

AMPHENOL CORP /DE/
Form 10-K
February 26, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

X

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

For the Fiscal Year Ended December 31, 2007

or

O

**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 1-10879

AMPHENOL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

22-2785165

(State or Other Jurisdiction of Incorporation or Organization)

(IRS Employer Identification No.)

358 Hall Avenue, Wallingford, Connecticut 06492

203-265-8900

(Address, Including Zip Code, and Telephone

Number, Including Area Code, of Registrant's

Principal Executive Offices)

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$.001 par value
(Title Of Each Class)

New York Stock Exchange, Inc.
(Name Of Each Exchange On Which Registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

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

Yes ☒ No ☐

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

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

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

Large accelerated filer ☒, Accelerated filer ☐, Non-accelerated filer ☐, a 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 ☒

The aggregate market value of Amphenol Corporation Class A Common Stock, \$.001 par value, held by non-affiliates was approximately \$6,369 million based on the reported last sale price of such stock on the New York Stock Exchange on June 30, 2007.

As of January 31, 2008, the total number of shares outstanding of registrant's Class A Common Stock was 177,065,258.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement, which is expected to be filed within 120 days following the end of the fiscal year covered by this report, are incorporated by reference into Part III hereof.

INDEX	Page
PART I	
Item 1. Business	3
General	3
Business Segments	5
International Operations	6
Customers	7
Manufacturing	7
Research and Development	7
Trademarks and Patents	8
Competition	8
Backlog	8
Employees	8
Environmental Matters	8
Other	9
Cautionary Statements for Purposes of Forward Looking Information	9
Item 1A. Risk Factors	10
Item 1B. Unresolved Staff Comments	12
Item 2. Properties	13
Item 3. Legal Proceedings	13
Item 4. Submission of Matters to a Vote of Security Holders	13
PART II	14
Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	14
Item 6. Selected Financial Data	15
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	30
Item 8. Financial Statements and Supplementary Data	31
Report of Independent Registered Public Accounting Firm	31
Consolidated Statements of Income	32
Consolidated Balance Sheets	33
Consolidated Statements of Changes in Shareholders' Equity and Other Comprehensive Income	34
Consolidated Statements of Cash Flow	35
Notes to Consolidated Financial Statements	36
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	55
Item 9A. Controls and Procedures	55
Item 9B. Other Information	55
PART III	56
Item 10. Directors, Executive Officers and Corporate Governance	56
Item 11. Executive Compensation	56
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	56
Item 13. Certain Relationships and Related Transactions, and Director Independence	56
Item 14. Principal Accountant Fees and Services	56
PART IV	57
Item 15. Exhibits and Financial Statement Schedules	57
Signature of the Registrant	60
Signatures of the Directors	60

PART I**Item 1. Business****General**

Amphenol Corporation ("Amphenol" or the "Company") is one of the world's largest designers, manufacturers and marketers of electrical, electronic and fiber optic connectors, interconnect systems and coaxial and flat-ribbon cable. The Company was incorporated in 1987. Certain predecessor businesses, which now constitute part of the Company, have been in business since 1932. The primary end markets for the Company's products are:

- communication systems for the converging technologies of voice, video and data communications;
- a broad range of industrial applications including factory automation and motion control systems, medical and industrial instrumentation, mass transportation and natural resource exploration, and automotive applications; and
- commercial aerospace and military applications.

The Company's strategy is to provide its customers with comprehensive design capabilities, a broad selection of products and a high level of service on a worldwide basis while maintaining continuing programs of productivity improvement and cost control. For 2007, the Company reported net sales, operating income and net income of \$2,851.0 million, \$552.9 million and \$353.2 million, respectively. The table below summarizes information regarding the Company's primary markets and end applications for the Company's products:

	Information Technology & Communications			Industrial/Automotive	Commercial Aerospace & Military		
Percentage of Sales	60%			21%	19%		
Primary End Application	Wireless Communication Systems			Factory automation	Military and Commercial Aircraft		
		•	wireless handsets and personal communication devices	Instrumentation		•	avionics
		•	wireless infrastructure equipment	Automobile safety systems and other on board electronics		•	engine controls
		•	base stations	Mass transportation		•	flight controls
		•	cell sites	Oil exploration		•	passenger related systems
				Off-road construction			
				Medical equipment			
	Broadband Networks			Satellite radio systems			
		•	cable television networks	Geophysical			
		•	set top converters				
		•	highspeed data kits				
		•	cable modems				
	Telecommunications and Data Communications						
		•	servers and storage systems				
		•	computers, personal computers and related peripherals				
		•	data networking equipment				
		•	routers, and switches				

The Company designs and manufactures connectors and interconnect systems which are used primarily to conduct electrical and optical signals for a wide range of sophisticated electronic applications. The Company believes, based primarily on published market research, that it is the third largest connector manufacturer in the world. The Company has developed a broad range of connector and interconnect products for the information technology and communications equipment applications including the converging voice, video and data communications markets. The Company offers a broad range of interconnect products for factory automation and motion control systems, machine tools, instrumentation and medical systems, mass transportation applications and automotive applications, including airbags, pretensioner seatbelts and other on-board automotive electronics. In addition, the Company is the leading supplier of high performance, military-specification, circular environmental connectors that require superior reliability and performance under conditions of stress and in hostile environments. These conditions are frequently encountered in commercial and military aerospace applications and other demanding industrial applications such as oil exploration, medical instrumentation and off-road construction.

The Company is a global manufacturer employing advanced manufacturing processes. The Company designs, manufactures and assembles its products at facilities in the Americas, Europe, Africa and Asia. The Company sells its products through its own global sales force, independent manufacturers' representatives and a global network of electronics distributors to thousands of OEMs in approximately 60 countries throughout the world. The Company also sells certain products to electronic manufacturing services (EMS) and original design manufacturing (ODM) companies, and to communication network operators. For the year 2007, approximately 45% of the Company's net sales were in North America, 22% were in Europe and 33% were in Asia and other countries.

The Company generally implements its product development strategy through product design teams and collaboration arrangements with customers which result in the Company obtaining approved vendor status for its customers' new products and programs. The Company seeks to have its products become widely accepted within the industry for similar applications and products manufactured by other potential customers, which the Company believes will provide additional sources of future revenue. By developing application specific products, the Company has decreased its exposure to standard products which generally experience greater pricing pressure. In addition to product design teams and customer collaboration arrangements, the Company uses key account managers to manage customer relationships on a global basis such that it can bring to bear its total resources to meet the worldwide needs of its multinational customers.

The Company and industry analysts estimate that the worldwide sales of interconnect products were approximately \$44 billion in 2007. The Company believes that the worldwide industry for interconnect products and systems is highly fragmented with over 2,000 producers of connectors and interconnect systems worldwide, of which the 10 largest, including Amphenol, accounted for a combined market share of approximately 55% in 2007.

The Company's acquisition strategy is focused on the consolidation of this highly fragmented industry. The Company targets acquisitions on a global basis in high growth segments that have complementary capabilities to the Company from a product, customer or geographic standpoint. The Company looks to add value to smaller companies through its global capabilities and generally expects acquisitions to be accretive to performance in the first year. In the year 2007, the Company spent approximately \$179 million on acquisitions, including payments for performance-based additional cash consideration. This represented i) three acquisitions in target markets, including the industrial, wireless infrastructure and internet markets, which broadened and enhanced its product offering in these areas, as ii) well as the purchase of the remaining minority interest in one of its Korean manufacturers of handset related products. In December 2005, the Company purchased the connection systems business (TCS) of Teradyne Inc. for approximately \$385 million. TCS had sales of approximately \$373 million in 2005 and, the Company believes, is the leader in high speed, high density, printed circuit board interconnect products. TCS sells its products primarily to the data communications, wireless infrastructure and storage and server markets. The TCS acquisition was almost entirely complementary to Amphenol from a product standpoint and allows the Company to offer a complete and integrated interconnect solution for customers in the communications markets, significantly enhancing the Company's position.

Business Segments

The following table sets forth the dollar amounts of the Company's net trade sales for its business segments. For a discussion of factors affecting changes in sales by business segment and additional segment financial data, see Management's Discussion and Analysis of Financial Condition and Results of Operations.

	2007	2006	2005
		(dollars in thousands)	
Net trade sales by business segment:			
Interconnect products and assemblies	\$ 2,569,281	\$ 2,207,508	\$ 1,592,439
Cable products	281,760	263,922	215,708
	\$ 2,851,041	\$ 2,471,430	\$ 1,808,147
Net trade sales by geographic area (1):			
United States	\$ 1,155,846	\$ 1,059,974	\$ 802,351
China	382,489	264,972	159,289
Other International locations	1,312,706	1,146,484	846,507
	\$ 2,851,041	\$ 2,471,430	\$ 1,808,147

(1) Based on customer location to which product is shipped.

Interconnect Products and Assemblies. The Company produces a broad range of interconnect products and assemblies primarily for voice, video and data communication systems, commercial aerospace and military systems, automotive and mass transportation applications, and industrial and factory automation equipment. Interconnect products include connectors, which when attached to an electronic or fiber optic cable, a printed circuit board or other device, facilitate electronic or fiber optic transmission. Interconnect assemblies generally consist of a system of cable and connectors for linking electronic and fiber optic equipment. The Company designs and produces a broad range of connector and cable assembly products used in communication applications, such as: engineered cable assemblies used in base stations for wireless communication systems and internet networking equipment; smart card acceptor devices used in mobile telephones; set top boxes and other applications to facilitate reading data from smart cards; fiber optic connectors used in fiber optic signal transmission; backplane and input/output connectors and assemblies used for servers and data storage devices and linking personal computers and peripheral equipment; sculptured flexible circuits used for integrating printed circuit boards in communication applications and hinge products used in mobile phone and other mobile communication devices. The Company also designs and produces a broad range of radio frequency connector products and antennas used in telecommunications, computer and office equipment, instrumentation equipment, local area networks and automotive electronics. The Company's radio frequency interconnect products and assemblies are also used in base stations, mobile communication devices and other components of cellular and personal communications networks.

The Company believes that it is the largest supplier of high performance, military-specification, circular environmental connectors. Such connectors require superior performance and reliability under conditions of stress and in hostile environments. High performance environmental connectors and interconnect systems are generally used to interconnect electronic and fiber optic systems in sophisticated aerospace, military, commercial and industrial equipment. These applications present demanding technological requirements in that the connectors are subject to rapid and severe temperature changes, vibration, humidity and nuclear radiation. Frequent applications of these connectors and interconnect systems include aircraft, guided missiles, radar, military vehicles, equipment for spacecraft, energy, medical instrumentation, geophysical applications and off-road construction equipment. The Company also designs and produces industrial interconnect products used in a variety of applications such as factory automation equipment, mass transportation applications including railroads and marine transportation; and automotive safety products including interconnect devices and systems used in automotive airbags, pretensioner seatbelts, antilock braking systems and other on board automotive electronic systems. The Company also designs and produces highly-engineered cable and backplane assemblies. Such assemblies are specially designed by the Company in conjunction with OEM customers for specific applications, primarily for computer, wired and wireless communication systems, office equipment and aerospace applications. The cable assemblies utilize the Company's connector and cable products as well as components purchased from others.

Cable Products. The Company designs, manufactures and markets coaxial cable primarily for use in the cable television industry. The Company's Times Fiber Communications subsidiary is the world's second largest producer of coaxial cable for the cable television market. The Company believes that its Times Fiber Communications unit is one of the lowest cost producers of coaxial cable for cable television. The Company's coaxial cable and connector products are used in cable television systems including full service cable television/telecommunication systems being installed by cable operators and telecommunication companies offering video, voice and data services. The Company is also a major supplier of coaxial cable to the international cable television market. The Company manufactures two primary types of coaxial cable: semi-flexible, which has an aluminum tubular shield, and flexible, which has one or more braided metallic shields. Semi-flexible coaxial cable is used in the trunk and feeder distribution portion of cable television systems, and flexible cable (also known as drop cable) is used primarily for hookups from the feeder cable to the cable television subscriber's residence. Flexible cable is also used in other communication applications. The Company has also developed a broad line of radio frequency and fiber optic interconnect components for full service cable television/telecommunication networks.

The rapid development in fiber optic technologies, digital compression (which allows multiple channels to be transmitted within the same bandwidth that a single analog channel requires) and other communication technologies, including the Company's development of higher capacity coaxial cable, have resulted in technologies that enable cable television systems to provide channel capacity in excess of 500 channels. Such expanded channel capacity, along with other component additions, permit cable operators to offer full service networks with a variety of capabilities including video-on-demand, pay-per-view special events, home shopping networks, interactive entertainment and education services, telephone services and high-speed Internet access. With respect to expanded channel capacity systems, cable operators have generally adopted, and the Company believes that for the foreseeable future will continue to adopt, network infrastructure using both fiber optic cable and coaxial cable. Such systems combine the advantages of fiber optic cable in transmitting clear signals over a long distance, with the advantages of coaxial cable in ease of installation, low cost and compatibility with the receiving components of the customer's communication devices. The Company believes that while system operators are likely to increase their use of fiber optic cable for the trunk and feeder portions of the cable systems, there will be an ongoing need for high capacity coaxial cable for the local distribution and street-to-the-home portions of the cable system. In addition, U.S. cable system designs are increasingly being employed in international markets where cable television penetration is generally lower than in the U.S. The Company believes the development of full service cable television systems for the converging technologies of voice, video and data communications presents an opportunity to increase sales of its coaxial cable and related products.

The Company is also a leading producer of high speed data cables and specialty cables including flat-ribbon cable, a cable made of wires assembled side by side such that the finished cable is flat. Flat-ribbon cable is used to connect internal components in systems with space and component configuration limitations. The product is used in computer and office equipment applications as well as in a variety of telecommunication applications.

International Operations

The Company believes that its global presence is an important competitive advantage as it allows the Company to provide quality products on a timely and worldwide basis to its multinational customers. Approximately 59% of the Company's sales for the year ended December 31, 2007 were outside the United States. Approximately 13% of the Company's sales were in China and the Company has international manufacturing and assembly facilities in China, Taiwan, Korea, India, Japan, Malaysia, Europe, Canada, Latin America, Africa and Australia. European operations include manufacturing and assembly facilities in the United Kingdom, Germany, France, the Czech Republic, Slovakia and Estonia and sales offices in most European markets. The Company's international manufacturing and assembly facilities generally serve the respective local markets and coordinate product design and manufacturing responsibility with the Company's other operations around the world. The Company has low cost manufacturing and assembly facilities in China, Mexico, India, Eastern Europe and Africa to serve regional and world markets.

Customers

The Company's products are used in a wide variety of applications by numerous customers, the largest of which accounted for approximately 7% of net sales for the year ended December 31, 2007. The Company sells its products to over 10,000 customer locations worldwide. The Company's products are sold both directly to OEMs, contract manufacturers, cable system operators, telecommunication companies and through manufacturers' representatives and distributors. There has been a trend on the part of OEM customers to consolidate their lists of qualified suppliers to companies that have a global presence, can meet quality and delivery standards, have a broad product portfolio and design capability, and have competitive prices.

The Company has focused its global resources to position itself to compete effectively in this environment. The Company has concentrated its efforts on service and productivity improvements including advanced computer aided design and manufacturing systems, statistical process controls and just-in-time inventory programs to increase product quality and shorten product delivery schedules. The Company's strategy is to provide comprehensive design capabilities, a broad selection of products and a high level of service in the areas in which it competes. The Company has achieved a preferred supplier designation from many of its customers.

The Company's sales to distributors represented approximately 16% of the Company's 2007 sales. The Company's recognized brand names, including "Amphenol," "Times Fiber," "Tuchel," "Socapex," "Sine," "Spectra-Strip," "Pyle-National," "Matrix," "Kai Jack" and others, together with the Company's strong connector design-in position (products that are specified in customer drawings), enhance its ability to reach the secondary market through its network of distributors.

Manufacturing

The Company employs advanced manufacturing processes including molding, stamping, plating, turning, extruding, die casting and assembly operations as well as proprietary process technology for flat-ribbon and coaxial cable production. The Company's manufacturing facilities are generally vertically integrated operations from the initial design stage through final design and manufacturing. Outsourcing of certain fabrication processes is used when cost-effective. Substantially all of the Company's manufacturing facilities are certified to the ISO9000 series of quality standards.

The Company employs a global manufacturing strategy to lower its production costs and to improve service to customers. The Company sources its products on a worldwide basis with manufacturing and assembly operations in the Americas, Europe, Asia, Africa and Australia. To better serve certain high volume customers, the Company has established just-in-time facilities near these major customers.

The Company's policy is to maintain strong cost controls in its manufacturing and assembly operations. The Company is continually evaluating and adjusting its expense levels and workforce to reflect current business conditions and maximize the return on capital investments.

The Company purchases a wide variety of raw materials for the manufacture of its products, including precious metals such as gold and silver used in plating; aluminum, brass, steel, copper and bimetallic products used for cable, contacts and connector shells, and plastic materials used for cable and connector bodies and inserts. Such raw materials are generally available throughout the world and are purchased locally from a variety of suppliers. The Company is generally not dependent upon any one source for raw materials, or if one source is used the Company attempts to protect itself through long-term supply agreements.

Research and Development

The Company's research and development expense for the creation of new and improved products and processes was \$62.4 million, \$53.7 million and \$37.5 million for 2007, 2006 and 2005, respectively. The Company's research and development activities focus on selected product areas and are performed by individual operating divisions. Generally, the operating divisions work closely with OEM customers to develop highly-engineered products and systems that meet specific customer needs. The Company focuses its research and development efforts primarily on those product areas that it believes have the potential for broad market applications and significant sales within a one-to-three year period.

Trademarks and Patents

The Company owns a number of active patents worldwide. The Company also regards its trademarks "Amphenol," "Times Fiber," "Tuchel," "Socapex" and "Spectra-Strip" to be of material value in its businesses. The Company has exclusive rights in all its major markets to use these registered trademarks. The Company has rights to other registered and unregistered trademarks which it believes to be of value to its businesses. While the Company considers its patents and trademarks to be valuable assets, the Company does not believe that its competitive position is dependent on patent or trademark protection or that its operations are dependent on any individual patent or trademark.

Competition

The Company encounters competition in substantially all areas of its business. The Company competes primarily on the basis of engineering, product quality, price, customer service and delivery time. Competitors include large, diversified companies, some of which have substantially greater assets and financial resources than the Company, as well as medium to small companies. In the area of coaxial cable for cable television, the Company believes that it and CommScope are the primary world providers of such cable; however, CommScope is larger than the Company in this market. In addition, the Company faces competition from other companies that have concentrated their efforts in one or more areas of the coaxial cable market.

Backlog

The Company estimates that its backlog of unfilled orders was \$523 million and \$473 million at December 31, 2007 and 2006, respectively. Orders typically fluctuate from quarter to quarter based on customer demand and general business conditions. Unfilled orders may be cancelled prior to shipment of goods. It is expected that all or a substantial portion of the backlog will be filled within the next 12 months. Significant elements of the Company's business, such as sales to the communications related markets (including wireless communications, telecom & data communications and broadband communications) and sales to distributors, generally have short lead times. Therefore, backlog may not be indicative of future demand.

Employees

As of December 31, 2007, the Company had approximately 32,000 full-time employees worldwide of which approximately 23,200 were located in low cost regions. Of these employees, approximately 26,600 were hourly employees and the remainder were salaried. The Company believes that it has a good relationship with its unionized and non-unionized employees.

Environmental Matters

Certain operations of the Company are subject to federal, state and local environmental laws and regulations which govern the discharge of pollutants into the air and water, as well as the handling and disposal of solid and hazardous wastes. The Company believes that its operations are currently in substantial compliance with all applicable environmental laws and regulations and that the costs of continuing compliance will not have a material effect on the Company's financial condition or results of operations.

