# Amphenol

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Amphenol is one of the largest manufacturers of interconnect products in the world. The Company designs, manufactures and markets electrical, electronic and fiber optic connectors, interconnect systems and coaxial and flat-ribbon cable products. The primary end markets for the Company's products are voice, video and data communications systems, including wireless, cable television and computer networks; aerospace and military electronics; automotive and mass transportation applications; and industrial factory automation and instrumentation equipment. For the year ended December 31, 2003, approximately 49% of the Company's sales were to the worldwide communications and cable television market, 26% were for industrial/automotive applications, and 25% were for military/aerospace and related applications.

The Company employs approximately 13,900 people on a worldwide basis and has manufacturing and assembly operations in the Americas, Europe and Asia.

**Connecting People
and Technology**

Dear Fellow Shareholders:

The results for 2003 were very good:

Sales - $1,240 million - up 17% from last year - the second highest year in Amphenol history

Earnings per share - $2.52 - up 36% from last year - matched the all-time high for the year 2000 (excluding the 2003 one-time expense for early extinguishment of debt)

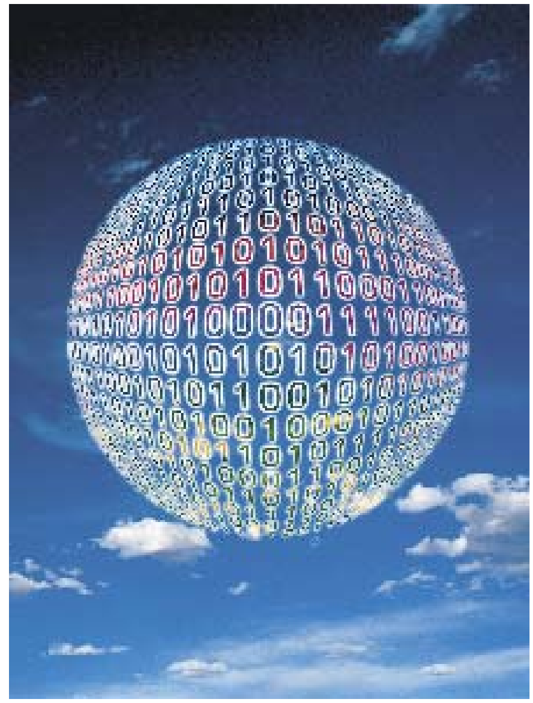
All members of the Amphenol family should take pride in achieving these results as the economy emerges from what has been described as the most significant slowdown in the history of the electronics industry. The results are impressive and reflect the enormous dedication and contribution made by Amphenol personnel around the world, a commitment that is focused on a clear and consistent business strategy:

- 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 cost

We adhered to this strategy in 2003, and it served us well. The increase in sales was far greater than the industry - analysts estimate the interconnect industry increased by 6% in 2003. We continued to maintain a high level of profitability; again, far better than the industry. We also continued to enhance our relationships with the major original equipment manufacturers ("OEMs"), original design manufacturers, electronic manufacturing service companies and distributors in our target markets as well as developing new relationships with emerging technology companies in the growing markets of Asia. We are very appreciative of these enhanced relationships for they reflect the confidence of our customers in our ability to develop application-specific solutions and meet their needs in an increasingly complex and global marketplace. We also maintained our fiscal discipline which allowed us to generate the highest level of free cash flow in the Company's history; a cash flow that is vital to insuring the flexibility to continue to reinvest in the many opportunities we see.

# A Global Leader in Interconnect Systems for Communications





***It's a digital world and Amphenol is a leading manufacturer of interconnect products and assemblies for wireless and wired voice, data and video communication systems and networks.***






In the dynamics of the global marketplace, I would like to share with you what I view as current industry trends and how Amphenol is positioned to take advantage of such trends:

| Industry Trends | | Amphenol Strengths |
|---|---|---|
| ● Large $30 billion + interconnect market with renewed growth | — | Company has a diversified presence in high growth segments of the market. |
| ● Customers are reducing their vendor base | — | As one of the handful of companies in the interconnect industry with a global presence, we have been successful in establishing preferred supplier relationships with leading companies in our target markets. |
| ● Increased sophistication and proliferation of electronic equipment | — | Strong engineering resources for developing application-specific, value added solutions to customer needs. |
| ● Customer migration to low cost areas and new markets | — | Strong global presence with extensive operations in low cost areas (52% of our workforce is in low cost areas). |
| ● Pricing pressure | — | Strong culture of cost control that is embedded in our operating philosophy. |
| ● Fragmented industry continuing to consolidate | — | Pursuing complementary acquisitions on a global basis where we can add value and that are accretive to performance. |

