executive s beneficiary will receive a monthly payment of $8,333 until the participant would have reached age 80. If the executive retires (either at age 65 or after attaining age 55 with at least five years of service) the executive will be entitled to receive a distribution based on the value of his account in the plan, which is determined by gains or losses on, and death benefits received under, a pool of insurance policies that we own covering the lives of participants. Messrs. Mandos, Zapico, Jones and Hardin participate in this plan. See the Non-qualified Deferred Compensation table and accompanying narrative for further information.

Change of Control Agreements We have change of control agreements with each of our executive officers, which are described under Potential Payments Upon Termination or Change of Control. We entered into these change of control agreements so that our executives can focus their attention and energies on our business during periods of uncertainty that may occur due to a potential change of control. In addition, we want our executives to support a corporate transaction involving a change of control that is in the best interests of our stockholders, even though the transaction may have an effect on the executive s continued employment with us. We believe these arrangements provide an important incentive for our executives to remain with us. Our agreement with each executive other than Mr. Hermance provides for payments and other benefits to the executive if we terminate the executive s employment without cause or if the executive terminates employment for good reason within two years following a change of control. Mr. Hermance s change of control agreement differs from those of the other named executive officers with respect to the amount of the payment and the scope of the benefits upon the change of control events and does not have the two-year limit applicable to the other executives following the change of control. Given the critical nature of his role as Chief Executive, his tenure with us, and our interest in retaining his services, we believe that it is appropriate to provide Mr. Hermance with this protection so that he is free to focus all of his attention on the growth and future of the Company, even in a period following a change of control. We believe that the incentive provided by these additional benefits is well worth any potential cost. For these same reasons, we also have agreed to provide payments and other benefits to Mr. Hermance if, outside of the context of a change of control, we terminate his employment without cause or he terminates his employment for good reason.

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In addition, Mr. Hermance s agreement differs from the other agreements with respect to payments that exceed the limitations under Section 280G of the Internal Revenue Code. The other executives agreements limit the payments made upon a change of control to the maximum amount that may be paid without an excise tax and loss of corporate tax deduction under Sections 4999 and 280G of the Internal Revenue Code. Mr. Hermance s agreement does not contain this limitation as discussed under Tax Considerations below.

Tax Considerations

Under Section 162(m) of the Internal Revenue Code, a publicly held corporation may not deduct more than $1 million in a taxable year for certain forms of compensation made to the chief executive officer and any of the three most highly compensated executive officers, other than the chief financial officer. Our policy is generally to preserve the federal income tax deductibility of compensation paid to our executives, and certain of our equity awards have been structured to preserve deductibility under Section 162(m). Nevertheless, we retain the flexibility to authorize compensation that may not be deductible if we believe it is in the best interests of our Company. In 2015, the vesting of restricted stock resulted in compensation paid to our named executive officers that is non-deductible under Section 162(m).

Under Mr. Hermance s change of control agreement, our payments to Mr. Hermance may exceed the limitations under Section 280G of the Internal Revenue Code, and therefore a portion of the payments may not be deductible. In addition, we will make an additional payment to Mr. Hermance if payments to him resulting from a change of control are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. We did not wish to have the provisions of Mr. Hermance s agreement serve as a disincentive to his pursuit of a change of control that otherwise might be in the best interests of our Company and its stockholders. Accordingly, we determined to provide a payment to reimburse Mr. Hermance for any excise taxes payable in connection with the change-of-control payment, as well as any taxes that accrue as a result of our reimbursement. We believe that, in light of Mr. Hermance s outstanding record in enhancing value for our stockholders, this determination is appropriate.

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

In connection with 2015 compensation, Mr. Hermance, aided by our human resources department, provided statistical data and recommendations to the Compensation Committee to assist it in determining compensation levels. Mr. Hermance did not make recommendations as to his own compensation. While the Compensation Committee utilized this information, and valued Mr. Hermance s observations with regard to other executive officers, the ultimate decisions regarding executive compensation were made by the Compensation Committee.

REPORT OF THE COMPENSATION COMMITTEE

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

Respectfully submitted,

The Compensation Committee:

Charles D. Klein, Chairperson

Ruby R. Chandy

James R. Malone

Elizabeth R. Varet

Dennis K. Williams

Dated: March 24, 2016

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COMPENSATION TABLES

SUMMARY COMPENSATION TABLE 2015

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

Name and Principal Position	*Year*	*Salary*	*Bonus*	*Stock Awards (1)*	*Option Awards (2)*	*Non-Equity Incentive Plan Compensation (3)*	*Change in Pension Value and Nonqualified Deferred Compensation Earnings (4)*	*All Other Compensation (5)*	*Total*
Frank S. Hermance Chairman of the Board and Chief Executive Officer	2015	$ 1,240,575	$ 545,853	$ 1,982,078	$ 1,800,130	$ 986,734	$ 3,862	$ 397,166	$ 6,956,398
	2014	1,181,500	519,860	1,841,486	1,442,119	1,310,951	379,873	433,451	7,109,240
	2013	1,136,100	227,220	1,708,001	1,598,600	908,880	33,000	333,613	5,945,414
Robert R. Mandos Executive Vice President Chief Financial Officer	2015	545,000	81,750	548,835	498,131	258,613		107,558	2,039,887
	2014	505,000	56,813	522,268	408,946	411,048	219,432	119,053	2,242,560
	2013	440,000	42,900	512,567	479,651	231,660	12,563	78,781	1,798,122
David A. Zapico Executive Vice President Chief Operating Officer	2015	700,000	216,160	696,236	631,945	354,308		150,130	2,748,779
	2014	645,000	152,736	697,597	546,320	508,402	151,659	170,007	2,871,721
	2013	550,000	113,520	638,205	597,125	314,231		115,697	2,328,778
Timothy N. Jones President Electromechanical Group	2015	453,500	53,060	308,916	280,151	168,187		65,307	1,329,121
	2014	436,000	28,340	337,376	264,002	301,946	231,269	83,710	1,682,643
	2013	419,000	27,235	284,667	266,450	237,757	24,629	69,609	1,329,347
John W. Hardin President Electronic Instruments	2015	447,800	57,632	291,667	264,907	194,279		109,690	1,365,975
	2014	430,560	27,986	306,560	239,946	264,752	13,546	92,682	1,376,032
	2013	414,000	53,820	284,667	266,450	167,766	27,253	92,384	1,306,340

(1) The amounts shown for stock awards relate to restricted shares granted under our 2007 and 2011 Omnibus Incentive Compensation Plans. These amounts are equal to the aggregate grant date fair value, computed in accordance with ASC 718, but without giving effect to estimated forfeitures related to service-based vesting conditions. For information regarding the number of shares subject to 2015 awards, other features of the awards and the grant date fair value of the awards, see the Grants of Plan-Based Awards table on page 27.

(2) The amounts shown for option awards relate to shares granted under our 2007 and 2011 Omnibus Incentive Compensation Plans. These amounts are equal to the aggregate grant date fair value, computed in accordance with ASC 718, but without giving effect to estimated forfeitures related to service-based vesting conditions. The assumptions used in determining the amounts in this column are set forth in Note 10 to our Consolidated Financial Statements on page 49 of Appendix A to this proxy statement. For information regarding the

number of shares subject to 2015 awards, other features of those awards, and the grant date fair value of the awards, see the Grants of Plan-Based Awards table on page 27.

(3) Represents payments under our short-term incentive program based on achievement of Companywide or operating group performance measures. See Compensation Discussion and Analysis 2015 Compensation Short-Term Incentive Program.

(Footnotes continue on following page.)

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(4) Includes, for 2015, the aggregate change in actuarial present value of the accumulated benefit under defined benefit plans as follows: Mr. Hermance, $(79,400); Mr. Mandos, $(7,200); Mr. Zapico, $(16,400); and Mr. Jones, $(500). Also includes earnings (losses) on non-qualified deferred compensation plans, to the extent required to be disclosed under SEC regulations, as follows: Mr. Hermance, $83,262; Mr. Mandos, $(2,572); Mr. Zapico, $(5,144); Mr. Jones, $(9,056); and Mr. Hardin, $(4,992). The Company did not change its benefit programs for the named executive officers in 2015; the change in benefit value is attributed to underlying assumptions such as the discount rate used to calculate the actuarial present value.

(5) Included in All Other Compensation for 2015 are the following items that exceeded $10,000:

our contributions under our defined contribution plans, including our Supplemental Executive Retirement Plan, as follows: Mr. Hermance, $327,261; Mr. Mandos, $81,847; Mr. Zapico, $131,911; Mr. Jones, $54,467; and Mr. Hardin, $81,850.

dividends on restricted stock and the interest on the dividend balance, which totaled as follows: Mr. Hermance, $32,581 and Mr. Zapico, $17,493, and which are subject to forfeiture if the related restricted stock does not vest.

perquisites which totaled $34,546 for Mr. Hermance, $15,791 for Mr. Mandos, and $17,986 for Mr. Hardin. Perquisites included automobile allowances for the listed named executive officers and country club dues for Mr. Hermance.

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GRANTS OF PLAN-BASED AWARDS 2015

The following table provides details regarding plan-based awards granted to the named executive officers in 2015.

Name	*Grant Date*	*Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)*			*All Other Stock Awards: Number of Shares of Stock or Units (2)*	*All Other Option Awards: Number of Securities Underlying Options (3)*	*Exercise or Base Price of Option Awards*	*Grant Date Fair Value of Stock and Option Awards (4)*
		Threshold	*Target*	*Maximum*				
Frank S. Hermance								N/A
	2/16/15		$ 1,091,706	$ 2,183,412				
	5/06/15				37,920	165,330	$ 52.27	$ 3,782,208
Robert R. Mandos			367,875	735,750				N/A
	2/16/15							
	5/06/15				10,500	45,750	52.27	1,046,966
David A. Zapico			448,000	896,000				N/A
	2/16/15							
	5/06/15				13,320	58,040	52.27	1,328,181
Timothy N. Jones			265,298	530,595				N/A
	2/16/15							
	5/06/15				5,910	25,730	52.27	589,067
John W. Hardin			261,963	523,926				N/A
	2/16/15							
	5/06/15				5,580	24,330	52.27	556,574

(1) These targets were established under our short-term incentive program. See Compensation Discussion and Analysis 2015 Compensation Short-Term Incentive Program for information regarding the criteria applied in determining the amounts payable under the awards. There were no threshold amounts payable under the short-term incentive program. The actual amounts paid with respect to these awards are included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table on page 25. Targets reflect the October 1, 2015 salary for each individual, as required by the program.

(2) The stock awards constitute restricted shares granted under our 2011 Omnibus Incentive Compensation Plan. These shares become vested on the earliest to occur of (a) the closing price of our Common Stock on any five consecutive days equaling or exceeding $104.54 per share, (b) the death or permanent disability of the grantee, (c) the termination of the grantee s employment with us in connection with a change of control, or (d) the fourth anniversary of the date of grant, namely May 6, 2019, provided the grantee has been employed by us continuously through that date. In the event of the grantee s attainment of at least 55 years of age and at least 10 years of service with the Company prior to the fourth anniversary of the date of grant, then a ratable vesting schedule will apply whereby 25% of the restricted stock shall become nonforfeitable annually on the next anniversary of the date of grant if the grantee is still employed by the Company on such anniversary. Cash dividends are earned on the restricted shares but are not paid until the restricted shares vest. Until the restricted stock vests, the dividends accrue interest at the 5-year Treasury note rate plus 0.5%, compounded quarterly.

(3) The option awards constitute stock options granted under our 2011 Omnibus Incentive Compensation Plan. Stock options become exercisable as to 25% of the underlying shares on each of the first four anniversaries of the date of grant. Options generally become fully exercisable in the event of the grantee s death or permanent disability, normal retirement or termination of employment in connection with a change of control.

(4) The grant date fair value is computed in accordance with ASC 718, but without giving effect to estimated forfeitures related to service-based vesting conditions. The assumptions used in determining the grant date fair value of option awards in this column are set forth in Note 10 to our Consolidated Financial Statements on page 49 of Appendix A to this proxy statement.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2015

The following table provides details regarding outstanding equity awards for the named executive officers at December 31, 2015.

	Option Awards (1)					Stock Awards (2)	
Name	*Option Grant Date*	*Number of Securities Underlying Unexercised Options Exercisable*	*Number of Securities Underlying Unexercised Options Unexercisable*	*Option Exercise Price*	*Option Expiration Date*	*Number of Shares or Units of Stock That Have Not Vested*	*Market Value of Shares or Units of Stock That Have Not Vested (3)*
Frank S. Hermance						97,761	$ 5,239,012
	4/23/2009	38,462		14.5378	4/22/2016		
	4/29/2010	335,790		19.5867	4/28/2017		
	5/03/2011	150,840		29.8267	5/02/2018		
	5/01/2012	142,671	47,559	34.0467	4/30/2019		
	5/08/2013	78,654	78,656	41.7400	5/07/2020		
	5/08/2014	29,525	88,575	53.1300	5/07/2021		
	5/06/2015		165,330	52.2700	5/05/2022		
Robert R. Mandos	5/03/2011	15,150		29.8267	5/02/2018	26,032	1,395,055
	5/01/2012	21,528	7,176	34.0467	4/30/2019		
	5/08/2013	23,600	23,600	41.7400	5/07/2020		
	5/08/2014	8,372	25,118	53.1300	5/07/2021		
	5/06/2015		45,750	52.2700	5/05/2022		
David A. Zapico						50,530	2,707,903
	4/29/2010	30,000		19.5867	4/28/2017		
	5/03/2011	25,965		29.8267	5/02/2018		
	5/01/2012	23,400	7,800	34.0467	4/30/2019		
	5/08/2013	29,380	29,380	41.7400	5/07/2020		
	5/08/2014	11,185	33,555	53.1300	5/07/2021		
	5/06/2015		58,040	52.2700	5/05/2022		
Timothy N. Jones	5/01/2012	22,464	7,491	34.0467	4/30/2019	16,192	867,729
	5/08/2013	13,110	13,110	41.7400	5/07/2020		
	5/08/2014	5,405	16,215	53.1300	5/07/2021		
	5/06/2015		25,730	52.2700	5/05/2022		
John W. Hardin						26,600	1,425,494
	4/29/2010	35,725		19.5867	4/28/2017		
	5/03/2011	25,965		29.8267	5/02/2018		
	5/01/2012	22,464	7,491	34.0467	4/30/2019		
	5/08/2013	13,110	13,110	41.7400	5/07/2020		
	5/08/2014	4,912	14,738	53.1300	5/07/2021		
	5/06/2015		24,330	52.2700	5/05/2022		

(1) All option grants become exercisable as to 25% of the underlying shares on each of the first four anniversaries of the dates of grant.

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

Name	*Grant Date*	*Number of Shares or Units of Stock That Have Not Vested*	*Vesting Date*	*Price-Related Event for Accelerated Vesting**
Frank S. Hermance	5/01/2012	13,386	5/01/2016	$ 68.09
	5/08/2013	20,460	5/08/2017	83.48
	5/08/2014	25,995	5/08/2018	106.26
	5/06/2015	37,920	5/06/2019	104.54
Robert R. Mandos	5/01/2012	2,019	5/01/2016	68.09
	5/08/2013	6,140	5/08/2017	83.48
	5/08/2014	7,373	5/08/2018	106.26
	5/06/2015	10,500	5/06/2019	104.54
David A. Zapico	5/01/2012	8,790	5/01/2016	68.09
	5/08/2013	15,290	5/08/2017	83.48
	5/08/2014	13,130	5/08/2018	106.26
	5/06/2015	13,320	5/06/2019	104.54
Timothy N. Jones	5/01/2012	2,109	5/01/2016	68.09
	5/08/2013	3,410	5/08/2017	83.48
	5/08/2014	4,763	5/08/2018	106.26
	5/06/2015	5,910	5/06/2019	104.54
John W. Hardin	5/01/2012	8,430	5/01/2016	68.09
	5/08/2013	6,820	5/08/2017	83.48
	5/08/2014	5,770	5/08/2018	106.26
	5/06/2015	5,580	5/06/2019	104.54

* The price-related event for accelerated vesting of the restricted stock awards will occur if the closing price per share of our Common Stock for five consecutive trading days is equal to at least two times the closing price per share on the date of grant.

(3) The dollar values are based on the closing price of our Common Stock on December 31, 2015 ($53.59). Cash dividends will be earned but will not be paid until the restricted shares vest. The dividends will be payable at the same rate as dividends to holders of our outstanding Common Stock. Until the restricted stock vests, the dividends accrue interest at the 5-year Treasury note rate plus 0.5%, compounded quarterly.

OPTION EXERCISES AND STOCK VESTED 2015

The following table provides information regarding option exercises and vesting of restricted stock awards for the named executive officers in 2015.

	Option Awards		*Stock Awards*	
Name	*Number of Shares Acquired on Exercise*	*Value Realized on Exercise (1)*	*Number of Shares Acquired on Vesting*	*Value Realized on Vesting (2)*
Frank S. Hermance	704,352	$ 25,743,956	46,228	$ 2,484,027
Robert R. Mandos	29,079	1,035,332	8,949	479,607
David A. Zapico	52,074	2,021,318	9,615	522,215
Timothy N. Jones	37,873	1,072,544	7,805	419,394
John W. Hardin	23,480	955,124	9,615	522,215

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

(2) On May 1, 2015, the third-year pro rata vesting of the restricted stock granted on May 1, 2012 to Messrs. Hermance, Mandos and Jones, who attained at least 55 years of age and at least 10 years of service with the Company, occurred. The total value realized on vesting is equal to (1) the closing price per share of our Common Stock on May 1, 2015 ($52.73), multiplied by the number of shares acquired on vesting, (2) the dividends accrued since the date of award, and (3) the interest accrued on these dividends.

(Footnotes continue on following page.)

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Also, on May 4, 2015, the fourth-year cliff vesting of the restricted stock granted on May 3, 2011 to all of the named executive officers occurred. The total value realized on vesting is equal to (1) the closing price per share of our Common Stock on May 4, 2015 ($53.28), multiplied by the number of shares acquired on vesting, (2) the dividends accrued since the date of award, and (3) the interest accrued on these dividends.

Also, on May 8, 2015, the second-year pro rata vesting of the restricted stock granted on May 8, 2013 to Messrs. Hermance, Mandos and Jones, who attained at least 55 years of age and at least 10 years of service with the Company, occurred. The total value realized on vesting is equal to (1) the closing price per share of our Common Stock on May 8, 2015 ($52.91), multiplied by the number of shares acquired on vesting, (2) the dividends accrued since the date of award, and (3) the interest accrued on these dividends.

Also, on May 8, 2015, the first-year pro rata vesting of the restricted stock granted on May 8, 2014 to Messrs. Hermance, Mandos and Jones, who attained at least 55 years of age and at least 10 years of service with the Company, occurred. The total value realized on vesting is equal to (1) the closing price per share of our Common Stock on May 8, 2015 ($52.91), multiplied by the number of shares acquired on vesting, (2) the dividends accrued since the date of award, and (3) the interest accrued on these dividends.

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PENSION BENEFITS 2015

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

The Employees Retirement Plan This plan is a qualified defined benefit pension plan that provides retirement benefits to our U.S.-based salaried employees who commenced employment with us prior to January 1, 1997. The plan pays benefits based upon eligible final average plan compensation and years of credited service. Compensation in excess of a specified amount prescribed by the Department of the Treasury ($265,000 for 2015) is not taken into account under the Retirement Plan. Mr. Hardin, who joined us after January 1, 1997, is not eligible to participate in The Employees Retirement Plan, but instead is eligible to participate in the Retirement Feature of the AMETEK Retirement and Savings Plan, a defined contribution plan.

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

(A + B) x C x 1.02

where:

A = 32.0% of eligible compensation not in excess of Social Security covered compensation plus 40.0% of eligible compensation in excess of Social Security covered compensation, times credited service at the normal retirement date (maximum of 15 years) divided by 15;

B = 0.5% of eligible plan compensation times credited service at the normal retirement date in excess of 15 years (maximum of ten years); and

C = current credited service divided by credited service at the normal retirement date.

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

Supplemental Senior Executive Death Benefit Program Under this program, we have entered into an agreement with Mr. Hermance that requires us to pay death benefits to his designated beneficiaries and to pay lifetime benefits to him under specified circumstances. If a covered executive dies before retirement or before age 65 while on disability retirement, the executive s beneficiary will receive monthly payments of up to $8,333 from the date of the executive s death until the date he would have attained age 80. If a covered executive retires, or reaches age 65 while on disability retirement, the program provides for an annual benefit of up to a maximum of $100,000 per year, or an aggregate of $1,000,000. The benefit is payable monthly over a period of ten years to the executive or the executive s beneficiary. The payments will commence for retirees at age 70 or death, whichever is earlier. However, if the executive retires after age 70, the payments commence on retirement. To fund benefits under the Program, we have purchased individual life insurance policies on the lives of certain of the covered executives. We retain the right to terminate all of the Program agreements under designated circumstances.

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The following table provides details regarding the present value of accumulated benefits under the plans described above for the named executive officers in 2015.

Name	*Plan Name*	*Number of Years Credited Service at December 31, 2015*	*Present Value of Accumulated Benefit (1)*	*Payments During 2015*
Frank S. Hermance	The Employees Retirement Plan	25	$ 1,441,800	
	Supplemental Senior Executive Death Benefit Plan	N/A	692,200	
Robert R. Mandos	The Employees Retirement Plan	34	788,100	
David A. Zapico	The Employees Retirement Plan	26	473,600	
Timothy N. Jones	The Employees Retirement Plan	36	908,200	
John W. Hardin	N/A	N/A	N/A	

(1) The amounts shown in the Pension Benefit Table above are actuarial present values of the benefits accumulated through December 31, 2015. We used the following assumptions in quantifying the present value of the accumulated benefit: discount rate 4.8%; limitation on eligible annual compensation under the Internal Revenue Code $265,000; limitation on eligible annual benefits under the Internal Revenue Code $210,000; retirement age later of 65 or current age; termination and disability rates none; form of payment single life annuity; RP-2014 mortality table, as adjusted.

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NON-QUALIFIED DEFERRED COMPENSATION 2015

We have the following non-qualified deferred compensation plans in which our named executive officers participate:

Supplemental Executive Retirement Plan (SERP) This plan provides benefits for executives to the extent that their compensation cannot be taken into account under our tax-qualified plans because the compensation exceeds limits imposed by the Department of the Treasury ($265,000 in 2015). Under the SERP, each year we credit to the account of a participant an amount equal to 13% of the executive s compensation that exceeds the Department of the Treasury limits, which is then deemed to be invested in our Common Stock. Payout of an executive s account occurs upon termination of the executive s employment and is made in shares of our Common Stock. Therefore, the ultimate value of the shares paid out under the SERP will depend on the performance of our Common Stock during the period an executive participates in the SERP.

Deferred Compensation Plan This plan provides an opportunity for executives to defer payment of their short-term incentive award to the extent that such award, together with other relevant compensation, exceeds limits imposed by the Department of the Treasury ($265,000 in 2015). In advance of the year in which the short-term incentive award will be paid, an executive may elect to defer all or part of his or her eligible incentive award. The monies are invested in one of two notional accounts, a Common Stock fund and an interest-bearing fund. A participant generally may elect to have the value of his or her account distributed following retirement, or while in service, as specified by the participant in his or her deferral election. Payments may commence earlier upon the participant s earlier separation from service, upon the death of the participant, in the event of an unforeseeable financial emergency or upon a change of control, as defined in the plan. Payments from the notional Common Stock fund are made in shares of our Common Stock, while payments from the interest-bearing account are paid in cash.

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

The following table provides details regarding non-qualified deferred compensation for the named executive officers in 2015.

