AMETEK INC/
Form 10-Q
November 01, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from to

Commission File Number 1-12981

AMETEK, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**14-1682544**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1100 Cassatt Road	
P.O. Box 1764	
Berwyn, Pennsylvania	**19312-1177**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

The number of shares of the registrant s common stock outstanding as of the latest practicable date was: Common Stock, $0.01 Par Value, outstanding at October 25, 2012 was 242,984,286 shares.

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AMETEK, Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMETEK, Inc.

Consolidated Statement of Income

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net sales	**$ 839,373**	$ 750,546	**$ 2,492,423**	$ 2,227,163
Operating expenses:				
Cost of sales, excluding depreciation	**541,454**	493,266	**1,609,490**	1,466,026
Selling, general and administrative	**96,021**	86,019	**286,703**	257,196
Depreciation	**13,734**	11,675	**40,312**	35,380
Total operating expenses	**651,209**	590,960	**1,936,505**	1,758,602
Operating income	**188,164**	159,586	**555,918**	468,561
Other expenses:				
Interest expense	**(18,958)**	(17,256)	**(56,638)**	(51,745)
Other, net	**(3,518)**	(3,287)	**(7,606)**	(7,153)
Income before income taxes	**165,688**	139,043	**491,674**	409,663
Provision for income taxes	**50,291**	41,065	**152,440**	127,106
Net income	**$ 115,397**	$ 97,978	**$ 339,234**	$ 282,557
Basic earnings per share	**$ 0.48**	$ 0.41	**$ 1.41**	$ 1.17
Diluted earnings per share	**$ 0.47**	$ 0.40	**$ 1.39**	$ 1.16
Weighted average common shares outstanding:				
Basic shares	**242,138**	241,386	**241,164**	240,529
Diluted shares	**244,229**	243,771	**243,552**	243,457
Dividends declared and paid per share	**$ 0.06**	$ 0.04	**$ 0.16**	$ 0.12

See accompanying notes.

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AMETEK, Inc.

Consolidated Statement of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Comprehensive income	**$ 135,062**	$ 62,610	**$ 355,212**	$ 272,604

See accompanying notes.

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AMETEK, Inc.

Consolidated Balance Sheet

(In thousands)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 162,851**	$ 170,392
Marketable securities	**5,253**	4,563
Receivables, less allowance for possible losses	**492,864**	438,245
Inventories	**407,898**	380,471
Deferred income taxes	**30,825**	29,268
Other current assets	**36,141**	36,180
Total current assets	**1,135,832**	1,059,119
Property, plant and equipment, net	**361,680**	325,329
Goodwill	**2,065,772**	1,806,237
Other intangibles, net of accumulated amortization	**1,188,153**	982,957
Investments and other assets	**142,074**	145,848
Total assets	**$ 4,893,511**	$ 4,319,490
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	**$ 242,781**	$ 140,508
Accounts payable	**288,221**	283,068
Income taxes payable	**34,717**	24,127
Accrued liabilities	**196,674**	181,172
Total current liabilities	**762,393**	628,875
Long-term debt	**1,129,383**	1,123,416
Deferred income taxes	**432,797**	389,088
Other long-term liabilities	**145,070**	125,306
Total liabilities	**2,469,643**	2,266,685
Stockholders equity:		
Common stock, $0.01 par value; authorized: 400,000,000 shares; issued: 255,984,466 and 253,824,112 shares	**2,561**	2,538
Capital in excess of par value	**376,352**	315,688
Retained earnings	**2,402,092**	2,101,615
Accumulated other comprehensive loss	**(141,285)**	(157,263)
Treasury stock: 13,037,058 and 13,266,742 shares	**(215,852)**	(209,773)
Total stockholders equity	**2,423,868**	2,052,805
Total liabilities and stockholders equity	**$ 4,893,511**	$ 4,319,490

See accompanying notes.

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AMETEK, Inc.

Condensed Consolidated Statement of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash provided by (used for):		
Operating activities:		
Net income	**$ 339,234**	$ 282,557
Adjustments to reconcile net income to total operating activities:		
Depreciation and amortization	**77,845**	62,527
Deferred income taxes	**(1,414)**	(134)
Share-based compensation expense	**14,575**	18,356
Net change in assets and liabilities, net of acquisitions	**(8,242)**	(5,593)
Pension contribution and other	**(2,824)**	(1,874)
Total operating activities	**419,174**	355,839
Investing activities:		
Additions to property, plant and equipment	**(33,256)**	(32,410)
Purchases of businesses, net of cash acquired	**(497,785)**	(182,506)
Other	**649**	(2,150)
Total investing activities	**(530,392)**	(217,066)
Financing activities:		
Net change in short-term borrowings	**101,818**	(56,517)
Reduction in long-term borrowings	**(978)**	(781)
Repurchases of common stock	**(3,899)**	(16,384)
Cash dividends paid	**(38,556)**	(28,800)
Excess tax benefits from share-based payments	**12,319**	11,654
Proceeds from employee stock plans and other	**30,739**	12,615
Total financing activities	**101,443**	(78,213)
Effect of exchange rate changes on cash and cash equivalents	**2,234**	(5,494)
(Decrease) increase in cash and cash equivalents	**(7,541)**	55,066
Cash and cash equivalents:		
As of January 1	**170,392**	163,208
As of September 30	**$ 162,851**	$ 218,274

See accompanying notes.