With respect to the major markets we serve with interconnect and cable products and assemblies, we made significant progress in 2003 in strengthening our relationship with the leading customers in such markets as well as broadening our geographical presence and product portfolio. The following is an overview of last year's activity:

- The military/aerospace market comprised 25% of sales in 2003 and was up 18% over year 2002 levels. The Company is the acknowledged leader in high performance interconnect components for aerospace/harsh environment applications. The U.S. and certain other countries are continuing in a long term trend to upgrade military defense systems and increase homeland security programs. Several military/aerospace programs in which the Company has significant participation are in the early phases of production, and other major programs in which we have achieved design wins are still in the prototype stage, but such programs should provide very significant future long term revenues. The commercial aerospace market has gone through

# A Global Leader in Interconnect Systems for Communications

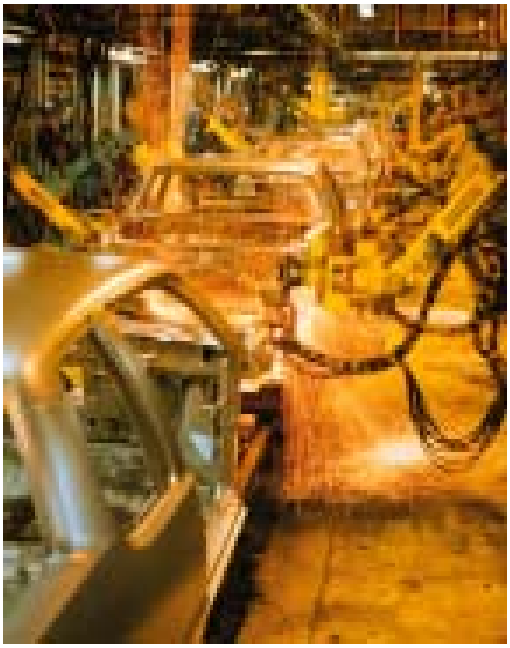
***Amphenol is a leading world provider of interconnect products for wireless infra-structure communication networks and mobile communication applications.***

difficult times in the past few years but there are indications of an improving trend and the long term future of commercial aviation transportation is good. Space exploration is also an area that showcases our enormous engineering and technological resources - we are a significant participant in the International Space Station program and also participated in the recent Mars Exploration Rover program including the Spirit and Opportunity landings. We are proud of the outstanding engineering capabilities represented by our leadership position in the military/aerospace market.

- The wireless/telecom/datacom markets comprised 36% of sales last year and were up 17% from year 2002 levels. The increase in the wireless/telecom/datacom market was especially welcome as this area was significantly impacted by the post-2000 economic slowdown. We have an excellent portfolio of interconnect products for the mobile handset market, mobile network infrastructure market and the Internet equipment market. In the mobile handset market, we had components in more than half of the worldwide production of mobile phones last year, and we continue to strengthen our relationships with the leading mobile phone manufacturers as well as the new and emerging producers in Asia. As mobile handsets increase in complexity and functionality, the outlook for growth in this market is excellent. Demand for greater mobile communication and data services in developed countries and the continuing demand for communication services in developing countries is also driving mobile network upgrades and expansion. We continue to gain position with the leading infrastructure equipment manufacturers and increasingly are developing relationships with network system operators with a broad portfolio of value added interconnect solutions. With respect to the Internet equipment market, we have an excellent penetration in the areas of servers, storage systems and datacom equipment. Our value added interconnect products and systems serve an important role in the continuing demand for increased bandwidth, speed and miniaturization in this market. Our product offering to the communications markets is broad and deep, and our global resources have further strengthened our excellent relations with the major OEM equipment providers.