Name	*Executive Contributions in Last Fiscal Year*	*Registrant Contributions in Last Fiscal Year (1)*	*Aggregate Earnings in Last Fiscal Year (2)*	*Aggregate Withdrawals/ Distributions*	*Aggregate Balance at Last Fiscal Year-End (3)*
Frank S. Hermance	$	$326,061	$1,048,100	$	$36,334,412
Robert R. Mandos	225,271	80,647	54,511		2,455,129
David A. Zapico		130,711	48,856		2,546,760
Timothy N. Jones		53,267	23,824		1,616,810
John W. Hardin		61,820	15,169		1,025,379

(1) Includes for each named executive officer the following amounts that are also reported in the Summary Compensation Table on page 25: Mr. Hermance, $326,061; Mr. Mandos, $80,647; Mr. Zapico, $130,711; Mr. Jones, $53,267; and Mr. Hardin, $61,820.

(Footnotes continue on following page.)

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(2) Includes for each named executive officer the following amounts that are also reported in the Summary Compensation Table on page 25: Mr. Mandos, $(7,890); Mr. Zapico, $(5,144); Mr. Jones, $(9,056); and Mr. Hardin, $(4,992).

(3) Includes for each named executive officer the following amounts that were reported as compensation in the Summary Compensation Table in previous years: Mr. Hermance, $14,613,484; Mr. Mandos, $963,882; Mr. Zapico, $860,447; Mr. Jones, $630,733; and Mr. Hardin, $429,751.

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POTENTIAL PAYMENTS UPON TERMINATION OR

CHANGE OF CONTROL

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

- distributions under The Employees Retirement Plan and distributions, other than death benefits, under the Supplemental Senior Executive Death Benefit Plan see Pension Benefits 2015 for information regarding these plans,

- distributions under the Supplemental Executive Retirement Plan and the Deferred Compensation Plan and distributions, other than death benefits, under the 2004 Executive Death Benefit Plan see Nonqualified Deferred Compensation 2015 for information regarding these plans,

- other payments and benefits provided on a nondiscriminatory basis to salaried employees generally upon termination of employment, including tax-qualified defined contribution plans, and

- short-term incentive payments that would not be increased due to the termination event.

The following items are reflected in the summary table on page 37. The payment amounts reflect the payments that would have been due to the named executive officers had the termination or change of control event occurred on December 31, 2015.

Change of Control Agreements. Under our change of control agreements with our named executive officers other than Mr. Hermance, in the event that a named executive officer s employment is terminated by us without cause or by the named executive officer for good reason within two years beginning on the effective date of a change of control, the executive officer will receive: (1) 2.99 times the sum of (a) the executive officer s base salary in effect on the last day of the fiscal year immediately preceding the effective date of the change of control and (b) the greater of the target bonus for the fiscal year in which the change of control occurred or the average of the bonus received for the two previous fiscal years; all cash payments will be paid when permitted under Section 409A of the Code, namely, on the first day of the seventh month following the termination date; and (2) continuation of health benefits until the earliest to occur of Medicare eligibility, coverage under another group health plan without a pre-existing condition limitation, the expiration of ten years, or the executive officer s death. Payments to executive officers other than Mr. Hermance under the change of control agreements will be reduced, if necessary, to prevent them from being subject to the limitation on deductions under Section 280G of the Internal Revenue Code. The Compensation Committee selected the 2.99 times multiple of salary and bonus to reflect competitive market levels for such agreements and, except in the case of Mr. Hermance, the amount payable is subject to limitations designed to minimize the payment of any excise taxes by us.

Generally, a change of control is deemed to occur under the change of control agreements if: (1) any person or more than one person acting as a group acquires ownership of stock which constitutes more than 50 percent of the total fair market value or total voting power of our stock; (2) any person or more than one person acting as a group acquires (during the 12-month period ending on the date of the most recent acquisition) ownership of stock possessing 30 percent or more of the total fair market value or total voting power of our stock; (3) a majority of Board members are replaced during any 12-month period by directors whose election is not endorsed by a majority of the members of the Board; or (4) any person or more than one person acting as a group acquires assets from us having a total fair market value of not less than 40 percent of the total fair market value of all of our assets immediately prior to the acquisition.

A termination for good reason generally means a termination initiated by the executive officer in the event of: (1) our noncompliance with the change of control agreement; (2) any involuntary reduction in the executive officer s authority, duties or responsibilities that were in effect immediately prior to the change of control; (3) any involuntary reduction in the executive officer s total compensation that was in effect immediately prior to the change of control; or (4) any transfer of the executive officer without the executive officer s consent of more than 50 miles from the executive officer s principal place of business immediately prior to the change of control other than on a temporary basis (less than 6 months).

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

Under our change of control agreement with Mr. Hermance, in the event that his employment is terminated by us without cause or by Mr. Hermance for good reason in anticipation of, or following, a change of control, he will receive: (1) a lump sum payment equal to 2.99 times the sum of (a) Mr. Hermance s base salary for the year prior to the year in which his termination occurs and (b) his targeted bonus for the year in which he is terminated or, if the amount of the targeted bonus is not known, the average of his bonuses for the two years preceding the year in which his termination occurs; all cash payments will be paid when permitted under Section 409A of the Code, namely, on the first day of the seventh month following the termination date; (2) continuation of health benefits, disability insurance and death benefits until the earliest of (a) the end of the tenth year following the year of the separation from service; (b) Medicare eligibility (with regard to health benefits); (c) commencement of new employment where Mr. Hermance can participate in similar plans or programs without a pre-existing condition limitation; or (d) death; and (3) use of an automobile and reimbursement of reasonable operating expenses, and continued reimbursement of country club dues, in each case until the second anniversary of his termination or, if earlier, his death.

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

Generally, a change of control is deemed to occur under Mr. Hermance s change of control agreement upon: (1) the acquisition by any person or group of 20 percent or more of our total voting stock; (2) the acquisition by us, any executive benefit plan, or any entity we establish under the plan, acting separately or in combination with each other or with other persons, of 50 percent or more of our voting stock, if after such acquisition our Common Stock is no longer publicly traded; (3) the death, resignation or removal of our Directors within a two-year period, as a result of which the Directors serving at the beginning of the period and Directors elected with the advance approval of two-thirds of the Directors serving at the beginning of the period constitute less than a majority of the Board; (4) the approval by the stockholders of (a) a merger in which the stockholders no longer own or control at least 50 percent of the value of our outstanding equity or the combined voting power of our then outstanding voting securities, or (b) a sale or other disposition of all or substantially all of the Company s assets. A termination is deemed to be in anticipation of a change of control if it occurs during the 90 days preceding the change of control and the substantial possibility of a change of control was known to Mr. Hermance and a majority of the Directors.

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

Payments and other benefits under the change of control agreements would have been in the following amounts if the event requiring payment occurred on December 31, 2015: Lump sum payments Mr. Hermance, $7,789,570; Mr. Mandos, $2,851,713; Mr. Zapico, $3,934,251; Mr. Jones, $2,237,342; Mr. Hardin, $2,209,221. Death benefits Mr. Hermance, $2,700. Health benefits Mr. Mandos, $183,700; Mr. Zapico, $114,500; Mr. Jones, $158,200; Mr. Hardin, $288,600. Perquisites Mr. Hermance, $81,934 (including use of an automobile and operating expenses in the amount of $65,578; and country club fees). The benefits Mr. Hermance receives upon acceleration of his equity grants in connection with a change of control are quantified below under Acceleration of Vesting Provisions Pertaining to Stock Options and Restricted Stock.

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

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Payments and other benefits to Mr. Hermance under this provision include the following: lump sum payments, $5,210,415; stock option grant vesting acceleration, $2,120,514; restricted stock award vesting acceleration, $5,299,489; death benefits, $2,700; perquisites, $81,934 (including use of an automobile and operating expenses in the amount of $65,578; and country club fees).

Acceleration of Vesting Provisions Pertaining to Stock Options and Restricted Stock. Under our stock incentive plans, outstanding stock options generally will vest immediately upon the occurrence of any of the following events: (1) the holder s retirement after age 65, following two years of service with us; (2) the death of the holder; (3) the disability of the holder; or (4) the holder s termination of employment following a change of control. Benefits relating to accelerated vesting of stock options in connection with termination following a change of control (or, in the case of Mr. Hermance, in anticipation of, or upon a change of control), or upon normal retirement or death or disability are as follows: Mr. Hermance, $2,120,514; Mr. Mandos, $491,847; Mr. Zapico, $592,639; Mr. Jones, $343,175; Mr. Hardin, $340,647. The value of the accelerated vesting benefit equals the number of shares as to which the stock options would vest on an accelerated basis upon the occurrence of the specified termination or change of control event, multiplied by the difference between the closing price per share of our Common Stock on December 31, 2015 and the exercise price per share for the affected options.

Outstanding restricted stock generally will vest immediately upon the occurrence of either of the following events: (1) the holder s death or disability; or (2) the holder s termination of employment following a change of control. Benefits relating to accelerated vesting of restricted stock in connection with termination following a change of control (or, in the case of Mr. Hermance, in anticipation of, or upon a change of control), or upon disability or death are as follows: Mr. Hermance, $5,299,489; Mr. Mandos, $1,410,403; Mr. Zapico, $2,743,604; Mr. Jones, $877,833; Mr. Hardin, $1,446,429. The value of the accelerated vesting benefit equals the number of shares of restricted stock that would vest on an accelerated basis on the occurrence of the specified termination or change of control event times the closing price per share of our Common Stock on December 31, 2015, plus accrued dividends and the interest on the dividend balance.

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

Death Benefits. Death benefits are payable to Mr. Hermance under our Supplemental Senior Executive Death Benefit Plan, as described under Pension Benefits 2015. Death benefits are payable to Messrs. Mandos, Zapico, Jones and Hardin under our 2004 Executive Death Benefit Plan, as described under Nonqualified Deferred Compensation 2015.

The amount of death benefits payable to each of the named executive officers in the event of his death would have been as follows on December 31, 2015: Mr. Hermance, $971,500; Mr. Mandos, $1,390,400; Mr. Zapico, $1,569,200; Mr. Jones, $1,324,100; Mr. Hardin, $1,584,300.

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

Name	Voluntary Termination/Early Retirement/ Termination For Cause	Normal Retirement	Involuntary Not For Cause Termination	Change of Control	Disability	Death
Frank S. Hermance	$5,299,489	$ 2,120,514	$12,715,052	$ 15,294,207	$ 7,420,003	$ 8,391,503
Robert R. Mandos		491,847		4,937,663	1,902,250	3,292,650
David A. Zapico		592,639		7,384,994	3,336,243	4,905,443
Timothy N. Jones		343,175		3,616,550	1,221,008	2,545,108
John W. Hardin		340,647		4,284,898	1,787,076	3,371,376

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STOCK OWNERSHIP OF

EXECUTIVE OFFICERS AND DIRECTORS

The Compensation Committee of the Board of Directors approved stock ownership guidelines for all executive officers, and reviews stock ownership on an annual basis. See Compensation Discussion and Analysis Stock Ownership Guidelines on page 21 for a discussion of stock ownership guidelines for our named executive officers.

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

The following table shows the number of shares of Common Stock that the Directors and all executive officers as a group beneficially owned, and the number of deemed shares held for the account of the executive officers under the SERP as of January 25, 2016.

	Number of Shares and Nature of Ownership (1)					
Name	Outstanding Shares Beneficially Owned	Right to Acquire (2)	Total	Percent of Class	SERP and Deferred Compensation	Total Beneficial, SERP and Deferred Compensation Ownership
Ruby R. Chandy	3,640	3,529	7,169	*		7,169
Anthony J. Conti	9,108	17,054	26,162	*		26,162
John W. Hardin	47,193	102,176	149,369	*	17,446	166,815
Frank S. Hermance	2,370,496	775,942	3,146,438	1.3%	378,252	3,524,690
Timothy N. Jones	52,287	40,979	93,266	*	26,917	120,183
Charles D. Klein (3)	167,161	28,700	195,861	*		195,861
Steven W. Kohlhagen	64,548	12,298	76,846	*		76,846
James R. Malone	3,640	4,819	8,459	*		8,459
Robert R. Mandos	103,995	68,650	172,645	*	22,792	195,437
Gretchen W. McClain (4)	1,940	640	2,580	*	590	3,170
Elizabeth R. Varet (5)	432,125	11,298	443,423	*		443,423
Dennis K. Williams	20,237	28,700	48,937	*		48,937
David A. Zapico	118,670	119,930	238,600	*	45,602	284,202
Directors and Executive Officers as a Group (16 persons) including individuals named above	3,484,523	1,320,582	4,805,105	2.0%	510,649	5,315,754

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

(1) Under Rule 13d-3 of the Securities Exchange Act of 1934, as amended, beneficial ownership of a security consists of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose or direct the disposition) with respect to the security through any contract, arrangement, understanding, relationship or otherwise.

(2) Shares the Director or executive officer has a right to acquire through stock option exercises within 60 days of January 25, 2016.

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(3) Includes 5,750 shares held by a charitable foundation of which Mr. Klein is a director. Includes 17,000 shares held by a charitable remainder trust of which Mr. Klein and his wife are two of the co-trustees and of which his wife is a beneficiary, as to which Mr. Klein disclaims any beneficial ownership except to the extent of his wife s pecuniary interest therein.

(4) Includes 590 stock units under the AMETEK, Inc. Directors Deferred Compensation Plan.

(5) Includes 73,500 shares, of which 67,500 shares are owned by a trust of which Ms. Varet s husband is a beneficiary and 6,000 shares are owned by Ms. Varet s adult children, as to which Ms. Varet disclaims any beneficial ownership. Ms. Varet has shared voting and investment power with respect to 309,545 shares.

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BENEFICIAL OWNERSHIP OF PRINCIPAL STOCKHOLDERS

The following table provides information regarding the only entities known to us to be beneficial owners of more than five percent of the outstanding shares of our Common Stock as of March 17, 2016.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class
FMR LLC (1) 245 Summer Street Boston, MA 02210	25,780,487	10.8%
The Vanguard Group, Inc. (2) 100 Vanguard Boulevard Malvern, PA 19355	20,087,059	8.4%
T. Rowe Price Associates, Inc. (3) 100 E. Pratt Street Baltimore, MD 21202	13,797,622	5.8%
BlackRock, Inc. (4) 55 East 52nd Street New York, NY 10055	13,289,753	5.6%

(1) Based on Schedule 13G filed on February 12, 2016, as of December 31, 2015 FMR LLC beneficially owned 25,780,487 shares of AMETEK common stock, with sole voting power over 390,129 shares and sole dispositive power over all of the shares.

(2) Based on Schedule 13G filed on February 10, 2016, as of December 31, 2015 The Vanguard Group, Inc. beneficially owned 20,087,059 shares of AMETEK common stock, with sole voting power over 438,187 shares, shared voting power over 24,000 shares, sole dispositive power over 19,614,477 shares and shared dispositive power over 472,582 shares.

(3) Based on Schedule 13G filed on February 11, 2016, as of December 31, 2015 T. Rowe Price Associates, Inc. beneficially owned 13,797,622 shares of AMETEK common stock, with sole voting power over 3,540,551 shares and sole dispositive power over all of the shares.

(4) Based on Schedule 13G filed on January 25, 2016, as of December 31, 2015 BlackRock, Inc. beneficially owned 13,289,753 shares of AMETEK common stock, with sole voting power over 11,277,776 shares and sole dispositive power over all of the shares.

COMPLIANCE WITH SECTION 16(a) OF

THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our Directors and officers to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our Common Stock. Copies of all such Section 16(a) reports are required to be furnished to us. These filing requirements also apply to holders of more than 10% of our Common Stock, but we do not know of any person that holds more than 10% of our Common Stock. To our knowledge, based solely on a review of the copies of Section 16(a) reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2015, all of our officers and Directors were in compliance with all Section 16(a) filing requirements.

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OTHER BUSINESS

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

By Order of the Board of Directors

Kathryn E. Sena
Corporate Secretary

Dated: March 24, 2016

MULTIPLE STOCKHOLDERS SHARING THE SAME ADDRESS

Registered and street-name stockholders who reside at a single address receive only one annual report and proxy statement at that address unless a stockholder provides contrary instructions. This practice is known as householding and is designed to reduce duplicate printing and postage costs. However, if a stockholder wishes in the future to receive a separate annual report or proxy statement, he or she may contact our transfer agent, American Stock Transfer & Trust Company, LLC, toll-free at 1-800-937-5449, or in writing at American Stock Transfer & Trust Company, LLC, Stockholder Services, 6201 15th Avenue, Brooklyn, NY 11219. Stockholders can request householding if they receive multiple copies of the annual report and proxy statement by contacting American Stock Transfer & Trust Company, LLC at the address above.

ELECTRONIC DISTRIBUTION OF PROXY STATEMENTS

AND ANNUAL REPORTS

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

APPENDIX A

AMETEK, Inc.

ANNUAL FINANCIAL INFORMATION AND REVIEW OF OPERATIONS

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INFORMATION RELATING TO AMETEK COMMON STOCK

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

Market Price and Dividends Per Share

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Dividends paid per share	**$ 0.09**	**$ 0.09**	**$ 0.09**	**$ 0.09**
Common stock trading range:				
High	**$ 54.00**	**$ 55.56**	**$ 57.67**	**$ 57.00**
Low	**$ 47.85**	**$ 51.23**	**$ 50.55**	**$ 50.97**
2014				
Dividends paid per share	$ 0.06	$ 0.09	$ 0.09	$ 0.09
Common stock trading range:				
High	$ 54.40	$ 54.50	$ 53.49	$ 54.25
Low	$ 47.39	$ 49.50	$ 47.95	$ 45.12

Stock Performance Graph

The following graph and accompanying table compare the cumulative total stockholder return for AMETEK over the last five years ended December 31, 2015 with total returns for the same period for the Standard and Poor s (S&P) 500 Index and Russell 1000 Index. AMETEK s stock price is a component of both indices. The performance graph and table assume a $100 investment made on December 31, 2010 and reinvestment of all dividends. The stock performance shown on the graph below is based on historical data and is not necessarily indicative of future stock price performance.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

	December 31, 2010	2011	2012	2013	2014	2015
AMETEK, Inc.	$ 100.00	$ 107.89	$ 145.34	$ 204.85	$ 205.98	$ 211.15
S&P 500 Index*	100.00	102.11	118.45	156.82	178.29	180.75
Russell 1000 Index*	100.00	101.50	118.17	157.30	178.12	179.75

* Includes AMETEK, Inc.

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AMETEK, INC.

SELECTED FINANCIAL DATA

	2015	2014	2013	2012	2011
		(In millions, except per share amounts)			
Consolidated Operating Results (Year Ended December 31):					
Net sales	**$ 3,974.3**	$ 4,022.0	$ 3,594.1	$ 3,334.2	$ 2,989.9
Operating income	**$ 907.7**	$ 898.6	$ 815.1	$ 745.9	$ 635.9
Interest expense	**$ 91.8**	$ 79.9	$ 73.6	$ 75.5	$ 69.7
Net income	**$ 590.9**	$ 584.5	$ 517.0	$ 459.1	$ 384.5
Earnings per share:					
Basic	**$ 2.46**	$ 2.39	$ 2.12	$ 1.90	$ 1.60
Diluted	**$ 2.45**	$ 2.37	$ 2.10	$ 1.88	$ 1.58
Dividends declared and paid per share	**$ 0.36**	$ 0.33	$ 0.24	$ 0.22	$ 0.16
Weighted average common shares outstanding:					
Basic	**239.9**	244.9	243.9	241.5	240.4
Diluted	**241.6**	247.1	246.1	244.0	243.2
Performance Measures and Other Data:					
Operating income Return on net sales	**22.8%**	22.3%	22.7%	22.4%	21.3%
Return on average total assets	**13.9%**	14.6%	14.7%	15.7%	15.6%
Net income Return on average total capital	**11.6%**	12.3%	12.1%	12.6%	12.3%
Return on average stockholders equity	**18.2%**	18.3%	18.2%	20.0%	20.1%
EBITDA(1)	**$ 1,046.9**	$ 1,022.6	$ 916.3	$ 842.7	$ 712.2
Ratio of EBITDA to interest expense(1)	**11.4x**	12.8x	12.4x	11.2x	10.2x
Depreciation and amortization	**$ 149.5**	$ 138.6	$ 118.7	$ 105.5	$ 86.5
Capital expenditures	**$ 69.1**	$ 71.3	$ 63.3	$ 57.4	$ 50.8
Cash provided by operating activities	**$ 672.5**	$ 726.0	$ 660.7	$ 612.5	$ 508.6
Free cash flow(2)	**$ 603.4**	$ 654.7	$ 597.4	$ 555.1	$ 457.8
Consolidated Financial Position (At December 31):					
Current assets	**$ 1,619.6**	$ 1,578.6	$ 1,369.1	$ 1,164.7	$ 1,059.1
Current liabilities	**$ 1,025.2**	$ 936.1	$ 874.5	$ 880.0	$ 628.9
Property, plant and equipment, net	**$ 484.5**	$ 448.4	$ 402.8	$ 383.5	$ 325.3
Total assets	**$ 6,664.5**	$ 6,421.0	$ 5,877.9	$ 5,190.1	$ 4,319.5
Long-term debt	**$ 1,556.0**	$ 1,427.8	$ 1,141.8	$ 1,133.1	$ 1,123.4
Total debt	**$ 1,942.1**	$ 1,714.0	$ 1,415.1	$ 1,453.8	$ 1,263.9
Stockholders equity	**$ 3,254.6**	$ 3,239.6	$ 3,136.1	$ 2,535.2	$ 2,052.8
Stockholders equity per share	**$ 13.82**	$ 13.42	$ 12.80	$ 10.42	$ 8.53
Total debt as a percentage of capitalization	**37.4%**	34.6%	31.1%	36.4%	38.1%
Net debt as a percentage of capitalization(3)	**32.4%**	29.2%	26.3%	33.8%	34.8%

See Notes to Selected Financial Data on the following page.

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Notes to Selected Financial Data

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

	Year Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
			(In millions)		
Net income	**$ 590.9**	$ 584.5	$ 517.0	$ 459.1	$ 384.5
Add (deduct):					
Interest expense	**91.8**	79.9	73.6	75.5	69.7
Interest income	**(0.8)**	(0.8)	(0.8)	(0.7)	(0.7)
Income taxes	**215.5**	220.4	207.8	203.3	172.2
Depreciation	**68.7**	63.7	57.2	53.7	48.9
Amortization	**80.8**	74.9	61.5	51.8	37.6
Total adjustments	**456.0**	438.1	399.3	383.6	327.7
EBITDA	**$ 1,046.9**	$ 1,022.6	$ 916.3	$ 842.7	$ 712.2

(2) Free cash flow represents cash flow from operating activities less capital expenditures. Free cash flow is presented because the Company is aware that it is used by rating agencies, securities analysts, investors and other parties in evaluating the Company. (Also see note 1 above). The following table presents the reconciliation of cash flow from operating activities reported in accordance with U.S. GAAP to free cash flow:

	Year Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
			(In millions)		
Cash provided by operating activities	**$ 672.5**	$ 726.0	$ 660.7	$ 612.5	$ 508.6
Deduct: Capital expenditures	**(69.1)**	(71.3)	(63.3)	(57.4)	(50.8)
Free cash flow	**$ 603.4**	$ 654.7	$ 597.4	$ 555.1	$ 457.8

(3) Net debt represents total debt minus cash and cash equivalents. Net debt is presented because the Company is aware that it is used by rating agencies, securities analysts, investors and other parties in evaluating the Company. (Also see note 1 above). The following table presents the reconciliation of total debt reported in accordance with U.S. GAAP to net debt:

	December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
			(In millions)		
Total debt	**$ 1,942.1**	$ 1,714.0	$ 1,415.1	$ 1,453.8	$ 1,263.9

Less: Cash and cash equivalents	**(381.0)**	(377.6)	(295.2)	(158.0)	(170.4)
Net debt	**1,561.1**	1,336.4	1,119.9	1,295.8	1,093.5
Stockholders equity	**3,254.6**	3,239.6	3,136.1	2,535.2	2,052.8
Capitalization (net debt plus stockholders equity)	**$ 4,815.7**	$ 4,576.0	$ 4,256.0	$ 3,831.0	$ 3,146.3
Net debt as a percentage of capitalization	**32.4%**	29.2%	26.3%	33.8%	34.8%

AMETEK, INC.