Subsequent to the acquisition of Amphenol from Allied Signal Corporation ("Allied Signal") in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 ("Honeywell")), Amphenol and Honeywell were named jointly and severally liable as potentially responsible parties in relation to several environmental cleanup sites. Amphenol and Honeywell jointly consented to perform certain investigations and remedial and monitoring activities at two sites, the Route 8 landfill and the Richardson Hill Road landfill, and they were jointly ordered to perform work at another site, the Sidney landfill. The costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement (the "Honeywell Agreement") entered into in connection with the acquisition in 1987. For sites covered by the Honeywell Agreement, to the extent that conditions or circumstances occurred or existed at the time of or prior to the acquisition, Honeywell is obligated to reimburse Amphenol 100% of such costs. Honeywell representatives continue to work closely with the Company in addressing the most significant environmental liabilities covered by the Honeywell Agreement. Management does not believe that the costs associated with resolution of these or any other environmental matters will have a material adverse effect on the Company's financial condition or results of operations. The environmental investigation, remedial and monitoring activities identified by the Company, including those referred to above, are covered under the Honeywell Agreement.

Owners and occupiers of sites containing hazardous substances, as well as generators of hazardous substances, are subject to broad liability under various federal and state environmental laws and regulations, including expenditures for cleanup and monitoring costs and potential damages arising out of past disposal activities. Such liability in many cases may be imposed regardless of fault or the legality of the original disposal activity. The Company has performed remediation activities and is currently performing operations and maintenance and monitoring activities at three off-site disposal sites previously utilized by the Company's Sidney facility and others, to wit the Richardson Hill Road landfill, the Route 8 landfill and the Sidney landfill. Actions at the Richardson Hill Road and Sidney landfills were undertaken subsequent to designation as "Superfund" sites on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. The Route 8 landfill was designated as a New York State Inactive Hazardous Waste Disposal Site, with remedial actions taken pursuant to Chapter 6, Section 375-1 of the New York Code of Rules and Regulations. In addition, the Company is currently performing monitoring activities at, and in proximity to, its manufacturing site in Sidney, New York. The Company is also engaged in remediating or monitoring environmental conditions at certain of its other manufacturing facilities and has been named as a potentially responsible party for cleanup costs at other off-site disposal sites. All such environmental matters referred to in this paragraph are covered by the Honeywell Agreement.

Since 1987, the Company has not been identified nor has it been named as a potentially responsible party with respect to any other significant on-site or off-site hazardous waste matters. In addition, the Company believes that all of its manufacturing activities and disposal practices since 1987 have been in material compliance with all applicable environmental laws and regulations. Nonetheless, it is possible that the Company will be named as a potentially responsible party in the future with respect to additional Superfund or other sites. Although the Company is unable to predict with any reasonable certainty the extent of its ultimate liability with respect to any pending or future environmental matters, the Company believes, based upon all information currently known by management about the Company's manufacturing activities, disposal practices and estimates of liability with respect to all known environmental matters, that any such liability will not be material to its financial condition or results of operations.

Other

The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available, without charge, on the Company's web site, www.amphenol.com, as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available without charge, from Amphenol Corporation, Investor Relations, 358 Hall Avenue, Wallingford, CT 06492.

Cautionary Statements for Purposes of Forward Looking Information

Statements made by the Company in written or oral form to various persons, including statements made in filings with the SEC, that are not strictly historical facts are "forward looking" statements. Such statements should be considered as subject to uncertainties that exist in the Company's operations and business environment. The following includes some, but not all, of the factors or uncertainties that could cause the Company to fail to conform with expectations and predictions:

Item 1A. Risk Factors

Investors should carefully consider the risks described below and all other information in this Form 10-K. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that it currently deems immaterial may also impair the Company's business and operations.

If any of the following risks actually occur, the Company's business, financial condition and/or results of operations could be materially adversely affected. In such case, the trading price of the Company's common stock could decline and investors may lose all or part of their investment.

The Company is dependent on the communications industry, including telecommunication and data communication, wireless communications and broadband communications.

Approximately 60% of the Company's revenues for the year ended December 31, 2007 came from sales to the communications industry, including telecommunication and data communication, wireless communications and broadband communications. Demand for these products is subject to rapid technological change (see below "The Company is dependent on the acceptance of new product introductions for continued revenue growth"). These markets are dominated by several large manufacturers and operators who regularly exert significant price pressure on their suppliers, including the Company. While sales to the Company's largest customer accounted for approximately 7% of consolidated sales in 2007, the loss of one or more of the large communications customers could have a material adverse effect on the Company's business. There can be no assurance that the Company will be able to continue to compete successfully in the communications industry, and the Company's failure to do so could impair the Company's results of operations.

Approximately 10% of the Company's 2007 revenues came from sales to the broadband communications industry. Demand for the Company's broadband communications products depends primarily on capital spending by cable television operators for constructing, rebuilding or upgrading their systems. The amount of this capital spending, and, therefore, the Company's sales and profitability will be affected by a variety of factors, including general economic conditions, acquisitions of cable television operators by non-cable television operators, cable system consolidation within the industry, the financial condition of domestic cable television operators and their access to financing, competition from satellite, telephone and television providers and telephone companies, technological developments and new legislation and regulation of cable television operators. There can be no assurance that existing levels of cable television capital spending will continue or that cable television spending will not decrease.

Changes in defense expenditures may reduce the Company's sales.

Approximately 15% of the Company's 2007 revenues came from sales to the military market. The Company participates in a broad spectrum of defense programs and believes that no one program accounted for more than 1% of its 2007 revenues. The substantial majority of these sales are related to both U.S. and foreign military and defense programs. However, the Company's sales are generally to contractors and subcontractors of the U.S. or foreign governments or to distributors that in turn sell to the contractors and subcontractors. Nevertheless, the Company's sales are affected by changes in the defense budgets of the U.S. and foreign governments. The U.S. defense budget declined in real terms from 1986 to 1998. Beginning in 1999, the U.S. defense budget has been increasing and increased again in 2007. Nevertheless, a decline in U.S. defense expenditures and defense expenditures generally could adversely affect the Company's business.

The Company encounters competition in substantially all areas of its business.

The Company competes primarily on the basis of engineering, product quality, price, customer service and delivery time. Competitors include large, diversified companies, some of which have substantially greater assets and financial resources than the Company, as well as medium to small companies. There can be no assurance that additional competitors will not enter the Company's existing markets, nor can there be any assurance that the Company will be able to compete successfully against existing or new competition.

The Company is dependent on the acceptance of new product introductions for continued revenue growth.

The Company estimates that products introduced in the last two years accounted for approximately 26% of 2007 net sales. The Company's long-term results of operations depend substantially upon its ability to continue to conceive, design, source and market new products and upon continuing market acceptance of its existing and future product lines. In the ordinary course of business, the Company continually develops or creates new product line concepts. If the Company fails or is significantly delayed in introducing new product line concepts or if the Company's new products do not meet with market acceptance, our results of operations may be impaired.

Covenants in the Company's credit agreements may adversely affect the Company.

The Company's bank credit agreements contain financial and other covenants, such as a limit on the ratio of debt to earnings before interest, taxes, depreciation and amortization, minimum levels of net worth, and limits on incurrence of liens. Although the Company believes none of these covenants are presently restrictive to the Company's operations, the ability to meet the financial covenants can be affected by events beyond the Company's control, and the Company cannot provide assurance that the Company will meet those tests. A breach of any of these covenants could result in a default under the Company's credit agreements. Upon the occurrence of an event of default under any of the Company's credit facilities, the lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit. If the lenders accelerate the repayment of borrowings, the Company cannot provide assurance that it will have sufficient assets to repay the Company's credit facilities and other indebtedness. See Liquidity and Capital Resources.

Downgrades of the Company's debt rating could adversely affect the Company's results of operations and financial position.

If the credit rating agencies that rate the Company's debt were to downgrade the Company's credit rating in conjunction with a deterioration of the Company's performance it may increase the Company's cost of capital and make it more difficult for the Company to obtain new financing.

The Company's results may be negatively affected by changing interest rates.

The Company is subject to market risk from exposure to changes in interest rates based on the Company's financing activities. The Company utilizes interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. As of December 31, 2007, the Company had interest rate protection in the form of swaps that effectively fixed the Company's LIBOR interest rate on \$250.0 million, \$250.0 million and \$150.0 million of floating rate bank debt at 4.24%, 4.85% and 4.40%, expiring in July 2008, December 2008 and December 2009, respectively.

In October 2007, the Company entered into interest rate swaps that fix the Company's LIBOR interest rate on \$250.0 million and \$250.0 million of floating rate bank debt at 4.73% and 4.65% which go into effect in July 2008 and December 2008 and expire in July 2010 and December 2009, respectively. A 10% change in the LIBOR interest rate at December 31, 2007 would have the effect of increasing or decreasing interest expense by approximately \$.3 million. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2008, although there can be no assurances that interest rates will not significantly change.

The Company's results may be negatively affected by foreign currency exchange rates.

The Company conducts business in several international currencies through its worldwide operations, and as a result is subject to foreign exchange exposure due to changes in exchange rates of the various currencies. Changes in exchange rates can positively or negatively affect the Company's sales, gross margins and retained earnings. The Company attempts to minimize currency exposure risk by producing its products in the same country or region in which the products are sold, thereby generating revenues and incurring expenses in the same currency and by managing its working capital. There can be no assurance that this approach will be successful, especially in the event of a significant and sudden decline in the value of any of the international currencies of the Company's worldwide operations. The Company does not engage in purchasing forward exchange contracts for speculative purposes.

The Company's operating results may be adversely affected by foreign operations.

International manufacturing and sales are subject to inherent risks, including changes in local economic or political conditions, the imposition of currency exchange restrictions, unexpected changes in regulatory environments, potentially adverse tax consequences and the exchange rate risk discussed above. There can be no assurance that these factors will not have a material adverse impact on the Company's production capabilities or otherwise adversely affect the Company's business and operating results.

The Company may experience difficulties and unanticipated expense, including the potential for the impairment of goodwill, of assimilating newly acquired businesses.

The Company has completed a number of acquisitions in the past few years. It is possible the Company may experience difficulty integrating such acquisitions and further that the acquisitions may not perform as expected. At December 31, 2007, the total assets on the Company's balance sheet were \$2,675.7 million, which included \$1,091.8 million of goodwill. The goodwill arose as the excess of the purchase price over the fair value of net assets of businesses acquired over the period 1987-2007. The Company performs annual evaluations for the potential impairment of the carrying value of goodwill in accordance with Statement of Financial Accounting Standards No. 142. Such evaluations have not resulted in the need to recognize an impairment. However, if the financial performance of the Company's businesses were to decline significantly, the Company could incur a non-cash charge to its income statement for the impairment of goodwill.

The Company may experience difficulties in obtaining a consistent supply of materials at stable pricing levels.

The Company uses basic materials like steel, aluminum, copper, bi-metallic products, gold and plastic resins in its manufacturing process. Volatility in the prices of such material and availability of supply may have a substantial impact on the price the Company pays for such products. In addition, to the extent such cost increases cannot be recovered through sales price increases or productivity improvements, the Company's margin may decline.

The Company may not be able to attract and retain key employees.

The Company's continued success depends upon its continued ability to hire and retain key employees at its operations around the world. Any difficulties in obtaining or retaining the management and other human resource competencies that the Company needs to achieve its business objectives may have adverse affects on the Company's performance.

Changes in general economic conditions and other factors beyond the Company's control may adversely impact its business.

The following factors could adversely impact the Company's business:

- A global economic slowdown in any one, or all, of the Company's market segments.
- The effects of significant changes in monetary and fiscal policies in the U.S. and abroad including significant income tax changes, currency fluctuations and unforeseen inflationary pressures.
- Rapid material escalation of the cost of regulatory compliance and litigation.
- Unexpected government policies and regulations affecting the Company or its significant customers.
- Unforeseen intergovernmental conflicts or actions, including but not limited to armed conflict and trade wars.
- Unforeseen interruptions to the Company's business with its largest customers, distributors and suppliers resulting from but not limited to, strikes, financial instabilities, computer malfunctions, inventory excesses or natural disasters.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company's fixed assets include certain plants and warehouses and a substantial quantity of machinery and equipment, most of which is general purpose machinery and equipment using tools and fixtures and in many instances having automatic control features and special adaptations. The Company's plants, warehouses, machinery and equipment are in good operating condition, are well maintained, and substantially all of its facilities are in regular use. The Company considers the present level of fixed assets along with planned capital expenditures as suitable and adequate for operations in the current business environment. At December 31, 2007, the Company operated a total of 192 plants and warehouses of which (a) the locations in the U.S. had approximately 2.5 million square feet, of which 1.1 million square feet were leased; (b) the locations outside the U.S. had approximately 4.7 million square feet, of which 3.5 million square feet were leased; and (c) the square footage by segment was approximately 6.3 million square feet and 0.9 million square feet for the interconnect products segment and the cable products segment, respectively.

The Company believes that its facilities are suitable and adequate for the business conducted therein and are being appropriately utilized for their intended purposes. Utilization of the facilities varies based on demand for the products. The Company continuously reviews its anticipated requirements for facilities and, based on that review, may from time to time acquire or lease additional facilities and/or dispose of existing facilities.

Item 3. Legal Proceedings

The Company and its subsidiaries have been named as defendants in several legal actions in which various amounts are claimed arising from normal business activities. Although the amount of any ultimate liability with respect to such matters cannot be precisely determined, in the opinion of management, such matters are not expected to have a material effect on the Company's financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our shareholders during the last quarter of the year ended December 31, 2007.

PART II**Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

On January 17, 2007, the Company announced a 2-for-1 stock split that was effective for stockholders of record as of March 16, 2007 and these additional shares were distributed on March 30, 2007. The share information included herein reflects the effect of such stock split.

The Company effected the initial public offering of its Class A Common Stock in November 1991. The Company's common stock has been listed on the New York Stock Exchange since that time under the symbol "APH." The following table sets forth on a per share basis the high and low prices for the common stock for both 2007 and 2006 as reported on the New York Stock Exchange.

	2007				2006			
	High		Low		High		Low	
First Quarter	\$	34.06	\$	30.75	\$	26.25	\$	21.94
Second Quarter		36.63		32.80		30.81		24.67
Third Quarter		40.11		33.28		32.20		25.15
Fourth Quarter		47.16		39.49		35.25		30.44

As of January 31, 2008, there were 46 holders of record of the Company's common stock. A significant number of outstanding shares of common stock are registered in the name of only one holder, which is a nominee of The Depository Trust Company, a securities depository for banks and brokerage firms. The Company believes that there are a significant number of beneficial owners of its common stock.

On January 19, 2005, the Company announced that it would commence payment of a quarterly dividend on its common stock of \$.015 per share. Cumulative dividends declared during 2007 were \$10.7 million. Total dividends paid in 2007 were \$10.7 million including those declared in 2006 and paid in 2007. The Company intends to retain the remainder of its earnings not used for dividend payments to provide funds for the operation and expansion of the Company's business, repurchase shares of its common stock and to repay outstanding indebtedness.

The following table summarizes the Company's equity compensation plan information as of December 31, 2007:

Plan category	Equity Compensation Plan Information				
	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	11,279,898	\$	19.72		6,103,380

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

Equity compensation plans not approved by security holders						
Total	11,279,898	\$	19.72		6,103,380	

Purchases of Equity Securities

The Company maintained an open-market stock repurchase program (the Program) of up to 10.0 million shares as of December 31, 2007 of its Class A Common Stock. In September 2006, the Company retired 4.5 million shares of its Class A Common Stock purchased for \$87.8 million under the Program by reducing accumulated earnings by this amount. In March 2007, the Company retired an additional 1.6 million shares of its Class A Common Stock purchased for \$53.2 million under the Program by reducing accumulated earnings by this amount. At December 31, 2007, approximately 1.6 million shares of Common Stock remained available for repurchase under the Program. In January 2008, the Company announced that its Board of Directors authorized an increase to the number of shares which may be purchased under the program from 10.0 to 20.0 million shares in addition to extending the Program's maturity date from December 31, 2008 to January 31, 2010.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Pur- chased as Part of Publicly An- nounced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Pro- grams
January 1, to January 31, 2007	437,600	\$ 31.95	6,184,800	3,815,200
February 1, to February 28, 2007			6,184,800	3,815,200
March 1, to March 31, 2007			6,184,800	3,815,200
April 1, to April 30, 2007	218,500	35.40	6,403,300	3,596,700
May 1, to May 31, 2007	857,900	35.24	7,261,200	2,738,800
June 1, to June 30, 2007			7,261,200	2,738,800
July 1, to July 31, 2007	209,300	35.06	7,470,500	2,529,500
August 1, to August 31, 2007	806,094	34.48	8,276,594	1,723,406
September 1, to September 30, 2007			8,276,594	1,723,406
October 1, to October 31, 2007	150,000	43.43	8,426,594	1,573,406
November 1, 2007 to November 30, 2007			8,426,594	1,573,406
December 1, 2007 to December 31, 2007			8,426,594	1,573,406
Total	2,679,394	\$ 34.93	8,426,594	1,573,406

Item 6. Selected Financial Data*(dollars in thousands, except per share data)*

	Year Ended December 31,				
	2007	2006	2005	2004	2003
Operations					
Net sales	\$ 2,851,041	\$ 2,471,430	\$ 1,808,147	\$ 1,530,446	\$ 1,239,504
Net income	353,194	255,691(2)	206,339	163,311	103,990(1)
Net income per common share Diluted	1.94	1.39(2)	1.14	0.91	0.59(1)
Financial Position					
Cash and cash equivalents	\$ 183,641	\$ 74,135	\$ 38,669	\$ 30,172	\$ 23,533
Working capital	703,327	486,946	373,884	253,443	233,707
Total assets	2,675,733	2,195,397	1,932,540	1,306,711	1,181,384
Long-term debt, including current portion	722,636	680,414	781,000	449,053	542,959
Shareholders' equity	1,264,914	902,994	689,235	481,604	323,406
Weighted average shares outstanding Diluted	182,503,969	183,347,326	180,943,474	179,473,312	176,263,440
Cash dividends declared per share	\$ 0.06	\$ 0.06	\$ 0.06		

-
- (1) Includes a one-time charge for expenses incurred in the early extinguishment of debt of \$10,367, less tax benefit of \$3,525, or \$0.04 per share after taxes.
- (2) Includes a one-time charge for expenses incurred in connection with a flood at the Company's Sidney, NY facility of \$20,747, less tax benefit of \$6,535, or \$0.08 per share after taxes.

Item 7.

**Management's Discussion and Analysis of Financial
Condition and Results of Operations**

The following discussion and analysis of the results of operations for the three fiscal years ended December 31, 2007 has been derived from and should be read in conjunction with the consolidated financial statements included elsewhere in this document.

Executive Overview

The Company is a global designer, manufacturer and marketer of interconnect and cable products. In 2007, approximately 59% of the Company's sales were outside the U.S. The primary end markets for our products are:

- communication systems for the converging technologies of voice, video and data communications;
- a broad range of industrial applications including factory automation and motion control systems, medical and industrial instrumentation, mass transportation, natural resource exploration and automotive applications; and
- commercial aerospace and military applications.

The Company's products are used in a wide variety of applications by numerous customers, the largest of which accounted for approximately 7% of net sales in 2007. The Company encounters competition in all of its markets and competes primarily on the basis of engineering, product quality, price, customer service and delivery time. There has been a trend on the part of OEM customers to consolidate their lists of qualified suppliers to companies that have a global presence, can meet quality and delivery standards, have a broad product portfolio and design capability, and have competitive prices. The Company has focused its global resources to position itself to compete effectively in this environment. The Company believes that its global presence is an important competitive advantage as it allows the Company to provide quality products on a timely and worldwide basis to its multinational customers.