- The industrial/automotive markets comprised 26% of our sales last year and were up 28% from year 2002 levels. Our automotive market product offering is comprised of interconnect systems for automotive safety devices, communication and entertainment systems, and the increasing presence of automotive electronic features. This market was up last year reflecting the increased utilization of sophisticated airbag and related safety devices as well as the increased use of electronic devices and component applications in automobiles. The industrial market which includes factory automation, medical, test and measurement instrumentation equipment, and mass transportation was also up last year reflecting the key role of factory automation in driving productivity improvements, the growing use of sophisticated electronic equipment and instrumentation for medical applications, and the increasing importance of sophisticated intercity and intracity mass transportation equipment. The industrial markets encompass a broad and diverse range of applications with significant opportunity for growth resulting from the increased use of sophisticated and complex electronic components. We have done an excellent job of increasing our presence with leading OEM industrial manufacturers.

# A Global Leader in Interconnect Systems for Industrial Applications



***Amphenol is a leader in developing interconnect products and systems for industrial, instrumentation and mass transportation applications.***

***Amphenol is a leading supplier of interconnect systems for automotive safety systems and other electronic applications.***

- The broadband market comprised 13% of our sales last year and was down 2% from year 2002 levels. We serve the broadband market primarily with coaxial cable, and after a period of excellent growth in 1999/2000, that market has slowed significantly in recent years. The growth in prior years was fueled by significant expansion of broadband cable television systems in international markets and by the upgrade by cable operators in the U.S. to full service digital systems offering a variety of video, voice and data services. The slowdown has reflected a generally slowing worldwide economy, the availability of credit to finance system upgrades and expansion, and economic dynamics specific to certain operators. However, we believe the long term outlook for this market is good as deployment of broadband systems in international markets is still in the early stages, and U.S. systems will continue to be upgraded to offer the full potential of digital technology.

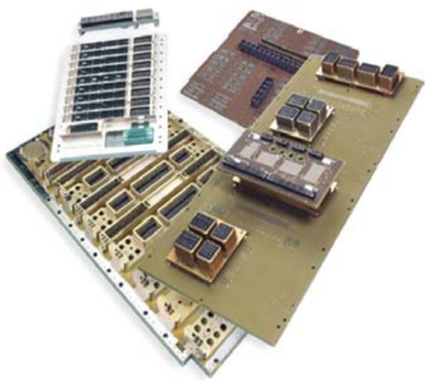
I am pleased to report that this year we promoted four individuals to Senior Vice President and five to Vice President. The promotions further an organizational structure that will carry us to the next level of growth and profitability. And, I am also proud that the promotions were internal as they reflect the broad and diverse management strength within the Company. I would also like to acknowledge the enormous contribution and entrepreneurial spirit from all of the management teams at our operating units.

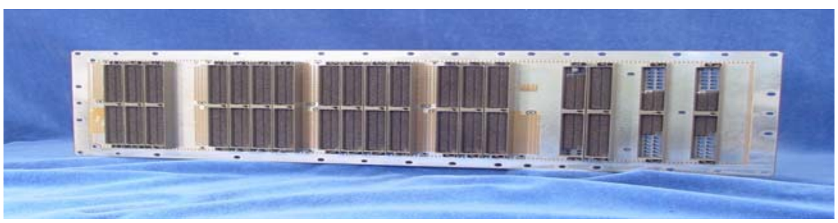
2003 began as a very challenging year for us and the electronics industry, with improving economic trends in the latter part of the year. We performed very well, and for this I am grateful for the outstanding efforts and contribution of our personnel worldwide for making Amphenol successful in good and difficult times. We also acquired three companies last year, and while each is relatively small in its own right, collectively they will play a strategic role in expanding our products and services to the worldwide infocom and industrial markets. We are well positioned with global resources and an excellent product portfolio to serve the worldwide needs of our customers. Predicting the future in today's business environment is difficult. However, we are very confident that we are in excellent markets with a great organization, and we are very excited about the future. The excitement and confidence in the future also stems from the loyalty and trust of our excellent base of customers and suppliers; we thank them for their invaluable support. Finally, I believe we have a passion for the business, and it is this passion that drives the organization to high levels of performance. I know such intangible can be transitory. But I believe we have it; we think about it; and, we work hard to retain it.

Martin H. Loeffler
Chairman, Chief Executive Officer
and President

# A Global Leader in Interconnect Systems for Aerospace Applications

***Amphenol is the world leader in sophisticated, highly-engineered interconnect products for military and aerospace applications.***





## Financial Highlights

*(dollars in thousands, except per share data)*

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Sales | $1,239,504 | $1,062,002 | $ 1,103,771 |
| Operating income | 204,420 | 173,947 | 197,027 |
| Net income | 103,990 | 80,344 | 83,710 |
| Net income per common share - diluted | 2.36[1] | 1.85 | 1.95 |
| Average common shares outstanding | 44,065,860 | 43,445,600 | 42,997,121 |
| Current and long-term debt | $ 542,959 | $ 644,248 | $ 720,319 |

(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 $0.16 per share after taxes.