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

This report includes forward-looking statements based on the Company s current assumptions, expectations and projections about future events. When used in this report, the words believes, anticipates, may, expect, intend, estimate, project and similar expressions are intended forward-looking statements, although not all forward-looking statements contain such words. For more information concerning risks and other factors that could have a material adverse effect on our business or could cause actual results to differ materially from management s expectations, see Forward-Looking Information on page A-23.

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

Business Overview

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 2015, the Company established records for operating income, operating income margins, net income and diluted earnings per share. Contributions from recent acquisitions, combined with successful Operational Excellence initiatives, had a positive impact on 2015 results. The Company also benefited from its strategic initiatives under AMETEK s four key strategies: Operational Excellence, Strategic Acquisitions, Global & Market Expansion and New Products. Highlights of 2015 were:

- Operating income was $907.7 million or 22.8% of net sales for 2015, an increase of $9.1 million or 1.0%, compared with $898.6 million or 22.3% of net sales in 2014.
- Net income for 2015 was $590.9 million, an increase of $6.4 million or 1.1%, compared with $584.5 million in 2014.
- Diluted earnings per share for 2015 were $2.45, an increase of $0.08 or 3.4%, compared with $2.37 per diluted share in 2014.
- During 2015, the Company recorded pre-tax realignment costs totaling $36.6 million. The realignment costs had the effect of reducing net income for 2015 by $24.7 million ($0.10 per diluted share). See below for further discussion.
- During 2015, the Company spent $356.5 million in cash, net of cash acquired, to acquire two businesses:
  - In May 2015, AMETEK acquired Global Tubes, a manufacturer of high-precision, small-diameter metal tubing; and
  - In July 2015, AMETEK acquired Surface Vision, formerly referred to as the Surface Inspection Systems Division of Cognex Corporation. Surface Vision develops and manufactures software-enabled vision systems used to inspect surfaces of continuously processed materials for flaws and defects.

The Company continued its emphasis on investment in research, development and engineering, spending $200.8 million in 2015 before customer reimbursement of $6.9 million. Sales from products introduced in the past three years were $952.6 million or 24.0% of net sales.

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In August 2015, the Company obtained the third funding of $150 million under the third quarter of 2014 private placement agreement (the 2014 Private Placement), consisting of $100 million in aggregate principal amount of 3.96% senior notes due August 2025 and $50 million in aggregate principal amount of 4.45% senior notes due August 2035. In June 2015, the Company obtained the second funding of $50 million in aggregate principal amount of 3.91% senior notes due June 2025 under the 2014 Private Placement. The first funding under the 2014 Private Placement occurred in September 2014 for $500 million, consisting of $300 million in aggregate principal amount of 3.73% senior notes due September 2024, $100 million in aggregate principal amount of 3.83% senior notes due September 2026 and $100 million in aggregate principal amount of 3.98% senior notes due September 2029. The 2014 Private Placement senior notes carry a weighted average interest rate of 3.88% and are subject to certain customary covenants, including financial covenants that, among other things, require the Company to maintain certain debt-to-EBITDA (earnings before interest, income taxes, depreciation and amortization) and interest coverage ratios. The proceeds from the third funding of the 2014 Private Placement were used to pay down senior notes that matured in the third quarter of 2015 described further below. The proceeds from the second funding of the 2014 Private Placement were used to pay down domestic borrowings under the Company s revolving credit facility.

In the third quarter of 2015, the Company paid in full, at maturity, $90 million in aggregate principal amount of 6.59% private placement senior notes and a 50 million Euro ($56.4 million) 3.94% senior note.

In the fourth quarter of 2015, the Company paid in full, at maturity, $35 million in aggregate principal amount of 6.69% private placement senior notes.

Results of Operations

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

	Year Ended December 31, (In thousands)		
	2015	**2014**	**2013**
Net sales(1):			
Electronic Instruments	**$ 2,417,192**	$ 2,421,638	$ 2,034,594
Electromechanical	**1,557,103**	1,600,326	1,559,542
Consolidated net sales	**$ 3,974,295**	$ 4,021,964	$ 3,594,136
Operating income and income before income taxes:			
Segment operating income(2):			
Electronic Instruments	**$ 639,399**	$ 612,992	$ 552,110
Electromechanical	**318,098**	335,046	309,402
Total segment operating income	**957,497**	948,038	861,512
Corporate administrative and other expenses	**(49,781)**	(49,452)	(46,433)
Consolidated operating income	**907,716**	898,586	815,079
Interest and other expenses, net	**(101,336)**	(93,754)	(90,284)
Consolidated income before income taxes	**$ 806,380**	$ 804,832	$ 724,795

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

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

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Results of Operations for the year ended December 31, 2015 compared with the year ended December 31, 2014

In 2015, the Company established records for operating income, operating income margins, net income and diluted earnings per share. Contributions from the acquisitions completed in 2015 and the acquisitions of Amptek, Inc. in August 2014 and Zygo Corporation in June 2014, as well as the Company s Operational Excellence initiatives had a positive impact on 2015 results. The full year impact of the 2015 acquisitions and continued focus on and implementation of Operational Excellence initiatives, including the 2015 realignment actions (described further throughout the results of operations for the fourth quarter and year ended December 31, 2015), are expected to have a positive impact on the Company s 2016 results. The Company expects the challenging global economic environment across many of its markets and geographies to continue in 2016.

Net sales for 2015 were $3,974.3 million, a decrease of $47.7 million or 1.2%, compared with net sales of $4,022.0 million in 2014. Electronic Instruments Group (EIG) net sales were $2,417.2 million in 2015 or essentially flat on a percentage basis, compared with $2,421.6 million in 2014. Electromechanical Group (EMG) net sales were $1,557.1 million in 2015, a decrease of 2.7%, compared with $1,600.3 million in 2014. The decrease in net sales for 2015 was due to an unfavorable 4% effect of foreign currency translation and 1% internal sales decline, partially offset by a 4% increase from acquisitions.

Total international sales for 2015 were $2,054.7 million or 51.7% of net sales, a decrease of $141.5 million or 6.4%, compared with international sales of $2,196.2 million or 54.6% of net sales in 2014. The $141.5 million decrease in international sales was primarily driven by the weak global economy, as well as the foreign currency translation headwind noted above. Both reportable segments of the Company maintain strong international sales presences in Europe and Asia. Export shipments from the United States, which are included in total international sales, were $1,090.7 million in 2015, a decrease of $57.4 million or 5.0%, compared with $1,148.1 million in 2014. Export shipments decreased primarily due to the weak global economy, as well as the competitive impacts of a strong U.S. dollar.

New orders for 2015 were $3,924.7 million, a decrease of $154.6 million or 3.8%, compared with $4,079.3 million in 2014. The decrease in orders for 2015 was due to an unfavorable 4% effect of foreign currency translation and internal order decline of approximately 3% resulting from the weak global economy, partially offset by a 3% increase from acquisitions. As a result, the Company s backlog of unfilled orders at December 31, 2015 was $1,147.8 million, a decrease of $49.5 million or 4.1%, compared with $1,197.3 million at December 31, 2014.

The Company recorded 2015 realignment costs totaling $36.6 million, with $15.9 million recorded in the first quarter of 2015 and $20.7 million recorded in the fourth quarter of 2015 (the 2015 realignment costs). The 2015 realignment costs primarily related to reductions in workforce in response to the impact of the weak global economy on certain of the Company s businesses, as well as the effects of a continued strong U.S. dollar. See Note 18 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further details.

The 2015 realignment costs were reported in the consolidated statement of income as follows:

- $35.8 million in Cost of sales, excluding depreciation, with $15.8 million recorded in the first quarter of 2015 and $20.0 million recorded in the fourth quarter of 2015; and
- $0.8 million in Selling, general and administrative expenses, with $0.1 million recorded in the first quarter of 2015 and $0.7 million recorded in the fourth quarter of 2015.

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Total segment operating income for 2015 included pre-tax realignment costs totaling $35.8 million, with $15.8 million recorded in the first quarter of 2015 and $20.0 million recorded in the fourth quarter of 2015. The 2015 realignment costs were reported as follows:

- $18.5 million in EIG operating income, with $9.3 million recorded in both the first and fourth quarters of 2015; and
- $17.3 million in EMG operating income, with $6.5 million recorded in the first quarter of 2015 and $10.8 million recorded in the fourth quarter of 2015.

Total segment operating margins for 2015 were negatively impacted by approximately 90 basis points due to the 2015 realignment costs, with approximately 40 basis points due to the first quarter of 2015 realignment costs and approximately 50 basis points due to the fourth quarter of 2015 realignment costs. The 2015 realignment costs impacted segment operating margins as follows:

- Approximate 70 basis point negative impact on EIG s 2015 operating margins, with approximately 35 basis points in each of the first and fourth quarters of 2015; and
- Approximate 110 basis point negative impact on EMG s 2015 operating margins, with approximately 40 basis points in the first quarter of 2015 and approximately 70 basis points in the fourth quarter of 2015.

The expected annualized cash savings from the 2015 realignment costs is expected to be approximately $90 million, with $40 million realized in 2015 and approximately $75 million expected to be realized in 2016.

Segment operating income for 2015 was $957.5 million, an increase of $9.5 million or 1.0%, compared with segment operating income of $948.0 million in 2014. The increase in segment operating income resulted primarily from the acquisitions noted above, as well as the benefits of the Company s Operational Excellence initiatives, partially offset by the 2015 realignment costs described above. Segment operating income for 2014 included $18.9 million in Zygo integration costs, comprised of $10.4 million in severance charges ($9.1 million recorded in the third quarter of 2014 and $1.3 million recorded in the fourth quarter of 2014), a $4.5 million fair value inventory adjustment recorded in the third quarter of 2014 and $4.0 million in other charges recorded in the fourth quarter of 2014, related to the Zygo acquisition. Segment operating income, as a percentage of net sales, increased to 24.1% in 2015, compared with 23.6% in 2014. The increase in segment operating margins resulted primarily from the benefits of the Company s Operational Excellence initiatives, partially offset by the impact of the 2015 realignment costs noted above. Segment operating margins for 2014 were negatively impacted by approximately 40 basis points due to the Zygo integration costs noted above.

Cost of sales, excluding depreciation expense for 2015 was $2,549.3 million or 64.1% of net sales, a decrease of $47.7 million or 1.8%, compared with $2,597.0 million or 64.6% of net sales for 2014. The cost of sales, excluding depreciation expense decrease and the corresponding decrease in cost of sales, excluding depreciation expense as a percentage of sales were primarily due to the net sales decrease noted above, the impact of foreign currency translation, as well as cost containment initiatives, which offset the 2015 realignment costs described above. Cost of sales, excluding depreciation expense for 2014 included $18.9 million of Zygo integration costs described above.

Selling, general and administrative (SG&A) expenses for 2015 were $448.6 million, a decrease of $14.0 million or 3.0%, compared with $462.6 million in 2014. As a percentage of net sales, SG&A expenses were 11.3% for 2015, compared with 11.5% in 2014. Selling expenses for 2015 were $399.5 million, a decrease of $14.3 million or 3.5%, compared with $413.8 million in 2014. Selling expenses, as a percentage of net sales, decreased to 10.1% for 2015, compared with 10.3% in 2014. The selling expenses decrease and the corresponding decrease in selling expenses as a percentage of sales were primarily due to cost containment initiatives and the impact of foreign currency translation.

Corporate administrative expenses for 2015 were $49.1 million or essentially flat, compared with $48.8 million in 2014. As a percentage of net sales, corporate administrative expenses were 1.2% for both 2015 and 2014.

Consolidated operating income was $907.7 million or 22.8% of net sales for 2015, an increase of $9.1 million or 1.0%, compared with $898.6 million or 22.3% of net sales in 2014.

Interest expense was $91.8 million for 2015, an increase of $11.9 million or 14.9%, compared with $79.9 million in 2014. The increase was due to the impact of private placement senior notes funded in the second and third quarters of 2015 and the third quarter of 2014.

Other expenses, net were $9.5 million for 2015, a decrease of $4.3 million, compared with $13.8 million in 2014. Other expenses, net for 2015 benefited by lower acquisition-related expenses and the favorable impact from foreign currency translation. Other expenses, net for 2014 included an $8.0 million insurance policy gain in the fourth quarter of 2014 and a $5.5 million reversal of an insurance policy receivable related to a specific uncertain tax position liability of an acquired entity in the third quarter of 2014.

The effective tax rate for 2015 was 26.7%, compared with 27.4% in 2014. The effective tax rates for 2015 and 2014 reflect the impact of foreign earnings, which are taxed at lower rates. The 2015 effective tax rate reflects the first quarter of 2015 release of uncertain tax position liabilities related to the conclusion of an advance thin capitalization agreement in the European Union, the second quarter of 2015 effective settlement of the U.S. research and development tax credit from the completion of an Internal Revenue Service examination for 2010 and 2011, and the third quarter of 2015 $7.5 million of tax benefits related to the closure of an international subsidiary. The 2014 effective tax rate reflects a release of $12.9 million of uncertain tax position liabilities related to an acquired entity due to the final closure of a tax year and foreign tax credit benefit on amounts repatriated during the year. See Note 8 to the consolidated financial statements included in this Appendix for further details.

Net income for 2015 was $590.9 million, an increase of $6.4 million or 1.1%, compared with $584.5 million in 2014. The 2015 realignment costs reduced 2015 net income by $24.7 million. The Zygo integration costs reduced 2014 net income by $13.9 million.

Diluted earnings per share for 2015 were $2.45, an increase of $0.08 or 3.4%, compared with $2.37 per diluted share in 2014. The 2015 realignment costs had the effect of reducing 2015 diluted earnings per share by $0.10. The Zygo integration costs had the effect of reducing 2014 diluted earnings per share by $0.05.

Segment Results

EIG s net sales totaled $2,417.2 million for 2015, a decrease of $4.4 million or essentially flat on a percentage basis, compared with $2,421.6 million in 2014. The net sales decrease was due to an unfavorable 3% effect of foreign currency translation and 1% internal sales decline, offset by a 4% increase from the 2015 acquisition of Surface Vision and the 2014 acquisitions of Amptek and Zygo.

EIG s operating income was $639.4 million for 2015, an increase of $26.4 million or 4.3%, compared with $613.0 million in 2014. EIG s increase in operating income was primarily due to the Group s Operational Excellence initiatives, partially offset by the 2015 realignment costs. EIG s 2014 operating income included $18.9 million of Zygo integration costs. EIG s operating margins were 26.5% of net sales for 2015, compared with 25.3% of net sales in 2014. EIG s increase in operating margins resulted primarily from the benefits of the Group s Operational Excellence initiatives, partially offset by the impact of the 2015 realignment costs noted above. EIG s 2014 operating margins were negatively impacted by approximately 80 basis points due to the Zygo integration costs noted above.

EMG s net sales totaled $1,557.1 million for 2015, a decrease of $43.2 million or 2.7%, compared with $1,600.3 million in 2014. The net sales decrease was due to an unfavorable 4% effect of foreign currency translation and 2% internal sales decline, partially offset by a 4% increase from the 2015 acquisition of Global Tubes.

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EMG s operating income was $318.1 million for 2015, a decrease of $16.9 million or 5.0%, compared with $335.0 million in 2014. EMG s decrease in operating income was primarily due to the lower sales noted above and the 2015 realignment costs, partially offset by the benefits of the Group s Operational Excellence initiatives. EMG s operating margins were 20.4% of net sales for 2015, compared with 20.9% of net sales in 2014. EMG s decrease in operating margins resulted primarily from the impact of the 2015 realignment costs noted above, partially offset by the benefits of the Group s Operational Excellence initiatives.

Results of operations for the fourth quarter of 2015 compared with the fourth quarter of 2014

Net sales for the fourth quarter of 2015 were $988.0 million, a decrease of $36.1 million or 3.5%, compared with net sales of $1,024.1 million for the fourth quarter of 2014. The decrease in net sales for the fourth quarter of 2015 was due to a 4% internal sales decline and an unfavorable 3% effect of foreign currency translation, partially offset by a 3% increase from acquisitions.

Segment operating income for the fourth quarter of 2015 was $221.8 million, a decrease of $18.1 million or 7.5%, compared with segment operating income of $239.9 million for the fourth quarter of 2014. The decrease in segment operating income was primarily due to the lower sales noted above and included $20.0 million of fourth quarter of 2015 realignment costs, partially offset by the acquisitions noted above, as well as the benefits of the Group s Operational Excellence initiatives. Segment operating income for the fourth quarter of 2014 included $5.2 million in Zygo integration costs, comprised of $1.3 million in severance charges and $4.0 million in other charges, related to the Zygo acquisition. Segment operating income, as a percentage of net sales, decreased to 22.5% for the fourth quarter of 2015, compared with 23.4% for the fourth quarter of 2014. In the fourth quarter of 2015, the benefits of the Group s Operational Excellence initiatives, partially offset the approximate 200 basis point negative impact from the fourth quarter of 2015 realignment costs noted above. Segment operating margins for the fourth quarter of 2014 were negatively impacted by approximately 50 basis points due to the fourth quarter of 2014 Zygo integration costs noted above.

Cost of sales, excluding depreciation expense for the fourth quarter of 2015 was $647.6 million or 65.5% of net sales, a decrease of $15.9 million or 2.4%, compared with $663.5 million or 64.8% of net sales for the fourth quarter of 2014. The cost of sales, excluding depreciation expense decrease was primarily due to the net sales decrease noted above, the impact of foreign currency translation, as well as cost containment initiatives, which offset the fourth quarter of 2015 realignment costs described above. Cost of sales, excluding depreciation expense for the fourth quarter of 2014 included $5.2 million of Zygo integration costs described above.

Net income for the fourth quarter of 2015 was $136.8 million, a decrease of $15.2 million or 10.0%, compared with $152.0 million for the fourth quarter of 2014. The fourth quarter of 2015 realignment costs reduced the fourth quarter of 2015 net income by $13.9 million. The fourth quarter of 2014 Zygo integration costs reduced the fourth quarter of 2014 net income by $3.2 million.

Diluted earnings per share for the fourth quarter of 2015 were $0.57, a decrease of $0.05 or 8.1%, compared with $0.62 per diluted share for the fourth quarter of 2014. The fourth quarter of 2015 realignment costs had the effect of reducing the fourth quarter of 2015 diluted earnings per share by $0.06. The fourth quarter of 2014 Zygo integration costs had the effect of reducing the fourth quarter of 2014 diluted earnings per share by $0.01.

Segment Results

EIG s net sales totaled $628.4 million for the fourth quarter of 2015, a decrease of $16.0 million or 2.5%, compared with $644.4 million for the fourth quarter of 2014. The net sales decrease was due to an unfavorable 3% effect of foreign currency translation and 2% internal sales decline, partially offset by a 2% increase from the 2015 acquisition of Surface Vision.

EIG s operating income was $161.7 million for the fourth quarter of 2015, a decrease of $1.2 million or 0.7%, compared with $162.9 million for the fourth quarter of 2014. EIG s decrease in operating income was

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primarily due to the lower sales noted above and included $9.3 million of fourth quarter of 2015 realignment costs, partially offset by the benefits of the Group s Operational Excellence initiatives. EIG s fourth quarter of 2014 operating income included $5.2 million of Zygo integration costs. EIG s operating margins were 25.7% of net sales for the fourth quarter of 2015, compared with 25.3% of net sales for the fourth quarter of 2014. EIG s increase in operating margins resulted primarily from the benefits of the Group s Operational Excellence initiatives, partially offset by the approximate 150 basis point negative impact from the fourth quarter of 2015 realignment costs noted above. EIG s fourth quarter of 2014 operating margins were negatively impacted by approximately 80 basis points due to the fourth quarter of 2014 Zygo integration costs noted above.

EMG s net sales totaled $359.6 million for the fourth quarter of 2015, a decrease of $20.2 million or 5.3%, compared with $379.8 million for the fourth quarter of 2014. The net sales decrease was due to an 8% internal sales decline and an unfavorable 3% effect of foreign currency translation, partially offset by a 5% increase from the 2015 acquisition of Global Tubes.

EMG s operating income was $60.2 million for the fourth quarter of 2015, a decrease of $16.8 million or 21.8%, compared with $77.0 million for the fourth quarter of 2014. EMG s decrease in operating income was primarily due to the lower sales noted above and included $10.8 million of fourth quarter of 2015 realignment costs, partially offset by the benefits of the Group s Operational Excellence initiatives. EMG s operating margins were 16.7% of net sales for the fourth quarter of 2015, compared with 20.3% of net sales for the fourth quarter of 2014. EMG s fourth quarter of 2015 operating margins were negatively impacted by approximately 300 basis points due to the fourth quarter of 2015 realignment costs noted above.

Results of Operations for the year ended December 31, 2014 compared with the year ended December 31, 2013

In 2014, the Company established records for orders, sales, operating income, net income, diluted earnings per share and operating cash flow. The Company achieved these results from contributions from the acquisitions completed in 2014 and the acquisitions of Powervar, Inc. in December 2013, Creaform, Inc. in October 2013 and Controls Southeast (CSI) in August 2013, internal sales growth in both EIG and EMG, as well as the Company s Operational Excellence initiatives.

Net sales for 2014 were $4,022.0 million, an increase of $427.9 million or 11.9%, compared with net sales of $3,594.1 million in 2013. EIG net sales were $2,421.6 million in 2014, an increase of 19.0% from $2,034.6 million in 2013. EMG net sales were $1,600.3 million in 2014, an increase of 2.6% from $1,559.5 million in 2013. The increase in net sales for 2014 was attributable to higher order rates which drove internal sales growth of approximately 3% and acquisition growth of 9%.

Total international sales for 2014 were $2,196.2 million or 54.6% of net sales, an increase of $211.7 million or 10.7%, compared with international sales of $1,984.5 million or 55.2% of net sales in 2013. The $211.7 million increase in international sales resulted from the acquisitions noted above and higher sales growth, and includes the effect of foreign currency translation. Both reportable segments of the Company maintain strong international sales presences in Europe and Asia. Export shipments from the United States, which are included in total international sales, were $1,148.1 million in 2014, an increase of $111.1 million or 10.7%, compared with $1,037.0 million in 2013. Export shipments improved due to increased exports from the 2014 and 2013 acquisitions noted above, excluding Teseq and Creaform.

New orders for 2014 were a record at $4,079.3 million, an increase of $457.4 million or 12.6%, compared with $3,621.9 million in 2013. The increase in orders for 2014 was due to internal order growth of approximately 4%, acquisitions added 10% and foreign currency translation was an unfavorable 1% effect. As a result, the Company s backlog of unfilled orders at December 31, 2014 was $1,197.3 million, an increase of $57.3 million or 5.0%, compared with $1,140.0 million at December 31, 2013.

Segment operating income for 2014 was $948.0 million, an increase of $86.5 million or 10.0%, compared with segment operating income of $861.5 million in 2013. The increase in segment operating income resulted

primarily from the acquisitions and internal sales growth noted above, as well as the benefits of the Company s Operational Excellence initiatives, partially offset by $18.9 million in Zygo integration costs, comprised of $10.4 million in severance charges, a $4.5 million fair value inventory adjustment and $4.0 million in other charges, related to the Zygo acquisition. Segment operating income, as a percentage of net sales, decreased to 23.6% in 2014, compared with 24.0% in 2013. The decrease in segment operating margins resulted primarily from the Zygo integration costs described above, partially offset by the benefits of the Company s Operational Excellence initiatives.

Cost of sales, excluding depreciation expense for 2014 was $2,597.0 million or 64.6% of net sales, an increase of $273.4 million or 11.8%, compared with $2,323.6 million or 64.7% of net sales for 2013. The cost of sales, excluding depreciation expense increase was primarily due to the net sales increase noted above. Cost of sales, excluding depreciation expense for 2014 included $18.9 million of Zygo integration costs described above.