The Company's strategy is to provide comprehensive design capabilities, a broad selection of products and a high level of service in the areas in which it competes. The Company focuses its research and development efforts through close collaboration with its OEM customers to develop highly-engineered products that meet customer needs and have the potential for broad market applications and significant sales within a one-to-three year period. The Company is also focused on controlling costs. The Company does this by investing in modern manufacturing technologies, controlling purchasing processes and expanding into low cost areas.

The Company's strategic objective is to further enhance its position in its served markets by pursuing the following success factors:

- Focus on customer needs
- Design and develop application-specific interconnect solutions
- Establish a strong global presence in resources and capabilities
- Preserve and foster a collaborative, entrepreneurial management structure
- Maintain a culture of controlling costs
- Pursue strategic acquisitions

For the year ended December 31, 2007, the Company reported net sales, operating income and net income of \$2,851.0 million, \$552.9 million and \$353.2 million, respectively; up 15%, 30% and 38%, respectively, from 2006. Sales of interconnect products and assemblies and sales of cable products increased in all of the Company's related major markets and geographic regions. Sales and profitability trends are discussed in detail in "Results of Operations" below. In addition, a strength of the Company is its ability to consistently generate cash. The Company uses cash generated from operations to fund capital expenditures and acquisitions, repurchase shares of its common stock, pay dividends and reduce indebtedness. In 2007, the Company generated operating cash flow of \$387.9 million.

Results of Operations

The following table sets forth the components of net income as a percentage of net sales for the periods indicated.

	Year Ended December 31,		
	2007	2006	2005
Net sales	100.0%	100.0%	100.0%
Cost of sales	67.4	68.1	66.9
Selling, general and administrative expense	13.2	13.9	14.2
Casualty loss related to flood		.8	
Operating income	19.4	17.2	18.9
Interest expense	(1.3)	(1.6)	(1.3)
Other expenses, net	(.5)	(.5)	(.5)
Expense for early extinguishment of debt			(.1)
Income before income taxes	17.6	15.1	17.0
Provision for income taxes	(5.2)	(4.8)	(5.6)
Net income	12.4%	10.3%	11.4%

2007 Compared to 2006

Net sales were \$2,851.0 million for the year ended December 31, 2007 compared to \$2,471.4 million for 2006, an increase of 15% in U.S. dollars and 13% in local currencies. The increase in sales over 2006 excluding acquisitions was 15% in U.S. dollars and 12% in local currencies. Sales of interconnect products and assemblies (approximately 90% of net sales) increased 16% in U.S. dollars and 13% in local currencies compared to 2006 (\$2,569.3 million in 2007 versus \$2,207.5 million in 2006). Sales increased in all of the Company's major end markets including the military/aerospace, wireless communications, industrial/automotive, and telecommunications and data communications markets. Sales to the military/aerospace markets increased approximately \$117.5 million primarily due to increased sales to military customers for various defense related programs including war related spending, as well as an increase in sales to commercial aerospace customers. The increase in sales in the wireless communications markets (approximately \$104.6 million) is attributable to increased sales to the mobile device market relating to new products for both mobile phones and laptop computers, and to a lesser extent, to increased demand in the wireless infrastructure market from base station/equipment manufacturers and cell site installation customers. The increase in sales in the industrial/automotive market (approximately \$77.0 million) primarily reflects increased new product sales to the European automotive market, increased sales to the natural resource exploration and factory automation markets as well as the impact of acquisitions. The increase in sales to the telecommunications and data communications related markets (approximately \$54.1 million) reflects increased sales of high speed interconnect products for servers and switching and transmission equipment for data centers. Sales of cable products (approximately 10% of net sales) increased 7% compared to 2006 (\$281.8 million in 2007 versus \$263.9 million in 2006). Such increase is primarily due to increased sales in broadband cable television markets and the impact of price increases.

Geographically, sales in the U.S. in 2007 increased approximately 9% compared to 2006 (\$1,155.8 million in 2007 versus \$1,060.0 million in 2006); international sales for 2007 increased approximately 20% in U.S. dollars (\$1,695.2 million in 2007 versus \$1,411.5 million in 2006) and increased approximately 16% in local currency compared to 2006. The comparatively weak U.S. dollar in 2007 had the effect of increasing net sales by approximately \$66.3 million when compared to foreign currency translation rates in 2006.

The gross profit margin as a percentage of net sales increased to 33% in 2007 compared to 32% in 2006. The operating margin for interconnect products and assemblies increased approximately 1.3% compared to the prior year, mainly as a result of the continuing development of new higher margin application specific products, excellent operating leverage on incremental volume and aggressive programs of cost control. In addition, cable operating margins increased 0.7% due primarily to the impact of a higher mix of specialty products, increased production levels in low cost facilities and price increases partially offset by higher material costs.

Selling, general and administrative expenses were \$377.3 million and \$342.8 million in 2007 and 2006, respectively, or approximately 13% and 14% of sales in 2007 and 2006, respectively. The increase in expense in 2007 is attributable to increases in the major components of selling, general and administrative expenses as follows. Research and development expenditures increased approximately \$8.7 million, reflecting increases in expenditures for new product development and represented approximately 2% of sales for both 2007 and 2006. Selling and marketing expenses remained approximately 7% of sales for both 2007 and 2006. Administrative expense, which represented approximately 4% and 5% of sales in 2007 and 2006, respectively, increased by approximately \$8.4 million, due primarily to increases in stock-based compensation expense of \$2.7 million, and cost increases relating to professional fees as well as salaries and employee-related benefits.

The Company incurred damage at its Sidney, New York manufacturing facility as a result of severe and sudden flooding during the second quarter of 2006. In 2006, the Company recorded charges of \$20.7 million, or \$.08 per share, for recovery and clean up expenses and property related damage, net of insurance and grant recoveries. The Sidney facility had limited manufacturing and sales activity for the period from June 28 to July 14, 2006. Production activity was substantially back to full production at the end of the third quarter of 2006. As a result, sales in 2006 were reduced by approximately \$25.0 million.

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

Interest expense was \$36.9 million for 2007 compared to \$38.8 million for 2006. The decrease is primarily attributable to the lower average debt levels in 2007.

Other expenses, net, for 2007 and 2006 were \$15.0 million and \$12.5 million, respectively. Other expenses, net, are comprised primarily of minority interests (\$10.5 million in 2007 and \$6.0 million in 2006), program fees on the sale of accounts receivable (\$5.2 million in 2007 and \$5.0 million in 2006), and agency and commitment fees on the Company's credit facilities (\$1.8 million in 2007 and \$2.0 million in 2006) offset by interest income (\$2.7 million in 2007 and \$0.7 million in 2006).

The provision for income taxes was at an effective rate of 29.5% in 2007 and 31.5% in 2006. The lower effective tax rate results primarily from an increase in income in lower tax jurisdictions and changes in the Company's income repatriation plans. The total effective rate reduction lowered tax expense in 2007 by approximately \$10.0 million or \$.05 per share.

2006 Compared to 2005

Net sales were \$2,471.4 million for the year ended December 31, 2006 compared to \$1,808.1 million for 2005, an increase of 37% in U.S. dollars and 36% in local currencies. The increase in sales over 2005 excluding acquisitions was 12% in U.S. dollars and 11% in local currencies. Sales of interconnect products and assemblies (approximately 90% of net sales) increased 39% in U.S. dollars and 38% in local currencies compared to 2005 (\$2,207.5 million in 2006 versus \$1,592.4 million in 2005). Sales increased in the Company's major end markets including telecommunications and data communications, mobile communications, industrial and military/aerospace markets. Sales to the telecommunications and data communications related markets increased approximately \$338.8 million reflecting the impact of the acquisition of TCS in December 2005 (Note 8) and increased sales of new high speed interconnect products for servers and other data center equipment applications. The increase in sales in the mobile communications markets (approximately \$209.0 million) is attributable primarily to increased sales to the mobile device market relating to new products, the impact of the acquisition of TCS in December 2005 and to a lesser extent to increased demand in the wireless infrastructure market from cell site installation customers. The increase in sales in the industrial market (approximately \$55.8 million) reflects increased sales in North America and Europe relating to products for the factory automation, medical and oil/geophysical markets and the impact of acquisitions. The increase in military/aerospace sales (approximately \$15.4 million) relates to increased demand on commercial aircraft and military programs. Sales in the military/aerospace market were adversely impacted by approximately \$25.0 million in 2006 due to business interruption related to the flood at the Company's Sidney, New York facility further described below. Automotive sales declined approximately \$8.1 million primarily as a result of a reduction in vehicle production rates by European and U.S. vehicle manufacturers. Sales of cable products (approximately 10% of net sales) increased 22% compared to 2005 (\$263.9 million in 2006 versus \$215.7 million in 2005). Such increase is primarily due to increased sales in broadband cable television markets and the impact of price increases.

Geographically, sales in the U.S. in 2006 increased approximately 32% compared to 2005 (\$1,060.0 million in 2006 versus \$802.4 million in 2005); international sales for 2006 increased approximately 40% in U.S. dollars (\$1,411.5 million in 2006 versus \$1,005.8 million in 2005) and increased approximately 39% in local currency compared to 2005. The comparatively weak U.S. dollar in 2006 had the effect of increasing net sales by approximately \$16.5 million when compared to foreign currency translation rates in 2005.

The gross profit margin as a percentage of net sales decreased to 32% in 2006 compared to 33% in 2005 due primarily to a decrease in margins in the interconnect products and assemblies segment primarily as a result of the TCS acquisition (Note 8). The operating margin for interconnect products and assemblies decreased approximately 1% compared to the prior year. TCS margins are lower than the average margin of the Company and its inclusion in the consolidated results lowered the margin percentage. Interconnect segment margins excluding the impact of TCS were consistent with the prior year margins as the continuing development of new higher margin, application specific products, excellent operating leverage on incremental volume and aggressive programs of cost control, offset increases resulting primarily from higher material costs. In addition, cable operating margins decreased 0.3% reflecting higher material and freight costs in 2006 driven by higher commodity and energy prices offset, in part, by the impact of price increases.

Selling, general and administrative expenses were \$342.8 million and \$257.1 million in 2006 and 2005, respectively, or approximately 14% of sales in each year. The increase in expense in 2006 is attributable to the impact of acquisitions and increases in the major components of selling, general and administrative expenses as follows. Research and development expenditures increased approximately \$13.6 million, reflecting increases in expenditures for new product development and represented approximately 2% of sales for both 2006 and 2005. Selling and marketing expenses remained approximately 7% of sales. Administrative expenses increased by approximately \$34.2 million, due primarily to increases in costs as a result of the TCS acquisition and stock-based compensation expense of \$9.7 million, as a result of the adoption of

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

Statement of Financial Accounting Standard (SFAS) No. 123(R) Share-Based Payment, which was effective on January 1, 2006, in addition to general cost increases relating to professional fees, pensions and employee-related benefits.

The Company incurred damage at its Sidney, New York manufacturing facility as a result of severe and sudden flooding during the second quarter of 2006. In 2006, the Company recorded charges of \$20.7 million, or \$.08 per share, for recovery and clean up expenses and property related damage, net of insurance and grant recoveries. The Sidney facility had limited manufacturing and sales activity for the period from June 28 to July 14, 2006. Production activity was substantially back to full production at the end of the third quarter of 2006. As a result, sales in 2006 were reduced by approximately \$25.0 million.

Interest expense was \$38.8 million for 2006 compared to \$24.1 million for 2005. The increase is primarily attributable to higher interest rates and higher average debt levels related to the TCS acquisition (Note 8).

Expenses for early extinguishment of debt totaling \$2.4 million in 2005, relate to the refinancing of the Company's senior credit facilities. Such one-time expenses included the write off of deferred debt issuance costs of \$5.7 million partially offset by the settlement of interest rate swap agreements of \$3.2 million. No such expenses were incurred in 2006.

Other expenses, net, for 2006 and 2005 were \$12.5 million and \$8.9 million, respectively. Other expenses, net, are comprised primarily of minority interests (\$6.0 million in 2006 and \$4.1 million in 2005), program fees on the sale of accounts receivable (\$5.0 million in 2006 and \$3.8 million in 2005), reflecting higher receivable fee rates in 2006 and agency and commitment fees on the Company's credit facilities (\$2.1 million in 2006 and \$1.5 million in 2005) primarily due to higher commitment fees offset by interest income (\$0.7 million in 2006 and \$0.4 million in 2005).

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment*. This pronouncement amends SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*, an Amendment of SFAS No. 123, and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS No. 123(R) requires that companies account for awards of equity instruments under the fair value method of accounting and recognize such amounts in their statements of operations. The Company adopted SFAS No. 123(R) on January 1, 2006 using the modified prospective method and, in connection therewith compensation expense is recognized in its consolidated statement of income for the year ended December 31, 2006 over the service period that the awards are expected to vest. The Company recognizes expense for all stock-based compensation with graded vesting on a straight-line basis over the vesting period of the entire award. Stock-based compensation expense includes the estimated effects of forfeitures, and estimates of forfeitures will be adjusted over the requisite service period to the extent actual forfeitures differ, or are expected to differ from such estimates. Changes in estimated forfeitures will be recognized in the period of change and will also impact the amount of expense to be recognized in future periods. Prior to January 1, 2006, the Company recorded stock-based compensation in accordance with the provisions of APB Opinion No. 25. The Company estimated the fair value of stock option awards in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*, and disclosed the resulting estimated compensation effect on net income on a pro forma basis. As a result of adopting SFAS No. 123(R) on January 1, 2006 the Company's income before income taxes and net income was reduced by \$9.7 million and \$6.7 million, respectively, or \$.04 per share, for the year ended December 31, 2006.

The provision for income taxes was at an effective rate of 31.5% in 2006 and 33% in 2005. The lower effective tax rate results primarily from an increase in income in lower tax jurisdictions and changes in the Company's income repatriation plans. The total effective rate reduction lowered tax expense in 2006 by approximately \$5.6 million or \$.03 per share.

Liquidity and Capital Resources

Cash provided by operating activities totaled \$387.9 million, \$289.6 million and \$229.6 million for 2007, 2006 and 2005, respectively. The increase in cash from operating activities in 2007 compared to 2006 is primarily attributable to an increase in net income, an increase in depreciation and amortization and a lower increase in the non-cash components of working capital compared to the increase in 2006. The increase in cash from operating activities in 2006 compared to 2005 is also primarily attributable to an increase in net income and an increase in depreciation and amortization partially offset by a higher increase in the non-cash components of working capital compared to the increase in 2005.

The non-cash components of working capital increased \$63.0 million in 2007 due primarily to increases in accounts receivable of \$87.0 million, \$23.7 million in excess tax benefits from stock-based payment arrangements, \$22.7 million in inventory and \$7.2 of prepaid expenses and other assets partially offset by a \$43.7 million increase in accounts payable and an increase of \$33.9 million in accrued liabilities.

The non-cash components of working capital increased \$69.4 million in 2006 due primarily to increases in accounts receivable of \$60.6 million, \$81.9 million in inventory, \$10.0 million in excess tax benefits from stock-based payment arrangements, \$9.0 million in prepaid expenses and other assets and a decrease in accrued interest of \$1.1 million partially offset by a \$46.4 million increase in accounts payable and an increase of \$46.8 million in accrued liabilities.

The non-cash components of working capital increased \$36.7 million in 2005 due primarily to an increase in accounts receivable of \$45.2 million and \$20.6 million in inventory partially offset by a \$25.8 million increase in accounts payable, a decrease of \$10.4 million in accrued liabilities, an increase of \$5.0 million of receivables sold, an increase in accrued interest of \$3.0 million, and a decrease of \$5.6 million in prepaid expenses and other assets.

In 2007, accounts receivable increased \$126.6 million to \$510.4 million, due to an increase in sales levels, \$16.4 million due to translation resulting from the comparatively weaker U.S. dollar at December 31, 2007 compared to December 31, 2006 (Translation) and the remaining increase due to acquired companies. Days sales outstanding increased to approximately 69 days from 66 days in 2006 with Translation accounting for 1 day of the increase. Prepaid expenses and other assets increased \$12.8 million to \$72.9 million primarily from higher value-added tax receivables related to foreign operations in addition to higher short-term investment balances. Inventory increased \$40.4 million to \$456.9 million, primarily resulting from increased sales activity of \$22.7 million as well as increases related to Translation and inventory from acquired companies of \$11.5 million. Inventory days at December 31, 2007 and 2006 were 80 and 86, respectively. Other long-term assets decreased \$16.5 million to \$43.9 million primarily due to a reduction in long-term deferred tax assets and a reduction of the fair value of interest rate swaps arrangements in addition to amortization of intangible assets. Goodwill increased \$165.6 million to \$1,091.8 million primarily as a result of acquisitions completed during the year, the payment of and recording of liabilities for performance-based additional cash consideration of \$24.6 million in addition to adjustments made related to prior year acquisitions. Land and depreciable assets, net, increased \$42.1 million to \$316.2 million reflecting capital expenditures of \$103.8 million, \$10.1 million due to Translation as well as assets from acquisitions of approximately \$8.8 million offset by depreciation of \$76.0 million and disposals of \$4.6 million. Accounts payable and accrued salaries, wages and employee benefits increased \$60.5 million and \$1.8 million to \$295.4 million and \$55.0 million, respectively, due primarily to an increase in sales levels as well as liabilities assumed from acquired companies and a \$7.3 and \$0.5 million increase, respectively, due to Translation. Other accrued liabilities increased \$12.7 million to \$169.1 million relating primarily to an increase of \$32.6 million in liabilities associated with performance-based additional cash consideration on acquisitions and an increase of \$6.8 million due to Translation offset by a decrease in accrued income taxes of \$23.4 million due primarily to the reclassification of the long term portion of the liability for unrecognized tax benefits in accordance with FIN 48 to long-term liabilities of \$28.8 million. Accrued pension and post employment benefit obligations decreased \$36.5 million to \$101.8 million primarily due to contributions made during 2007 and higher discount rate assumptions used in the calculation of the projected benefit obligation at December 31, 2007 offset by an increase of \$5.6 million due to Translation. Other long-term liabilities increased \$37.7 million to \$67 million due primarily to the reclassification of the long-term portion of the liability for unrecognized tax benefits in accordance with FIN 48 from other accrued expenses as discussed above in addition to higher long-term deferred tax liabilities partially offset

by a reduction in minority interest liabilities of \$14.4 million due to the purchase of the remaining 30% of one of the Company's foreign subsidiaries.

In 2007, cash from operating activities of \$387.9 million, proceeds from the exercise of stock options including excess tax benefits from stock-based payment arrangements of \$58.2 million, net borrowings of \$41.6 million and proceeds from disposal of fixed assets of \$5.3 million were used to fund \$179.3 million of acquisitions including payments for performance-based additional cash consideration, capital expenditures of \$103.8 million, purchases of treasury stock of \$93.6 million, dividend payments of \$10.7 million, purchases of short-term investments of \$1.4 million and an increase in cash on hand of \$109.5 million. For

2006, cash from operating activities of \$289.6 million, proceeds from disposal of fixed assets of \$5.9 million and proceeds from the exercise of stock options including excess tax benefits from stock-based payment arrangements of \$31.9 million were used to fund capital expenditures of \$82.4 million, acquisitions of \$22.5 million, dividend payments of \$10.7 million, a net debt reduction of \$102.6 million, purchases of treasury stock of \$72.7 million, payment of fees and expenses related to refinancing of \$1.1 million and an increase in cash on hand of \$35.5 million.

On July 15, 2005, the Company completed a refinancing of its senior secured credit facility. The new bank agreement (Revolving Credit Facility) was comprised of a five-year \$750.0 million unsecured revolving credit facility that was originally scheduled to expire in July 2010, of which approximately \$440.0 million was drawn at closing. On November 15, 2005, the Company exercised its option to increase its aggregate commitments under the Revolving Credit Facility by an additional \$250.0 million thereby increasing the revolving credit facility to \$1,000.0 million. On August 1, 2006, the Company amended the Revolving Credit Facility to reduce borrowing costs and increase the general indebtedness basket by \$250.0 million through an accordion feature similar to that exercised on November 15, 2005. In addition, the term of the Revolving Credit Facility was extended from July 2010 to August 2011.