***Asian Kick-Off Sales Meeting***
***Shenzhen, China***
***February 2004***

## Business Strategy

The Company's strategic objective is to further enhance its position as a leading global designer, manufacturer and marketer of connectors, interconnect systems and cable products. The Company seeks to achieve this objective by pursuing the following strategies:

- *Continue to Develop Application-Specific Interconnect Solutions for OEMs.* The Company seeks to expand the scope and number of its preferred supplier designations and application-specific product opportunities with OEM and original design customers. The Company works closely with its network of such customers at the design stage to create and manufacture innovative solutions to meet customers' specific interconnection needs. The application-specific products designed and manufactured for OEMs and original design customers generally have higher value-added content than other interconnect products and have been developed across all of the Company's product lines. In addition to solidifying its relationship with OEMs and providing a source of high value added sales, this product development strategy has a number of important ancillary benefits. For example, once an application-specific product has been developed for a particular OEM customer, the new product often becomes widely accepted in the industry for similar applications. Thereafter, the demand for these new products grows as they become incorporated into products manufactured by other potential customers, thereby providing additional sources of revenue.

- *Expand Product Lines.* The Company's product lines encompass market segments comprising approximately 50% of the $30 billion interconnect industry. Management believes that it is very important to continually develop the breadth and depth of Amphenol's product lines in order to maintain its designation as a preferred supplier with many OEM, original design and electronic manufacturing services customers. By expanding its product lines, the Company is able to leverage its extensive customer relationships to cross-sell additional interconnect products. Moreover, given that many OEMs and other customers are reducing the size of their supplier base, Amphenol believes that the expansion of its product lines with new value added integrated solutions helps to further solidify its importance to existing customers and enables it to effectively market products to new customers.

- *Expand Global Presence.* The Company intends to further expand its global manufacturing, sales and service operations to better serve its existing client base, penetrate developing markets and establish new customer relationships. As the Company's multinational OEM, original design and electronic manufacturing services customers expand their international operations to access developing world markets and lower manufacturing and labor costs in certain regions, the Company is continuing to expand its international capabilities in order to provide just-in-time facilities near these customers. The Company is also able to take advantage of the lower manufacturing costs in some regions, and has established low-cost manufacturing and assembly facilities in the three major geographical markets of the Americas, Europe and Asia. In 2003, approximately 52% of its workforce was located in low cost labor regions.

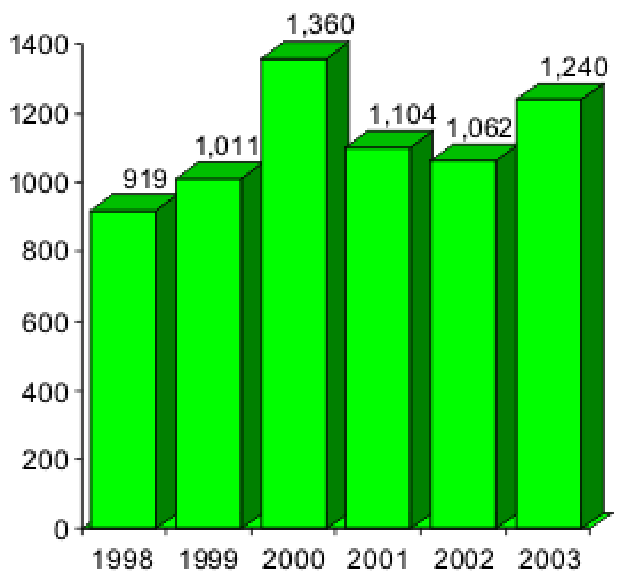
- *Collaborative, Entrepreneurial Management Team.* Our management system is designed to provide clear P&L and balance sheet responsibility in a flat organizational structure. Each general manager is incented to grow and develop his business and to think entrepreneurially in providing timely and cost effective solutions to customer needs. In addition, the general managers have access to the resources of the larger organization and are encouraged through internal structure to work collaboratively with other general managers to meet the needs of the expanding marketplace and to achieve common goals.