SG&A expenses for 2014 were $462.6 million, an increase of $64.4 million or 16.2%, compared with $398.2 million in 2013. As a percentage of net sales, SG&A expenses were 11.5% for 2014, compared with 11.1% in 2013. Selling expenses for 2014 were $413.8 million, an increase of $61.6 million or 17.5%, compared with $352.2 million in 2013. Selling expenses, as a percentage of net sales, increased to 10.3% for 2014, compared with 9.8% in 2013. The selling expenses increase and the corresponding increase in selling expenses as a percentage of sales were due primarily to business acquisitions. The Company s acquisition strategy generally is to acquire differentiated businesses, which, because of their distribution channels and higher marketing costs, tend to have a higher rate of selling expenses. Base business selling expenses increased approximately 4% for 2014 compared with 2013, which was in line with internal sales growth.

Corporate administrative expenses for 2014 were $48.8 million, an increase of $2.8 million or 6.1%, compared with $46.0 million in 2013. As a percentage of net sales, corporate administrative expenses were 1.2% for 2014, compared with 1.3% in 2013.

Consolidated operating income was $898.6 million or 22.3% of net sales for 2014, an increase of $83.5 million or 10.2%, compared with $815.1 million or 22.7% of net sales in 2013.

Interest expense was $79.9 million for 2014, an increase of $6.3 million or 8.6%, compared with $73.6 million in 2013. The increase was due to the impact of the initial funding of the private placement senior notes in the third quarter of 2014 and higher borrowings under the revolving credit facility to help fund the recent acquisitions.

Other expenses, net were $13.8 million for 2014, a decrease of $2.9 million, compared with $16.7 million in 2013. The decrease was driven by an $8.0 million insurance policy gain in the fourth quarter of 2014, partially offset by a $5.5 million reversal of an insurance policy receivable related to a specific uncertain tax position liability of an acquired entity in the third quarter of 2014.

The effective tax rate for 2014 was 27.4%, compared with 28.7% in 2013. Both years effective tax rates reflect the improving mix of foreign earnings subject to tax at lower rates and a continued trend in lower state tax rates. The 2014 effective tax rate reflects a release of $12.9 million of uncertain tax position liabilities related to an acquired entity due to the final closure of a tax year and foreign tax credit benefit on amounts repatriated during the year. On a comparative basis, the 2013 effective tax rate reflected the retroactive extension of the U.S. research and development tax credit. See Note 8 to the consolidated financial statements included in this Appendix for further details.

Net income for 2014 was $584.5 million, an increase of $67.5 million or 13.1%, compared with $517.0 million in 2013. The Zygo integration costs reduced 2014 net income by $13.9 million. Diluted earnings per share for 2014 were $2.37, an increase of $0.27 or 12.9%, compared with $2.10 per diluted share in 2013. The Zygo integration costs had the effect of reducing 2014 diluted earnings per share by $0.05 per diluted share.

Segment Results

EIG s net sales totaled $2,421.6 million for 2014, an increase of $387.0 million or 19.0%, compared with $2,034.6 million in 2013. The net sales increase included internal sales growth of approximately 4%, primarily driven by increases in EIG s process instruments businesses, and the 2014 acquisitions and 2013 acquisitions of Powervar and Creaform added 15%.

EIG s operating income was $613.0 million for 2014, an increase of $60.9 million or 11.0%, compared with $552.1 million in 2013. EIG s increase in operating income was primarily due to the higher sales noted above, partially offset by the Zygo integration costs described above. EIG s operating margins were 25.3% of net sales for 2014, compared with 27.1% of net sales in 2013. EIG s decrease in operating margins resulted primarily from the Zygo integration costs described above, partially offset by the benefits of the Group s Operational Excellence initiatives. EIG s 2013 operating margins included a $11.6 million gain on the sale of a facility recorded in third quarter, which was partially offset by incremental growth investments in the businesses recorded in the third and fourth quarters.

EMG s net sales totaled $1,600.3 million for 2014, an increase of $40.8 million or 2.6%, compared with $1,559.5 million in 2013. The net sales increase was attributable to internal sales growth, driven by increases in EMG s differentiated businesses.

EMG s operating income was $335.0 million for 2014, an increase of $25.6 million or 8.3%, compared with $309.4 million in 2013. EMG s operating margins were 20.9% of net sales for 2014, compared with 19.8% of net sales in 2013. EMG s increase in operating income and operating margins was driven by the stronger performance in its differentiated businesses, which have higher operating margins than the Group s floor care and specialty motors businesses.

Liquidity and Capital Resources

Cash provided by operating activities totaled $672.5 million in 2015, a decrease of $53.5 million or 7.4%, compared with $726.0 million in 2014. The decrease in cash provided by operating activities was primarily due to the $49.5 million increase in defined benefit pension plan contributions, driven by a $50.0 million contribution to the Company s U.S. defined benefit pension plans in the first quarter of 2015. Free cash flow (cash flow provided by operating activities less capital expenditures) was $603.5 million in 2015, compared with $654.6 million in 2014. EBITDA (earnings before interest, income taxes, depreciation and amortization) was $1,046.9 million in 2015, compared with $1,022.6 million in 2014. Free cash flow and EBITDA are presented because the Company is aware that they are measures used by third parties in evaluating the Company. (See tables on page A-4 for a reconciliation of U.S. generally accepted accounting principles (GAAP) measures to comparable non-GAAP measures).

Cash used for investing activities totaled $425.6 million in 2015, compared with $641.6 million in 2014. In 2015, the Company paid $356.5 million, net of cash acquired, to acquire Global Tubes in May 2015 and Surface Vision in July 2015. In 2014, the Company paid $573.6 million, net of cash acquired, to acquire Teseq in January 2014, VTI Instruments in February 2014, Luphos in May 2014, Zygo in June 2014 and Amptek in August 2014. Additions to property, plant and equipment totaled $69.1 million in 2015, compared with $71.3 million in 2014.

Cash used for financing activities totaled $217.0 million in 2015, compared with $24.1 million of cash provided by financing activities in 2014. In 2015, the Company repurchased approximately 7,978,000 shares of its common stock for $435.4 million, compared with $245.3 million used for repurchases of approximately 4,755,000 shares in 2014. On both April 1 and November 4, 2015, the Company s Board of Directors approved an increase of $350 million in the authorization for the repurchase of the Company s common stock. At December 31, 2015, $311.7 million was available under the Company s Board of Directors authorization for future share repurchases.

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Additional financing activities for 2015 include cash dividends paid of $86.0 million, compared with $80.6 million in 2014. Proceeds from the exercise of employee stock options were $39.2 million in 2015, compared with $17.8 million in 2014.

In 2015, short-term borrowings increased $226.8 million, compared with a decrease of $172.5 million in 2014. In 2015, long-term borrowings increased $18.0 million, compared with an increase of $499.1 million in 2014.

In August 2015, the Company obtained the third funding of $150 million under the third quarter of 2014 private placement agreement (the 2014 Private Placement), consisting of $100 million in aggregate principal amount of 3.96% senior notes due August 2025 and $50 million in aggregate principal amount of 4.45% senior notes due August 2035. In June 2015, the Company obtained the second funding of $50 million in aggregate principal amount of 3.91% senior notes due June 2025 under the 2014 Private Placement. The first funding under the 2014 Private Placement occurred in September 2014 for $500 million, consisting of $300 million in aggregate principal amount of 3.73% senior notes due September 2024, $100 million in aggregate principal amount of 3.83% senior notes due September 2026 and $100 million in aggregate principal amount of 3.98% senior notes due September 2029. The 2014 Private Placement senior notes carry a weighted average interest rate of 3.88% and are subject to certain customary covenants, including financial covenants that, among other things, require the Company to maintain certain debt-to-EBITDA (earnings before interest, income taxes, depreciation and amortization) and interest coverage ratios. The proceeds from the third funding of the 2014 Private Placement were used to pay down senior notes that matured in the third quarter of 2015 described further below. The proceeds from the second funding of the 2014 Private Placement were used to pay down domestic borrowings under the Company s revolving credit facility.

In the third quarter of 2015, the Company paid in full, at maturity, $90 million in aggregate principal amount of 6.59% private placement senior notes and a 50 million Euro ($56.4 million) 3.94% senior note.

In the fourth quarter of 2015, the Company paid in full, at maturity, $35 million in aggregate principal amount of 6.69% private placement senior notes.

The Company has a revolving credit facility with a total borrowing capacity of $700 million, which excludes an accordion feature that permits the Company to request up to an additional $200 million in revolving credit commitments at any time during the life of the revolving credit agreement under certain conditions. The revolving credit facility expires in December 2018. Interest rates on outstanding loans under the revolving credit facility are at the applicable benchmark rate plus a negotiated spread or at the U.S. prime rate. The revolving credit facility provides the Company with additional financial flexibility to support its growth plans, including its successful acquisition strategy. At December 31, 2015, the Company had available borrowing capacity of $550.3 million under its revolving credit facility, including the $200 million accordion feature.

In January 2016, the Company acquired Brookfield Engineering Laboratories for approximately $167 million and ESP/SurgeX for approximately $130 million using borrowings under its revolving credit facility.

At December 31, 2015, total debt outstanding was $1,942.1 million, compared with $1,714.0 million at December 31, 2014. In the fourth quarter of 2016, 40 million British pound ($59.0 million at December 31, 2015) of debt will mature and become payable. The debt-to-capital ratio was 37.4% at December 31, 2015, compared with 34.6% at December 31, 2014. The net debt-to-capital ratio (total debt less cash and cash equivalents divided by the sum of net debt and stockholders equity) was 32.4% at December 31, 2015, compared with 29.2% at December 31, 2014. The net debt-to-capital ratio is presented because the Company is aware that this measure is used by third parties in evaluating the Company. (See table on page A-4 for a reconciliation of U.S. GAAP measures to comparable non-GAAP measures).

As a result of all of the Company s cash flow activities in 2015, cash and cash equivalents at December 31, 2015 totaled $381.0 million, compared with $377.6 million at December 31, 2014. At December 31, 2015, the

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Company had $357.2 million in cash outside the United States, compared with $352.8 million at December 31, 2014. The Company utilizes this cash to fund its international operations, as well as to acquire international businesses. In May 2015, the Company acquired Global Tubes for $198.8 million utilizing cash outside the United States. The Company is in compliance with all covenants, including financial covenants, for all of its debt agreements. The Company believes it has sufficient cash-generating capabilities from domestic and unrestricted foreign sources, available credit facilities and access to long-term capital funds to enable it to meet its operating needs and contractual obligations in the foreseeable future.

The following table summarizes AMETEK s contractual cash obligations and the effect such obligations are expected to have on the Company s liquidity and cash flows in future years at December 31, 2015.

		Payments Due			
Contractual Obligations(1)	**Total**	**Less Than One Year**	**One to Three Years**	**Four to Five Years**	**After Five Years**
			(In millions)		
Long-term debt(2)	$ 1,607.2	$ 59.1	$ 575.0	$ 218.1	$ 755.0
Revolving credit loans(3)	314.1	314.1			
Capital lease(4)	5.7	0.9	4.8		
Other indebtedness	15.1	11.9	1.8	1.4	
Total debt	1,942.1	386.0	581.6	219.5	755.0
Interest on long-term fixed-rate debt	445.8	81.9	133.7	72.4	157.8
Noncancellable operating leases(5)	137.3	34.2	39.4	22.9	40.8
Purchase obligations(6)	321.7	294.8	12.3	14.6	
Restructuring and other	29.2	23.9	5.3		
Total	$ 2,876.1	$ 820.8	$ 772.3	$ 329.4	$ 953.6

(1) The liability for uncertain tax positions was not included in the table of contractual obligations as of December 31, 2015 because the timing of the settlements of these uncertain tax positions cannot be reasonably estimated at this time. See Note 8 to the consolidated financial statements included in this Appendix for further details.

(2) See Note 9 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further long-term debt details.

(3) Although not contractually obligated, the Company expects to have the capability to repay the revolving credit loan within one year as permitted in the credit agreement. Accordingly, $314.1 million was classified as short-term debt at December 31, 2015.

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

(5) The leases expire over a range of years from 2016 to 2082 with renewal or purchase options, subject to various terms and conditions, contained in most of the leases.

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

Other Commitments

The Company has standby letters of credit and surety bonds of $40.2 million related to performance and payment guarantees at December 31, 2015. Based on experience with these arrangements, the Company believes that any obligations that may arise will not be material to its financial position.

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Critical Accounting Policies

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

Revenue Recognition. The Company recognizes revenue on product sales in the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, under which title and risk of loss have been transferred, collectability is reasonably assured and pricing is fixed or determinable. For a small percentage of sales where title and risk of loss passes at point of delivery, the Company recognizes revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met. The Company s policy with respect to sales returns and allowances generally provides that the customer may not return products or be given allowances, except at the Company s option. The Company has agreements with distributors that do not provide expanded rights of return for unsold products. The distributor purchases the product from the Company, at which time title and risk of loss transfers to the distributor. The Company does not offer substantial sales incentives and credits to its distributors other than volume discounts. The Company accounts for the sales incentive as a reduction of revenues when the sale is recognized. Accruals for sales returns, other allowances and estimated warranty costs are provided at the time revenue is recognized based upon past experience. At December 31, 2015 and 2014, the accrual for future warranty obligations was $22.8 million and $29.8 million, respectively. The Company s expense for warranty obligations was $14.8 million, $16.5 million and $15.1 million in 2015, 2014 and 2013, respectively. The warranty periods for products sold vary widely among the Company s operations, but for the most part do not exceed one year. The Company calculates its warranty expense provision based on past warranty experience and adjustments are made periodically to reflect actual warranty expenses. If actual future sales returns and allowances and warranty amounts are higher than past experience, additional accruals may be required.

Accounts Receivable. The Company maintains allowances for estimated losses resulting from the inability of specific customers to meet their financial obligations to the Company. A specific reserve for bad debts is recorded against the amount due from these customers. For all other customers, the Company recognizes reserves for bad debts based on the length of time specific receivables are past due based on its historical experience. If the financial condition of the Company s customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required. The allowance for possible losses on receivables was $8.6 million and $10.4 million at December 31, 2015 and 2014, respectively.

Inventories. The Company uses the first-in, first-out (FIFO) method of accounting, which approximates current replacement cost, for approximately 82% of its inventories at December 31, 2015. The last-in, first-out (LIFO) method of accounting is used to determine cost for the remaining 18% of its inventory at December 31, 2015. For inventories where cost is determined by the LIFO method, the FIFO value would have been $19.4 million and $24.4 million higher than the LIFO value reported in the consolidated balance sheet at December 31, 2015 and 2014, respectively. The Company provides estimated inventory reserves for slow-moving and obsolete inventory based on current assessments about future demand, market conditions, customers who may be experiencing financial difficulties and related management initiatives. If these factors are less favorable than those projected by management, additional inventory reserves may be required.

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Business Combinations. The Company allocates the purchase price of an acquired company, including when applicable, the fair value of contingent consideration between tangible and intangible assets acquired and liabilities assumed from the acquired businesses based on estimated fair values, with any residual of the purchase price recorded as goodwill. Third party appraisal firms and other consultants are engaged to assist management in determining the fair values of certain assets acquired and liabilities assumed. Estimating fair values requires significant judgments, estimates and assumptions, including but not limited to: discount rates, future cash flows and the economic lives of trade names, technology, customer relationships, property, plant and equipment, as well as income taxes. These estimates are based on historical experience and information obtained from the management of the acquired companies, and are inherently uncertain.

Goodwill and Other Intangible Assets. Goodwill and other intangible assets with indefinite lives, primarily trademarks and trade names, are not amortized; rather, they are tested for impairment at least annually. For the purpose of the goodwill impairment test, the Company can elect to perform a qualitative analysis to determine if it is more likely than not that the fair values of its reporting units are less than the respective carrying values of those reporting units. The Company elected to bypass performing the qualitative screen and performed the first step quantitative analysis of the goodwill impairment test in the current year. The Company may elect to perform the qualitative analysis in future periods. The first step in the quantitative process is to compare the carrying amount of the reporting unit s net assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step must be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being implied goodwill. An impairment loss occurs and would be required to be recorded if the amount of the recorded goodwill exceeds the implied goodwill.

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

The Company principally relies on a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an appropriate discount rate. The Company believes that market participants would use a discounted cash flow analysis to determine the fair value of its reporting units in a sale transaction. The annual goodwill impairment test requires the Company to make a number of assumptions and estimates concerning future levels of revenue growth, operating margins, depreciation, amortization and working capital requirements, which are based upon the Company s long-range plan. The Company s long-range plan is updated as part of its annual planning process and is reviewed and approved by management. The discount rate is an estimate of the overall after-tax rate of return required by a market participant whose weighted average cost of capital includes both equity and debt, including a risk premium. While the Company uses the best available information to prepare its cash flow and discount rate assumptions, actual future cash flows or market conditions could differ significantly resulting in future impairment charges related to recorded goodwill balances. While there are always changes in assumptions to reflect changing business and market conditions, the Company s overall methodology and the population of assumptions used have remained unchanged. In order to evaluate the sensitivity of the goodwill impairment test to changes in the fair value calculations, the Company applied a hypothetical 10% decrease in fair values of each reporting unit. The 2015 results (expressed as a percentage of carrying value for the respective reporting unit) showed that, despite the hypothetical 10% decrease in fair value, the fair values of the Company s reporting units still exceeded their respective carrying values by 20% to 717% for each of the Company s reporting units.

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The impairment test for indefinite-lived intangibles other than goodwill (primarily trademarks and trade names) consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset as of the impairment testing date. The Company can elect to perform a qualitative analysis to determine if it is more likely than not that the fair values of its indefinite-lived intangible assets are less than the respective carrying values of those assets. The Company elected to bypass performing the qualitative screen. The Company may elect to perform the qualitative analysis in future periods. The Company estimates the fair value of its indefinite-lived intangibles using the relief from royalty method. The Company believes the relief from royalty method is a widely used valuation technique for such assets. The fair value derived from the relief from royalty method is measured as the discounted cash flow savings realized from owning such trademarks and trade names and not having to pay a royalty for their use.

The Company s acquisitions have generally included a significant goodwill component and the Company expects to continue to make acquisitions. At December 31, 2015, goodwill and other indefinite-lived intangible assets totaled $3,219.3 million or 48.3% of the Company s total assets. The Company performed its required annual impairment tests in the fourth quarter of 2015 and determined that the Company s goodwill and indefinite-lived intangibles were not impaired. There can be no assurance that goodwill or indefinite-lived intangibles impairment will not occur in the future.

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

Pensions. The Company has U.S. and foreign defined benefit and defined contribution pension plans. The most significant elements in determining the Company s pension income or expense are the assumed pension liability discount rate and the expected return on plan assets. The pension discount rate reflects the current interest rate at which the pension liabilities could be settled at the valuation date. At the end of each year, the Company determines the assumed discount rate to be used to discount plan liabilities. In estimating this rate for 2015, the Company considered rates of return on high-quality, fixed-income investments that have maturities consistent with the anticipated funding requirements of the plan. The discount rate used in determining the 2015 pension cost was 4.20% for U.S. defined benefit pension plans and 3.44% for foreign plans. The discount rate used for determining the funded status of the plans at December 31, 2015 and determining the 2016 defined benefit pension cost was 4.80% for U.S. plans and 3.62% for foreign plans. In estimating the U.S. and foreign discount rates, the Company s actuaries developed a customized discount rate appropriate to the plans projected benefit cash flow based on yields derived from a database of long-term bonds at consistent maturity dates. The Company used an expected long-term rate of return on plan assets for 2015 of 7.75% for U.S. defined benefit pension plans and 6.92% for foreign plans. In 2016, the Company will use 7.75% for the U.S. plans and 6.95% for the foreign plans. The Company determines the expected long-term rate of return based primarily on its expectation of future returns for the pension plans investments. Additionally, the Company considers historical returns on comparable fixed-income and equity investments, and adjusts its estimate as deemed appropriate. The rate of compensation increase used in determining the 2015 pension income for the U.S. plans was 3.75% and was 2.88% for the foreign plans. The U.S. and foreign plans rates of compensation increase will remain unchanged in 2016. In 2015, the Company recognized consolidated pre-tax pension income of $9.8 million from its U.S. and foreign defined benefit pension plans, compared with pre-tax pension income of $10.7 million recognized for these plans in 2014. The Company estimates its 2016 U.S. and foreign defined benefit pension pre-tax income to be approximately $5.0 million.

All unrecognized prior service costs, remaining transition obligations or assets and actuarial gains and losses have been recognized, net of tax effects, as a charge to accumulated other comprehensive income in stockholders equity and will be amortized as a component of net periodic pension cost. The Company uses a December 31 measurement date (the date at which plan assets and benefit obligations are measured) for its U.S. and foreign defined benefit plans.

To fund the plans, the Company made cash contributions to its defined benefit pension plans in 2015, which totaled $55.2 million, compared with $5.7 million in 2014. The Company anticipates making approximately $4 million to $7 million in cash contributions to its defined benefit pension plans in 2016.

Income Taxes. The process of providing for income taxes and determining the related balance sheet accounts requires management to assess uncertainties, make judgments regarding outcomes and utilize estimates. The Company conducts a broad range of operations around the world and is therefore subject to complex tax regulations in numerous international taxing jurisdictions, resulting at times in tax audits, disputes and potential litigation, the outcome of which is uncertain. Management must make judgments currently about such uncertainties and determine estimates of the Company s tax assets and liabilities. To the extent the final outcome differs, future adjustments to the Company s tax assets and liabilities may be necessary.

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

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

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08*, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). ASU 2014-08 revised guidance to only allow disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity) and that have a major effect on a reporting entity s operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. The Company adopted ASU 2013-08 effective January 1, 2015 and the adoption did not have an impact on the Company s consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in

accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue at the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, the Company must (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract s performance obligations; and (5) recognize revenue when the Company satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. ASU 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017 and can be adopted by the Company using either a full retrospective or modified retrospective approach. ASU 2014-09 may be early adopted for interim and annual reporting periods beginning after December 15, 2016. The Company has developed and begun work on an implementation plan for ASU 2014-09. The Company is in the process of determining the impact ASU 2014-09 may have on the Company s consolidated results of operations, financial position, cash flows and financial statement disclosures, and has not decided upon the method of adoption.

In February 2015, the FASB issued ASU No. 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02). ASU 2015-02 is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). ASU 2015-02 makes specific amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the variable interest entities guidance. ASU 2014-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-02 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. The new guidance will be applied on a retrospective basis and early adoption is permitted. The Company does not expect the adoption of ASU 2015-03 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU No. 2015-05*, Customer s Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU 2015-05). ASU 2015-05 is intended to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The guidance clarifies that customers should determine whether a cloud computing arrangement includes the license of software by applying the same guidance cloud service providers use to make this determination. For public business entities, the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-05 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory* (ASU 2015-11), which applies to inventory that is measured using FIFO or average cost. As proscribed in this update, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using LIFO. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company has not determined the impact ASU 2015-11 may have on the Company s consolidated results of operations, financial position or cash flows.

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In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* (ASU 2015-16). ASU 2015-16 eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU 2015-16 effective October 1, 2015 and the adoption did not have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 is effective for interim and annual reporting periods beginning after December 15, 2016. ASU 2015-17 may be adopted prospectively or retrospectively and early adoption is permitted. The Company has not determined the impact ASU 2015-17 may have on the Company s consolidated results of operations, financial position or cash flows and has not decided upon the method of adoption.

Internal Reinvestment

Capital Expenditures

Capital expenditures were $69.1 million or 1.7% of net sales in 2015, compared with $71.3 million or 1.8% of net sales in 2014. In 2015, 53% of capital expenditures were for improvements to existing equipment or additional equipment to increase productivity and expand capacity. Capital expenditures in 2016 are expected to approximate 1.8% of net sales, with a continued emphasis on spending to improve productivity.