At December 31, 2007, availability under the Revolving Credit Facility was \$274.6 million, after a reduction of \$13.8 million for outstanding letters of credit. In connection with the 2005 refinancing, the Company incurred one-time expenses for the early extinguishment of debt of \$2.4 million (less tax effects of \$0.8 million), or \$.01 per share after tax. Such one-time expenses include the write-off of unamortized deferred debt issuance costs less the gain on the termination of related interest rate swap agreements. The Company's interest rate on borrowings under the Revolving Credit Facility is LIBOR plus 40 basis points. The Company also pays certain annual agency and facility fees. At December 31, 2007, the Company's credit rating from Standard & Poor's was BBB- and from Moody's was Baa3. The Revolving Credit Facility requires that the Company satisfy certain financial covenants including an interest coverage ratio (EBITDA divided by interest expense) of higher than 3X and a leverage ratio (Debt divided by EBITDA) lower than 3.25X; at December 31, 2007, such ratios as defined in the Revolving Credit Facility were 15.46X and 1.21X, respectively. The Revolving Credit Facility also includes limitations with respect to, among other things, (i) indebtedness in excess of \$50.0 million for capital leases, \$450.0 million for general indebtedness, \$200.0 million for acquisition indebtedness, (of which approximately \$3.3 million, \$1.1 million and \$nil were outstanding at December 31, 2007, respectively), (ii) restricted payments including dividends on the Company's Common Stock in excess of 50% of consolidated cumulative net income subsequent to July 15, 2005 plus \$250.0 million, or approximately \$605.7 million at December 31, 2007, (iii) required consolidated net worth equal to 50% of cumulative consolidated net income commencing April 1, 2005 plus 100% of net cash proceeds from equity issuances commencing April 1, 2005, plus \$400.0 million, or approximately \$784.4 million at December 31, 2007, (iv) creating or incurring liens, (v) making other investments, and (vi) acquiring or disposing of assets.

In conjunction with entering into the Revolving Credit Facility, the Company entered into interest rate swap agreements that fixed the Company's LIBOR interest rate on \$250.0 million, \$250.0 million and \$150.0 million of floating rate bank debt at 4.24%, 4.85% and 4.40%, expiring in July 2008, December 2008 and December 2009, respectively. In October 2007, the Company entered into interest rate swaps that fix the Company's LIBOR interest rate on \$250.0 million and \$250.0 million of floating rate bank debt at 4.73% and 4.65% which go into effect in July 2008 and December 2008 and expire in July 2010 and December 2009, respectively. The fair value of such agreements was estimated by obtaining quotes from brokers which represented the amounts that the Company would receive or pay if the agreements were terminated. The fair value of all swaps indicated that termination of the agreements at December 31, 2007 would have resulted in a pre-tax loss of \$11.4 million; such loss, net of tax of \$4.4 million, was recorded in accumulated other comprehensive income.

The Company's primary ongoing cash requirements will be for operating and capital expenditures, product development activities, repurchase of its common stock, funding of pension obligations, dividends and debt service. The Company may also use cash to fund all or part of the cost of future acquisitions. The Company's debt service requirements consist primarily of principal and interest on bank borrowings. The Company's primary sources of liquidity are internally generated cash flow, the Company's Revolving Credit Facility and the sale of receivables under the Company's accounts receivable agreement described below. In addition, the Company had cash and cash equivalents of \$183.6 million and \$74.1 million at December 31, 2007 and 2006, respectively, the majority of which was in non-U.S. accounts as of December 31, 2007. The Company expects that ongoing requirements for operating and capital expenditures, product development activities, repurchases of its common stock, dividends and debt service requirements will be funded from these sources; however, the Company's sources of liquidity could be adversely affected by, among other things, a decrease in demand for the Company's products, a deterioration in certain of the Company's financial

ratios or a deterioration in the quality of the Company's accounts receivable.

The Company expects that capital expenditures in 2008 will be approximately \$95.0 million. The Company may also use cash to fund part or all of the cost of future acquisitions. On January 19, 2005, the Company announced that it would commence payment of quarterly dividends on its common stock of \$.015 per share. The Company paid its fourth 2007 quarterly dividend in the amount of \$2.7 million or \$.015 per share on January 2, 2008 to shareholders of record as of December 12, 2007. Cumulative dividends declared during 2007 were \$10.7 million. Total dividends paid in 2007 were \$10.7 million including those declared in 2006 and paid in 2007. The Company intends to retain the remainder of its earnings to provide funds for the operation and expansion of the Company's business, repurchase of its common stock and to repay outstanding indebtedness. Management believes that the Company's working capital position, ability to generate strong cash flow from operations, availability under its Revolving Credit Agreement and access to credit markets will allow it to meet its obligations for the next twelve months and the foreseeable future.

Off-Balance Sheet Arrangement - Accounts Receivable Securitization

A subsidiary of the Company has an agreement with a financial institution whereby the subsidiary can sell an undivided interest of up to \$100.0 million in a designated pool of qualified accounts receivable. The Company services, administers and collects the receivables on behalf of the purchaser. On July 31, 2006, the Company terminated its then existing accounts receivable securitization facility and entered into a new Receivables Purchase Agreement (the "New Agreement"). The New Agreement allows the Company to sell an undivided interest of up to \$100.0 million in a designated pool of qualified accounts receivable at costs that are lower than the previous agreement. The remaining terms and conditions of the New Agreement remained substantially the same as the previous facility. The New Agreement includes certain covenants and provides for various events of termination and expires in July 2009. At December 31, 2007 and 2006, approximately \$85.0 million of receivables were sold and are therefore not reflected in the accounts receivable balance in the accompanying Consolidated Balance Sheets.

TCS Acquisition

On December 1, 2005, pursuant to an Asset and Stock Purchase Agreement dated October 10, 2005 (the "Asset Purchase Agreement") by and among Amphenol Corporation (the "Company") and Teradyne, Inc., a Massachusetts corporation ("Teradyne"), The Company purchased substantially all of the assets and assumed certain of the liabilities of Teradyne's backplane and connection systems business segment ("TCS"), including the stock of certain of its operating subsidiaries for a total purchase price of approximately \$384.7 million in cash. In addition, Amphenol incurred approximately \$8.8 million of transaction related expenses. The accompanying Consolidated Statement of Income for the year ended December 31, 2005 includes the results of TCS for the period subsequent to the acquisition date; sales of approximately \$34.0 million and minimal net income resulting in no impact to 2005 consolidated net earnings per share. TCS results are reflected for the full year 2006 and 2007.

TCS is headquartered in Nashua, New Hampshire and is a leading supplier of high-speed, high-density, printed circuit board interconnect products. TCS sells its products primarily to the data communications, storage and server markets, wireless infrastructure markets and industrial markets. TCS had sales of \$373 million for the year ended December 31, 2005.

The acquisition was accounted for using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". Accordingly, the purchase price was allocated first to the tangible and identifiable intangible assets and then to the liabilities of TCS based upon their fair market values. The excess purchase price over the fair market value of the underlying net assets acquired was allocated to goodwill.

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

In connection with the acquisition, the Company recorded \$240.0 million of goodwill and \$46.2 million of acquired intangible assets of which \$30.7 million, \$9.5 million and \$6.0 million was assigned to proprietary technology, customer relationships and license agreements, respectively, all of which are subject to amortization. The acquired intangible assets have a total weighted-average useful life of approximately 12 years. The license agreements, proprietary technology and customer relationships have a weighted average useful life of 8 years, 15 years and 5 years, respectively. The entire amount of goodwill was assigned to the interconnect segment all of which is expected to be deductible for tax purposes.

The following table summarizes the unaudited pro forma combined condensed financial information assuming that the TCS acquisition actually occurred as of the beginning of the period presented. On a pro forma basis for the year ended December 31, 2005, TCS had sales and operating income of \$373.0 million and \$6.7 million, respectively. Such amounts along with \$22.2 million of additional pro forma interest expense and related bank fees on borrowings to fund the acquisition are reflected in the pro forma amounts shown below. The pro forma adjustments are based upon available information and reflect a reasonable estimate of the effects of the TCS acquisition for the periods presented on the basis set forth herein. The unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what the Company's financial position

or results of operations would have been had the TCS acquisition in fact occurred on the dates assumed, nor is it necessarily indicative of the results that may be expected in future periods.

For The Year Ended December 31, 2005 (in thousands except per share data)		
Net sales	\$	2,146,286
Operating income		347,301
Net income		195,675
Net income per common share - Basic	\$	1.10
Net income per common share - Diluted		1.08

To supplement the Company's pro forma combined financial information presented above, the Company uses certain measures which are adjusted from the Company's pro forma GAAP amounts based upon actions taken either on the purchase date or known subsequent changes in cost structure, the results of which are as shown below. These adjustments are provided to enhance the user's overall understanding of the Company's current and expected financial performance and are forward looking. The adjustments are presented for informational purposes only and do not purport to represent what the Company's financial position or results of operations would have been had the TCS acquisition in fact occurred on the dates assumed, nor are they necessarily indicative of the results that may be expected in future periods. Such information should be considered as subject to uncertainties that exist in the Company's operations and business environment. The following table sets forth cash savings that are expected to be achieved as of or immediately following the acquisition date as well as the reversal of non recurring restructuring costs and non recurring gains on the sale of a business, which management does not expect to recur in the future. This information is included to assist investors and management in assessing the Company's operating results in a manner that is focused on the performance of the Company's ongoing combined operations.

For The Year Ended December 31, 2005 (in thousands)		
Benefit of reduction in employee related benefits (i)	\$	1,969
Benefit of reduction in Teradyne historical corporate allocations (ii)		7,505
Reversal of nonrecurring restructuring costs (iii)		11,654
Reversal of nonrecurring gains on the sale of a business (iv)		(612)
Total	\$	20,516

- (i) In conjunction with the acquisition, TCS's historical management incentive plan was terminated and replaced by an incentive plan which has higher profitability targets. These targets would not have been achieved at TCS's historic profitability levels and, as such, the related expense would not have been incurred.
- (ii) Teradyne had historically allocated corporate general and administrative costs to TCS which are included in the pro forma amounts presented above. Such costs included information technology, human resources, tax, legal, corporate treasury and finance as well as executive administration related items. The acquisition agreement included the hiring of certain Teradyne employees and assumption of certain agreements that related to services performed by Teradyne for TCS. In addition, Amphenol assumed the performance of certain tax and treasury functions for TCS. This adjustment represents the excess of the amount charged to TCS by Teradyne for those centralized services over the actual cost incurred by TCS and Amphenol since the acquisition.
- (iii) Teradyne had significant restructuring activities in 2005 at TCS resulting in related expenses which are included in the pro forma amounts presented above. No significant restructuring activities are expected to take place in the future, and as such, these costs are considered nonrecurring, and are therefore included above as expected savings.
- (iv) TCS had recognized gains on the sale of a business in 2005 which is included in the pro forma amounts presented above. These gains are not expected to occur in the future.

Environmental Matters

Subsequent to the acquisition of Amphenol from Allied Signal Corporation (Allied Signal) in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 (Honeywell)), Amphenol and Honeywell were named jointly and severally liable as potentially responsible parties in relation to several environmental cleanup sites. Amphenol and Honeywell jointly consented to perform certain investigations and remedial and monitoring activities at two sites, the Route 8 landfill and the Richardson Hill Road landfill, and they were jointly ordered to perform work at another site, the Sidney landfill. The costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement (the Honeywell Agreement) entered into in connection with the acquisition in 1987. For sites covered by the Honeywell Agreement, to the extent that conditions or circumstances occurred or existed at the time of or prior to the acquisition, Honeywell is obligated to reimburse Amphenol 100% of such costs. Honeywell representatives continue to work closely with the Company in addressing the most significant environmental liabilities covered by the Honeywell Agreement. Management does not believe that the costs associated with resolution of these or any other environmental matters will have a material adverse effect on the Company's financial condition or results of operations. The environmental investigations, remedial and monitoring activities identified by the Company, including those referred to above, are covered under the Honeywell Agreement.

Inflation and Costs

The cost of the Company's products is influenced by the cost of a wide variety of raw materials, including precious metals such as gold and silver used in plating; aluminum, copper, brass and steel used for contacts, shells and cable; and plastic materials used in molding connector bodies, inserts and cable. In general, increases in the cost of raw materials, labor and services have been offset by price increases, productivity improvements and cost saving programs.

Risk Management

The Company has to a significant degree mitigated its exposure to currency risk in its business operations by manufacturing and procuring its products in the same country or region in which the products are sold so that costs reflect local economic conditions. In other cases involving U.S. export sales, raw materials are a significant component of product costs for the majority of such sales and raw material costs are generally dollar based on a worldwide scale, such as basic metals and petroleum-derived materials.

Stock Split

On January 17, 2007, the Company announced a 2-for-1 stock split that was effective for stockholders of record as of March 16, 2007 and these additional shares were distributed on March 30, 2007. The share information included herein reflects the effect of such stock split.

Recent Accounting Changes

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2008, as a result of FASB Staff Position 157-2 issued in February 2008, and is required to be adopted by the Company in the first quarter of 2009. The Company does not believe SFAS 157 will have a material impact on its consolidated results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not believe SFAS 159 will have a material impact on its consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* (SFAS 141R). The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, this Statement establishes principles and requirements for how the acquirer: 1.) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, 2.) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and 3.) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The areas that are most applicable to the Company with regard to this Statement are (1) that the Statement requires companies to expense transaction costs as incurred (2) that any subsequent adjustments to a recorded performance-based liability after its initial recognition will need to be adjusted through income as opposed to goodwill, and (3) any liabilities related to noncontrolling interest will be recorded at fair value. The Company is currently evaluating the effect of this statement to determine the impact it will have, but believes the impact will not be material to its consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements which shall be applied retrospectively for all periods presented. The areas that are most applicable to the Company with regard to this Statement are (1) the Statement requires companies to classify expense related to noncontrolling interest's share in income below net income (earnings per share will still be determined after the impact of noncontrolling interest's share in net income of the Company as is current practice.) During 2007, 2006 and 2005, the Company included expense related to the noncontrolling interests share in income of \$10.5 million, \$6.0 million and \$4.1 million, respectively, in other expenses, net and (2) this Statement requires the liability related to noncontrolling interests to be presented as a separate caption within shareholders' equity. As of December 31, 2007 and 2006 the liability related to noncontrolling interests was \$14.8 million and \$18.7 million, respectively, and is included in other long-term liabilities. The Company is currently evaluating the effect of this statement to determine the impact it will have, but believes the primary impact will be as described above.

Pensions

The Company and certain of its domestic subsidiaries have a defined benefit pension plan (U.S. Plan) covering their U.S. employees. U.S. Plan benefits are generally based on years of service and compensation and are generally noncontributory. Certain foreign subsidiaries also have defined benefit plans covering their employees. The pension expense for all pension plans approximated \$16.0 million, \$17.0 million and \$13.5 million in 2007, 2006 and 2005, respectively, and is calculated based upon a number of actuarial assumptions established on January 1 of the applicable year, including an expected long-term rate of return on the U.S. Plan assets. In developing the expected long-term rate of return assumption for the U.S. Plan, the Company evaluated input from its actuaries and investment consultants as well as long-term inflation assumptions. Projected returns by such consultants are based on broad equity and bond indices. The Company also considered its historical eighteen-year compounded return of 11.4%, which has been in excess of these broad equity and bond benchmark indices. The expected long-term rate of return on the U.S. Plan assets is based on an asset allocation assumption of 60% with equity managers, with an expected long-term rate of return of 10.65%; 25% with fixed income managers, with an expected long-term rate of return of 6.75% and 15% with high yield bond managers, with an expected rate of return of 8%. As of December 31, 2007, the asset allocation was 62% with equity managers and 31% with fixed income managers, including high yield managers and 7% in cash. The Company believes that the long-term asset allocation on average will approximate 60% with equity managers and 40% with fixed income managers. The Company regularly reviews the actual asset allocation and periodically rebalances investments to its targeted allocation when considered appropriate. Based on this methodology the Company's expected long-term rate of return assumption to determine the accrued benefit obligation of the U.S. Plan at December 31, 2007 and 2006 is 9.25% and 9.5%, respectively.

The discount rate used by the Company for valuing pension liabilities is based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations. The discount rate for the U.S. Plan on this basis has increased from 5.75%

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

at December 31, 2006 to 6.25% at December 31, 2007. This will have the effect of decreasing pension expense in 2008 by approximately \$2.2 million. Although future changes to the discount rate are unknown, had the discount rate increased or decreased 50 basis points, the accrued benefit obligation would have decreased \$14.4 million or increased \$15.0 million, respectively.

Effective January 1, 2007, the Company effected a curtailment related to the U.S. Plan which resulted in no additional benefits being credited to salaried employees who had less than 25 years service with the Company, or who had not attained age 50 and who had less than 15 years of service with the Company. This change had the impact of decreasing the unfunded pension liability by \$5.1 million at December 31, 2006 and had the effect of decreasing pension expense during 2007 by approximately \$2.9 million. For affected employees, the curtailment in additional U.S. Plan benefits was replaced with a Company match defined contribution plan to which the Company contributed approximately \$1.7 million in 2007.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS 158 which requires employers to fully recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its balance sheet. The pension asset or liability under SFAS 158 is equal to the difference between the fair value of the plan's assets and its projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement plans. Prior guidance required the liability to be measured as the accumulated benefit obligation. In addition, this statement requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet, with limited exceptions. SFAS 158 also requires entities to disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. The statement was effective for years ending after December 15, 2006 except for the requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end balance sheet which is effective for fiscal years ending after December 15, 2008. SFAS 158 had the effect of increasing the Company's accrued benefit obligation and other comprehensive income, net of deferred tax assets, by approximately \$31.1 million and \$19.2 million, respectively at December 31, 2006 and did not have any impact on the Company's consolidated statement of income.

The Company made cash contributions to the U.S. Plan of \$20 million and \$15 million in 2007 and 2006, respectively. The liability for accrued pension and post employment benefit obligations under all the Company's pension and post-retirement benefit plans (the Plans) decreased in 2007 to \$101.8 million from \$138.3 million in 2006 primarily due to the cash contributions made to the Plans in 2007 as well as the higher discount rate assumptions used to calculate the projected benefit obligation at December 31, 2007 offset by the foreign currency translation effect of the foreign pension plans. The Company estimates that, based on current actuarial calculations, it will make a voluntary cash contribution to the U.S. Plan in 2008 of approximately \$10.0 to \$20.0 million. Cash contributions in subsequent years will depend on a number of factors including the investment performance of the U.S. Plan assets and the impact of the Pension Protection Act of 2006 which was signed into law in August 2006. The intent of the legislation is to require companies to fund 100% of their pension liability; and then for companies to fund, on a going-forward basis, an amount generally estimated to be the amount that the pension liability increases each year due to an additional year of service by the employees eligible for pension benefits. The legislation requires that funding shortfalls be eliminated by companies over a seven-year period, beginning in 2008. The Pension Protection Act also extended the provisions of the Pension Funding Equity Act that would have expired in 2006 had the Pension Protection Act not been enacted, which increased the allowed discount rate used to calculate the pension liability. The Pension Protection Act is effective for plan years beginning after 2007 and the Company does not believe it will have a material impact on its consolidated results.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are adjusted as new information becomes available. The Company's significant accounting policies are set forth below.