- *Control Costs.* It is very important in today's global marketplace to have a competitive cost structure. Product quality and comprehensive customer service are not mutually exclusive with controlling costs. Controlling costs is part of a mindset - it is having the discipline to invest in programs that have a good return; it is maintaining a cost structure as flexible as possible to respond to changes in the marketplace; it is dealing with suppliers and vendors in a fair but prudent way to insure a reasonable cost for materials and services; it is a mindset of managers to manage the Company's assets as if they were their own.

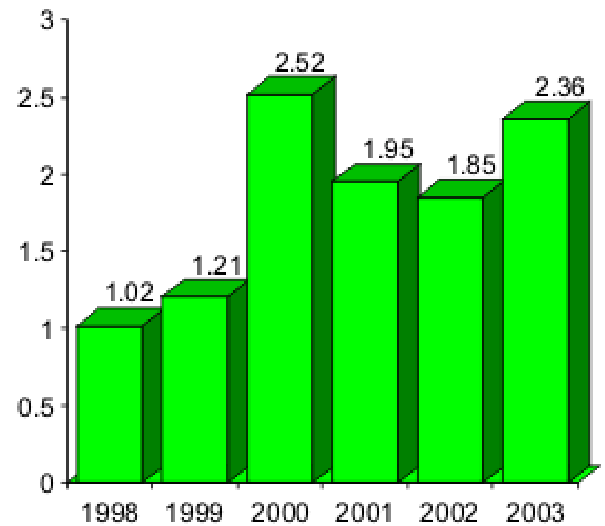
- *Pursue Strategic Acquisitions and Investments.* The Company believes that the fragmented nature of the interconnect industry provides significant opportunities for strategic acquisitions. Therefore, management continues to pursue strategic acquisitions of smaller companies with significant growth potential that complement the Company's existing business and further expand its product lines, technological capabilities and geographic presence. Furthermore, such acquisitions have the potential for improving the profitability of acquired companies by leveraging Amphenol's access to world markets and lower manufacturing costs resulting from greater economies of scale.

# KEY OPERATING INDICES
# 1998-2003

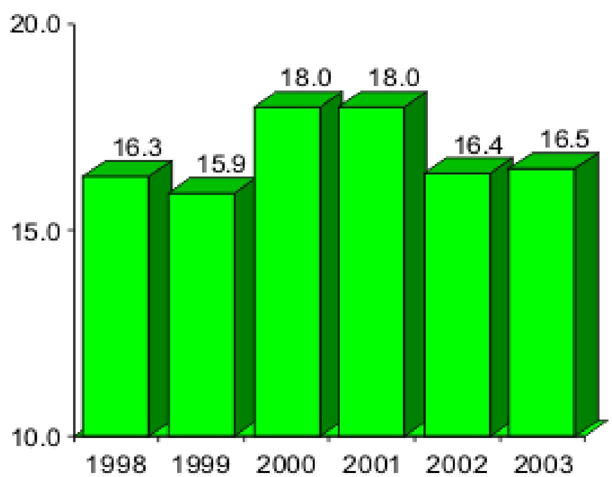
***Net Sales***
***$ Millions***



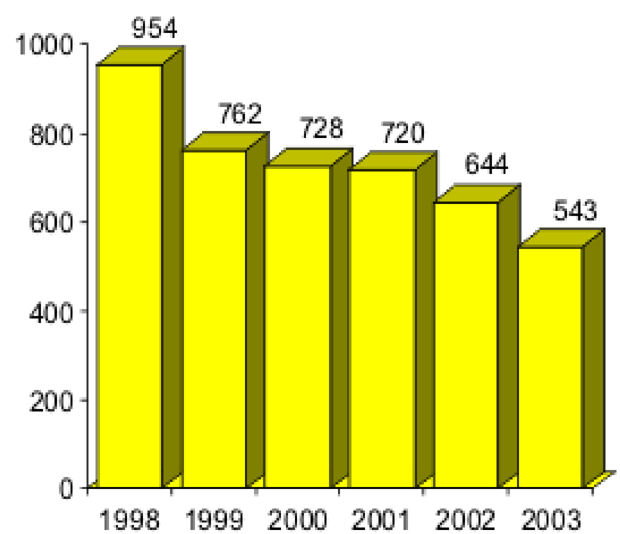

***Earnings Per Share - Diluted***
***$ Dollars***




***Operating Margin***
***Percent (%)***




***Current and Long-Term Debt***
***$ Millions***



**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, 2003**

**or**

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

**For the transition period from_____to______**

**Commission file number 1-10879**

## AMPHENOL CORPORATION

(Exact name of Registrant as specified in its Charter)

| | |
|---|---|
| **Delaware** | **22-2785165** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. 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)