Development and Engineering

The Company is committed to, and has consistently invested in, research, development and engineering activities to design and develop new and improved products. Research, development and engineering costs before customer reimbursement were $200.8 million, $208.3 million and $178.7 million in 2015, 2014 and 2013, respectively. Customer reimbursements in 2015, 2014 and 2013 were $6.9 million, $8.9 million and $9.2 million, respectively. These amounts included net Company-funded research and development expenses of $116.3 million, $119.3 million and $93.9 million in 2015, 2014 and 2013, respectively. All such expenditures were directed toward the development of new products and processes and the improvement of existing products and processes.

Environmental Matters

Certain historic processes in the manufacture of products have resulted in environmentally hazardous waste by-products as defined by federal and state laws and regulations. The Company believes these waste products were handled in compliance with regulations existing at that time. At December 31, 2015, the Company is named a Potentially Responsible Party (PRP) at 14 non-AMETEK-owned former waste disposal or treatment sites (the non-owned sites). The Company is identified as a de minimis party in 13 of these sites based on the low volume of waste attributed to the Company relative to the amounts attributed to other named PRPs. In nine of these sites, the Company has reached a tentative agreement on the cost of the de minimis settlement to satisfy its obligation and is awaiting executed agreements. The tentatively agreed-to settlement amounts are fully reserved. In the other four sites, the Company is continuing to investigate the accuracy of the alleged volume attributed to the Company as estimated by the parties primarily responsible for remedial activity at the sites to establish an appropriate settlement amount. At the remaining site where the Company is a non-de minimis PRP, the Company is participating in the investigation and/or related required remediation as part of a PRP Group and reserves have

been established sufficient to satisfy the Company s expected obligations. The Company historically has resolved these issues within established reserve levels and reasonably expects this result will continue. In addition to these non-owned sites, the Company has an ongoing practice of providing reserves for probable remediation activities at certain of its current or previously owned manufacturing locations (the owned sites). For claims and proceedings against the Company with respect to other environmental matters, reserves are established once the Company has determined that a loss is probable and estimable. This estimate is refined as the Company moves through the various stages of investigation, risk assessment, feasibility study and corrective action processes. In certain instances, the Company has developed a range of estimates for such costs and has recorded a liability based on the low end of the range. It is reasonably possible that the actual cost of remediation of the individual sites could vary from the current estimates and the amounts accrued in the consolidated financial statements; however, the amounts of such variances are not expected to result in a material change to the consolidated financial statements. In estimating the Company s liability for remediation, the Company also considers the likely proportionate share of the anticipated remediation expense and the ability of the other PRPs to fulfill their obligations.

Total environmental reserves at December 31, 2015 and 2014 were $30.5 million and $26.6 million, respectively, for both non-owned and owned sites. In 2015, the Company recorded $9.2 million in reserves, of which $8.4 million was related to a 2015 business acquisition. These reserves relate to the estimated costs to remediate known environmental issues associated with the acquired business. Additionally, the Company spent $5.1 million on environmental matters in 2015. The Company s reserves for environmental liabilities at December 31, 2015 and 2014 include reserves of $11.5 million and $11.7 million, respectively, for an owned site acquired in connection with the 2005 acquisition of HCC Industries (HCC). The Company is the designated performing party for the performance of remedial activities for one of several operating units making up a Superfund site in the San Gabriel Valley of California. The Company has obtained indemnifications and other financial assurances from the former owners of HCC related to the costs of the required remedial activities. At December 31, 2015, the Company had $10.0 million in receivables related to HCC for probable recoveries from third-party escrow funds and other committed third-party funds to support the required remediation. Also, the Company is indemnified by HCC s former owners for approximately $19 million of additional costs.

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

The Company believes it has established reserves which are sufficient to perform all known responsibilities under existing claims and consent orders. The Company has no reason to believe that other third parties would fail to perform their obligations in the future. In the opinion of management, based upon presently available information and past experience related to such matters, an adequate provision for probable costs has been made and the ultimate cost resulting from these actions is not expected to materially affect the consolidated results of operations, financial position or cash flows of the Company.

Market Risk

The Company s primary exposures to market risk are fluctuations in interest rates, foreign currency exchange rates and commodity prices, which could impact its financial condition and results of operations. The Company addresses its exposure to these risks through its normal operating and financing activities. The Company s differentiated and global business activities help to reduce the impact that any particular market risk may have on its operating income as a whole.

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

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

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

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

Forward-Looking Information

Certain matters discussed in this Appendix are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 (PSLRA), which involve risk and uncertainties that exist in the Company s operations and business environment and can be affected by inaccurate assumptions, or by known or unknown risks and uncertainties. Many such factors will be important in determining the Company s actual future results. The Company wishes to take advantage of the safe harbor provisions of the PSLRA by cautioning readers that numerous important factors, in some cases have caused, and in the future could cause, the Company s actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. Some, but not all, of the factors or uncertainties that could cause actual results to differ from present expectations are contained in the Company s Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, subsequent events or otherwise, unless required by the securities laws to do so.

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Management s Responsibility for Financial Statements

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

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

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

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

The Audit Committee of the Board of Directors, which is composed solely of independent directors who are not employees of the Company, meets with the independent registered public accounting firm, the internal auditors and management to satisfy itself that each is properly discharging its responsibilities. The report of the Audit Committee is included in the Company s Proxy Statement for the 2016 Annual Meeting of Stockholders. Both the independent registered public accounting firm and the internal auditors have direct access to the Audit Committee.

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

Management s Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, AMETEK, Inc. conducted an evaluation of the effectiveness of the Company s internal control over financial reporting as of December 31, 2015 based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, our management concluded that the Company s internal control over financial reporting was effective as of December 31, 2015.

In May 2015 and July 2015, the Company acquired Global Tubes and Surface Vision, formerly referred to as the Surface Inspection Systems Division of Cognex Corporation, respectively. As permitted by related U.S. Securities and Exchange Commission staff interpretative guidance for newly acquired businesses, the Company excluded Global Tubes and Surface Vision from management s assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2015. In the aggregate, Global Tubes and Surface Vision constituted 6.4% of total assets as of December 31, 2015 and 2.2% of net sales for the year then ended.

The Company s internal control over financial reporting as of December 31, 2015 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Chairman of the Board and Chief Executive Officer	Executive Vice President Chief Financial Officer
February 25, 2016	

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited AMETEK, Inc. s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). AMETEK, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management s Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying *Management s Report on Internal Control Over Financial Reporting*, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Global Tubes and Surface Vision, formerly referred to as the Surface Inspection Systems Division of Cognex Corporation**,** which are included in the 2015 consolidated financial statements of AMETEK, Inc. and constituted 6.4% of total assets as of December 31, 2015 and 2.2% of net sales for the year then ended. Our audit of internal control over financial reporting of AMETEK, Inc. also did not include an evaluation of the internal control over financial reporting of Global Tubes and Surface Vision.

In our opinion, AMETEK, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 25, 2016 expressed an unqualified opinion thereon.

Philadelphia, Pennsylvania

February 25, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

ON FINANCIAL STATEMENTS

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

We have audited the accompanying consolidated balance sheets of AMETEK, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMETEK, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AMETEK, Inc. s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2016 expressed an unqualified opinion thereon.

Philadelphia, Pennsylvania

February 25, 2016

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AMETEK, Inc.

Consolidated Statement of Income

(In thousands, except per share amounts)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net sales	**$ 3,974,295**	$ 4,021,964	$ 3,594,136
Operating expenses:			
Cost of sales, excluding depreciation	**2,549,280**	2,597,017	2,323,642
Selling, general and administrative	**448,592**	462,637	398,177
Depreciation	**68,707**	63,724	57,238
Total operating expenses	**3,066,579**	3,123,378	2,779,057
Operating income	**907,716**	898,586	815,079
Other expenses:			
Interest expense	**(91,795)**	(79,928)	(73,572)
Other, net	**(9,541)**	(13,826)	(16,712)
Income before income taxes	**806,380**	804,832	724,795
Provision for income taxes	**215,521**	220,372	207,796
Net income	**$ 590,859**	$ 584,460	$ 516,999
Basic earnings per share	**$ 2.46**	$ 2.39	$ 2.12
Diluted earnings per share	**$ 2.45**	$ 2.37	$ 2.10
Weighted average common shares outstanding:			
Basic shares	**239,906**	244,885	243,915
Diluted shares	**241,586**	247,102	246,065

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Comprehensive Income

(In thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net income	**$ 590,859**	$ 584,460	$ 516,999
Other comprehensive (loss) income:			
Amounts arising during the period gains (losses), net of tax (expense) benefit:			
Foreign currency translation:			
Translation adjustments	**(67,245)**	(59,712)	2,550
Change in long-term intercompany notes	**(51,235)**	(54,906)	25,047
Net investment hedges, net of tax of $3,432, $4,961 and ($1,587) in 2015, 2014 and 2013, respectively	**(6,374)**	(9,213)	2,938
Defined benefit pension plans:			
Net actuarial (loss) gain, net of tax of $12,870, $42,755 and ($28,884) in 2015, 2014 and 2013, respectively	**(21,002)**	(83,040)	47,498
Amortization of net actuarial loss, net of tax of ($3,247), ($1,650) and ($5,038) in 2015, 2014 and 2013, respectively	**6,137**	2,834	8,446
Amortization of prior service costs, net of tax of ($564), ($753) and $66 in 2015, 2014 and 2013, respectively	**1,809**	2,292	(174)
Unrealized holding (loss) gain on available-for-sale securities:			
Unrealized (loss) gain, net of tax of $445, ($48) and $114 in 2015, 2014 and 2013, respectively	**(827)**	90	(214)
Other comprehensive (loss) income	**(138,737)**	(201,655)	86,091
Total comprehensive income	**$ 452,122**	$ 382,805	$ 603,090

See accompanying notes.

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AMETEK, Inc.

Consolidated Balance Sheet

(In thousands, except share amounts)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 381,005**	$ 377,615
Receivables, net	**603,295**	585,462
Inventories, net	**514,451**	495,896
Deferred income taxes	**46,724**	45,053
Other current assets	**74,138**	74,578
Total current assets	**1,619,613**	1,578,604
Property, plant and equipment, net	**484,548**	448,446
Goodwill	**2,706,633**	2,614,030
Other intangibles, net	**1,672,961**	1,625,561
Investments and other assets	**180,775**	154,322
Total assets	**$ 6,664,530**	$ 6,420,963
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	**$ 386,075**	$ 286,201
Accounts payable	**365,355**	386,207
Income taxes payable	**32,738**	27,157
Accrued liabilities	**241,004**	236,579
Total current liabilities	**1,025,172**	936,144
Long-term debt	**1,556,045**	1,427,825
Deferred income taxes	**624,046**	618,385
Other long-term liabilities	**204,641**	199,048
Total liabilities	**3,409,904**	3,181,402
Stockholders equity:		
Preferred stock, $0.01 par value; authorized 5,000,000 shares; none issued		
Common stock, $0.01 par value; authorized 800,000,000 shares; issued: 2015 260,718,769 shares; 2014 258,830,858 shares	**2,608**	2,589
Capital in excess of par value	**568,286**	491,750
Retained earnings	**3,974,793**	3,469,923
Accumulated other comprehensive loss	**(405,631)**	(266,894)
Treasury stock: 2015 25,203,699 shares; 2014 17,495,583 shares	**(885,430)**	(457,807)
Total stockholders equity	**3,254,626**	3,239,561
Total liabilities and stockholders equity	**$ 6,664,530**	$ 6,420,963

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Stockholders Equity

(In thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
Capital Stock			
Preferred stock, $0.01 par value	**$**	$	$
Common stock, $0.01 par value			
Balance at the beginning of the year	**2,589**	2,581	2,565
Shares issued	**19**	8	16
Balance at the end of the year	**2,608**	2,589	2,581
Capital in Excess of Par Value			
Balance at the beginning of the year	**491,750**	448,700	387,871
Issuance of common stock under employee stock plans	**32,296**	15,290	23,053
Share-based compensation costs	**23,762**	19,871	21,591
Excess tax benefits from exercise of stock options	**20,478**	7,889	16,185
Balance at the end of the year	**568,286**	491,750	448,700
Retained Earnings			
Balance at the beginning of the year	**3,469,923**	2,966,015	2,507,419
Net income	**590,859**	584,460	516,999
Cash dividends paid	**(85,988)**	(80,551)	(58,405)
Other	**(1)**	(1)	2
Balance at the end of the year	**3,974,793**	3,469,923	2,966,015
Accumulated Other Comprehensive (Loss) Income			
Foreign currency translation:			
Balance at the beginning of the year	**(124,920)**	(1,089)	(31,624)
Translation adjustments	**(67,245)**	(59,712)	2,550
Change in long-term intercompany notes	**(51,235)**	(54,906)	25,047
Net investment hedges, net of tax of $3,432, $4,961 and ($1,587) in 2015, 2014 and 2013, respectively	**(6,374)**	(9,213)	2,938
Balance at the end of the year	**(249,774)**	(124,920)	(1,089)
Defined benefit pension plans:			
Balance at the beginning of the year	**(141,982)**	(64,068)	(119,838)
Net actuarial (loss) gain, net of tax of $12,870, $42,755 and ($28,884) in 2015, 2014 and 2013, respectively	**(21,002)**	(83,040)	47,498
Amortization of net actuarial loss, net of tax of ($3,247), ($1,650) and ($5,038) in 2015, 2014 and 2013, respectively	**6,137**	2,834	8,446
Amortization of prior service costs, net of tax of ($564), ($753) and $66 in 2015, 2014 and 2013, respectively	**1,809**	2,292	(174)
Balance at the end of the year	**(155,038)**	(141,982)	(64,068)

Unrealized holding gain (loss) on available-for-sale securities:			
Balance at the beginning of the year	**8**	(82)	132
(Decrease) increase during the year, net of tax	**(827)**	90	(214)
Balance at the end of the year	**(819)**	8	(82)
Accumulated other comprehensive loss at the end of the year	**(405,631)**	(266,894)	(65,239)
Treasury Stock			
Balance at the beginning of the year	**(457,807)**	(215,936)	(211,374)
Issuance of common stock under employee stock plans	**7,777**	3,412	3,905
Purchase of treasury stock	**(435,400)**	(245,283)	(8,467)
Balance at the end of the year	**(885,430)**	(457,807)	(215,936)
Total Stockholders Equity	**$ 3,254,626**	$ 3,239,561	$ 3,136,121

See accompanying notes.

AMETEK, Inc.

Consolidated Statement of Cash Flows

(In thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
Cash provided by (used for):			
Operating activities:			
Net income	**$ 590,859**	$ 584,460	$ 516,999
Adjustments to reconcile net income to total operating activities:			
Depreciation and amortization	**149,460**	138,584	118,657
Deferred income taxes	**6,458**	20,579	1,414
Share-based compensation expense	**23,762**	19,871	21,591
Gain on sale of facilities		(869)	(11,590)
Changes in assets and liabilities, net of acquisitions:			
(Increase) decrease in receivables	**(6,995)**	(35,258)	5,247
(Increase) decrease in inventories and other current assets	**(12,007)**	11,626	(1,790)
(Decrease) increase in payables, accruals and income taxes	**(20,049)**	(18,653)	7,951
Increase in other long-term liabilities	**255**	8,867	9,702
Pension contribution	**(55,215)**	(5,729)	(5,856)
Other	**(3,988)**	2,484	(1,666)
Total operating activities	**672,540**	725,962	660,659
Investing activities:			
Additions to property, plant and equipment	**(69,083)**	(71,327)	(63,314)
Purchases of businesses, net of cash acquired	**(356,466)**	(573,647)	(414,315)
Proceeds from sale of facilities	**421**	950	12,799
Other	**(429)**	2,391	4,497
Total investing activities	**(425,557)**	(641,633)	(460,333)
Financing activities:			
Net change in short-term borrowings	**226,761**	(172,495)	(45,186)
Additional long-term borrowings	**200,000**	500,000	872
Reduction in long-term borrowings	**(182,007)**	(914)	(617)
Repurchases of common stock	**(435,400)**	(245,283)	(8,467)
Cash dividends paid	**(85,988)**	(80,551)	(58,405)
Excess tax benefits from share-based payments	**20,478**	7,889	16,185
Proceeds from employee stock plans and other	**39,192**	15,493	25,334
Total financing activities	**(216,964)**	24,139	(70,284)
Effect of exchange rate changes on cash and cash equivalents	**(26,629)**	(26,056)	7,177
Increase in cash and cash equivalents	**3,390**	82,412	137,219
Cash and cash equivalents:			
Beginning of year	**377,615**	295,203	157,984
End of year	**$ 381,005**	$ 377,615	$ 295,203

See accompanying notes.

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements reflect the results of operations, financial position and cash flows of AMETEK, Inc. (the Company), and include the accounts of the Company and subsidiaries, after elimination of all intercompany transactions in the consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Cash Equivalents, Securities and Other Investments

All highly liquid investments with maturities of three months or less when purchased are considered cash equivalents. At December 31, 2015 and 2014, the Company s investment in a fixed-income mutual fund (held by its captive insurance subsidiary) is classified as available-for-sale. The aggregate market value of the fixed-income mutual fund at December 31, 2015 and 2014 was $8.5 million ($9.9 million cost basis) and $9.2 million ($9.9 million cost basis), respectively. The temporary unrealized gain or loss on the fixed-income mutual fund is recorded as a separate component of accumulated other comprehensive income (in stockholders equity), and is not significant. Certain of the Company s other investments, which are not significant, are also accounted for by the equity method of accounting.

Accounts Receivable

The Company maintains allowances for estimated losses resulting from the inability of specific customers to meet their financial obligations to the Company. A specific reserve for doubtful receivables is recorded against the amount due from these customers. For all other customers, the Company recognizes reserves for doubtful receivables based on the length of time specific receivables are past due based on past experience. The allowance for possible losses on receivables was $8.6 million and $10.4 million at December 31, 2015 and 2014, respectively. See Note 7.

Inventories

The Company uses the first-in, first-out (FIFO) method of accounting, which approximates current replacement cost, for 82% of its inventories at December 31, 2015. The last-in, first-out (LIFO) method of accounting is used to determine cost for the remaining 18% of the Company s inventory at December 31, 2015. For inventories where cost is determined by the LIFO method, the excess of the FIFO value over the LIFO value was $19.4 million and $24.4 million at December 31, 2015 and 2014, respectively. The Company provides estimated inventory reserves for slow-moving and obsolete inventory based on current assessments about future demand, market conditions, customers who may be experiencing financial difficulties and related management initiatives.

Business Combinations

The Company allocates the purchase price of an acquired company, including when applicable, the fair value of contingent consideration between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values, with the residual of the purchase price recorded as goodwill. The results of operations of the acquired business are included in the Company s operating results from the date of acquisition. See Note 5.

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for additions to plant facilities, or that extend their useful lives, are capitalized. The cost of minor tools, jigs and dies, and maintenance and repairs is charged to expense as incurred. Depreciation of plant and equipment is calculated principally on a straight-line basis over the estimated useful lives of the related assets. The range of lives for depreciable assets is generally three to ten years for machinery and equipment, five to 27 years for leasehold improvements and 25 to 50 years for buildings.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets with indefinite lives, primarily trademarks and trade names, are not amortized; rather, they are tested for impairment at least annually.

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

The Company principally relies on a discounted cash flow analysis to determine the fair value of each reporting unit, which considers forecasted cash flows discounted at an appropriate discount rate. The Company believes that market participants would use a discounted cash flow analysis to determine the fair value of its reporting units in a sales transaction. The annual goodwill impairment test requires the Company to make a number of assumptions and estimates concerning future levels of revenue growth, operating margins, depreciation, amortization and working capital requirements, which are based upon the Company s long-range plan. The Company s long-range plan is updated as part of its annual planning process and is reviewed and approved by management. The discount rate is an estimate of the overall after-tax rate of return required by a market participant whose weighted average cost of capital includes both equity and debt, including a risk premium. While the Company uses the best available information to prepare its cash flow and discount rate assumptions, actual future cash flows or market conditions could differ significantly resulting in future impairment charges related to recorded goodwill balances.

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

The Company completed its required annual impairment tests in the fourth quarter of 2015, 2014 and 2013 and determined that the carrying values of goodwill and other intangible assets with indefinite lives were not impaired.

The Company evaluates impairment of its long-lived assets, other than goodwill and indefinite-lived intangible assets when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset group is considered impaired when the total projected undiscounted cash flows from such asset group are separately identifiable and are less than the carrying value. In that event, a loss is

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset group. Fair market value is determined primarily using present value techniques based on projected cash flows from the asset group. Losses on long-lived assets held for sale, other than goodwill and indefinite-lived intangible assets, are determined in a similar manner, except that fair market values are reduced for disposal costs.

Intangible assets, other than goodwill, with definite lives are amortized over their estimated useful lives. Patents and technology are being amortized over useful lives of five to 20 years, with a weighted average life of 16 years. Customer relationships are being amortized over a period of five to 20 years, with a weighted average life of 19 years. Miscellaneous other intangible assets are being amortized over a period of two to 20 years. The Company periodically evaluates the reasonableness of the estimated useful lives of these intangible assets.

Financial Instruments and Foreign Currency Translation

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

The Company makes infrequent use of derivative financial instruments. Forward contracts are entered into from time to time to hedge specific firm commitments for certain inventory purchases, export sales, debt or foreign currency transactions, thereby minimizing the Company s exposure to raw material commodity price or foreign currency fluctuation.

In instances where transactions are designated as hedges of an underlying item, the gains and losses on those transactions are included in accumulated other comprehensive income within stockholders equity to the extent they are effective as hedges. An evaluation of hedge effectiveness is performed by the Company on an ongoing basis and any changes in the hedge are made as appropriate. See Note 4.

Revenue Recognition

The Company recognizes revenue on product sales in the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, under which title and risk of loss have been transferred, collectability is reasonably assured and pricing is fixed or determinable. For a small percentage of sales where title and risk of loss passes at point of delivery, the Company recognizes revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met. The Company s policy, with respect to sales returns and allowances, generally provides that the customer may not return products or be given allowances, except at the Company s option. The Company has agreements with distributors that do not provide expanded rights of return for unsold products. The distributor purchases the product from the Company, at which time title and risk of loss transfers to the distributor. The Company does not offer substantial sales incentives and credits to its distributors other than volume discounts. The Company accounts for these sales incentives as a reduction of revenues when the sale is recognized in the consolidated statement of income. Accruals for sales returns, other allowances and estimated warranty costs are provided at the time revenue is recognized based upon past experience. At December 31, 2015 and 2014, the accrual for future warranty obligations was $22.8 million and $29.8 million, respectively. The Company s expense for warranty obligations was $14.8 million in 2015, $16.5 million in 2014 and $15.1 million in 2013. The warranty periods for products sold vary widely among the Company s operations, but for the most part do not exceed one year. The Company calculates its warranty expense provision based on past warranty experience and adjustments are made periodically to reflect actual warranty expenses.

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Research and Development

Company-funded research and development costs are included in Cost of sales, excluding depreciation as incurred and were $116.3 million in 2015, $119.3 million in 2014 and $93.9 million in 2013.

Shipping and Handling Costs

Shipping and handling costs are included in Cost of sales, excluding depreciation and were $50.5 million in 2015, $49.0 million in 2014 and $41.9 million in 2013.

Share-Based Compensation

The Company expenses the fair value of share-based awards made under its share-based plans in the consolidated financial statements over their requisite service period of the grants. See Note 10.

Income Taxes

The Company s annual provision for income taxes and determination of the related balance sheet accounts requires management to assess uncertainties, make judgments regarding outcomes and utilize estimates. The Company conducts a broad range of operations around the world and is therefore subject to complex tax regulations in numerous international taxing jurisdictions, resulting at times in tax audits, disputes and potential litigation, the outcome of which is uncertain. Management must make judgments currently about such uncertainties and determine estimates of the Company s tax assets and liabilities. To the extent the final outcome differs, future adjustments to the Company s tax assets and liabilities may be necessary. The Company recognizes interest and penalties accrued related to uncertain tax positions in income tax expense.