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AMETEK, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements are unaudited. AMETEK, Inc. (the Company) believes that all adjustments (which primarily consist of normal recurring accruals) necessary for a fair presentation of the consolidated financial position of the Company at September 30, 2012, the consolidated results of its operations for the three and nine months ended September 30, 2012 and 2011 and its cash flows for the nine months ended September 30, 2012 and 2011 have been included. Quarterly results of operations are not necessarily indicative of results for the full year. The accompanying financial statements should be read in conjunction with the financial statements and related notes presented in the Company s Annual Report on Form

10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission.

2. Stock Split

On May 1, 2012, the Company s Board of Directors declared a three-for-two split of the Company s common stock. The stock split resulted in the issuance of one additional share for every two shares owned. The stock split was paid on June 29, 2012, to stockholders of record at the close of business on June 15, 2012. Additionally, the Board of Directors approved a 50% increase in the quarterly cash dividend rate on the Company s common stock to $0.06 per common share from $0.04 per common share on a post-split basis. All share and per share information included in this Quarterly Report on Form 10-Q has been retroactively adjusted to reflect the impact of the stock split.

3. Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amendments result in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). ASU 2011-04 was effective on January 1, 2012 for the Company and the adoption did not have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 requires that all nonowner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income and the total of comprehensive income. For interim periods, issuers are only required to provide a total of comprehensive income. These amendments do not change the items that must be reported in other comprehensive income. The Company adopted ASU 2011-05 effective January 1, 2012. See the Consolidated Statement of Comprehensive Income.

In September 2011, the FASB issued ASU No. 2011-08, *Testing Goodwill for Impairment* (ASU 2011-08). The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in FASB Accounting Standards Codification Topic 350, *Intangibles Goodwill and Other*. ASU 2011-08 was effective on January 1, 2012 for the Company and the adoption did not have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

In July 2012, the FASB issued ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* (ASU 2012-02). The amendments in ASU 2012-02, similar to the amendments of ASU 2011-08, permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired, as a basis for determining whether it is necessary to perform the quantitative impairment test described in FASB Accounting Standards Codification Topic 350, *Intangibles Goodwill and Other*.
ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company does not expect ASU 2012-02 to have a significant impact on the Company s consolidated results of operations, financial position or cash flows.

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AMETEK, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

4. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Weighted average shares:				
Basic shares	**242,138**	241,386	**241,164**	240,529
Equity-based compensation plans	**2,091**	2,385	**2,388**	2,928
Diluted shares	**244,229**	243,771	**243,552**	243,457

5. Comprehensive Income

The difference between net income and comprehensive income in the periods presented is primarily driven by foreign currency translation adjustments, as well as the net gains or losses on net investment hedges of certain foreign subsidiaries, amortization of defined benefit pension actuarial gains or losses and other.

6. Fair Value Measurements

Cash, cash equivalents, marketable securities and fixed-income investments are recorded at fair value at September 30, 2012 and December 31, 2011 in the accompanying consolidated balance sheet.

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.

At September 30, 2012, the Company held $5.3 million in marketable securities, of which $5.1 million was held in an institutional diversified equity securities mutual fund, which is valued as a level 2 investment. In addition, the Company held $0.2 million of marketable securities valued as level 1 investments. The marketable securities are shown as a separate line on the consolidated balance sheet. Fair value of the institutional diversified equity securities mutual fund was estimated using the net asset value of the Company s ownership interests in the fund s capital. The mutual fund seeks to provide long-term growth of capital by investing primarily in equity securities traded on U.S. exchanges and issued by large, established companies across many business sectors. There are no restrictions on the Company s ability to redeem these equity securities investments.

At September 30, 2012, the Company held $3.0 million in fixed-income investments. The fair value of fixed-income investments was based on quoted market prices which are valued as level 1 investments. The fixed-income investments are shown as a component of long-term assets on the consolidated balance sheet.

For the nine months ended September 30, 2012, gains and losses on the investments noted above were not significant. No transfers between level 1 and level 2 investments occurred during the nine months ended September 30, 2012.