Revenue Recognition - The Company's primary source of revenues is from product sales to its customers. Revenue from sales of the Company's products is recognized at the time the goods are delivered and title passes, provided the earning process is complete and revenue is measurable. Delivery is determined by the Company's shipping terms, which are primarily FOB shipping point. Revenue is recorded at the net amount to be

received after deductions for estimated discounts, allowances and returns. These estimates and reserves are determined and adjusted as needed based upon historical experience, contract terms and other related factors. The shipping costs for the majority of the Company's sales are paid directly by the Company's customers. In the broadband communication market (approximately 10% of consolidated sales), the Company pays for shipping cost to the majority of its customers. Shipping costs are also paid by the Company for certain customers in the interconnect products and assemblies market. Amounts billed to customers related to shipping costs are immaterial and are included in net sales. Shipping costs incurred to transport products to the customer which are not reimbursed are included in selling, general and administrative expense.

Inventories - Inventories are stated at the lower of standard cost, which approximates average cost, or market. Provisions for slow moving and obsolete inventory are made based on historical experience and product demand. Should future product demand change, existing inventory could become slow moving or obsolete and provisions would be increased accordingly.

Depreciable Assets - Property, plant and equipment are carried at cost less accumulated depreciation. The appropriateness and the recoverability of the carrying value of such assets are periodically reviewed taking into consideration current and expected business conditions. Historically, the Company has not had any significant impairments.

Goodwill - The Company performs its annual evaluation for the impairment of goodwill for the Company's reporting units, in accordance with SFAS No. 142, as of each June 30. Goodwill impairment for each reporting unit is evaluated using a two-step approach requiring the Company to determine the fair value of the reporting unit and compare that to the carrying value including goodwill. If the carrying value exceeded the fair value, the goodwill of the reporting unit would be potentially impaired and a second step of additional testing would be performed to measure the impairment loss. Historically, the Company has not had any impairments.

Defined Benefit Plan Obligation - The defined benefit plan obligation is based on significant assumptions such as mortality rates, discount rates and plan asset rates of return as determined by the Company in consultation with the respective benefit plan actuaries and investment advisors.

The significant accounting policies are more fully described in Note 1 to the Company's Consolidated Financial Statements.

Disclosures about contractual obligations and commitments

The following table summarizes the Company's known obligations to make future payments pursuant to certain contracts as of December 31, 2007, as well as an estimate of the timing in which such obligations are expected to be satisfied:

Contractual Obligations (dollars in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (1)	\$ 719,297	\$ 489	\$ 999	\$ 717,730	\$ 79
Capital lease obligations	3,339	586	1,632	618	503
Operating leases	70,427	20,691	28,390	13,995	7,351
Purchase obligations	153,928	151,359	1,600	969	
Accrued acquisition-related obligations (2)	55,212	55,212			
Accrued pension and post employment benefit obligations (3)	40,582	3,832	7,982	8,361	20,407
Total (4)	\$ 1,042,785	\$ 232,169	\$ 40,603	\$ 741,673	\$ 28,340

(1) The Company has excluded expected interest payments from the above table as this calculation is largely dependent on average debt levels the Company expects to have at the end of each of the years presented as well as the expected interest rates on the debt not covered by interest rate swaps. The actual interest payments made in 2007 were \$36,238. Expected debt levels, and therefore expected interest payments, are difficult to predict as they are significantly impacted by such items as future acquisitions, repurchases of treasury stock, dividend payments

as well as payments or additional borrowing made to reduce or increase the underlying revolver balance.

(2) Accrued acquisition-related obligations consist of obligations for additional purchase price and performance-based cash consideration.

(3) Included in this table are estimated benefit payments expected to be made under the Company's unfunded pension and post retirement benefit plans. The Company also maintains several funded pension and post retirement benefit plans the most significant of which covers its U.S. employees. Over the past several years, there has been no minimum requirement for Company contributions to the U.S. Plan due to prior contributions made in excess of minimum requirements, but the Company has made contributions to the U.S. Plan in the range of \$10,000 to \$20,000 in each of the last few years and expects to make this same level of contribution in 2008. As a result, it is not possible to reasonably estimate expected required contributions in the above table since several assumptions are required to calculate the minimum required contributions, such as the discount rate and expected asset returns.

(4) As of December 31, 2007, the Company has FIN 48 liabilities of \$33,037. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with the non-current FIN 48 liabilities it is very difficult to make a reasonably reliable estimate of the amount and period in which these non-current liabilities might be paid.

Item 7A Quantitative and Qualitative Disclosures About Market Risk

The Company, in the normal course of doing business, is exposed to the risks associated with foreign currency exchange rates and changes in interest rates.

Foreign Currency Exchange Rate Risk

The Company conducts business in several international currencies through its worldwide operations, and as a result is subject to foreign exchange exposure due to changes in exchange rates of the various currencies. Changes in exchange rates can positively or negatively affect the Company's sales, gross margins and retained earnings. The Company attempts to minimize currency exposure risk by producing its products in the same country or region in which the products are sold, thereby generating revenues and incurring expenses in the same currency and by managing its working capital although there can be no assurance that this approach will be successful, especially in the event of a significant and sudden decline in the value of any of the international currencies of the Company's worldwide operations. The Company does not engage in purchasing forward exchange contracts for speculative purposes.

Interest Rate Risk

Relative to interest rate risk, the Company entered into interest rate swap agreements that fixed the Company's LIBOR interest rate on \$250.0 million, \$250.0 million and \$150.0 million of floating rate bank debt at 4.24%, 4.85% and 4.40%, expiring in July 2008, December 2008 and December 2009, respectively. At December 31, 2007, the Company's average LIBOR rate was 4.56%. In October 2007, the Company entered into interest rate swaps that fix the Company's LIBOR interest rate on \$250.0 million and \$250.0 million of floating rate bank debt at 4.73% and 4.65% which go into effect in July 2008 and December 2008 and expire in July 2010 and December 2009, respectively. A 10% change in the LIBOR interest rate at December 31, 2007 would have had the effect of increasing or decreasing interest expense by approximately \$.3 million. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2008, although there can be no assurances that interest rates will not significantly change.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Amphenol Corporation
Wallingford, Connecticut

We have audited the accompanying consolidated balance sheets of Amphenol Corporation and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and other comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007. We also have audited the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, 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 Report on Internal Control. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amphenol Corporation and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 22, 2008

Consolidated Statements of Income*(dollars in thousands, except per share data)*

	Year Ended December 31,		
	2007	2006	2005
Net sales	\$ 2,851,041	\$ 2,471,430	\$ 1,808,147
Cost of sales	1,920,900	1,683,250	1,207,693
Gross profit	930,141	788,180	600,454
Selling, general and administrative expense	377,283	342,841	257,127
Casualty loss related to flood		20,747	
Operating income	552,858	424,592	343,327
Interest expense	(36,876)	(38,799)	(24,090)
Other expenses, net	(14,998)	(12,521)	(8,871)
Expense for early extinguishment of debt			(2,398)
Income before income taxes	500,984	373,272	307,968
Provision for income taxes	(147,790)	(117,581)	(101,629)
Net income	\$ 353,194	\$ 255,691	\$ 206,339
Net income per common share Basic	\$ 1.98	\$ 1.43	\$ 1.17
Average common shares outstanding Basic	178,453,249	178,927,644	177,103,260
Net income per common share Diluted	\$ 1.94	\$ 1.39	\$ 1.14
Average common shares outstanding - Diluted	182,503,969	183,347,326	180,943,474
Dividends declared per common share	\$.06	\$.06	\$.06

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets*(dollars in thousands, except per share data)*

	December 31,	
	2007	2006
Assets		
Current Assets:		
Cash and cash equivalents	\$ 183,641	\$ 74,135
Accounts receivable, less allowance for doubtful accounts of \$12,468 and \$14,677, respectively	510,411	383,858
Inventories:		
Raw materials and supplies	112,488	94,830
Work in process	227,293	214,190
Finished goods	117,101	107,479
	456,882	416,499
Prepaid expenses and other assets	72,874	60,113
Total current assets	1,223,808	934,605
Land and depreciable assets:		
Land	19,159	19,072
Buildings and improvements	143,382	112,310
Machinery and equipment	636,949	547,162
	799,490	678,544
Accumulated depreciation	(483,296)	(404,401)
	316,194	274,143
Goodwill	1,091,828	926,242
Other long-term assets	43,903	60,407
	\$ 2,675,733	\$ 2,195,397
Liabilities & Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 295,391	\$ 234,868
Accrued salaries, wages and employee benefits	54,963	53,158
Accrued income taxes	39,627	63,046
Accrued acquisition-related obligations	55,212	29,860
Other accrued expenses	74,213	63,486
Current portion of long-term debt and capital lease obligations	1,075	3,241
Total current liabilities	520,481	447,659
Long-term debt and capital lease obligations	721,561	677,173
Accrued pension and post employment benefit obligations	101,804	138,312
Other long-term liabilities	66,973	29,259
Commitments and contingent liabilities (Notes 2, 7 and 13)		
Shareholders' Equity:		
Class A Common Stock, \$.001 par value; 500,000,000 shares authorized; 181,082,138 and 179,471,456 shares issued at December 31, 2007 and 2006, respectively	181	179
Additional paid-in capital (deficit)	(43,647)	(119,421)
Accumulated earnings	1,431,635	1,142,536
Accumulated other comprehensive loss	(43,644)	(81,084)
Treasury stock, at cost; 2,241,794 and 1,205,800 shares at December 31, 2007 and 2006, respectively	(79,611)	(39,216)
Total shareholders' equity	1,264,914	902,994
	\$ 2,675,733	\$ 2,195,397

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders Equity and Other Comprehensive Income*(dollars in thousands)*

	Common Stock	Additional Paid in Capital (Deficit)	Comprehensive Income (Loss)	Accumulated Earnings	Accum. Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders Equity
Balance January 1, 2005	\$ 176	\$ (207,592)		\$ 789,741	\$ (55,078)	\$ (45,643)	\$ 481,604
Comprehensive income:							
Net income			\$ 206,339	206,339			206,339
Other comprehensive income, net of tax:							
Translation adjustments			(11,956)		(11,956)		(11,956)
Revaluation of interest rate derivatives			(297)		(297)		(297)
Minimum pension liability adjustment			(10,411)		(10,411)		(10,411)
Other comprehensive loss			(22,664)				
Comprehensive income			\$ 183,675				
Purchase of treasury stock						(8,704)	(8,704)
Deferred compensation		193					193
Stock options exercised, including tax benefit	2	36,448					36,450
Dividends declared				(10,763)			(10,763)
Shares issued in connection with acquisition		6,780					6,780
Balance December 31, 2005	178	(164,171)		985,317	(77,742)	(54,347)	689,235
Comprehensive income:							
Net income			255,691	255,691			255,691
Other comprehensive income, net of tax:							
Translation adjustments			16,829		16,829		16,829
Revaluation of interest rate derivatives			1,894		1,894		1,894
Adjustment to initially apply SFAS 158, net of tax (Note 6)					(19,282)		(19,282)
Defined benefit plan liability adjustment			(2,783)		(2,783)		(2,783)
Other comprehensive income			15,940				
Comprehensive income			\$ 271,631				
Purchase of treasury stock						(72,658)	(72,658)
Retirement of treasury stock	(2)			(87,787)		87,789	
Deferred compensation		195					195
Stock options exercised, including tax benefit	3	34,837					34,840
Dividends declared				(10,685)			(10,685)
Stock-based compensation expense		9,718					9,718
Balance December 31, 2006	179	(119,421)		1,142,536	(81,084)	(39,216)	902,994
Comprehensive income:							
Net income			353,194	353,194			353,194
Other comprehensive income, net of tax:							
Translation adjustments			26,078		26,078		26,078
Revaluation of interest rate derivatives			(10,070)		(10,070)		(10,070)
Defined benefit plan liability adjustment			21,432		21,432		21,432
Other comprehensive income			37,440				
Comprehensive income			\$ 390,634				

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

Purchase of treasury stock						(93,594)		(93,594)				
Retirement of treasury stock	(1)			(53,198)		53,199						
Cumulative effect of adoption of FIN 48				(163)				(163)				
Deferred compensation		207						207				
Stock options exercised, including tax benefit	3	63,123						63,126				
Dividends declared				(10,734)				(10,734)				
Stock-based compensation expense			12,444					12,444				
Balance December 31, 2007	\$	181	\$	(43,647)	\$	1,431,635	\$	(43,644)	\$	(79,611)	\$	1,264,914

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

(dollars in thousands)

	Year Ended December 31,		
	2007	2006	2005
Net income	\$ 353,194	\$ 255,691	\$ 206,339
Adjustments for cash from operations:			
Depreciation and amortization	82,348	73,124	51,642
Stock-based compensation expense	12,444	9,718	
Non-cash expense for early extinguishment of debt			5,666
Non-cash impact related to flood		9,307	
Net change in operating assets and liabilities:			
Accounts receivable	(87,013)	(60,603)	(40,152)
Inventory	(22,724)	(81,878)	(20,636)
Prepaid expenses and other assets	(7,232)	(8,916)	5,582
Excess tax benefits from stock-based payment arrangements	(23,691)	(10,043)	
Accounts payable	43,651	46,382	25,828
Accrued income taxes	5,466	17,922	23
Accrued liabilities	28,549	27,929	(7,391)
Accrued pension and post employment benefits	(6,316)	(2,326)	511
Other long-term assets	8,732	11,370	1,800
Other	491	1,920	412
Cash flow provided by operations	387,899	289,597	229,624
Cash flow from investing activities:			
Additions to property, plant and equipment	(103,772)	(82,421)	(57,121)
Proceeds from disposal of fixed assets	5,354	5,921	
Purchases of short term investments, net	(1,360)		
Acquisitions, net of cash acquired	(179,300)	(22,473)	(512,307)
Cash flow used in investing activities	(279,078)	(98,973)	(569,428)
Cash flow from financing activities:			
Net change in borrowings under revolving credit facilities	41,622	(102,557)	744,131
Decrease in borrowings under Bank Agreement			(413,000)
Payment of fees and expenses related to refinancing		(1,144)	(2,542)
Purchase of treasury stock	(93,594)	(72,658)	(8,704)
Proceeds from exercise of stock options	34,550	21,882	36,450
Excess tax benefits from stock-based payment arrangements	23,691	10,043	
Dividend payments	(10,710)	(10,724)	(8,034)
Cash flow (used in) provided by financing activities	(4,441)	(155,158)	348,301
Effect of exchange rate changes on cash	5,126		
Net change in cash and cash equivalents	109,506	35,466	8,497
Cash and cash equivalents balance, beginning of period	74,135	38,669	30,172
Cash and cash equivalents balance, end of period	\$ 183,641	\$ 74,135	\$ 38,669
Cash paid during the year for:			
Interest	\$ 36,238	\$ 39,109	\$ 20,272
Income taxes paid, net of refunds	100,772	77,849	85,562

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(dollars in thousands, except per share data)

Note 1-Summary of Significant Accounting Policies

Operations

Amphenol Corporation (Amphenol or the Company) operates two business segments which consist of manufacturing and selling interconnect products and assemblies, and manufacturing and selling cable products. The Company sells its products to customer locations worldwide.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

In 2006, the Company changed the presentation of the Consolidated Statements of Income to include depreciation and amortization expense in Cost of sales and Selling, general & administrative expense allowing for Gross profit to be presented. This change has been made to Statements of Income disclosures throughout the 10-K for consistency and to prior years presented. Depreciation and amortization expense was previously presented as a separate line on the income statement.

Certain other 2006 information has been reclassified to conform to the 2007 presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and liquid investments with an original maturity of less than three months. The carrying amount approximates fair value of those instruments.

Sale of Receivables

A subsidiary of the Company has an agreement with a financial institution whereby the subsidiary can sell an undivided interest of up to \$100,000 in a designated pool of qualified accounts receivable. The Company services, administers and collects the receivables on behalf of the purchaser. On July 31, 2006, the Company terminated its then existing accounts receivable securitization facility and entered into a new Receivables Purchase Agreement (the "New Agreement"). The New Agreement allows the Company to sell an undivided interest of up to \$100,000 in a designated pool of qualified accounts receivable at costs that are lower than the previous agreement. The remaining terms and conditions of the New Agreement remained substantially the same as the previous facility. The New Agreement includes certain covenants and provides for various events of termination and expires in July 2009. Due to the short-term nature of the accounts receivable, the fair value approximates the carrying value. Program fees payable to the purchaser under this agreement are equivalent to rates afforded high quality commercial paper issuers plus certain administrative expenses and are included in other expenses, net, in the accompanying Consolidated Statements of Income. The aggregate value of receivables transferred to the pool for the year 2007, 2006 and 2005 were \$1,065,892, \$854,372 and \$761,129, respectively. At December 31, 2007 and 2006, \$119,932 and \$107,394, respectively, of accounts receivable were transferred to the subsidiary, but not purchased by the financial institution and are therefore included in the accounts receivable balance in the accompanying Consolidated Balance Sheets. At December 31, 2007 and 2006, approximately \$85,000 of receivables were sold and are therefore not reflected in the accounts receivable balance in the accompanying Consolidated Balance Sheets.

Inventories

Inventories are stated at the lower of standard cost, which approximates average cost, or market. The principal components of cost included in inventories are materials, direct labor and manufacturing overhead.

Depreciable Assets

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation of property, plant and equipment is recorded on a straight-line basis over the respective asset lives determined on a composite basis by asset group or on a specific item basis using the estimated useful lives of such assets which range from 3 to 12 years for machinery and equipment and 20 to 40 years for buildings. It is the Company's policy to periodically review fixed asset lives.

Goodwill

The Company performs its annual evaluation for the impairment of goodwill for the Company's reporting units, in accordance with Financial Accounting Standards Board Statement No. 142 (FAS 142), as of each June 30. The Company has defined its reporting units as the operating segments within its two reportable business segments Interconnect Products and Assemblies and Cable Products , as the components of these operating segments have similar economic characteristics. Goodwill impairment for each reporting unit is evaluated using a two-step approach requiring the Company to determine the fair value of the reporting unit and compare that to the carrying value including goodwill. If the carrying value exceeded the fair value, the goodwill of the reporting unit would be potentially impaired and a second step of additional testing would be performed to measure the impairment loss. As of June 30, 2007, and for each previous year in which the impairment test has been performed, the fair market value of the Company's reporting units exceeded their carrying values and therefore no impairment was recognized.

Intangible Assets

Intangible assets are included in other long-term assets and consist primarily of proprietary technology, customer relationships and license agreements and are amortized over the periods of benefit.

Revenue Recognition

The Company's primary source of revenues is from product sales to its customers.

Revenue from sales of the Company's products is recognized at the time the goods are delivered and title passes, provided the earning process is complete and revenue is measurable. Delivery is determined by the Company's shipping terms, which are primarily FOB shipping point. Revenue is recorded at the net amount to be received after deductions for estimated discounts, allowances and returns. These estimates and reserves are determined and adjusted as needed based upon historical experience, contract terms and other related factors.

The shipping costs for the majority of the Company's sales are paid directly by the Company's customers. In the broadband communication market (approximately 10% of consolidated sales), the Company pays for shipping cost to the majority of its customers. Shipping costs are also paid by the Company for certain customers in the interconnect products and assemblies market. Amounts billed to customers related to shipping costs are immaterial and are included in net sales. Shipping costs incurred to transport products to the customer which are not reimbursed are included in selling, general and administrative expense.

Retirement Pension Plans

Costs for retirement pension plans include current service costs and amortization of prior service costs over periods of up to thirty years. It is the Company's policy to fund current pension costs taking into consideration minimum funding requirements and maximum tax deductible limitations. The expense of retiree medical benefit programs is recognized during the employees' service with the Company as well as amortization of a transition obligation previously recognized. The recognition of expense for retirement pension plans and medical benefit programs is significantly impacted by estimates made by management such as discount rates used to value certain liabilities, expected return on assets and future health care costs. The Company uses third-party specialists to assist management in appropriately measuring the expense associated with pension and other post retirement plan benefits.