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

Earnings Per Share

The calculation of basic earnings per share is based on the weighted average number of common shares considered outstanding during the periods. The calculation of diluted earnings per share reflects the effect of all potentially dilutive securities (principally outstanding stock options and restricted stock grants). The number of weighted average shares used in the calculation of basic earnings per share and diluted earnings per share was as follows for the years ended December 31:

	2015	**2014**	**2013**
		(In thousands)	
Weighted average shares:			
Basic shares	**239,906**	244,885	243,915
Equity-based compensation plans	**1,680**	2,217	2,150
Diluted shares	**241,586**	247,102	246,065

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08*, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). ASU 2014-08 revised guidance to only allow disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity) and that have a major effect on a reporting entity s operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. The Company adopted ASU 2013-08 effective January 1, 2015 and the adoption did not have an impact on the Company s consolidated results of operations, financial position or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue at the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, the Company must (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract s performance obligations; and (5) recognize revenue when the Company satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. ASU 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017 and can be adopted by the Company using either a full retrospective or modified retrospective approach. ASU 2014-09 may be early adopted for interim and annual reporting periods beginning after December 15, 2016. The Company has developed and begun work on an implementation plan for ASU 2014-09. The Company is in the process of determining the impact ASU 2014-09 may have on the Company s consolidated results of operations, financial position, cash flows and financial statement disclosures, and has not decided upon the method of adoption.

In February 2015, the FASB issued ASU No. 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02). ASU 2015-02 is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). ASU 2015-02 makes specific amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the variable interest entities guidance. ASU 2014-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-02 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. The new guidance will be applied on a retrospective basis and early adoption is permitted. The Company does not expect the adoption of ASU 2015-03 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In April 2015, the FASB issued ASU No. 2015-05*, Customer s Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU 2015-05). ASU 2015-05 is intended to help entities evaluate the accounting for

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

fees paid by a customer in a cloud computing arrangement. The guidance clarifies that customers should determine whether a cloud computing arrangement includes the license of software by applying the same guidance cloud service providers use to make this determination. For public business entities, the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-05 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory* (ASU 2015-11), which applies to inventory that is measured using FIFO or average cost. As proscribed in this update, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using LIFO. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company has not determined the impact ASU 2015-11 may have on the Company s consolidated results of operations, financial position or cash flows.

In September 2015, the FASB issued ASU No. 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* (ASU 2015-16). ASU 2015-16 eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU 2015-16 effective October 1, 2015 and the adoption did not have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 is effective for interim and annual reporting periods beginning after December 15, 2016. ASU 2015-17 may be adopted prospectively or retrospectively and early adoption is permitted. The Company has not determined the impact ASU 2015-17 may have on the Company s consolidated results of operations, financial position or cash flows and has not decided upon the method of adoption.

3. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company utilizes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company s own assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides the Company s assets that are measured at fair value on a recurring basis as of December 31, 2015 and 2014, consistent with the fair value hierarchy:

	December 31, 2015 Fair Value	December 31, 2014 Fair Value
	(In thousands)	
Fixed-income investments	**$ 8,482**	$ 9,219

The fair value of fixed-income investments, which are valued as level 1 investments, was based on quoted market prices. The fixed-income investments are shown as a component of long-term assets on the consolidated balance sheet.

For the year ended December 31, 2015, gains and losses on the investments noted above were not significant. No transfers between level 1 and level 2 investments occurred during the year ended December 31, 2015.

Financial Instruments

Cash, cash equivalents and fixed-income investments are recorded at fair value at December 31, 2015 and 2014 in the accompanying consolidated balance sheet.

The following table provides the estimated fair values of the Company s financial instrument liabilities, for which fair value is measured for disclosure purposes only, compared to the recorded amounts at December 31, 2015 and 2014:

	December 31, 2015		December 31, 2014	
	Recorded Amount	Fair Value	Recorded Amount	Fair Value
	(In thousands)			
Short-term borrowings	**$ (314,100)**	**$ (314,100)**	$ (88,100)	$ (88,100)
Long-term debt (including current portion)	**(1,628,020)**	**(1,686,502)**	(1,625,926)	(1,768,439)

The fair value of short-term borrowings approximates the carrying value. Short-term borrowings are valued as level 2 investments as they are corroborated by observable market data. The Company s long-term debt is all privately held with no public market for this debt, therefore, the fair value of long-term debt was computed based on comparable current market data for similar debt instruments and is considered to be a level 3 liability. See Note 9 for long-term debt principal amounts, interest rates and maturities.

4. Hedging Activities

The Company has designated certain foreign-currency-denominated long-term borrowings as hedges of the net investment in certain foreign operations. As of December 31, 2015, these net investment hedges included British-pound-denominated long-term debt. As of December 31, 2014, these net investment hedges included British-pound-denominated long-term debt and Euro-denominated short-term debt. These borrowings were designed to create net investment hedges in each of the designated foreign subsidiaries. The Company designated the British-pound- and Euro-denominated loans referred to above as hedging instruments to offset translation gains or losses on the net investment due to changes in the British pound and Euro exchange rates. These net

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

investment hedges are evidenced by management s contemporaneous documentation supporting the hedge designation. Any gain or loss on the hedging instrument (the debt) following hedge designation is reported in accumulated other comprehensive income in the same manner as the translation adjustment on the investment based on changes in the spot rate, which is used to measure hedge effectiveness.

At December 31, 2015 and 2014, the Company had $177.1 million and $186.7 million, respectively, of British-pound-denominated loans, which were designated as a hedge against the net investment in British pound functional currency foreign subsidiaries. In the third quarter of 2015, the Company paid in full, at maturity, a 50 million Euro ($56.4 million) loan, which was designated as a hedge against the net investment in Euro functional currency foreign subsidiaries. See Note 9 for further details. At December 31, 2014, the Company had a $60.8 million Euro-denominated loan, which was designated as a hedge against the net investment in Euro functional currency foreign subsidiaries. As a result of these British-pound- and Euro-denominated loans being designated and 100% effective as net investment hedges, $14.4 million and $20.2 million of currency remeasurement gains have been included in the foreign currency translation component of other comprehensive income for the years ended December 31, 2015 and 2014, respectively.

5. Acquisitions

The Company spent $356.5 million in cash, net of cash acquired, to acquire Global Tubes in May 2015 and Surface Vision, formerly referred to as the Surface Inspection Systems Division of Cognex Corporation, in July 2015. Global Tubes is a manufacturer of high-precision, small-diameter metal tubing. Surface Vision develops and manufactures software-enabled vision systems used to inspect surfaces of continuously processed materials for flaws and defects. Global Tubes is part of AMETEK s Electromechanical Group (EMG) and Surface Vision is part of AMETEK s Electronic Instruments Group (EIG).

The following table represents the preliminary allocation of the aggregate purchase price for the net assets of the above acquisitions based on their estimated fair values at acquisition (in millions):

Property, plant and equipment	**$ 53.4**
Goodwill	**153.5**
Other intangible assets	**161.0**
Deferred income taxes	**(24.4)**
Long-term liabilities	**(19.6)**
Net working capital and other*	**32.6**
Total purchase price	**$ 356.5**

* Includes $28.7 million in accounts receivable, whose fair value, contractual cash flows and expected cash flows are approximately equal.

The amount allocated to goodwill is reflective of the benefits the Company expects to realize from the acquisitions as follows: Global Tubes metallurgical capabilities, processing capabilities and alloy ranges are complementary and expand the Company s product offerings in highly engineered applications serving the aerospace, energy, power generation and medical markets. Surface Vision s proprietary real-time image processing technology broadens the Company s capabilities in the non-destructive process inspection market. The Company does not expect any of the goodwill recorded in connection with the Global Tubes acquisition to be tax deductible in future years. The Company expects approximately $64 million of the goodwill recorded in connection with the Surface Vision acquisition will be tax deductible in future years.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2015, the purchase price allocated to other intangible assets of $161.0 million consists of $20.6 million of indefinite-lived intangible trademarks and trade names, which are not subject to amortization. The remaining $140.4 million of other intangible assets consists of $101.4 million of customer relationships, which are being amortized over a period of 18 to 20 years, $5.8 million of trade names, which are being amortized over a period of two to 20 years and $33.2 million of purchased technology, which is being amortized over a period of 15 to 20 years. Amortization expense for each of the next five years for the 2015 acquisitions listed above is expected to approximate $8 million per year.

The Company recognized $8.4 million in environmental liabilities related to the estimated costs to remediate known environmental issues at Global Tubes. The $8.4 million is included in long-term liabilities in the table above.

The Company is in the process of finalizing the measurement of certain tangible and intangible assets and liabilities for its 2015 acquisitions, including the environmental liabilities noted above, goodwill, customer relationships, trade names, purchased technology and the accounting for income taxes.

The 2015 acquisitions noted above had an immaterial impact on reported net sales, net income and diluted earnings per share for the year ended December 31, 2015. Had the 2015 acquisitions been made at the beginning of 2015 or 2014, unaudited pro forma net sales, net income and diluted earnings per share for the years ended December 31, 2015 and 2014, respectively, would not have been materially different than the amounts reported. Pro forma results are not necessarily indicative of the results that would have occurred if the acquisitions had been completed at the beginning of 2015 or 2014.

In 2014, the Company spent $573.6 million in cash, net of cash acquired, to acquire Teseq Group in January 2014, VTI Instruments (VTI) in February 2014, Luphos GmbH in May 2014, Zygo Corporation in June 2014 and Amptek, Inc. in August 2014. Teseq is a manufacturer of test and measurement instrumentation for electromagnetic compatibility testing. VTI is a manufacturer of high-precision test and measurement instrumentation. Luphos core technology is used in the measurement of complex aspheric optical surfaces and other surfaces through non-contact methods. Zygo is a provider of optical metrology solutions, high-precision optics and optical assemblies for use in a wide range of scientific, industrial and medical applications. Amptek is a manufacturer of instruments and detectors used to identify composition of materials using x-ray fluorescence technology. Teseq, VTI, Luphos, Zygo and Amptek are part of EIG.

In 2013, the Company spent $414.3 million in cash, net of cash acquired, to acquire Controls Southeast, Inc. (CSI) in August, Creaform, Inc. in October, and Powervar, Inc. in December. CSI is a leader in custom-engineered, thermal management solutions used to maintain temperature control of liquid and gas in a broad range of demanding industrial process applications. Creaform is a leading developer and manufacturer of innovative portable 3D measurement technologies and a provider of 3D engineering services. Powervar is a leading provider of power management systems and uninterruptible power supply systems. CSI, Creaform and Powervar are part of EIG.

Acquisitions Subsequent to December 31, 2015

In January 2016, the Company acquired Brookfield Engineering Laboratories (Brookfield). Brookfield was acquired for approximately $167 million and has estimated annual sales of approximately $55 million. Brookfield is a manufacturer of viscometers and rheometers, as well as instrumentation to analyze texture and powder flow. Brookfield will join EIG.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In January 2016, the Company acquired ESP/SurgeX. ESP/SurgeX was acquired for approximately $130 million and has estimated annual sales of approximately $40 million. ESP/SurgeX is a manufacturer of energy intelligence and power protection, monitoring and diagnostic solutions. ESP/SurgeX will join EIG.

6. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill by segment were as follows:

	EIG	EMG (In millions)	Total
Balance at December 31, 2013	$ 1,410.8	$ 997.6	$ 2,408.4
Goodwill acquired	272.1		272.1
Purchase price allocation adjustments and other	(0.4)		(0.4)
Foreign currency translation adjustments	(35.8)	(30.3)	(66.1)
Balance at December 31, 2014	1,646.7	967.3	2,614.0
Goodwill acquired	**64.0**	**89.5**	**153.5**
Purchase price allocation adjustments and other	**(2.3)**		**(2.3)**
Foreign currency translation adjustments	**(30.2)**	**(28.4)**	**(58.6)**
Balance at December 31, 2015	**$ 1,678.2**	**$ 1,028.4**	**$ 2,706.6**

Other intangible assets were as follows at December 31:

	2015	2014
	(In thousands)	
Definite-lived intangible assets (subject to amortization):		
Patents	**$ 51,059**	$ 53,474
Purchased technology	**266,644**	239,775
Customer lists	**1,256,379**	1,182,152
Other acquired intangibles	**26,142**	20,270
	1,600,224	1,495,671
Accumulated amortization:		
Patents	**(34,745)**	(35,004)
Purchased technology	**(73,809)**	(63,078)
Customer lists	**(306,558)**	(243,169)
Other acquired intangibles	**(24,791)**	(26,349)
	(439,903)	(367,600)
Net intangible assets subject to amortization	**1,160,321**	1,128,071

Indefinite-lived intangible assets (not subject to amortization):		
Trademarks and trade names	**512,640**	497,490
	$ 1,672,961	$ 1,625,561

Amortization expense was $80.8 million, $74.9 million and $61.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. Amortization expense for each of the next five years is expected to approximate $87 million per year, not considering the impact of potential future acquisitions.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Consolidated Balance Sheet Information

	December 31, 2015	December 31, 2014
	(In thousands)	
INVENTORIES, NET		
Finished goods and parts	**$ 83,229**	$ 80,307
Work in process	**105,259**	94,298
Raw materials and purchased parts	**325,963**	321,291
	$ 514,451	$ 495,896
PROPERTY, PLANT AND EQUIPMENT, NET		
Land	**$ 41,951**	$ 38,340
Buildings	**293,002**	281,336
Machinery and equipment	**849,658**	793,580
	1,184,611	1,113,256
Less: Accumulated depreciation	**(700,063)**	(664,810)
	$ 484,548	$ 448,446
ACCRUED LIABILITIES		
Employee compensation and benefits	**$ 93,232**	$ 94,478
Product warranty obligation	**22,761**	29,764
Restructuring	**29,203**	14,864
Other	**95,808**	97,473
	$ 241,004	$ 236,579

	2015	2014	2013
		(In thousands)	
ALLOWANCES FOR POSSIBLE LOSSES ON ACCOUNTS			
Balance at the beginning of the year	**$ 10,446**	$ 9,547	$ 10,754
Additions charged to expense	**630**	2,974	1,939
Write-offs	**(1,872)**	(2,243)	(3,503)
Currency translation adjustments and other	**(649)**	168	357
Balance at the end of the year	**$ 8,555**	$ 10,446	$ 9,547

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Income Taxes

The components of income before income taxes and the details of the provision for income taxes were as follows for the years ended December 31:

	2015	2014	2013
		(In thousands)	
Income before income taxes:			
Domestic	**$ 502,292**	$ 495,516	$ 443,278
Foreign	**304,088**	309,316	281,517
Total	**$ 806,380**	$ 804,832	$ 724,795
Provision for income taxes:			
Current:			
Federal	**$ 130,996**	$ 128,635	$ 133,574
Foreign	**66,691**	60,606	64,077
State	**11,376**	12,461	13,083
Total current	**209,063**	201,702	210,734
Deferred:			
Federal	**1,711**	19,870	7,899
Foreign	**(3,611)**	1,552	(3,592)
State	**8,358**	(2,752)	(7,245)
Total deferred	**6,458**	18,670	(2,938)
Total provision	**$ 215,521**	$ 220,372	$ 207,796

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Significant components of the deferred tax (asset) liability were as follows at December 31:

	2015	2014
	(In thousands)	
Current deferred tax (asset) liability:		
Reserves not currently deductible	**$ (37,771)**	$ (32,552)
Share-based compensation	**(7,218)**	(6,871)
Net operating loss carryforwards	**(368)**	(3,570)
Foreign tax credit carryforwards		(42)
Other	**353**	(467)
	(45,004)	(43,502)
Portion included in other current liabilities	**(1,720)**	(1,551)
Gross current deferred tax asset	**(46,724)**	(45,053)
Noncurrent deferred tax (asset) liability:		
Differences in basis of property and accelerated depreciation	**57,581**	47,345
Reserves not currently deductible	**(28,809)**	(29,514)
Pensions	**6,736**	16,025
Differences in basis of intangible assets and accelerated amortization	**597,266**	586,960
Net operating loss carryforwards	**(5,722)**	(7,200)
Share-based compensation	**(11,607)**	(10,858)
Foreign tax credit carryforwards		(2,157)
Other	**1,411**	546
	616,856	601,147
Less: Valuation allowance	**2,840**	7,708
	619,696	608,855
Portion included in noncurrent assets	**4,350**	9,530
Gross noncurrent deferred tax liability	**624,046**	618,385
Net deferred tax liability	**$ 577,322**	$ 573,332

The Company s effective tax rate reconciles to the U.S. Federal statutory rate as follows for the years ended December 31:

	2015	2014	2013
U.S. Federal statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**1.2**	0.9	1.0
Foreign operations, net	**(6.8)**	(6.1)	(5.8)
U.S. Manufacturing deduction and credits	**(2.4)**	(2.2)	(1.8)
Other	**(0.3)**	(0.2)	0.3

Consolidated effective tax rate	**26.7%**	27.4%	28.7%

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On December 18, 2015, the President of the United States of America signed the tax extenders bill that made the research and development tax credit permanent on a retroactive basis beginning January 1, 2015.

At December 31, 2015 and 2014, U.S. and foreign deferred income taxes totaling $6.9 million and $7.5 million were provided on undistributed earnings of certain non-U.S. subsidiaries that are not expected to be permanently reinvested in such companies. There has been no provision for U.S. deferred income taxes for the undistributed earnings of certain other subsidiaries, which total approximately $1,075.0 million and $993.2 million at December 31, 2015 and 2014, respectively, because the Company intends to reinvest these earnings indefinitely in operations outside the United States. Upon distribution of those earnings to the United States, the Company would be subject to U.S. income taxes and withholding taxes payable to the various foreign countries. Determination of the amount of the unrecognized deferred income tax liability on these undistributed earnings is not practicable.

At December 31, 2015, the Company had tax benefits of $6.1 million related to net operating loss carryforwards, which will be available to offset future income taxes payable, subject to certain annual or other limitations based on foreign and U.S. tax laws. This amount includes net operating loss carryforwards of $0.2 million for federal income tax purposes with a valuation allowance of $0.2 million, $3.7 million for state income tax purposes with no valuation allowance and $2.2 million for foreign income tax purposes with a valuation allowance of $1.5 million. These net operating loss carryforwards, if not used, will expire between 2016 and 2035.

At December 31, 2015, the Company had tax benefits of $8.3 million related to tax credit carryforwards, which will be available to offset future income taxes payable, subject to certain annual or other limitations based on foreign and U.S. tax laws. This amount includes tax credit carryforwards of $5.0 million for federal income tax purposes with a valuation allowance of $1.1 million, $3.2 million for state income tax purposes with no valuation allowance and $0.1 million for foreign income tax purposes with no valuation allowance. These tax credit carryforwards, if not used, will expire between 2016 and 2035.

The Company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for foreign and certain state net operating loss carryforwards and tax credits. In 2015, the Company recorded a decrease of $4.9 million in the valuation allowance primarily related to foreign net operating losses and tax credits that are not expected to be utilized.

At December 31, 2015, the Company had gross unrecognized tax benefits of $63.8 million, of which $52.9 million, if recognized, would impact the effective tax rate. At December 31, 2014, the Company had gross unrecognized tax benefits of $71.7 million, of which $61.1 million, if recognized, would impact the effective tax rate.

At December 31, 2015 and 2014, the Company reported $10.7 million and $11.1 million, respectively, related to interest and penalty exposure as accrued income tax expense in the consolidated balance sheet. During 2015, the Company recognized a net benefit of $0.4 million, and during 2014 and 2013, the Company recognized a net expense of $2.5 million and $0.4 million, respectively, for interest and penalties related to uncertain tax positions in the consolidated statement of income as a component of income tax expense.

The most significant tax jurisdiction for the Company is the United States. The Company files income tax returns in various other state and foreign tax jurisdictions, in some cases for multiple legal entities per jurisdiction. Generally, the Company has open tax years subject to tax audit on average of between three and six

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

years in these jurisdictions. At December 31, 2015, there were no tax years currently under examination by the Internal Revenue Service (IRS). The IRS previously completed the examination of the Company s consolidated U.S. income tax returns for the years 2010 and 2011 and certain non-consolidated U.S. income tax returns including certain pre-acquisition filings. The Company has not materially extended any other statutes of limitation for any significant location and has reviewed and accrued for, where necessary, tax liabilities for open periods including state and foreign jurisdictions that remain subject to examination. There have been no penalties asserted or imposed by the IRS related to substantial understatement of income, gross valuation misstatement or failure to disclose a listed or reportable transaction.

During 2015, the Company added $12.0 million of tax, interest and penalties to identified uncertain tax positions and reversed $20.3 million of tax and interest related to statute expirations and settlement of prior uncertain positions. During 2014, the Company added $35.0 million of tax, interest and penalties related to identified uncertain tax positions and reversed $16.0 million of tax and interest related to statute expirations and settlement of prior uncertain positions.

The following is a reconciliation of the liability for uncertain tax positions at December 31:

	2015	2014	2013
		(In millions)	
Balance at the beginning of the year	$ 71.7	$ 55.2	$ 36.2
Additions for tax positions related to the current year	**8.8**	10.7	11.7
Additions for tax positions of prior years	**1.3**	16.8	15.1
Reductions for tax positions of prior years	**(7.1)**	(1.7)	(1.8)
Reductions related to settlements with taxing authorities	**(8.3)**	(0.4)	(2.5)
Reductions due to statute expirations	**(2.6)**	(8.9)	(3.5)
Balance at the end of the year	**$ 63.8**	$ 71.7	$ 55.2

In 2015, the additions above primarily reflect the increase in tax liabilities for uncertain tax positions related to certain domestic and foreign issues, while the reductions above primarily relate to statute expirations, settlement of domestic and foreign issues, as well as updates to prior year tax positions. At December 31, 2015, tax, interest and penalties of $69.6 million were classified as a noncurrent liability. The net change in uncertain tax positions for the year ended December 31, 2015 resulted in a decrease to income tax expense of $6.1 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Debt

Long-term debt consisted of the following at December 31:

	2015	2014
	(In thousands)	
U.S. dollar 6.59% senior notes due September 2015	**$**	$ 90,000
U.S. dollar 6.69% senior notes due December 2015		35,000
U.S. dollar 6.20% senior notes due December 2017	**270,000**	270,000
U.S. dollar 6.35% senior notes due July 2018	**80,000**	80,000
U.S. dollar 7.08% senior notes due September 2018	**160,000**	160,000
U.S. dollar 7.18% senior notes due December 2018	**65,000**	65,000
U.S. dollar 6.30% senior notes due December 2019	**100,000**	100,000
U.S. dollar 3.73% senior notes due September 2024	**300,000**	300,000
U.S. dollar 3.91% senior notes due June 2025	**50,000**	
U.S. dollar 3.96% senior notes due August 2025	**100,000**	
U.S. dollar 3.83% senior notes due September 2026	**100,000**	100,000
U.S. dollar 3.98% senior notes due September 2029	**100,000**	100,000
U.S. dollar 4.45% senior notes due August 2035	**50,000**	
British pound 5.99% senior note due November 2016	**59,049**	62,249
British pound 4.68% senior note due September 2020	**118,098**	124,494
Euro 3.94% senior note due August 2015		60,790
Swiss franc 2.44% senior note due December 2021	**55,024**	55,600
Revolving credit loan	**314,100**	88,100
Other, principally foreign	**20,849**	22,793
Total debt	**1,942,120**	1,714,026
Less: Current portion	**(386,075)**	(286,201)
Total long-term debt	**$ 1,556,045**	$ 1,427,825

Maturities of long-term debt outstanding at December 31, 2015 were as follows: $271.5 million in 2017; $310.1 million in 2018; $101.0 million in 2019; $118.5 million in 2020; $55.0 million in 2021; and $700.0 million in 2022 and thereafter.