AMETEK, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

Forward contracts are entered into from time to time to hedge specific firm commitments for certain inventory purchases, export sales or debt, thereby minimizing the Company s exposure to raw material commodity price or foreign currency fluctuation. At September 30, 2012, the Company had a 9.9 million Euro forward contract ($27 thousand fair value unrealized loss at September 30, 2012) outstanding. For the three months ended September 30, 2012, realized gains on foreign currency forward contracts was $0.3 million. For the nine months ended September 30, 2012, realized losses on foreign currency forward contracts was $2.4 million. For the three and nine months ended September 30, 2012, unrealized gains or losses on the forward contracts were not significant. The Company has not designated its foreign currency forward contracts as hedges. No forward contracts were outstanding at December 31, 2011.

7. 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 September 30, 2012, these net investment hedges included British-pound- and Euro-denominated long-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 investment hedges were 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 September 30, 2012, the Company had $194.0 million of British-pound-denominated loans, which are designated as a hedge against the net investment in British pound functional currency foreign subsidiaries. At September 30, 2012, the Company had a $64.3 million Euro-denominated loan, which is 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, $5.6 million of currency remeasurement losses have been included in the foreign currency translation component of other comprehensive income at September 30, 2012.

8. Inventories

	September 30, 2012	**December 31, 2011**
	(In thousands)	
Finished goods and parts	**$ 66,642**	$ 70,315
Work in process	**73,206**	72,676
Raw materials and purchased parts	**268,050**	237,480
Total inventories	**$ 407,898**	$ 380,471

AMETEK, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

9. Acquisitions

The Company spent $497.8 million in cash, net of cash acquired, to acquire O Brien Corporation in January 2012 and the parent company of Dunkermotoren GmbH in May 2012. O Brien is a leading manufacturer of fluid and gas handling solutions, sample conditioning equipment and process analyzers. Dunkermotoren is a leader in advanced motion control solutions for a wide range of industrial automation applications. O Brien is part of AMETEK s Electronic Instruments Group and Dunkermotoren is part of AMETEK s Electromechanical Group.

The operating results of the above acquisitions have been included in the Company s consolidated results from the respective dates of acquisitions.

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

Property, plant and equipment	**$ 43.6**
Goodwill	**251.8**
Other intangible assets	**238.5**
Deferred income taxes	**(46.8)**
Net working capital and other*	**10.7**
Total purchase price	**$ 497.8**

* Includes $31.4 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: O Brien s product lines are both highly differentiated and highly complementary to AMETEK s process instruments businesses. Combined with the Company s analytical instrument solutions, AMETEK now can offer its customers a complete solution for most of their process analysis needs. Dunkermotoren is a strategic and highly complementary fit with AMETEK s Precision Motion Control business. Dunkermotoren expands the Company s leadership position in niche rotary and linear motion applications. The Company expects approximately $112.4 million of the goodwill recorded in connection with the 2012 acquisitions will be tax deductible in future years.

The Company is in the process of finalizing the measurement of deferred taxes associated with its acquisitions of O Brien and Dunkermotoren.

At September 30, 2012, purchase price allocated to other intangible assets of $238.5 million consists of $65.6 million of indefinite-lived intangible trademarks and trade names, which are not subject to amortization. The remaining $172.9 million of other intangible assets consist of $148.7 million of customer relationships, which are being amortized over a period of 16-20 years and $24.2 million of purchased technology, which is being amortized over a period of 15 years. Amortization expense for each of the next five years for the 2012 acquisitions listed above is expected to approximate $9.5 million per year.

The 2012 acquisitions noted above had an immaterial impact on reported net sales, net income and diluted earnings per share for the three and nine months ended September 30, 2012. Had the 2012 acquisitions been made at the beginning of 2012, unaudited pro forma net sales, net income and diluted earnings per share for the three and nine months ended September 30, 2012 would not have been materially different than the amounts reported. Had the 2012 acquisitions been made at the beginning of 2011, unaudited pro forma net sales for the three and nine months ended September 30, 2011 would have been $825.6 million and $2,447.1 million, respectively. Net income and diluted earnings per share for the three and nine months ended September 30, 2011 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 acquisition had been completed at the beginning of 2012 or 2011.

AMETEK, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

Acquisitions Subsequent to September 30, 2012

In October 2012, the Company acquired Micro-Poise Measurement Systems (Micro-Poise), a leading provider of integrated test and measurement solutions for the tire industry. Micro-Poise was acquired for approximately $170 million and has estimated annual sales of approximately $125 million. Micro-Poise broadens AMETEK s position in the materials test and measurement equipment market and will join AMETEK s Electronic Instruments Group.