Stock Options

In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment . This pronouncement amends SFAS No. 123, Accounting for Stock-Based Compensation , as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123 , and supersedes Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees . SFAS No. 123(R) requires that companies account for awards of equity instruments under the fair value method of accounting and recognize such amounts in their statements of income. The Company adopted SFAS No. 123(R) on January 1, 2006 using the modified prospective method and, in connection therewith compensation expense is recognized in the accompanying Consolidated Statements of Income beginning in 2006 over the service period that the awards are expected to vest. The Company recognizes expense for stock-based compensation with graded vesting on a straight-line basis over the vesting period of the entire award. Stock-based compensation expense includes the estimated effects of forfeitures, and estimates of forfeitures will be adjusted over the requisite service period to the extent actual forfeitures differ, or are expected to differ from such estimates. Changes in estimated forfeitures will be recognized in the period of change and will also impact the amount of expense to be recognized in future periods. Prior to January 1, 2006, the Company determined stock-based compensation in accordance with the provisions of APB Opinion 25. The Company estimated the fair value of stock option awards in accordance with SFAS No. 123, Accounting for Stock-Based Compensation , and disclosed the resulting estimated compensation effect on net income on a pro forma basis. As a result of adopting SFAS No. 123(R) on January 1, 2006, the Company's income before income taxes was reduced by \$9,718 for the year ended 2006 and \$12,444 for the year ended December 31, 2007. The expense incurred for stock-based compensation plans is classified in selling, general and administrative expenses on the accompanying consolidated statements of income.

For 2005, had compensation cost for stock options been determined based on the fair value of the option at date of grant consistent with the provisions of SFAS No. 123(R) the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

Net income	\$	206,339
Less: Total stock based compensation expense determined under Black-Scholes option pricing model, net of related tax effects		(4,936)
Pro forma net income	\$	201,403
Earnings Per Share:		
Basic-as reported	\$	1.17
Basic-pro forma	\$	1.14
Diluted-as reported	\$	1.14
Diluted-pro forma	\$	1.11

The fair value of stock options has been estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2007	2006	2005
Risk free interest rate	4.8%	4.9%	4.0%
Expected life	5 years	5 years	5 years
Expected volatility	26.0%	30.0%	25.0%
Expected dividend yield	0.2%	0.2%	0.3%

Income Taxes

Deferred income taxes are provided for revenue and expenses which are recognized in different periods for income tax and financial statement purposes. Deferred income taxes are not provided on undistributed earnings of foreign affiliated companies which are considered to be permanently invested. It is not practicable to estimate the amount of tax that might be payable. Deferred tax assets are regularly assessed for recoverability based on both historical and anticipated earnings levels and a valuation allowance is recorded when it is more likely than not that these amounts will not be recovered. The Company includes estimated interest and penalties related to unrecognized tax benefits in the provision for income taxes.

Foreign Currency Translation

The financial position and results of operations of the Company's significant foreign subsidiaries are measured using local currency as the functional currency. Assets and liabilities of such subsidiaries have been translated at current exchange rates and related revenues and expenses have been translated at weighted average exchange rates. The aggregate effect of translation adjustments is included as a component of accumulated other comprehensive loss within shareholders' equity. Transaction gains and losses related to operating assets and liabilities are included in selling, general and administrative expense and those related to non-operating assets and liabilities are included in other expense, net.

Research and Development

Cost incurred in connection with the development of new products and applications are expensed as incurred. Research and development expenses for the creation of new and improved products and processes were \$62,397, \$53,730 and \$37,510, for the years 2007, 2006 and 2005, respectively.

Environmental Obligations

The Company recognizes the potential cost for environmental remediation activities when site assessments are made, remedial efforts are probable and related amounts can be reasonably estimated; potential insurance reimbursements are not recorded. The Company regularly assesses its environmental liabilities through reviews of contractual commitments, site assessments, feasibility studies and formal remedial design and action plans.

Net Income per Common Share

Basic income per common share is based on the net income for the period divided by the weighted average common shares outstanding. Diluted income per common share assumes the exercise of outstanding, dilutive stock options using the treasury stock method. On January 17, 2007, the Company announced a 2-for-1 stock split that was effective for stockholders of record as March 16, 2007 and these additional shares were distributed on March 30, 2007. The share information herein for 2006 has been restated to reflect the effect of such stock split.

Derivative Financial Instruments

Derivative financial instruments, which are periodically used by the Company in the management of its interest rate and foreign currency exposures, are accounted for on an accrual basis. Income and expense are recorded in the same category as that arising from the related asset or liability. For example, amounts to be paid or received under interest rate swap agreements are recognized as an increase or decrease of interest expense in the periods in which they accrue. Gains and losses on derivatives designated as cash flow hedges resulting from changes in fair value are recorded in other comprehensive income, and subsequently reflected in net income in a manner that matches the timing of the actual income or expense of such instruments with the hedged transaction. As of December 31, 2007, the Company had interest rate swap agreements of \$250,000, \$250,000 and \$150,000 that fix the Company's LIBOR at 4.24%, 4.85% and 4.40%, expiring in July 2008, December 2008 and December 2009, respectively. In October 2007, the Company entered into interest rate swaps that fix the Company's LIBOR interest rate on \$250,000 and \$250,000 of floating rate bank debt at 4.73% and 4.65% which go into effect in July 2008 and December 2008 and expire in July 2010 and December 2009, respectively. These agreements are designated as cash flow hedges and accounted for as described above.

Recent Accounting Changes

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2008, as a result of FASB Staff Position 157-2 issued in February 2008, and is required to be adopted by the Company in the first quarter of 2009. The Company does not believe SFAS 157 will have a material impact on its consolidated results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not believe SFAS 159 will have a material impact on its consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (SFAS 141R). The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, this Statement establishes principles and requirements for how the acquirer: 1.) Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. 2.) Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. 3.) Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The areas that are most applicable to the Company with regard to this Statement are (1) that the Statement requires companies to expense transaction costs as incurred (2) that any subsequent adjustments to a recorded performance-based liability after its initial recognition will need to be adjusted through income as opposed to goodwill, and (3) any liabilities related to noncontrolling interest will be recorded at fair value. The Company is currently evaluating the effect of this statement to determine the impact it will have, but believes the impact will not be material to its consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements . The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. The areas that are most applicable to the Company with regard to this Statement are (1) the Statement requires companies to classify expense related to noncontrolling interest's share in income below net income (earning per share will still be determined after the impact of noncontrolling interest's share in net income of the Company as is the current practice.) During 2007, 2006 and 2005, the Company included expense related to the noncontrolling interests share in income of \$10,518, \$6,001 and \$4,084, respectively, in other expenses, net and (2) this Statement requires the liability related to noncontrolling interests to be presented as a separate caption within shareholders' equity. As of December 31, 2007 and 2006 the liability related to noncontrolling interests was \$14,834 and \$18,681, respectively, and is included in other long term liabilities. The Company is currently evaluating the effect of this statement to determine the impact it will have, but believes the primary impacts will be as described above.

Note 2 Long-Term Debt

Long-term debt consists of the following:

	Average Interest Rate at- December 31, 2007	Maturity	December 31,	
			2007	2006
Revolving Credit Facility	4.98%	2011	\$ 711,600	\$ 652,700
Notes payable to foreign banks and other debt	5.54%	2008-2018	11,036	27,714
			722,636	680,414
Less current portion			1,075	3,241
Total long-term debt			\$ 721,561	\$ 677,173

On July 15, 2005, the Company completed a refinancing of its senior secured credit facility. The new bank agreement (Revolving Credit Facility) was comprised of a five-year \$750,000 unsecured revolving credit facility that was originally scheduled to expire in July 2010, of which approximately \$440,000 was drawn at closing. On November 15, 2005, the Company exercised its option to increase its aggregate commitments under the Revolving Credit Facility by an additional \$250,000 thereby increasing the revolving credit facility to \$1,000,000. On August 1, 2006, the Company amended the Revolving Credit Facility to reduce borrowing costs and increase the general indebtedness basket by \$250,000 through an accordion feature similar to that exercised on November 15, 2005. In addition, the term of the Revolving Credit Facility was extended from July 2010 to August 2011.

At December 31, 2007, availability under the Revolving Credit Facility was \$274,587, after a reduction of \$13,813 for outstanding letters of credit. In connection with the 2005 refinancing, the Company incurred one-time expenses for the early extinguishment of debt of \$2,398. Such one-time expenses include the write-off of unamortized deferred debt issuance costs less the gain on the termination of related interest rate swap agreements. The Company's interest rate on borrowings under the Revolving Credit Facility is LIBOR plus 40 basis points. The Company also pays certain annual agency and facility fees. At December 31, 2007, the Company's credit rating from Standard & Poor's was BBB- and from Moody's was Baa3. The Revolving Credit Facility requires that the Company satisfy certain financial covenants including an interest coverage ratio (EBITDA divided by interest expense) of higher than 3X and a leverage ratio (Debt divided by EBITDA) lower than 3.25X; at December 31, 2007, such ratios as defined in the Revolving Credit Facility were 15.46X and 1.21X, respectively. The Revolving Credit Facility also includes limitations with respect to, among other things, (i) indebtedness in excess of \$50,000 for capital leases, \$450,000 for general indebtedness, \$200,000 for acquisition indebtedness, (of which approximately \$3,339, \$1,144 and \$nil were outstanding at December 31, 2007, respectively), (ii) restricted payments including dividends on the Company's Common Stock in excess of 50% of consolidated cumulative net income subsequent to July 15, 2005 plus \$250,000, or approximately \$605,714 at December 31, 2007, (iii) required consolidated net worth equal to 50% of cumulative consolidated net income commencing April 1, 2005 plus 100% of net cash proceeds from equity issuances commencing April 1, 2005, plus \$400,000, or approximately \$784,424 at December 31, 2007, (iv) creating or incurring liens, (v) making other investments, and (vi) acquiring or disposing of assets.

As of December 31, 2007, the Company had interest rate swap agreements of \$250,000, \$250,000 and \$150,000 that fix the Company's LIBOR at 4.24%, 4.85% and 4.40%, expiring in July 2008, December 2008 and December 2009, respectively. In October 2007, the Company entered into interest rate swaps that fix the Company's LIBOR interest rate on \$250,000 and \$250,000 of floating rate bank debt at 4.73% and 4.65% which go into effect in July 2008 and December 2008 and expire in July 2010 and December 2009, respectively. The fair value of such agreements was estimated by obtaining quotes from brokers which represented the amounts that the Company would receive or pay if the agreements were terminated. The fair value of all swaps indicated that termination of the agreements at December 31, 2007 would have resulted in a pre-tax loss of \$11,398; such loss, net of tax of \$4,365, was recorded in accumulated other comprehensive income.

The maturity of the Company's long-term debt over each of the next five years ending December 31, is as follows: 2008 - \$1,075; 2009 - \$1,887; 2010 - \$744; 2011 - \$712,119; 2012 - \$6,229; thereafter \$582.

The Company estimates that the fair value of its long-term debt approximates book value.

Note 3 Income Taxes

The components of income before income taxes and the provision for income taxes are as follows:

	2007	Year Ended December 31, 2006	2005
Income before taxes:			
United States	\$ 206,922	\$ 135,904	\$ 132,715
Foreign	294,062	237,368	175,253
	\$ 500,984	\$ 373,272	\$ 307,968
Current provision:			
United States	\$ 74,900	\$ 58,355	\$ 57,851
Foreign	64,137	54,653	41,230
	\$ 139,037	\$ 113,008	\$ 99,081
Deferred provision:			
United States	\$ 11,829	\$ 6,667	\$ 2,413
Foreign	(3,076)	(2,094)	135
	8,753	4,573	2,548
Total provision for income taxes	\$ 147,790	\$ 117,581	\$ 101,629

At December 31, 2007, the Company had \$13,489 and \$2,523 of foreign tax loss and credit carryforwards, and state tax credit carryforwards net of federal benefit, respectively, of which \$1,990 and \$213, respectively, expire or will be refunded at various dates through 2021 and the balance can be carried forward indefinitely.

A valuation allowance of \$6,086 and \$4,143 at December 31, 2007 and 2006, respectively, has been recorded which relates to the foreign net operating loss carryforwards and state tax credits. The net change in the valuation allowance for deferred tax assets was an increase of \$1,943 and \$677 in 2007 and 2006, respectively. The net change in the valuation allowance in both 2007 and 2006 was related to foreign net operating loss and foreign and state credit carryforwards.

Differences between the U.S. statutory federal tax rate and the Company's effective income tax rate are analyzed below:

	2007	Year Ended December 31, 2006	2005
U.S. statutory federal tax rate	35.0%	35.0%	35.0%
State and local taxes	1.1	1.5	1.9
Foreign earnings and dividends taxed at different rates	(7.3)	(6.0)	(3.5)
Valuation allowance		.1	
Other	.7	.9	(.4)
Effective tax rate	29.5%	31.5%	33.0%

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

The Company's deferred tax assets and liabilities, excluding a valuation allowance, were comprised of the following:

	December 31,			
	2007		2006	
Deferred tax assets relating to:				
Accrued liabilities and reserves	\$	18,939	\$	11,403
Operating loss and tax credit carryforwards		6,182		5,927
Pensions, net		12,194		29,325
Employee benefits		9,753		6,303
	\$	47,068	\$	52,958
Deferred tax liabilities relating to:				
Goodwill	\$	30,436	\$	21,046
Depreciation		1,643		4,232
	\$	32,079	\$	25,278

On October 22, 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. Under Internal Revenue Code Section 965, the Act created a temporary incentive for U.S. corporations to repatriate income earned abroad in 2005 by providing an 85% dividends received deduction for certain dividends. The Company applied the provisions of the Act to a portion of its qualifying 2005 repatriations of current year earnings. The amount of earnings that the Company repatriated under the provision was \$32,134. The income tax incurred as a result of this repatriation was \$1,211. The Company has also applied a provision of the Act that allows a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010 and a two-year phase-out of the existing extra-territorial income exclusion ("ETI") for foreign sales.

On July 13, 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109,

Accounting for Income Taxes, and provides guidance on classification and disclosure requirements for tax contingencies. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company adopted the provisions of FIN 48 on January 1, 2007. The total amount of the liability accrued for unrecognized tax benefits as of the adoption date was approximately \$30,000 which includes interest and penalties. As a result of the implementation, the Company recognized an increase in the liability for unrecognized tax benefits and a reduction in retained earnings of approximately \$200. In addition, the majority of the liability for unrecognized tax benefits was reclassified from accrued income taxes to other long-term liabilities on the accompanying Consolidated Balance Sheets. At December 31, 2007, the amount of the liability for unrecognized tax benefits, which if recognized would impact the effective tax rate, was approximately \$33,000. As of December 31, 2007, the Company does not have any tax positions for which management believes it is reasonably possible that the total amounts of unrecognized benefits will significantly increase or decrease within the next twelve months.

A tabular reconciliation of the gross amounts of unrecognized tax benefits excluding interest and penalties at the beginning and end of the year is as follows:

Unrecognized tax benefits as of January 1, 2007	\$	26,429
Gross increases and gross decreases for tax positions in prior periods		1,003
Gross increases - current period tax position		5,752
Settlements		(1,677)

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

Lapse of statute of limitations	(2,095)
Unrecognized tax benefits as of December 31, 2007	\$ 29,412

The Company includes estimated interest and penalties related to unrecognized tax benefits in the provision for income taxes. During the twelve months ended December 31, 2007, the provision for income taxes included \$872 in estimated interest and penalties. As of December 31, 2007, the liability for unrecognized tax benefits included \$6,088 for tax-related interest and penalties.

The Company files income tax returns with the U.S., various states as well as foreign jurisdictions. With few exceptions, the Company is subject to income tax examinations by tax authorities for years on or after 2004.

Note 4 Shareholders' Equity

The Company has two option plans for employees (the Option Plans), the 1997 Option Plan and the 2000 Option Plan, which was amended in May 2006 to increase the number of shares of common stock reserved for issuance from 16,000,000 to 24,000,000 shares as well as to increase the number of options that may be granted to any one participant from not more than 4,000,000 to not more than 6,000,000 options. The Option Plans authorize the granting of stock options by a committee of the Board of Directors. At December 31, 2007, the maximum number of shares of common stock available for the granting of stock options under the Option Plans was 5,783,380. Options granted under the Option Plans vest ratably over a period of five years and are exercisable over a period of ten years from the date of grant. In addition, shares issued in conjunction with the exercise of stock options under the Option Plans are subject to Management Stockholder Agreements. In 2004, the Company adopted the 2004 Stock Option Plan for Directors of Amphenol Corporation (the Directors Plan). The Directors Plan is administered by the Board of Directors. At December 31, 2007, the maximum number of shares of common stock available for the granting of stock options under the Directors Plan was 320,000. Options granted under the Directors Plan vest ratably over a period of three years and are exercisable over a period of ten years from the date of grant.

Stock option activity for 2005, 2006 and 2007 was as follows (on a post stock split basis):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2004	14,024,416	\$ 10.61	6.51	
Options granted	2,108,800	18.47		
Options exercised	(2,933,924)	8.43		
Options cancelled	(412,280)	11.80		
Options outstanding at December 31, 2005	12,787,012	12.34	6.44	
Options granted	2,275,200	26.82		
Options exercised	(2,035,946)	10.75		
Options cancelled	(110,840)	16.44		
Options outstanding at December 31, 2006	12,915,426	15.11	6.34	
Options granted	2,247,500	34.61		
Options exercised	(3,248,008)	10.79		
Options cancelled	(635,020)	25.45		
Options outstanding at December 31, 2007	11,279,898	19.72	6.55	\$ 300,649
Exercisable at December 31, 2007	5,597,947	\$ 13.50	4.96	\$ 184,019

A summary of the status of the Company's non-vested options as of December 31, 2007 and changes during the year then ended is as follows:

	Options	Weighted Average Fair Value at Grant Date
Non-vested options at December 31, 2006	6,113,430 \$	6.31
Options granted	2,247,500	10.98(1)
Options vested	(2,043,959)	5.46
Options cancelled	(635,020)	8.26
Non-vested options at December 31, 2007	5,681,951 \$	8.24

(1) The weighted-average fair value at grant date of options granted during 2006 and 2005 were \$9.20 and \$5.35, respectively.

During the years ended December 31, 2007 and 2006, the following activity occurred under our plans:

	2007	2006
Total intrinsic value of stock options exercised	\$ 86,530	\$ 39,471
Total fair value of stock awards vested	11,151	9,573

On December 31, 2007 the total compensation cost related to non-vested options not yet recognized is approximately \$36,032, with a weighted average expected amortization period of 3.60 years.

On January 19, 2005, the Company announced that it would commence payment of quarterly dividend on its common stock of \$.015 per share. The Company paid its fourth quarterly dividend in the amount of \$2,715 or \$.015 per share on January 2, 2008 to shareholders of record as of December 12, 2007. Cumulative dividends declared during 2007 were \$10,734. Total dividends paid in 2007 were \$10,710 including those declared in 2006 and paid in 2007.