In August 2015, the Company obtained the third funding of $150 million under the third quarter of 2014 private placement agreement (the 2014 Private Placement), consisting of $100 million in aggregate principal amount of 3.96% senior notes due August 2025 and $50 million in aggregate principal amount of 4.45% senior notes due August 2035. In June 2015, the Company obtained the second funding of $50 million in aggregate principal amount of 3.91% senior notes due June 2025 under the 2014 Private Placement. The first funding under the 2014 Private Placement occurred in September 2014 for $500 million, consisting of $300 million in aggregate principal amount of 3.73% senior notes due September 2024, $100 million in aggregate principal amount of 3.83% senior notes due September 2026 and $100 million in aggregate principal amount of 3.98% senior notes due September 2029. The 2014 Private Placement senior notes carry a weighted average interest rate of 3.88% and are subject to certain customary covenants, including financial covenants that, among other things, require the Company to maintain certain debt-to-EBITDA (earnings before interest, income taxes, depreciation and amortization) and interest coverage ratios. The proceeds from the third funding of the 2014 Private

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Placement were used to pay down senior notes that matured in the third quarter of 2015 described further below. The proceeds from the second funding of the 2014 Private Placement were used to pay down domestic borrowings under the Company s revolving credit facility.

In the third quarter of 2015, the Company paid in full, at maturity, $90 million in aggregate principal amount of 6.59% private placement senior notes and a 50 million Euro ($56.4 million) 3.94% senior note.

In the fourth quarter of 2015, the Company paid in full, at maturity, $35 million in aggregate principal amount of 6.69% private placement senior notes.

In December 2007, the Company issued $270 million in aggregate principal amount of 6.20% private placement senior notes due December 2017 and $100 million in aggregate principal amount of 6.30% private placement senior notes due December 2019. In July 2008, the Company issued $80 million in aggregate principal amount of 6.35% private placement senior notes due July 2018. In September 2008, the Company issued $90 million in aggregate principal amount of 6.59% private placement senior notes due September 2015 (paid in full, at maturity, as previously noted) and $160 million in aggregate principal amount of 7.08% private placement senior notes due September 2018. In December 2008, the Company issued $35 million in aggregate principal amount of 6.69% private placement senior notes due December 2015 (paid in full, at maturity, as previously noted) and $65 million in aggregate principal amount of 7.18% private placement senior notes due December 2018.

In September 2005, the Company issued a 50 million Euro 3.94% senior note due August 2015 (paid in full, at maturity, as previously noted). In November 2004, the Company issued a 40 million British pound ($59.0 million at December 31, 2015) 5.99% senior note due November 2016. In September 2010, the Company issued an 80 million British pound ($118.1 million at December 31, 2015) 4.68% senior note due September 2020. In December 2011, the Company issued a 55 million Swiss franc ($55.0 million at December 31, 2015) 2.44% senior note due December 2021.

The Company has a revolving credit facility with a total borrowing capacity of $700 million, which excludes an accordion feature that permits the Company to request up to an additional $200 million in revolving credit commitments at any time during the life of the revolving credit agreement under certain conditions. The revolving credit facility expires in December 2018. The revolving credit facility places certain restrictions on allowable additional indebtedness. At December 31, 2015, the Company had available borrowing capacity of $550.3 million under its revolving credit facility, including the $200 million accordion feature.

Interest rates on outstanding loans under the revolving credit facility are at the applicable benchmark rate plus a negotiated spread or at the U.S. prime rate. At December 31, 2015 and 2014 the Company had $314.1 million and $88.1 million, respectively, of borrowings outstanding under the revolving credit facility. The weighted average interest rate on the revolving credit facility for the years ended December 31, 2015 and 2014 was 1.37% and 1.36%, respectively. The Company had outstanding letters of credit totaling $36.9 million and $40.8 million at December 31, 2015 and 2014, respectively.

The private placements, the senior notes and the revolving credit facility are subject to certain customary covenants, including financial covenants that, among other things, require the Company to maintain certain debt-to-EBITDA and interest coverage ratios. The Company was in compliance with all provisions of the debt arrangements at December 31, 2015.

Foreign subsidiaries of the Company had available credit facilities with local foreign lenders of $37.5 million at December 31, 2015. Foreign subsidiaries had debt outstanding at December 31, 2015 totaling $20.9 million, including $7.9 million reported in long-term debt.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The weighted average interest rate on total debt outstanding at December 31, 2015 and 2014 was 5.2% and 5.1%, respectively.

10. Share-Based Compensation

Under the terms of the Company s stockholder-approved share-based plans, incentive and non-qualified stock options and restricted stock have been, and may be, issued to the Company s officers, management-level employees and members of its Board of Directors. Employee and non-employee director stock options generally vest at a rate of 25% per year, beginning one year from the date of the grant, and restricted stock generally has a four-year cliff vesting. Stock options generally have a maximum contractual term of seven years. At December 31, 2015, 15.0 million shares of Company common stock were reserved for issuance under the Company s share-based plans, including 5.7 million shares for stock options outstanding.

The Company issues previously unissued shares when stock options are exercised and shares are issued from treasury stock upon the award of restricted stock.

The Company measures and records compensation expense related to all stock awards by recognizing the grant date fair value of the awards over their requisite service periods in the financial statements. For grants under any of the Company s plans that are subject to graded vesting over a service period, the Company recognizes expense on a straight-line basis over the requisite service period for the entire award.

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

	2015	2014	2013
Expected volatility	**22.3%**	23.9%	28.1%
Expected term (years)	**5.0**	5.0	5.0
Risk-free interest rate	**1.58%**	1.63%	0.75%
Expected dividend yield	**0.69%**	0.45%	0.57%
Black-Scholes-Merton fair value per stock option granted	**$ 10.89**	$ 12.21	$ 10.17

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

Total share-based compensation expense was as follows for the years ended December 31:

	2015	2014	2013
		(In thousands)	
Stock option expense	**$ 10,955**	$ 9,130	$ 10,776
Restricted stock expense	**12,807**	10,741	10,815
Total pre-tax expense	**23,762**	19,871	21,591
Related tax benefit	**(7,623)**	(6,154)	(6,964)

Reduction of net income	**$ 16,139**	$ 13,717	$ 14,627

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pre-tax share-based compensation expense is included in the consolidated statement of income in either Cost of sales, excluding depreciation or Selling, general and administrative expenses, depending on where the recipient s cash compensation is reported.

The following is a summary of the Company s stock option activity and related information for the year ended December 31, 2015:

	Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Outstanding at the beginning of the year	6,362	$ 31.47		
Granted	**1,326**	**52.30**		
Exercised	**(1,889)**	**20.91**		
Forfeited	**(135)**	**46.91**		
Expired	**(5)**	**49.54**		
Outstanding at the end of the year	**5,659**	**$ 39.49**	**4.0**	**$ 79.8**
Exercisable at the end of the year	**2,942**	**$ 30.94**	**2.7**	**$ 66.6**

The aggregate intrinsic value of stock options exercised during 2015, 2014 and 2013 was $62.3 million, $25.7 million and $41.6 million, respectively. The total fair value of stock options vested during 2015, 2014 and 2013 was $10.3 million, $8.9 million and $8.2 million, respectively.

The following is a summary of the Company s nonvested stock option activity and related information for the year ended December 31, 2015:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Nonvested stock options outstanding at the beginning of the year	2,535	$ 10.38
Granted	**1,326**	**10.89**
Vested	**(1,009)**	**10.16**
Forfeited	**(135)**	**10.83**
Nonvested stock options outstanding at the end of the year	**2,717**	**$ 10.85**

As of December 31, 2015, there was approximately $18 million of expected future pre-tax compensation expense related to the 2.7 million nonvested stock options outstanding, which is expected to be recognized over a weighted average period of approximately two years.

The fair value of restricted shares under the Company s restricted stock arrangement is determined by the product of the number of shares granted and the grant date market price of the Company s common stock. Upon the grant of restricted stock, the fair value of the restricted shares

(unearned compensation) at the date of grant is charged as a reduction of capital in excess of par value in the Company s consolidated balance sheet and is amortized to expense on a straight-line basis over the vesting period, which is the same as the calculated derived service period as determined on the grant date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted stock grants are subject to accelerated vesting due to certain events, including doubling of the grant price of the Company s common stock as of the close of business during any five consecutive trading days. On January 25, 2013, 488,235 shares of restricted stock, which were granted on April 29, 2010, and 26,298 shares of restricted stock, which were granted on July 29, 2010, vested under this accelerated vesting provision. The pre-tax charge to income due to the accelerated vesting of these shares was $2.7 million ($1.9 million net after-tax charge) for the year ended December 31, 2013.

The following is a summary of the Company s nonvested restricted stock activity and related information for the year ended December 31, 2015:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Nonvested restricted stock outstanding at the beginning of the year	1,105	$ 41.08
Granted	**336**	**52.31**
Vested	**(311)**	**34.18**
Forfeited	**(69)**	**44.89**
Nonvested restricted stock outstanding at the end of the year	**1,061**	**$ 46.32**

The total fair value of restricted stock vested was $10.6 million, $3.6 million and $12.1 million in 2015, 2014 and 2013, respectively. The weighted average fair value of restricted stock granted per share during 2015 and 2014 was $52.31 and $52.79, respectively. As of December 31, 2015, there was approximately $28 million of expected future pre-tax compensation expense related to the 1.1 million nonvested restricted shares outstanding, which is expected to be recognized over a weighted average period of less than two years.

Under a Supplemental Executive Retirement Plan (SERP) in 2015, the Company reserved 32,363 shares of common stock. The net increase for retirements, terminations and dividends was 6,807 shares in 2015. The total number of shares of common stock reserved under the SERP was 644,529 as of December 31, 2015. Charges to expense under the SERP are not significant in amount and are considered pension expense with the offsetting credit reflected in capital in excess of par value.

11. Retirement Plans and Other Postretirement Benefits

Retirement and Pension Plans

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

The Company maintains contributory and noncontributory defined benefit pension plans. Benefits for eligible salaried and hourly employees under all defined benefit plans are funded through trusts established in conjunction with the plans. The Company s funding policy with respect to its defined benefit plans is to contribute amounts that provide for benefits based on actuarial calculations and the applicable requirements of U.S. federal and local foreign laws. The Company estimates that it will make both required and discretionary cash contributions of approximately $4 million to $7 million to its worldwide defined benefit pension plans in 2016.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company uses a measurement date of December 31 (its fiscal year end) for its U.S. and foreign defined benefit pension plans.

The Company sponsors a 401(k) retirement and savings plan for eligible U.S. employees. Participants in the retirement and savings plan may contribute a specified portion of their compensation on a pre-tax basis, which varies by location. The Company matches employee contributions ranging from 20% to 100%, up to a maximum percentage ranging from 1% to 8% of eligible compensation or up to a maximum of $1,200 per participant in some locations.

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

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

The following tables set forth the changes in net projected benefit obligation and the fair value of plan assets for the funded and unfunded defined benefit plans for the years ended December 31:

U.S. Defined Benefit Pension Plans:

	2015	**2014**
	(In thousands)	
Change in projected benefit obligation:		
Net projected benefit obligation at the beginning of the year	$ 491,373	$ 428,675
Service cost	**3,924**	3,208
Interest cost	**20,761**	21,000
Actuarial (gains) losses	**(27,605)**	65,417
Gross benefits paid	**(27,930)**	(26,927)
Acquisition	**11,954**	
Net projected benefit obligation at the end of the year	**$ 472,477**	$ 491,373
Change in plan assets:		
Fair value of plan assets at the beginning of the year	$ 498,923	$ 518,388
Actual return on plan assets	**(21,020)**	7,094
Employer contributions	**50,726**	368
Gross benefits paid	**(27,930)**	(26,927)
Acquisition	**8,076**	
Fair value of plan assets at the end of the year	**$ 508,775**	$ 498,923

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign Defined Benefit Pension Plans:

	2015	2014
	(In thousands)	
Change in projected benefit obligation:		
Net projected benefit obligation at the beginning of the year	$ 197,671	$ 185,178
Service cost	**3,076**	2,945
Interest cost	**7,910**	7,931
Foreign currency translation adjustment	**(14,337)**	(15,961)
Employee contributions	**303**	339
Actuarial (gains) losses	**(6,892)**	23,903
Expenses paid from assets	**(610)**	
Gross benefits paid	**(8,064)**	(6,664)
Acquisition	**64,867**	
Net projected benefit obligation at the end of the year	**$ 243,924**	$ 197,671
Change in plan assets:		
Fair value of plan assets at the beginning of the year	$ 159,907	$ 165,420
Actual return on plan assets	**7,471**	6,628
Employer contributions	**4,490**	5,361
Employee contributions	**303**	339
Foreign currency translation adjustment	**(10,584)**	(11,177)
Expenses paid from assets	**(610)**	
Gross benefits paid	**(8,064)**	(6,664)
Acquisition	**60,383**	
Fair value of plan assets at the end of the year	**$ 213,296**	$ 159,907

The accumulated benefit obligation consisted of the following at December 31:

U.S. Defined Benefit Pension Plans:

	2015	2014
	(In thousands)	
Funded plans	**$ 454,498**	$ 471,960
Unfunded plans	**5,481**	5,915
Total	**$ 459,979**	$ 477,875

Foreign Defined Benefit Pension Plans:

	2015	2014
	(In thousands)	
Funded plans	**$ 203,229**	$ 154,200
Unfunded plans	**30,327**	32,845
Total	**$ 233,556**	$ 187,045

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Weighted average assumptions used to determine benefit obligations at December 31:

	2015	2014
U.S. Defined Benefit Pension Plans:		
Discount rate	**4.80%**	4.20%
Rate of compensation increase (where applicable)	**3.75%**	3.75%
Foreign Defined Benefit Pension Plans:		
Discount rate	**3.62%**	3.44%
Rate of compensation increase (where applicable)	**2.88%**	2.88%

The following is a summary of the fair value of plan assets for U.S. plans at December 31, 2015 and 2014.

	December 31, 2015			December 31, 2014		
Asset Class	**Total**	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
			(In thousands)			
Cash and temporary investments	**$ 3,542**	**$**	**$ 3,542**	$ 2,413	$	$ 2,413
Equity securities:						
AMETEK common stock	**27,515**	**27,515**		26,979	26,979	
U.S. Small cap common stocks	**31,780**	**31,780**		31,629	31,629	
U.S. Large cap common stocks	**101,709**	**61,331**	**40,378**	105,288	67,484	37,804
Diversified common stocks Global	**91,590**		**91,590**	93,558		93,558
Fixed-income securities and other:						
U.S. Corporate	**23,470**	**8,660**	**14,810**	24,162	7,290	16,872
U.S. Government	**7,327**	**5,308**	**2,019**	4,917	3,840	1,077
Global asset allocation(1)	**221,842**	**170,495**	**51,347**	187,202	111,860	75,342
Inflation related funds				13,729		13,729
Alternative investments:						
Inflation related pooled investment fund				9,046		
Total investments	**$ 508,775**	**$ 305,089**	**$ 203,686**	$ 498,923	$ 249,082	$ 240,795

(1) This asset class was invested in diversified companies in all geographical regions.

U.S. equity securities and global equity securities categorized as level 1 are traded on national and international exchanges and are valued at their closing prices on the last trading day of the year. For U.S. equity securities and global equity securities not traded on an active exchange, or if the closing price is not available, the trustee obtains indicative quotes from a pricing vendor, broker or investment manager. These securities are categorized as level 2 if the custodian obtains corroborated quotes from a pricing vendor.

Additionally, some U.S. equity securities and global equity securities are public investment vehicles valued using the Net Asset Value (NAV) provided by the fund manager. The NAV is the total value of the fund divided by the number of shares outstanding. U.S. equity securities and global equity securities are categorized as level 1 if traded at their NAV on a nationally recognized securities exchange or categorized as level 2 if the NAV is corroborated by observable market data.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fixed income securities categorized as level 1 are traded on national and international exchanges and are valued at their closing prices on the last trading day of the year and categorized as level 2 if valued by the trustee using pricing models that use verifiable observable market data, bids provided by brokers or dealers or quoted prices of securities with similar characteristics.

Alternative investments categorized as level 3 are valued based on unobservable inputs and cannot be corroborated using verifiable observable market data. Investments in level 3 funds are redeemable, however, cash reimbursement may be delayed or a portion held back until asset finalization.

The following is a summary of the changes in the fair value of the U.S. plans level 3 investments (fair value using significant unobservable inputs):

	Alternative Investments (In thousands)
Balance, December 31, 2013	$ 12,163
Actual return on assets:	
Unrealized losses relating to instruments still held at the end of the year	(3,117)
Realized gains (losses) relating to assets sold during the year	
Purchases, sales, issuances and settlements, net	
Balance, December 31, 2014	9,046
Actual return on assets:	
Unrealized (losses) relating to instruments still held at the end of the year	**(600)**
Realized gains (losses) relating to assets sold during the year	
Purchases, sales, issuances and settlements, net	**(8,446)**
Balance, December 31, 2015	**$**

The expected long-term rate of return on these plan assets was 7.75% in 2015 and 7.75% in 2014. Equity securities included 512,565 shares of AMETEK, Inc. common stock with a market value of $27.5 million (5.4% of total plan investment assets) at December 31, 2015 and 512,565 shares of AMETEK, Inc. common stock with a market value of $27.0 million (5.4% of total plan investment assets) at December 31, 2014.

The objectives of the AMETEK, Inc. U.S. defined benefit plans investment strategy are to maximize the plans funded status and minimize Company contributions and plan expense. Because the goal is to optimize returns over the long term, an investment policy that favors equity holdings has been established. Since there may be periods of time where both equity and fixed-income markets provide poor returns, an allocation to alternative assets may be made to improve the overall portfolio s diversification and return potential. The Company periodically reviews its asset allocation, taking into consideration plan liabilities, plan benefit payment streams and the investment strategy of the pension plans. The actual asset allocation is monitored frequently relative to the established targets and ranges and is rebalanced when necessary. The target allocations for the U.S. defined benefits plans are approximately 50% equity securities, 20% fixed-income securities and 30% other securities and/or cash.

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

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The following is a summary of the fair value of plan assets for foreign defined benefit pension plans at December 31, 2015 and 2014.

Asset Class	December 31, 2015 Total	December 31, 2015 Level 2	December 31, 2014 Total	December 31, 2014 Level 2
	(In thousands)			
Cash	**$ 5,270**	**$ 5,270**	$ 5,153	$ 5,153
U.S. Mutual equity funds	**8,927**	**8,927**	15,400	15,400
Foreign mutual equity funds	**36,463**	**36,463**	94,444	94,444
Global mixed asset funds	**96,284**	**96,284**		
Real estate	**7,266**	**7,266**	4,032	4,032
Mutual bond funds Global	**38,600**	**38,600**	31,990	31,990
Life insurance	**20,486**		8,888	
Total investments	**$ 213,296**	**$ 192,810**	$ 159,907	$ 151,019

Equity funds, real estate funds and fixed income funds that are valued by the vendor using observable market inputs are considered level 2 investments. Life insurance assets are considered level 3 investments as their values are determined by the sponsor using unobservable market data.

The following is a summary of the changes in the fair value of the foreign plans level 3 investments (fair value determined using significant unobservable inputs):

	Life Insurance (In thousands)
Balance, December 31, 2013	$ 13,971
Actual return on assets:	
Unrealized (losses) relating to instruments still held at the end of the year	(5,083)
Realized gains (losses) relating to assets sold during the year	
Purchases, sales, issuances and settlements, net	
Balance, December 31, 2014	8,888
Actual return on assets:	
Unrealized (losses) relating to instruments still held at the end of the year	**(980)**
Realized gains (losses) relating to assets sold during the year	
Purchases, sales, issuances and settlements, net	**12,578**

Balance, December 31, 2015	**$**	**20,486**

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The objective of AMETEK, Inc. s foreign defined benefit plans investment strategy is to maximize the long-term rate of return on plan investments, subject to a reasonable level of risk. Liability studies are also performed on a regular basis to provide guidance in setting investment goals with an objective to balance risks against the current and future needs of the plans. The trustees consider the risk associated with the different asset classes, relative to the plans liabilities and how this can be affected by diversification, and the relative returns available on equities, fixed-income investments, real estate and cash. Also, the likely volatility of those returns and the cash flow requirements of the plans are considered. It is expected that equities will outperform fixed-income investments over the long term. However, the trustees recognize the fact that fixed-income investments may better match the liabilities for pensioners. Because of the relatively young active employee group covered by the plans and the immature nature of the plans, the trustees have chosen to adopt an asset allocation strategy more heavily weighted toward equity investments. This asset allocation strategy will be reviewed, from time to time, in view of changes in market conditions and in the plans liability profile. The target allocations for the foreign defined benefit plans are approximately 70% equity securities, 15% fixed-income securities and 15% other securities, insurance or cash.

The assumption for the expected return on plan assets was developed based on a review of historical investment returns for the investment categories for the defined benefit pension assets. This review also considered current capital market conditions and projected future investment returns. The estimates of future capital market returns by asset class are lower than the actual long-term historical returns. The current low interest rate environment influences this outlook. Therefore, the assumed rate of return for U.S. plans is 7.75% and 6.95% for foreign plans in 2016.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets and pension plans with an accumulated benefit obligation in excess of plan assets were as follows at December 31:

U.S. Defined Benefit Pension Plans:

	Projected Benefit Obligation Exceeds Fair Value of Assets		Accumulated Benefit Obligation Exceeds Fair Value of Assets	
	2015	**2014**	**2015**	**2014**
	(In thousands)			
Benefit obligation	**$ 5,481**	$ 25,790	**$ 5,481**	$ 25,790
Fair value of plan assets		17,182		17,182

Foreign Defined Benefit Pension Plans:

	Projected Benefit Obligation Exceeds Fair Value of Assets		Accumulated Benefit Obligation Exceeds Fair Value of Assets	
	2015	**2014**	**2015**	**2014**
	(In thousands)			
Benefit obligation	**$ 161,711**	$ 111,095	**$ 155,169**	$ 104,196
Fair value of plan assets	**119,045**	63,496	**119,045**	63,496

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides the amounts recognized in the consolidated balance sheet at December 31:

	2015	2014
	(In thousands)	
Funded status asset (liability):		
Fair value of plan assets	**$ 722,071**	$ 658,830
Projected benefit obligation	**(716,401)**	(689,044)
Funded status at the end of the year	**$ 5,670**	$ (30,214)
Amounts recognized in the consolidated balance sheet consisted of:		
Noncurrent asset for pension benefits (other assets)	**$ 53,817**	$ 25,993
Current liabilities for pension benefits	**(1,001)**	(1,139)
Noncurrent liability for pension benefits	**(47,146)**	(55,068)
Net amount recognized at the end of the year	**$ 5,670**	$ (30,214)

The following table provides the amounts recognized in accumulated other comprehensive income, net of taxes, at December 31:

Net amounts recognized:	2015	2014
	(In thousands)	
Net actuarial loss	**$ 156,351**	$ 143,380
Prior service costs	**(1,321)**	(1,407)
Transition asset	**8**	9
Total recognized	**$ 155,038**	$ 141,982

The following table provides the components of net periodic pension benefit expense (income) for the years ended December 31:

	2015	2014	2013
		(In thousands)	
Defined benefit plans:			
Service cost	**$ 7,000**	$ 6,153	$ 6,323
Interest cost	**28,670**	28,931	26,000
Expected return on plan assets	**(54,819)**	(50,196)	(45,008)
Amortization of:			
Net actuarial loss	**9,383**	4,483	13,484
Prior service costs	**(55)**	(51)	(35)
Transition asset	**1**	1	(1)
Total net periodic benefit (income) expense	**(9,820)**	(10,679)	763

Other plans:			
Defined contribution plans	**22,750**	20,714	18,195
Foreign plans and other	**4,800**	5,325	5,151
Total other plans	**27,550**	26,039	23,346
Total net pension expense	**$ 17,730**	$ 15,360	$ 24,109

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total net periodic benefit expense (income) is included in Cost of sales, excluding depreciation in the consolidated statement of income. The estimated amount that will be amortized from accumulated other comprehensive income into net periodic pension benefit expense in 2016 for the net actuarial losses and prior service costs is expected to be $9.9 million.