10. Goodwill

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

	Electronic Instruments Group	Electro-mechanical Group (In millions)	Total
Balance at December 31, 2011	$ 997.7	$ 808.5	$ 1,806.2
Goodwill acquired	**111.3**	**140.5**	**251.8**
Purchase price allocation adjustments and other	**(0.6)**		**(0.6)**
Foreign currency translation adjustments	**3.9**	**4.5**	**8.4**
Balance at September 30, 2012	**$ 1,112.3**	**$ 953.5**	**$ 2,065.8**

11. Income Taxes

At September 30, 2012, the Company had gross unrecognized tax benefits of $33.5 million, of which $30.9 million, if recognized, would impact the effective tax rate.

The following is a reconciliation of the liability for uncertain tax positions (in millions):

Balance at December 31, 2011	$ 28.5
Additions for tax positions	**5.5**
Reductions for tax positions	**(0.5)**
Balance at September 30, 2012	**$ 33.5**

The Company recognizes interest and penalties accrued related to uncertain tax positions in income tax expense. The amounts recognized in income tax expense for interest and penalties during the three and nine months ended September 30, 2012 and 2011 were not significant.

12. Financial Instruments

The estimated fair values of the Company s financial instruments, for which fair value is measured for disclosure purposes only, are compared below to the recorded amounts at September 30, 2012 and December 31, 2011.

	Asset (Liability)			
	September 30, 2012		December 31, 2011	
	Recorded Amount	Fair Value	Recorded Amount	Fair Value
	(In thousands)			
Short-term borrowings	**$ (235,433)**	**$ (235,433)**	$ (135,892)	$ (135,892)
Long-term debt (including current portion)	**(1,136,731)**	**(1,362,598)**	(1,128,032)	(1,298,503)

The fair value of short-term borrowings approximates the carrying value. 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.

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AMETEK, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

13. Share-Based Compensation

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 options granted during the periods indicated:

	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Expected volatility	**28.4%**	26.4%
Expected term (years)	**5.1**	5.0
Risk-free interest rate	**0.84%**	1.96%
Expected dividend yield	**0.47%**	0.54%
Black-Scholes-Merton fair value per stock option granted	**$ 8.54**	$ 7.56

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
	(In thousands)			
Stock option expense	**$ 2,256**	$ 2,095	**$ 7,248**	$ 6,160
Restricted stock expense	**2,106**	1,986	**7,327**	12,196
Total pre-tax expense	**4,362**	4,081	**14,575**	18,356
Related tax benefit	**(1,399)**	(1,333)	**(4,957)**	(5,872)
Reduction of net income	**$ 2,963**	$ 2,748	**$ 9,618**	$ 12,484

Pre-tax share-based compensation expense is included in either cost of sales, 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:

	Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Outstanding at December 31, 2011	8,198	$ 18.50		
Granted	**1,386**	**34.01**		
Exercised	**(2,160)**	**15.63**		
Forfeited	**(101)**	**23.32**		
Expired	**(2)**	**20.21**		
Outstanding at September 30, 2012	**7,321**	**$ 22.22**	**4.2**	**$ 96.9**
Exercisable at September 30, 2012	**4,036**	**$ 18.90**	**3.3**	**$ 66.8**

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AMETEK, Inc.

Notes to Consolidated Financial Statements

September 30, 2012

(Unaudited)

The aggregate intrinsic value of stock options exercised during the nine months ended September 30, 2012 was $37.5 million. The total fair value of stock options vested during the nine months ended September 30, 2012 was $8.9 million. As of September 30, 2012, there was approximately $16.3 million of expected future pre-tax compensation expense related to the 3.3 million nonvested stock options outstanding, which is expected to be recognized over a weighted average period of less than two years.

The following is a summary of the Company s nonvested restricted stock activity and related information:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Nonvested restricted stock outstanding at December 31, 2011	1,414	$ 22.71
Granted	**400**	**33.79**
Vested	**(465)**	**21.80**
Forfeited	**(39)**	**25.89**
Nonvested restricted stock outstanding at September 30, 2012	**1,310**	**$ 26.32**

The total fair value of restricted stock that vested during the nine months ended September 30, 2012 was $10.0 million. As of September 30, 2012, there was approximately $22.3 million of expected future pre-tax compensation expense related to the 1.3 million nonvested restricted shares outstanding, which is expected to be recognized over a weighted average period of approximately two years.

14. Retirement and Pension Plans

The components of net periodic pension benefit expense (income) were as follows:

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	(In thousands)			
Defined benefit plans:				
Service cost	**$ 1,568**	$ 1,094	**$ 4,110**	$ 3,278
Interest cost	**7,096**	7,252	**20,645**	21,424
Expected return on plan assets	**(10,867)**	(11,259)	**(32,242)**	(33,831)
Amortization of net actuarial loss and other	**2,852**	1,310	**8,556**	3,585