Balances of related after-tax components comprising accumulated other comprehensive loss included in shareholders' equity at December 31, 2005, 2006 and 2007, are as follows:

	Foreign Currency Translation Adjustment	Revaluation of Interest Rate Derivatives	Defined Benefit Plan Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2005	\$ 5,986	\$ 1,447	\$ (62,511)	\$ (55,078)
Translation adjustments	(11,956)			(11,956)
Revaluation of interest rate derivatives, net of tax of \$1,148		(297)		(297)
Minimum pension liability adjustment, net of tax of \$6,020			(10,411)	(10,411)
Balance at December 31, 2005	(5,970)	1,150	(72,922)	(77,742)
Translation adjustments	16,829			16,829
Revaluation of interest rate derivatives, net of tax of \$1,176		1,894		1,894
Adjustment to initially apply SFAS 158, net of tax of \$11,868			(19,282)	(19,282)
Defined benefit plan liability adjustment, net of tax of \$1,713			(2,783)	(2,783)
Balance at December 31, 2006	10,859	3,044	(94,987)	(81,084)
Translation adjustments	26,078			26,078
Revaluation of interest rate derivatives, net of tax of \$6,209		(10,070)		(10,070)
Defined benefit plan liability adjustment, net of tax of \$12,712			21,432	21,432
Balance at December 31, 2007	\$ 36,937	\$ (7,026)	\$ (73,555)	\$ (43,644)

Note 5 Earnings Per Share

Basic earning per share (EPS) is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income by the weighted-average number of common shares and dilutive common shares outstanding, which includes stock options. A reconciliation of the basic average common shares outstanding to diluted average common shares outstanding as of December 31 is as follows (dollars in thousands):

	2007		2006		2005	
Net income	\$	353,194	\$	255,691	\$	206,339
Basic average common shares outstanding		178,453,249		178,927,644		177,103,260
Effect of dilutive stock options		4,050,720		4,419,682		3,840,214
Dilutive average common shares outstanding		182,503,969		183,347,326		180,943,474
Earnings per share:						
Basic	\$	1.98	\$	1.43	\$	1.17
Dilutive	\$	1.94	\$	1.39	\$	1.14

Excluded from the computations above were anti-dilutive shares of nil, 2.2 million and nil for the years ended December 31, 2007, 2006 and 2005, respectively.

Note 6 Benefit Plans and Other Postretirement Benefits

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 158 (SFAS), *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)* . SFAS 158 requires employers to fully recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its balance sheet. The pension asset or liability under SFAS 158 is equal to the difference between the fair value of the plan's assets and its projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement plans. Prior guidance required the liability to be measured as the accumulated benefit obligation. In addition, this statement requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet, with limited exceptions. SFAS 158 also requires entities to disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. The statement was effective for years ending after December 15, 2006 except for the requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end balance sheet which is effective for fiscal years ending after December 15, 2008. SFAS 158 had the effect of increasing the Company's accrued benefit obligation and other comprehensive income, net of deferred tax assets, by approximately \$31,100 and \$19,282, respectively, at December 31, 2006 and did not have any impact on the Company's Consolidated Statement of Income.

In accordance with the provisions of FAS No. 87 (prior to the implementation of SFAS 158 as discussed above), the Company recognized a minimum pension liability at December 31, 2005 of \$128,449 for circumstances in which a pension plan's accumulated benefit obligation exceeded the fair value of the plan's assets and accrued pension liability. Such liability was partially offset by an intangible asset equal to the unrecognized prior service cost, with the net change of \$10,411 at December 31, 2005, recorded as a reduction in shareholders' equity, net of related deferred tax benefits. In accordance with the provisions of SFAS 158, this intangible asset was eliminated upon adoption at December 31, 2006.

The Company and certain of its domestic subsidiaries have a defined benefit pension plan (U.S. Plan) covering their U.S. employees. U.S. Plan benefits are generally based on years of service and compensation and are generally noncontributory. Certain foreign subsidiaries have defined benefit plans covering their employees. Certain U.S. employees not covered by the U.S. Plan are covered by defined contribution plans. The following is a summary of the Company's defined benefit plans funded status as of the most recent actuarial valuations; for each year presented below accumulated benefits exceed assets:

	December 31,	
	2007	2006
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 394,644	\$ 357,844
Service cost	8,306	9,740
Interest cost	21,306	18,804
Plan participants' contributions	392	492
Plan amendments	5,914	2,187
Actuarial (gain) loss	(30,430)	19,142
Settlements & curtailments		(5,133)
Foreign exchange translation	8,440	10,941
Benefits paid	(20,019)	(19,373)
Benefit obligation at end of year	388,553	394,644
Change in plan assets:		
Fair value of plan assets at beginning of year	271,581	232,696
Actual return on plan assets	23,020	32,760
Employer contributions	22,463	18,447
Plan participants' contributions	392	492
Foreign exchange translation	2,184	5,006
Benefits paid	(18,059)	(17,820)
Fair value of plan assets at end of year	301,581	271,581
Accrued benefit obligation	\$ 86,972	\$ 123,063

	Year Ended December 31,		
	2007	2006	2005
Components of net pension expense:			
Service cost	\$ 8,306	\$ 9,740	\$ 8,219
Interest cost	21,306	18,804	18,237
Expected return on plan assets	(23,020)	(22,491)	(21,251)
Net amortization of actuarial losses	9,479	10,974	8,328
Net pension expense	\$ 16,071	\$ 17,027	\$ 13,533

	Weighted-average assumptions used to determine benefit obligations at December 31,			
	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Discount rate:				
U.S. plans	6.25%	5.75%	6.25%	5.75%

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

International plans	5.57%	4.67%	n/a	n/a
Expected long-term return on assets				
U.S. plans	9.25%	9.50%	n/a	n/a
International plans	8.11%	8.17%	n/a	n/a
Rate of compensation increase:				
U.S. plans	3.00%	3.00%	n/a	n/a
International plans	2.61%	2.68%	n/a	n/a

	Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31,			
	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Discount rate:				
U.S. plans	5.75%	5.50%	5.75%	5.50%
International plans	4.67%	4.46%	n/a	n/a
Expected long-term return on assets:				
U.S. plans	9.50%	9.50%	n/a	n/a
International plans	8.17%	8.32%	n/a	n/a
Rate of compensation increase:				
U.S. plans	3.00%	3.00%	n/a	n/a
International plans	2.68%	2.62%	n/a	n/a

The pension expense for U.S. and foreign plans (the Plans) is calculated based upon a number of actuarial assumptions established on January 1 of the applicable year, detailed in the table above, including a weighted-average discount rate, rate of increase in future compensation levels and an expected long-term rate of return on the Plans assets. The discount rate used by the Company for valuing pension liabilities is based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations. The Company's U.S. Plan comprised the majority of the accrued benefit obligation, pension assets and pension expense. The discount rate for the U.S. Plan has increased from 5.75% at December 31, 2006 to 6.25% at December 31, 2007. This will have the effect of decreasing pension expense in 2008 by approximately \$2,200. Although future changes to the discount rate are unknown, had the discount rate increased or decreased 50 basis points, the accrued benefit obligation would have decreased \$14,400 or increased \$15,000, respectively.

Effective January 1, 2007, the Company effected a curtailment related to the U.S. Plan which resulted in no additional benefits being credited to salaried employees who had less than 25 years service with the Company, or who had not attained age 50 and who had less than 15 years of service with the Company. This change had the impact of decreasing the unfunded pension liability by approximately \$5,100 at December 31, 2006 and had the effect of decreasing pension expense during 2007 by approximately \$2,900. For affected employees, the curtailment in additional U.S. Plan benefits was replaced with a Company match defined contribution plan to which the Company contributed approximately \$1,700 in 2007.

The pension expense is calculated based upon a number of actuarial assumptions established on January 1 of the applicable year, including an expected long-term rate of return on U.S. Plan assets. In developing the expected long-term rate of return assumption for the U.S. Plan, the Company evaluated input from our actuaries and investment consultants as well as long-term inflation assumptions. Projected returns by such consultants are based on broad equity and bond indices. The Company also considered our historical eighteen-year compounded return of 11.5%, which has been in excess of these broad equity and bond benchmark indices. The expected long-term rate of return on the U.S. Plan assets is based on an asset allocation assumption of 60% with equity managers, with an expected long-term rate of return of 10.65%; 25% with fixed income managers, with an expected long-term rate of return of 6.75% and 15% with high yield bond managers, with an expected rate of return of 8%. As of December 31, 2007, the asset allocation was 62% with equity managers and 31% with fixed income managers, including high yield managers and 7% in cash. The Company believes that its long-term asset allocation on average will approximate 60% with equity managers and 40% with fixed income managers. The Company regularly reviews the actual asset allocation and periodically rebalances its investments to its targeted allocation when considered appropriate. Based on this methodology the Company's expected long-term rate of return assumption to determine the accrued benefit obligation at December 31, 2007 and 2006 is 9.25% and 9.5%, respectively. The Company has also adopted an unfunded Supplemental Employee Retirement Plan (SERP), which provides for the payment of the portion of annual pension which cannot be paid from the retirement plan as a result of regulatory limitations on average compensation for purposes of the benefit computation. The largest non-U.S. pension plan, in accordance with local custom, is unfunded and had a projected benefit obligation of approximately \$51,000 and \$52,000 at December 31, 2007 and 2006, respectively. Such obligation is included in the accompanying Consolidated Balance Sheets and the tables above.

The Company made cash contributions to the U.S. Plan of \$20,000 and \$15,000 in 2007 and 2006, respectively and the U.S. Plan made benefit payments of \$15,800 and \$15,400 in 2007 and 2006, respectively. The liability for accrued pension and post employment benefit

obligations under the Plans decreased in 2007 to \$101,804 from \$138,312 in 2006 primarily due to the cash contributions made to the Plans in 2007 as well as higher discount rate assumptions used to calculate the projected benefit obligation at December 31, 2007 offset by the foreign currency translation effect of the foreign pension plans. The Company estimates that,

based on current actuarial calculations, it will make a voluntary cash contribution to the U.S. Plan in 2008 of approximately \$10,000 to \$20,000. Cash contributions in subsequent years will depend on a number of factors including the investment performance of the U.S. Plan assets and the impact of the Pension Protection Act of 2006 which was signed into law in August 2006. The intent of the legislation is to require companies to fund 100% of their pension liability; and then for companies to fund, on a going-forward basis, an amount generally estimated to be the amount that the pension liability increases each year due to an additional year of service by the employees eligible for pension benefits. The legislation requires that funding shortfalls be eliminated by companies over a seven-year period, beginning in 2008. The Pension Protection Act also extended the provisions of the Pension Funding Equity Act that would have expired in 2006 had the Pension Protection Act not been enacted, which increased the allowed discount rate used to calculate the pension liability. The Pension Protection Act is effective for plan years beginning after 2007 and the Company does not believe it will have a material impact on its consolidated results.

The Company offers various defined contribution plans for U.S. and foreign employees. Participation in these plans is based on certain eligibility requirements. Effective January 1, 2007, in conjunction with the curtailment of certain additional U.S. Pension Plan benefits for salaried employees described above, the Company began matching the majority of employee contributions to the U.S. defined contribution plans with cash contributions up to a maximum of 5% of eligible compensation. The Company provided matching contributions of approximately \$1,700 for the year ended December 31, 2007.

The Company maintains self-insurance programs for that portion of its health care and workers compensation costs not covered by insurance. The Company also provides certain health care and life insurance benefits to certain eligible retirees through postretirement benefit programs. The Company's share of the cost of such plans for most participants is fixed, and any increase in the cost of such plans will be the responsibility of the retirees. The Company funds the benefit costs for such plans on a pay-as-you-go basis. Since the Company's obligation for postretirement medical plans is fixed and since the accumulated postretirement benefit obligation (APBO) and the net postretirement benefit expense are not material in relation to the Company's financial condition or results of operations, the Company believes any change in medical costs from that estimated will not have a significant impact on the Company. The implementation of SFAS 158 required the Company to record the underfunded status of its postretirement plan at December 31, 2006 as measured by the APBO. The discount rate used in determining the APBO at December 31, 2007 and 2006 was 6.25% and 5.75%, respectively. Summary information on the Company's postretirement medical plans is as follows:

	December 31,	
	2007	2006
Change in benefit obligation:		
Accrued benefit obligation at beginning of year	\$15,249	\$14,022
Service cost	178	134
Interest cost	864	745
Paid benefits and expenses	(1,405)	(1,619)
Actuarial loss	(54)	1,967
Accrued benefit obligation at end of year	\$14,832	\$15,249

	Year ended December 31,		
	2007	2006	2005
Components of net postretirement benefit cost:			
Service cost	\$178	\$134	\$114
Interest cost	864	745	786
Amortization of transition obligation	62	62	62
Net amortization of actuarial losses	1,151	1,069	1,079
Net postretirement benefit cost	\$2,255	\$2,010	\$2,041

Note 7 Leases

At December 31, 2007, the Company was committed under operating leases which expire at various dates. Total rent expense under operating leases for the years 2007, 2006, and 2005 was \$25,176, \$23,441 and \$19,257, respectively.

Minimum lease payments under non-cancelable operating leases are as follows:

2008	\$	20,691
2009		15,549
2010		12,841
2011		8,254
2012		5,741
Beyond 2012		7,351
Total minimum obligation	\$	70,427

Note 8 TCS Acquisition

On December 1, 2005, pursuant to an Asset and Stock Purchase Agreement dated October 10, 2005 (the "Asset Purchase Agreement") by and among Amphenol Corporation (the "Company") and Teradyne, Inc., a Massachusetts corporation ("Teradyne"), The Company purchased substantially all of the assets and assumed certain of the liabilities of Teradyne's backplane and connection systems business segment ("TCS"), including the stock of certain of its operating subsidiaries for a total purchase price of approximately \$384,700 in cash including purchase price adjustments of \$5,300. In addition, Amphenol incurred approximately \$8,800 of transaction related expenses. The accompanying Consolidated Statement of Income for the year ended December 31, 2005 includes the results of TCS for the period subsequent to the acquisition date; sales of approximately \$34,000 and minimal net income resulting in no impact to 2005 consolidated net earnings per share. TCS results are reflected for the full year 2006.

TCS is headquartered in Nashua, New Hampshire and is a leading supplier of high-speed, high-density, printed circuit board interconnect products. TCS sells its products primarily to the data communications, storage and server markets, wireless infrastructure markets and industrial markets. TCS had total sales of \$373,000 for the year ended December 31, 2005.

The acquisition was accounted for using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". Accordingly, the purchase price was allocated first to the tangible and identifiable intangible assets and then to the liabilities of TCS based upon their fair market values. The excess purchase price over the fair market value of the underlying net assets acquired was allocated to goodwill.

The following table summarizes the unaudited pro forma combined condensed financial information assuming that the TCS acquisition actually occurred as of the beginning of the period presented. On a pro forma basis for the year ended December 31, 2005, TCS had sales and operating income of \$373,000 and \$6,700, respectively. Such amounts along with \$22,200 of additional pro forma interest expense

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

and related bank fees on borrowings to fund the acquisition are reflected in the pro forma amounts shown below. The pro forma adjustments are based upon available information and reflect a reasonable estimate of the effects of the TCS acquisition for the periods presented on the basis set forth herein. The unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what the Company's financial position or results of operations would have been had the TCS acquisition in fact occurred on the dates assumed, nor is it necessarily indicative of the results that may be expected in future periods.

For The Year Ended December 31, 2005		
Net sales	\$	2,146,286
Operating income		347,301
Net income		195,675
Net income per common share - Basic	\$	1.10
Net income per common share - Diluted		1.08

Note 9 Goodwill and Other Intangible Assets

As of December 31, 2007, the Company has goodwill totaling \$1,091,828 of which \$1,018,279 related to the Interconnect Products and Assemblies segment with the remainder related to the Cable Products segment. In 2007, goodwill increased by \$165,586 primarily as a result of three acquisitions as well as the purchase of the remaining 30% interest of one of the Company's foreign subsidiaries with an aggregate acquisition price of approximately \$185,200 less the fair value of net assets acquired of \$44,100. The increase in goodwill is also attributable to the payment of and the recording of liabilities for performance-based additional cash consideration of approximately \$24,600. The increase in goodwill was related to the interconnect product and assemblies segment. The Company is in the process of completing its analysis of fair value attributes of the assets acquired related to its 2007 acquisitions and anticipates that the final assessment of values will not differ materially from the preliminary assessment.

The Company does not have any intangible assets not subject to amortization other than goodwill. As of December 31, 2007, the Company has acquired amortizable intangible assets with a total gross carrying amount of \$53,539 of which \$30,700, \$9,500 and \$6,000 relate to proprietary technology, customer relationships and license agreements, respectively, with the remainder relating to other amortizable intangible assets. The accumulated amortization related to these intangibles as of December 31, 2007 totaled \$14,809 of which \$4,226, \$3,957 and \$1,593 relate to proprietary technology, customer relationships and license agreements, respectively, with the remainder relating to other amortizable intangible assets. The acquired intangible assets have a total weighted-average useful life of approximately 12 years. The license agreements, proprietary technology and customer relationships have a weighted-average useful life of 8 years, 15 years and 5 years, respectively. The aggregate amortization expense for the year ended December 31, 2007 was approximately \$5,500 and amortization expense estimated for each of the next three fiscal years is approximately \$5,100 and \$3,000 for the following two years.

Note 10 Reportable Business Segments and International Operations

The Company has two reportable business segments: (i) interconnect products and assemblies and (ii) cable products. The interconnect products and assemblies segment produces connectors and connector assemblies primarily for the communications, aerospace, industrial and automotive markets. The cable products segment produces coaxial and flat ribbon cable and related products primarily for communication markets, including cable television. The accounting policies of the segments are the same as those for the Company as a whole and are described in Note 1 herein. The Company evaluates the performance of business units on, among other things, profit or loss from operations before interest expense, headquarters expense allocations, stock-based compensation expense, income taxes and nonrecurring gains and losses.

	Interconnect products and assemblies			Cable products			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Net sales									
external	\$ 2,569,281	\$ 2,207,508	\$ 1,592,439	281,760	\$ 263,922	\$ 215,708	\$ 2,851,041	\$ 2,471,430	\$ 1,808,147
intersegment	3,901	3,875	2,755	14,780	16,892	15,635	18,681	20,767	18,390
Depreciation and amortization	75,554	65,958	43,945	5,446	6,023	6,216	81,000	71,981	50,161
Segment operating income	558,646	450,257	339,458	34,864	31,007	25,809	593,510	481,264	365,267
Segment assets	1,366,234	1,053,711	880,555	86,388	86,162	77,004	1,452,622	1,139,873	957,559
Additions to property, plant	100,672	79,866	55,002	2,889	1,788	1,671	103,561	81,654	56,673

and equipment || || || || || || || || || ||

Reconciliation of segment operating income to consolidated income before taxes:

	2007		2006		2005	
Segment operating income	\$	593,510	\$	481,264	\$	365,267
Interest expense		(36,876)		(38,799)		(24,090)
Other expenses, net		(43,206)		(38,728)		(30,811)
Stock-based compensation expense		(12,444)		(9,718)		
Casualty loss related to flood				(20,747)		
Expense for early extinguishment of debt						(2,398)
Consolidated income before income taxes	\$	500,984	\$	373,272	\$	307,968

Reconciliation of segment assets to consolidated total assets:

	2007		2006		2005	
Segment assets	\$	1,452,622	\$	1,139,873	\$	957,559
Goodwill		1,091,828		926,242		886,720
Other assets		131,283		129,282		88,261
Consolidated total assets	\$	2,675,733	\$	2,195,397	\$	1,932,540

Geographic information:

	Net sales						Land and depreciable assets			
	2007		2006		2005		2007		2006	
United States	\$	1,155,846	\$	1,059,974	\$	802,351	\$	108,223	\$	99,532
China		382,489		264,972		159,289		72,489		50,792
Other International Locations		1,312,706		1,146,484		846,507		135,482		123,819
Total	\$	2,851,041	\$	2,471,430	\$	1,808,147	\$	316,194	\$	274,143

Revenues by geographic area are based on the customer location to which the product is shipped.

Note 11 Casualty loss related to flood

The Company incurred damage at its Sidney, New York manufacturing facility as a result of severe and sudden flooding during the period from June 28 through July 1, 2006. For the year ended December 31, 2006, the Company recorded charges of \$20,747 for recovery and clean up expenses and property related damage, net of insurance and grant recoveries. The Sidney facility had limited manufacturing and sales activity for the period from June 28 to July 14, 2006 but the plant was substantially back to full production at the end of the third quarter of 2006.