The following weighted average assumptions were used to determine the above net periodic pension benefit expense for the years ended December 31:

	2015	2014	2013
U.S. Defined Benefit Pension Plans:			
Discount rate	**4.20%**	5.00%	4.10%
Expected return on plan assets	**7.75%**	7.75%	7.75%
Rate of compensation increase (where applicable)	**3.75%**	3.75%	3.75%
Foreign Defined Benefit Pension Plans:			
Discount rate	**3.44%**	4.38%	4.44%
Expected return on plan assets	**6.92%**	6.93%	6.91%
Rate of compensation increase (where applicable)	**2.88%**	2.92%	2.89%

Estimated Future Benefit Payments

The estimated future benefit payments for U.S. and foreign plans are as follows: 2016 - $36.4 million; 2017 - $37.9 million; 2018 - $39.2 million; 2019 - $40.2 million; 2020 - $40.9 million; 2021 to 2025 - $224.9 million. Future benefit payments primarily represent amounts to be paid from pension trust assets. Amounts included that are to be paid from the Company s assets are not significant in any individual year.

Postretirement Plans and Postemployment Benefits

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

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

The Company has a deferred compensation plan, which allows employees whose compensation exceeds the statutory IRS limit for retirement benefits to defer a portion of earned bonus compensation. The plan permits deferred amounts to be deemed invested in either, or a combination of, (a) an interest-bearing account, benefits from which are payable out of the general assets of the Company, or (b) the equivalent of a fund which invests in shares of the Company s common stock on behalf of the employee. The amount deferred under the plan, including income earned, was $23.4 million and $21.2 million at December 31, 2015 and 2014, respectively. Administrative expense for the deferred compensation plan is borne by the Company and is not significant.

12. Guarantees

The Company does not provide significant guarantees on a routine basis. The Company primarily issues guarantees, stand-by letters of credit and surety bonds in the ordinary course of its business to provide financial or performance assurance to third parties on behalf of its consolidated subsidiaries to support or enhance the subsidiary s stand-alone creditworthiness. The amounts subject to certain of these agreements vary depending on

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the covered contracts actually outstanding at any particular point in time. At December 31, 2015, the maximum amount of future payment obligations relative to these various guarantees was $67.7 million and the outstanding liability under certain of those guarantees was $11.5 million.

Indemnifications

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

Product Warranties

The Company provides limited warranties in connection with the sale of its products. The warranty periods for products sold vary widely among the Company s operations, but for the most part do not exceed one year. The Company calculates its warranty expense provision based on past warranty experience and adjustments are made periodically to reflect actual warranty expenses.

Within the product warranty table below, the activity for the years ended December 31, 2014 and 2013 has been adjusted to disclose gross accruals for warranties issued during the year and gross settlements made during the year to conform to the current period presentation.

Changes in the accrued product warranty obligation were as follows at December 31:

	2015	2014	2013
		(In thousands)	
Balance at the beginning of the year	$ 29,764	$ 28,036	$ 27,792
Accruals for warranties issued during the year	**14,817**	16,463	15,143
Settlements made during the year	**(19,905)**	(17,636)	(17,039)
Warranty accruals related to acquired businesses and other during the year	**(1,915)**	2,901	2,140
Balance at the end of the year	**$ 22,761**	$ 29,764	$ 28,036

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

13. Contingencies

Asbestos Litigation

The Company (including its subsidiaries) has been named as a defendant, along with many other companies, in a number of asbestos-related lawsuits. Many of these lawsuits either relate to businesses which were acquired by the Company and do not involve products which were

manufactured or sold by the Company or relate to

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

previously owned businesses of the Company which are under new ownership. In connection with many of these lawsuits, the sellers or new owners of such businesses, as the case may be, have agreed to indemnify the Company against these claims (the Indemnified Claims). The Indemnified Claims have been tendered to, and are being defended by, such sellers and new owners. These sellers and new owners have met their obligations, in all respects, and the Company does not have any reason to believe such parties would fail to fulfill their obligations in the future; however, one of these companies filed for bankruptcy liquidation in 2007. To date, no judgments have been rendered against the Company as a result of any asbestos-related lawsuit. The Company believes it has strong defenses to the claims being asserted and intends to continue to vigorously defend itself in these matters.

Environmental Matters

Certain historic processes in the manufacture of products have resulted in environmentally hazardous waste by-products as defined by federal and state laws and regulations. At December 31, 2015, the Company is named a Potentially Responsible Party (PRP) at 14 non-AMETEK-owned former waste disposal or treatment sites (the non-owned sites). The Company is identified as a de minimis party in 13 of these sites based on the low volume of waste attributed to the Company relative to the amounts attributed to other named PRPs. In nine of these sites, the Company has reached a tentative agreement on the cost of the de minimis settlement to satisfy its obligation and is awaiting executed agreements. The tentatively agreed-to settlement amounts are fully reserved. In the other four sites, the Company is continuing to investigate the accuracy of the alleged volume attributed to the Company as estimated by the parties primarily responsible for remedial activity at the sites to establish an appropriate settlement amount. At the remaining site where the Company is a non-de minimis PRP, the Company is participating in the investigation and/or related required remediation as part of a PRP Group and reserves have been established sufficient to satisfy the Company s expected obligations. The Company historically has resolved these issues within established reserve levels and reasonably expects this result will continue. In addition to these non-owned sites, the Company has an ongoing practice of providing reserves for probable remediation activities at certain of its current or previously owned manufacturing locations (the owned sites). For claims and proceedings against the Company with respect to other environmental matters, reserves are established once the Company has determined that a loss is probable and estimable. This estimate is refined as the Company moves through the various stages of investigation, risk assessment, feasibility study and corrective action processes. In certain instances, the Company has developed a range of estimates for such costs and has recorded a liability based on the low end of the range. It is reasonably possible that the actual cost of remediation of the individual sites could vary from the current estimates and the amounts accrued in the consolidated financial statements; however, the amounts of such variances are not expected to result in a material change to the consolidated financial statements. In estimating the Company s liability for remediation, the Company also considers the likely proportionate share of the anticipated remediation expense and the ability of the other PRPs to fulfill their obligations.

Total environmental reserves at December 31, 2015 and 2014 were $30.5 million and $26.6 million, respectively, for both non-owned and owned sites. In 2015, the Company recorded $9.2 million in reserves, of which $8.4 million was related to a 2015 business acquisition. These reserves relate to the estimated costs to remediate known environmental issues associated with the acquired business. Additionally, the Company spent $5.1 million on environmental matters in 2015. The Company s reserves for environmental liabilities at December 31, 2015 and 2014 include reserves of $11.5 million and $11.7 million, respectively, for an owned site acquired in connection with the 2005 acquisition of HCC Industries (HCC). The Company is the designated performing party for the performance of remedial activities for one of several operating units making up a Superfund site in the San Gabriel Valley of California. The Company has obtained indemnifications and other financial assurances from the former owners of HCC related to the costs of the required remedial activities. At

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, the Company had $10.0 million in receivables related to HCC for probable recoveries from third-party escrow funds and other committed third-party funds to support the required remediation. Also, the Company is indemnified by HCC s former owners for approximately $19 million of additional costs.

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

The Company believes it has established reserves which are sufficient to perform all known responsibilities under existing claims and consent orders. The Company has no reason to believe that other third parties would fail to perform their obligations in the future. In the opinion of management, based upon presently available information and past experience related to such matters, an adequate provision for probable costs has been made and the ultimate cost resulting from these actions is not expected to materially affect the consolidated results of operations, financial position or cash flows of the Company.

14. Leases and Other Commitments

Minimum aggregate rental commitments under noncancellable leases in effect at December 31, 2015 (principally for production and administrative facilities and equipment) amounted to $137.3 million, consisting of payments of $34.2 million in 2016, $22.4 million in 2017, $17.0 million in 2018, $13.2 million in 2019, $9.7 million in 2020 and $40.8 million thereafter. The leases expire over a range of years from 2016 to 2082, with renewal or purchase options, subject to various terms and conditions, contained in most of the leases. Rental expense was $43.6 million in 2015, $44.6 million in 2014 and $39.5 million in 2013.

As of December 31, 2015 and 2014, the Company had $321.7 million and $388.7 million, respectively, in purchase obligations outstanding, which primarily consisted of contractual commitments to purchase certain inventories at fixed prices.

15. Reportable Segments and Geographic Areas Information

Descriptive Information about Reportable Segments

The Company has two reportable segments, EIG and EMG. The Company s operating segments are identified based on the existence of segment managers. Certain of the Company s operating segments have been aggregated for segment reporting purposes primarily on the basis of product type, production processes, distribution methods and similarity of economic characteristics.

EIG manufactures advanced instruments for the process, aerospace, power and industrial markets. It provides process and analytical instruments for the oil, gas, petrochemical, pharmaceutical, semiconductor and factory automation markets. It provides instruments for the laboratory equipment, ultraprecision manufacturing, medical, and test and measurement markets. It supplies the aerospace industry with aircraft and engine sensors, monitoring systems, power instruments, data acquisition units, and fuel and fluid measurement systems. It makes power quality monitoring and metering devices, industrial battery chargers and uninterruptible power supplies, programmable power equipment, electrical test equipment and gas turbine sensors. It provides dashboard instruments for heavy trucks and other vehicles as well as timing controls and cooking computers for the food service industry.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

EMG is a differentiated supplier of electrical interconnects, precision motion control solutions, specialty metals, thermal management systems, and floor care and specialty motors. It makes precision motion control products for data storage, medical devices, business equipment, factory automation and other applications. It manufacturers highly engineered electrical connectors and packaging used to protect sensitive electronic devices. It provides high-purity metals, metal strip, shaped wire and advanced composites for a wide range of industrial applications. It operates a global network of aviation maintenance, repair and overhaul facilities. It manufactures motors used in commercial appliances, fitness equipment, food and beverage machines, hydraulic pumps, industrial blowers and vacuum cleaners.

Measurement of Segment Results

Segment operating income represents net sales less all direct costs and expenses (including certain administrative and other expenses) applicable to each segment, but does not include interest expense. Net sales by segment are reported after elimination of intra- and intersegment sales and profits, which are insignificant in amount. Reported segment assets include allocations directly related to the segment s operations. Corporate assets consist primarily of investments, prepaid pensions, insurance deposits and deferred taxes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reportable Segment Financial Information

	2015	2014 (In thousands)	2013
Net sales(1):			
Electronic Instruments	**$ 2,417,192**	$ 2,421,638	$ 2,034,594
Electromechanical	**1,557,103**	1,600,326	1,559,542
Consolidated net sales	**$ 3,974,295**	$ 4,021,964	$ 3,594,136
Operating income and income before income taxes:			
Segment operating income(2):			
Electronic Instruments	**$ 639,399**	$ 612,992	$ 552,110
Electromechanical	**318,098**	335,046	309,402
Total segment operating income	**957,497**	948,038	861,512
Corporate administrative and other expenses	**(49,781)**	(49,452)	(46,433)
Consolidated operating income	**907,716**	898,586	815,079
Interest and other expenses, net	**(101,336)**	(93,754)	(90,284)
Consolidated income before income taxes	**$ 806,380**	$ 804,832	$ 724,795
Assets:			
Electronic Instruments	**$ 3,827,182**	$ 3,752,247	
Electromechanical	**2,541,253**	2,366,083	
Total segment assets	**6,368,435**	6,118,330	
Corporate	**296,095**	302,633	
Consolidated assets	**$ 6,664,530**	$ 6,420,963	
Additions to property, plant and equipment(3):			
Electronic Instruments	**$ 32,069**	$ 95,787	$ 37,597
Electromechanical	**88,369**	35,404	35,025
Total segment additions to property, plant and equipment	**120,438**	131,191	72,622
Corporate	**2,121**	1,966	3,021
Consolidated additions to property, plant and equipment	**$ 122,559**	$ 133,157	$ 75,643
Depreciation and amortization:			
Electronic Instruments	**$ 83,832**	$ 75,364	$ 57,808
Electromechanical	**64,539**	61,770	59,988
Total segment depreciation and amortization	**148,371**	137,134	117,796

Corporate	**1,089**	1,450	861
Consolidated depreciation and amortization	**$ 149,460**	$ 138,584	$ 118,657

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

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

(3) Includes $53.4 million in 2015, $61.8 million in 2014 and $12.3 million in 2013 from acquired businesses.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Geographic Areas

Information about the Company s operations in different geographic areas for the years ended December 31, 2015, 2014 and 2013 is shown below. Net sales were attributed to geographic areas based on the location of the customer. Accordingly, U.S. export sales are reported in international sales.

	2015	2014 (In thousands)	2013
Net sales:			
United States	**$ 1,919,611**	$ 1,825,799	$ 1,609,661
International(1):			
United Kingdom	**201,192**	220,877	201,543
European Union countries	**615,956**	674,608	627,116
Asia	**789,435**	806,926	679,490
Other foreign countries	**448,101**	493,754	476,326
Total international	**2,054,684**	2,196,165	1,984,475
Total consolidated	**$ 3,974,295**	$ 4,021,964	$ 3,594,136
Long-lived assets from continuing operations (excluding intangible assets):			
United States	**$ 313,733**	$ 289,080	
International(2):			
United Kingdom	**68,396**	34,736	
European Union countries	**66,635**	76,542	
Asia	**13,928**	22,314	
Other foreign countries	**21,856**	25,774	
Total international	**170,815**	159,366	
Total consolidated	**$ 484,548**	$ 448,446	

(1) Includes U.S. export sales of $1,090.7 million in 2015, $1,148.1 million in 2014 and $1,037.0 million in 2013.

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

16. Additional Consolidated Income Statement and Cash Flow Information

Included in other income are interest and other investment income of $0.7 million, $1.1 million and $1.0 million for 2015, 2014 and 2013, respectively. Income taxes paid in 2015, 2014 and 2013 were $157.8 million, $211.6 million and $173.4 million, respectively. Cash paid for interest was $90.8 million, $74.9 million and $72.7 million in 2015, 2014 and 2013, respectively.

AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Stockholders Equity

In 2014, the Company repurchased approximately 4,755,000 shares of common stock for $245.3 million in cash under its share repurchase authorization. On November 5, 2014, the Company s Board of Directors approved an increase of $200 million in the authorization for the repurchase of Company s common stock. At December 31, 2014, $47.1 million was available under the Company s Board of Directors authorization for future share repurchases. In 2015, the Company repurchased approximately 7,978,000 shares of common stock for $435.4 million in cash under its share repurchase authorization. On both April 1 and November 4, 2015, the Company s Board of Directors approved an increase of $350 million in the authorization for the repurchase of Company s common stock. At December 31, 2015, $311.7 million was available under the Company s Board of Directors authorization for future share repurchases.

At December 31, 2015, the Company held 25.2 million shares in its treasury at a cost of $885.4 million, compared with 17.5 million shares at a cost of $457.8 million at December 31, 2014. The number of shares outstanding at December 31, 2015 was 235.5 million shares, compared with 241.3 million shares at December 31, 2014.

The Company has a Shareholder Rights Plan, under which the Company s Board of Directors declared a dividend of one Right for each share of Company common stock owned at the close of business on June 2, 2007, and has authorized the issuance of one Right for each share of common stock of the Company issued between the Record Date and the Distribution Date. The Plan provides, under certain conditions involving acquisition of the Company s common stock, that holders of Rights, except for the acquiring entity, would be entitled (i) to purchase shares of preferred stock at a specified exercise price, or (ii) to purchase shares of common stock of the Company, or the acquiring company, having a value of twice the Rights exercise price. The Rights under the Plan expire in June 2017.

18. 2015 Restructuring Charges

During the first quarter of 2015, the Company recorded pre-tax restructuring charges totaling $15.9 million, which had the effect of reducing net income by $10.8 million ($0.04 per diluted share). The restructuring charges were reported in the consolidated statement of income as follows: $15.8 million in Cost of sales, excluding depreciation and $0.1 million in Selling, general and administrative expenses. The restructuring charges were reported in segment operating income as follows: $9.3 million in EIG, $6.5 million in EMG and $0.1 million in corporate administrative expenses. The restructuring actions primarily related to a reduction in workforce in response to the weak global economy on certain of the Company s businesses and the effects of a continued strong U.S. dollar. The restructuring activities have been broadly implemented across the Company s various businesses with all actions expected to be completed in the first half of 2016.

During the fourth quarter of 2015, the Company recorded pre-tax restructuring charges totaling $20.7 million, which had the effect of reducing net income by $13.9 million ($0.06 per diluted share). The restructuring charges were reported in the consolidated statement of income as follows: $20.0 million in Cost of sales, excluding depreciation and $0.7 million in Selling, general and administrative expenses. The restructuring charges were reported in segment operating income as follows: $9.3 million in EIG, $10.8 million in EMG and $0.7 million in corporate administrative expenses. The restructuring actions primarily related to a reduction in workforce in response to the weak global economy on certain of the Company s businesses and the effects of a continued strong U.S. dollar. The restructuring activities will be broadly implemented across the Company s various businesses in the first half of 2016, with all actions expected to be completed in the second half of 2017.

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AMETEK, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accrued liabilities in the Company s consolidated balance sheet included amounts related to the 2015 restructuring charges as follows (in millions):

	First Quarter of 2015 Restructuring	Fourth Quarter of 2015 Restructuring	Total
Balance at December 31, 2014	$	$	$
Pre-tax charges	**15.9**	**20.7**	**36.6**
Utilization	**(10.8)**	**(1.4)**	**(12.2)**
Foreign currency translation and other	**(0.1)**		**(0.1)**
Balance at December 31, 2015	**$ 5.0**	**$ 19.3**	**$ 24.3**

19. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(In thousands, except per share amounts)				
2015					
Net sales	**$ 984,059**	**$ 1,003,726**	**$ 998,527**	**$ 987,983**	**$ 3,974,295**
Operating income(1)	**$ 220,952**	**$ 240,319**	**$ 237,615**	**$ 208,830**	**$ 907,716**
Net income(1)	**$ 142,107**	**$ 155,513**	**$ 156,398**	**$ 136,841**	**$ 590,859**
Basic earnings per share(1)(3)	**$ 0.59**	**$ 0.64**	**$ 0.65**	**$ 0.58**	**$ 2.46**
Diluted earnings per share(1)(3)	**$ 0.59**	**$ 0.64**	**$ 0.65**	**$ 0.57**	**$ 2.45**
Dividends paid per share	**$ 0.09**	**$ 0.09**	**$ 0.09**	**$ 0.09**	**$ 0.36**
2014					
Net sales	$ 975,292	$ 990,718	$ 1,031,811	$ 1,024,143	$ 4,021,964
Operating income(2)	$ 221,631	$ 231,728	$ 218,143	$ 227,084	$ 898,586
Net income(2)	$ 140,586	$ 150,063	$ 141,811	$ 152,000	$ 584,460
Basic earnings per share(2)(3)	$ 0.57	$ 0.61	$ 0.58	$ 0.62	$ 2.39
Diluted earnings per share(2)(3)	$ 0.57	$ 0.61	$ 0.57	$ 0.62	$ 2.37
Dividends paid per share	$ 0.06	$ 0.09	$ 0.09	$ 0.09	$ 0.33

(1) During 2015, the Company recorded pre-tax restructuring charges totaling $36.6 million, with $15.9 million recorded in the first quarter of 2015 and $20.7 million recorded in the fourth quarter of 2015. The restructuring charges had the effect of reducing net income for 2015 by $24.7 million ($0.10 per diluted share), with $10.8 million net income reduction ($0.04 per diluted share) in the first quarter of 2015 and $13.9 million net income reduction ($0.06 per diluted share) in the fourth quarter of 2015. See Note 18.

(2) During 2014, the Company recorded pre-tax Zygo integration costs totaling $18.9 million, with $13.7 million recorded in the third quarter of 2014 and $5.2 million recorded in the fourth quarter of 2014, related to the Zygo acquisition. The Zygo integration costs comprised of $10.4 million in severance charges, with $9.1 million recorded in the third quarter of 2014 and $1.3 million recorded in the fourth quarter of 2014, a $4.5 million fair value inventory adjustment recorded in the third quarter of 2014 and $4.0 million in other charges recorded in the fourth quarter of 2014. The Zygo integration costs had the effect of reducing net income for 2014 by $13.9 million ($0.05 per diluted share), with $10.7 million net income reduction ($0.05 per diluted share) in the third quarter of 2014 and $3.2 million net income reduction ($0.01 per diluted share) in the fourth quarter of 2014.

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

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ANNUAL MEETING OF STOCKHOLDERS OF

AMETEK, Inc.

May 4, 2016

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1, 2, 3 AND 4.

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

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

	FOR	AGAINST	ABSTAIN
1. Election of Directors:			
Ruby R. Chandy	¨	¨	¨
Steven W. Kohlhagen	¨	¨	¨
2. Approval of the material terms of the performance goals in AMETEK, Inc. s 2011 Omnibus Incentive Compensation Plan.	¨	¨	¨
3. Approval, by non-binding advisory vote, of AMETEK, Inc. executive compensation.	¨	¨	¨
4. Ratification of Ernst & Young LLP as independent registered public accounting firm.	¨	¨	¨

Annual Meeting of Stockholders

Ametek, Inc. s Annual Meeting of Stockholders will be held at 11:00 a.m. Eastern Daylight Time on Wednesday, May 4, 2016, at the Waldorf Astoria New York, Norse Suite, 301 Park Avenue, New York, New York 10022.

ELECTRONIC ACCESS TO FUTURE DOCUMENTS

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

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

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

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

Signature of Stockholder	Date:	Signature of Stockholder	Date:

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

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ANNUAL MEETING OF STOCKHOLDERS OF

AMETEK, Inc.

May 4, 2016

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

UNLESS OTHERWISE SPECIFIED IN THE SPACES PROVIDED, THE UNDERSIGNED S VOTE WILL BE

1. Election of Directors:

	FOR	AGAINST	ABSTAIN
Ruby R. Chandy	¨	¨	¨

CAST FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR LISTED IN PROPOSAL 1 AND FOR PROPOSALS 2, 3 AND 4 AS MORE FULLY DESCRIBED IN THE ENCLOSED PROXY STATEMENT.

Annual Meeting of Stockholders

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To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered ¨

	Steven W. Kohlhagen	¨	¨	¨
2.	Approval of the material terms of the performance goals in AMETEK, Inc. s 2011 Omnibus Incentive Compensation Plan.	¨	¨	¨
3.	Approval, by non-binding advisory vote, of AMETEK, Inc. executive compensation.	¨	¨	¨
4.	Ratification of Ernst & Young LLP as independent registered public accounting firm.	¨	¨	¨

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

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

name(s) on the account may not be submitted via this method.

Signature of Stockholder	Date:	Signature of Stockholder	Date:

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

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AMETEK, Inc.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Frank S. Hermance, Robert S. Feit and Kathryn E. Sena or a majority of those present and acting, or, if only one is present and acting, then that one, proxies, with full power of substitution, to vote all stock of AMETEK, Inc. which the undersigned is entitled to vote at AMETEK s Annual Meeting of Stockholders to be held at the Waldorf Astoria New York, Norse Suite, 301 Park Avenue, New York, New York 10022, on Wednesday, May 4, 2016, at 11:00 a.m. Eastern Daylight Time, and at any adjournment or postponement thereof, hereby ratifying all that said proxies or their substitutes may do by virtue hereof, and the undersigned authorizes and instructs said proxies to vote as follows:

(TO BE SIGNED ON REVERSE SIDE)

SEE

REVERSE

SIDE

¢ 1.1 14475 ¢