Note 12 Other Expenses, net

Other income (expense) is comprised as follows:

	Year Ended December 31,		
	2007	2006	2005
Program fees on sale of accounts receivable	\$(5,191)	\$(5,018)	\$(3,751)
Minority interests	(10,518)	(6,001)	(4,084)
Agency and commitment fees	(1,820)	(2,057)	(1,505)
Interest income	2,744	709	367
Other	(213)	(154)	102
	\$(14,998)	\$(12,521)	\$(8,871)

Note 13 Commitments and Contingencies

In the course of pursuing its normal business activities, the Company is involved in various legal proceedings and claims. Management does not expect that amounts, if any, which may be required to be paid by reason of such proceedings or claims will have a material effect on the Company's consolidated financial position or results of operations.

Certain operations of the Company are subject to federal, state and local environmental laws and regulations which govern the discharge of pollutants into the air and water, as well as the handling and disposal of solid and hazardous wastes. The Company believes that its operations are currently in substantial compliance with all applicable environmental laws and regulations and that the costs of continuing compliance will not have a material effect on the Company's financial condition or results of operations.

Subsequent to the acquisition of Amphenol from Allied Signal Corporation (Allied Signal) in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 (Honeywell)), Amphenol and Honeywell were named jointly and severally liable as potentially responsible parties in relation to several environmental cleanup sites. Amphenol and Honeywell jointly consented to perform certain investigations and remedial and monitoring activities at two sites, the Route 8 landfill and the Richardson Hill Road landfill, and they were jointly ordered to perform work at another site, the Sidney landfill. The costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement (the Honeywell Agreement) entered into in connection with the acquisition in 1987. For sites covered by the Honeywell Agreement, to the extent that conditions or circumstances occurred or existed at the time of or prior to the acquisition, Honeywell is obligated to reimburse Amphenol 100% of such costs. Honeywell representatives continue to work closely with the Company in addressing the most significant environmental liabilities covered by the Honeywell Agreement. Management does not believe that the costs associated with resolution of these or any other environmental matters will have a material adverse effect on the Company's financial condition or results of operations. The environmental investigation, remedial and monitoring activities identified by the Company, including those referred to above, are covered under the Honeywell Agreement.

Note 14 Selected Quarterly Financial Data (Unaudited)

	March 31	Three Months Ended		December 31
		June 30	September 30	
2007				
Net sales	\$ 651,084	\$ 688,836	\$ 733,851	\$ 777,270
Gross profit	210,568	225,624	239,142	254,807
Operating income	122,597	133,413	143,350	153,498
Net income	77,704	83,996	91,501	99,993
Net income per share Basic	.44	.47	.51	.56
Net income per share Diluted	.43	.46	.50	.55
Stock price High	34.06	36.63	40.11	47.16
Low	30.75	32.80	33.28	39.49
2006				
Net sales	\$ 568,991	\$ 606,598	\$ 636,418	\$ 659,423
Gross profit	179,815	192,700	201,734	213,931
Operating income	98,391	93,010(1)	108,557(1)	124,634
Net income	57,274	53,341(1)	66,699(1)	78,377
Net income per share Basic(2)	.32	.30(1)	.37(1)	.44
Net income per share Diluted(2)	.31	.29(1)	.36(1)	.43
Stock price High(2)	26.25	30.81	32.20	35.25
Low(2)	21.94	24.67	25.15	30.44
2005				
Net sales	\$ 409,395	\$ 443,642	\$ 446,995	\$ 508,115
Gross profit	136,222	149,776	149,802	164,654
Operating income	77,333	86,046	86,089	93,859
Net income	46,376	52,056	52,089	55,818
Net income per share Basic(2)	.26	.29	.29	.31
Net income per share Diluted(2)	.26	.29	.29	.31
Stock price High(2)	20.97	21.60	23.10	22.56
Low(2)	16.62	17.90	18.29	19.19

(1) Includes a one-time charge for expenses incurred in connection with a flood at the Company's Sidney, New York facility of \$15,000 and \$5,747, or \$.06 and \$.02, per diluted share after taxes during the second and third quarter of 2006, respectively.

(2) All information has been updated to reflect the 2 for 1 stock split in March 2007.

Item 9. Changes in and Disagreements with Independent Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of December 31, 2007. Based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and such information is accumulated and communicated to management, including the Company's principal executive and financial officers, to allow timely decisions regarding required disclosure. There has been no change in the Company's internal controls over financial reporting during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management Report on Internal Control

Management is responsible for establishing and maintaining adequate internal control over financial reporting of Amphenol Corporation and Subsidiaries (the "Company"). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the internal control over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

Deloitte and Touche LLP has audited the Company's internal control over financial reporting as of December 31, 2007 in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB). Those standards require that Deloitte and Touche LLP plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Deloitte and Touche LLP has issued an unqualified report stating the Company has maintained effective internal control over financial reporting as of December 31, 2007.

February 22, 2008

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 10 with respect to the Directors of the Registrant is incorporated by reference from the Company's definitive proxy statement which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report.

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 10 with respect to the Executive Officers of the Registrant is incorporated by reference from the Company's definitive proxy statement which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report.

Information regarding the Company's Code of Business Conduct and Ethics is available on the Company's website, www.amphenol.com. In addition a copy may be requested by writing to the Company's World Headquarters at:

358 Hall Avenue
P.O. Box 5030
Wallingford, CT 06492

Item 11. Executive Compensation

Pursuant to Instruction G(3) to Form 10-K, the information required in Item 11 is incorporated by reference from the Company's definitive proxy statement which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Pursuant to Instruction G(3) to Form 10-K, the information required in Item 12 is incorporated by reference from the Company's definitive proxy statement which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report.

Item 13. Certain Relationships, Related Transactions and Director Independence

Edgar Filing: AMPHENOL CORP /DE/ - Form 10-K

Pursuant to Instruction G(3) to Form 10-K, the information required in Item 13 is incorporated by reference from the Company's definitive proxy statement which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report.

Item 14. Principal Accountant Fees and Services

Pursuant to Instruction G(3) to Form 10-K, the information required in Item 14 is incorporated by reference from the Company's definitive proxy statement which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Consolidated Financial Statements

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	31
<u>Consolidated Statements of Income</u> <u>Years Ended December 31, 2007, December 31, 2006 and December 31, 2005</u>	32
<u>Consolidated Balance Sheets</u> <u>December 31, 2007 and December 31, 2006</u>	33
<u>Consolidated Statements of Changes in Shareholders' Equity and Other</u> <u>Comprehensive Income</u> <u>Years Ended December 31, 2007, December 31, 2006 and December 31, 2005</u>	34
<u>Consolidated Statements of Cash Flow</u> <u>Years Ended December 31, 2007, December 31, 2006 and December 31, 2005</u>	35
<u>Notes to Consolidated Financial Statements</u>	36
<u>Management Report on Internal Control</u>	55

(a)(2) Financial Statement Schedules for the Three Years Ended December 31, 2007
Schedule

<u>Report of Independent Registered Public Accounting Firm on Schedule</u>	58
<u>II Valuation and Qualifying Accounts</u>	59

Schedules other than the above have been omitted because they are either not applicable or the required information has been disclosed in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm on Schedule

To the Board of Directors and
Shareholders of Amphenol Corporation
Wallingford, Connecticut

We have audited the consolidated financial statements of Amphenol Corporation and subsidiaries (the "Company") as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, and the Company's internal control over financial reporting as of December 31, 2007, and have issued our report thereon dated February 22, 2008; such consolidated financial statements and report are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 22, 2008

SCHEDULE II
AMPHENOL CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2007, 2006 and 2005
(Dollars in thousands)

	Balance at beginning of period		Charged to cost and expenses		Acquisitions		Deductions		Balance at end of period	
2007 Allowance for doubtful accounts	\$	14,677	\$	371	\$	418	\$	(2,998)	\$	12,468
2006 Allowance for doubtful accounts	\$	11,162	\$	5,939	\$	57	\$	(2,481)	\$	14,677
2005 Allowance for doubtful accounts	\$	8,666	\$	2,327	\$	1,855	\$	(1,686)	\$	11,162

Signatures

Pursuant to the requirements of Section 13 or 15d of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the Town of Wallingford, State of Connecticut on the 26th day of February 2008.

AMPHENOL CORPORATION

/s/ Martin H. Loeffler

Martin H. Loeffler
Chairman and Chief Executive
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and as of the date indicated below.

Signature	Title	Date
/s/ Martin H. Loeffler Martin H. Loeffler	Chairman and Chief Executive Officer (Principal Executive Officer)	February 26, 2008
/s/ Diana G. Reardon Diana G. Reardon	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2008
/s/ Ronald P. Badie Ronald P. Badie	Director	February 26, 2008
/s/ Stanley L. Clark Stanley L. Clark	Director	February 26, 2008
/s/ Edward G. Jepsen Edward G. Jepsen	Director	February 26, 2008
/s/ Andrew E. Lietz Andrew E. Lietz	Director	February 26, 2008
/s/ John R. Lord John R. Lord	Director	February 26, 2008
/s/ Dean H. Secord Dean H. Secord	Director	February 26, 2008

(a)(3) Listing of Exhibits

- 3.1 By-Laws of the Company as of May 19, 1997 NXS Acquisition Corp. By-Laws (filed as Exhibit 3.2 to the June 30, 1997 10-Q).*
- 3.2 Amended and Restated Certificate of Incorporation, dated April 24, 2000 (filed as Exhibit 3.1 to the April 28, 2000 Form 8-K).*
- 3.3 Certificate of Amendment of Amended and Restated Certificate of Incorporation, dated May 26, 2004 (filed as Exhibit 3.1 to the June 30, 2004 10-Q).*
- 3.4 Certificate of Amendment of Amended and Restated Certificate of Incorporation, dated May 23, 2007.**
- 10.1 Amended and Restated Receivables Purchase Agreement dated as of May 19, 1997 among Amphenol Funding Corp., the Company, Pooled Accounts Receivable Capital Corporation and Nesbitt Burns Securities, Inc., as Agent (filed as Exhibit 10.1 to the June 30, 1997 10-Q).*
- 10.2 First Amendment to Amended and Restated Receivables Purchase Agreement dated as of September 26, 1997 (filed as Exhibit 10.20 to the September 30, 1997 10-Q).*
- 10.3 Canadian Purchase and Sale Agreement dated as of September 26, 1997 among Amphenol Canada Corp., Amphenol Funding Corp. and Amphenol Corporation, individually and as the initial servicer (filed as Exhibit 10.21 to the September 30, 1997 10-Q).*
- 10.4 Second Amendment to Amended and Restated Receivables Purchase Agreement dated as of June 30, 2000 (filed as Exhibit 10.27 to the June 30, 2000 10-Q).*
- 10.5 Third Amendment to Amended and Restated Receivables Purchase Agreement dated as of June 28, 2001 (filed as Exhibit 10.27 to the September 30, 2001 10-Q).*
- 10.6 Fourth Amendment to Amended and Restated Receivables Purchase Agreement dated as of September 30, 2001 (filed as Exhibit 10.28 to the September 30, 2001 10-Q).*
- 10.7 Fifth Amendment to Amended and Restated Receivables Purchase Agreement dated as of May 19, 2004 (filed as Exhibit 10.6 to the June 30, 2004 10-Q).*
- 10.8 Sixth Amendment to Amended and Restated Receivables Purchase Agreement dated as of June 18, 2004 (filed as Exhibit 10.7 to the June 30, 2004 10-Q).*
- 10.9 Seventh Amendment to Amended and Restated Receivables Purchase Agreement dated as of June 18, 2004 (filed as Exhibit 10.8 to the June 30, 2004 10-Q).*
- 10.10 Receivables Purchase Agreement dated as of July 31, 2006 among Amphenol Funding Corp., the Company, Atlantic Asset Securitization LLC and Calyon New York Branch, as Agent (filed as Exhibit 10.10 to the June 30, 2006 10-Q).*
- 10.11 Amended and Restated Purchase and Sale Agreement dated as of May 19, 1997 among the Originators named therein, Amphenol Funding Corp. and the Company (filed as Exhibit 10.2 to the June 30, 1997 10-Q).*
- 10.12 First Amendment to Amended and Restated Purchase and Sale Agreement dated as of June 18, 2004 (filed as Exhibit 10.10 to the June 30, 2004 10-Q).*
- 10.13 Purchase and Sales Agreement dated as of July 31, 2006 among the Originators named therein, Amphenol Funding Corp. and the Company (filed as Exhibit 10.13 to the June 30, 2006 10-Q).*
- 10.14 1997 Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.16 to the June 30, 1997 10-Q).*
- 10.15 Amended 1997 Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.19 to the June 30, 1998 10-Q).*
- 10.16 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.30 to the June 30, 2001 10-Q).*
- 10.17 Amended 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.2 to the March 31, 2004 10-Q).*
- 10.18 Second Amended 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.35 to the June 30, 2004 10-Q).*
- 10.19 Third Amended 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.19 to the June 30, 2006 10-Q).*
- 10.20 Fourth Amended 2000 Stock Purchase and Option Plan for Key Employees of Amphenol and Subsidiaries (filed as Exhibit 10.20 to the June 30, 2007 10-Q).*
- 10.21 Form of 1997 Management Stockholders Agreement (filed as Exhibit 10.50 to the December 31, 2004 10-K).*
- 10.22 Form of 1997 Non-Qualified Stock Option Agreement (filed as Exhibit 10.51 to the December 31, 2004 10-K).*
- 10.23 Form of 2000 Management Stockholders Agreement (filed as Exhibit 10.53 to the December 31, 2004 10-K).*

- 10.24 Form of 2000 Management Stockholders Agreement as of May 24, 2006 (filed as Exhibit 10.24 to the June 30, 2006 10-Q).*
- 10.25 Form of 2000 Management Stockholders Agreement as of May 24, 2007 (filed as Exhibit 10.25 to the June 30, 2007 10-Q).*
- 10.26 Form of 2000 Non-Qualified Stock Option Agreement (filed as Exhibit 10.54 to the December 31, 2004 10-K).*
- 10.27 Form of 2000 Non-Qualified Stock Option Agreement as of May 24, 2006 (filed as Exhibit 10.26 to the June 30, 2006 10-Q).*
- 10.28 Form of 2000 Non-Qualified Stock Option Grant Agreement Amended as of May 24, 2007 (filed as Exhibit 10.28 to the June 30, 2007 10-Q).*
- 10.29 Form of 2000 Sale Participation Agreement (filed as Exhibit 10.55 to the December 31, 2004 10-K).*
- 10.30 Management Agreement between the Company and Martin H. Loeffler, dated July 28, 1987 (filed as Exhibit 10.7 to the 1987 Registration Statement).*
- 10.31 Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002 (filed as Exhibit 10.7 to the December 31, 2001 10-K).*
- 10.32 First Amendment to the Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002 (filed as Exhibit 10.42 to the December 31, 2006 10-K).*
- 10.33 Second Amendment to the Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002 (filed as Exhibit 10.43 to the December 31, 2006 10-K).*
- 10.34 Third Amendment to the Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002 (filed as Exhibit 10.44 to the December 31, 2006 10-K).*
- 10.35 Fourth Amendment to the Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002 (filed as Exhibit 10.45 to the December 31, 2006 10-K).*
- 10.36 Fifth Amendment to the Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002 (filed as Exhibit 10.46 to the December 31, 2006 10-K).*
- 10.37 Sixth Amendment to the Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002 (filed as Exhibit 10.47 to the December 31, 2006 10-K).*
- 10.38 Seventh Amendment to the Pension Plan for Employees of Amphenol Corporation as amended and restated effective January 1, 2002.**
- 10.39 Amphenol Corporation Supplemental Employee Retirement Plan formally adopted effective January 25, 1996 (filed as Exhibit 10.18 to the 1996 10-K).*
- 10.40 First Amendment (2000-1) to the Amphenol Corporation Supplemental Employee Retirement plan (filed as Exhibit 10.18 to the September 30, 2004 10-Q).*
- 10.41 Second Amendment (2004-1) to the Amphenol Corporation Supplemental Employee Retirement Plan (filed as Exhibit 10.19 to the September 30, 2004 10-Q).*
- 10.42 Third Amendment (2006-1) to the Amphenol Corporation Supplemental Employee Retirement Plan (filed as Exhibit 10.51 to the December 31, 2006 10-K).*
- 10.43 Amphenol Corporation Directors' Deferred Compensation Plan (filed as Exhibit 10.11 to the December 31, 1997 10-K).*
- 10.44 The 2004 Stock Option Plan for Directors of Amphenol Corporation (filed as Exhibit 10.44 to the June 30, 2004 10-Q).*
- 10.45 2005 Amphenol Corporation Management Incentive Plan (filed as Exhibit 10.56 to the March 31, 2005 10-Q).*
- 10.46 2006 Amphenol Corporation Management Incentive Plan (filed as Exhibit 10.48 to the December 31, 2005 10-K).*
- 10.47 2007 Amphenol Corporation Management Incentive Plan (filed as Exhibit 10.46 to the June 30, 2007 10-Q).*
- 10.48 Credit Agreement, dated as of July 15, 2005, among the Company, certain subsidiaries of the Company, a syndicate of financial institutions and Bank of America, N.A. acting as the administrative agent (filed as an Exhibit to the Form 8-K filed on July 20, 2005).*
- 10.49 First Amendment to Credit Agreement dated as of December 14, 2005 among the Company, certain subsidiaries of the Company, a syndicate of financial institutions and Bank of America, N.A. acting as the administrative agent (filed as Exhibit 10.45 to the March 31, 2007 10-Q).*
- 10.50 Second Amendment to Credit Agreement dated as of August 1, 2006 among the Company, certain subsidiaries of the Company, a syndicate of financial institutions and Bank of America, N.A. acting as the administrative agent (filed as Exhibit 10.55 to the June 30, 2006 10-Q).*
- 10.51 Agreement and Plan of Merger among Amphenol Acquisition Corporation, Allied Corporation and the Company, dated April 1, 1987, and the Amendment thereto dated as of May 15, 1987 (filed as Exhibit 2 to the 1987 Registration Statement).*
- 10.52 Settlement Agreement among Allied Signal Inc., the Company and LPL Investment Group, Inc. dated November 28, 1988 (filed as Exhibit 10.20 to the 1991 Registration Statement).*

- 10.53 Asset and Stock Purchase Agreement between Teradyne, Inc. and Amphenol Corporation, dated October 10, 2005 (filed as an Exhibit to the Form 8-K filed on October 11, 2005).*
- 10.54 Amphenol Corporation Employee Savings/401(k) Plan Document (filed as Exhibit 10.58 to the March 31, 2006 10Q).*
- 10.55 Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement (filed as Exhibit 10.59 to the March 31, 2006 10Q).*
- 10.56 First Amendment (2006-1) to Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement (filed as Exhibit 10.68 to the December 31, 2006 10-K).*
- 10.57 Second Amendment (2006-2) to Amphenol Corporation Employee Savings/401(k) Plan Adoption Agreement (filed as Exhibit 10.69 to the December 31, 2006 10-K).*
- 10.58 Amphenol Corporation Supplemental Defined Contribution Plan (filed as Exhibit 10.54 to the March 31, 2007 10Q).*
- 10.59 First Amendment (2007-1) to the Amphenol Corporation Supplemental Defined Contribution Plan (filed as Exhibit 10.55 to the March 31, 2007 10Q).*
- 21.1 Subsidiaries of the Company.**
- 23.1 Consent of Deloitte & Touche LLP.**
- 31.1 Certification pursuant to Exchange Act Rules 13a-14 and 15d-14; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
- 31.2 Certification pursuant to Exchange Act Rules 13a-14 and 15d-14; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.**
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.**

* Incorporated herein by reference as stated.

** Filed herewith