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

| | |
|---|---|
| **Class A Common Stock, $.001 par value** | **New York Stock Exchange, Inc.** |
| (Title of each Class) | (Name of each Exchange on which Registered) |

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

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

Indicate by check mark 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. [X]

Indicate by check mark whether the registrant is an accelerated filer (as indicated in Rule 12b-2 of the Act).
Yes _X_ No ___

The aggregate market value of Amphenol Corporation common stock, $.001 par value, held by non-affiliates was approximately $1,008 million based on the reported last sale price of such stock on the New York Stock Exchange on June 30, 2003.

As of December 31, 2003 the total number of shares outstanding of registrant's common stock was 43,842,763.

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.

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## 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 and military aerospace 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 2003, the Company reported net sales, operating income and net income of $1,239.5 million, $204.4 million and $104.0 million, respectively. The table below summarizes information regarding the Company's primary markets and end applications for the Company's products:

| | Communications | Industrial/Automotive | Commercial and Military Aerospace |
|---|---|---|---|
| Percentage of Sales | 49% | 26% | 25% |
| Primary End Applications | Voice<br>•wireless handsets and personal communication devices<br>•base stations and other wireless and telecommunications infrastructure<br>•broadband<br><br>Video<br>•broadband cable television networks and set top converters<br><br>Data<br>•cable modems<br>•servers and storage systems<br>•computers, personal computers and related peripherals<br>•data networking equipment | Factory automation<br>Instrumentation and medical systems<br>Automobile safety systems and other on board electronics<br>Mass transportation<br>Oil exploration<br>Off-road construction | Military and Commercial Aircraft<br>•avionics<br>•engine controls<br>•flight controls<br>•passenger related systems<br>Missile systems<br>Battlefield communications<br>Satellite and space programs |

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 one of the largest connector manufacturers in the world. The Company has developed a broad range of connector and interconnect products for communications equipment applications including the converging voice, video and data communications markets. The Company is a leader in developing interconnect products for factory automation, 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 performance and reliability 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.

Industry analysts estimate that the worldwide market for interconnect products will grow approximately 6% in 2004. The Company believes that the worldwide industry for interconnect products and systems is highly fragmented with over 2,000 producers of connectors worldwide, of which the 10 largest, including Amphenol, accounted for a combined market share of approximately 50% in 2003. Industry analysts estimate that the total sales for the industry were approximately $32 billion in 2003.

The Company's Times Fiber subsidiary is the world's second largest producer of coaxial cable for the cable television market. The Company believes that its Times Fiber 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 developing international cable television market.

The Company is a global manufacturer employing advanced manufacturing processes. The Company manufactures and assembles its products at facilities in the Americas, Europe and Asia. The Company sells its connector products through its own global sales force and independent manufacturers' representatives to thousands of OEMs in approximately 60 countries throughout the world as well as through a global network of electronics distributors. The Company sells its coaxial cable products primarily to cable television operators and to telecommunication companies who have entered the broadband communications market. For the year 2003, approximately 49% of the Company's net sales were in North America, 27% were in Europe and 24% were in Asia and other countries.

The Company 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 is also focused on making strategic acquisitions in certain markets to further broaden and enhance its product offerings and expand its global capabilities.

**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" and Note 7 in the Company's "Notes to Consolidated Financial Statements."

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| | | (dollars in thousands) | |
| Net trade sales by business segment: | | | |
| Interconnect products and assemblies | $ 1,071,968 | $ 892,309 | $ 906,799 |
| Cable products | 167,536 | 169,693 | 196,972 |
| | $ 1,239,504 | $ 1,062,002 | $ 1,103,771 |
| Net trade sales by geographic area (1): | | | |
| United States operations | $ 555,918 | $ 501,073 | $ 538,938 |
| International operations | 683,586 | 560,929 | 564,833 |
| | $ 1,239,504 | $ 1,062,002 | $ 1,103,771 |

(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 and military aerospace 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 GSM telephones, cable modems and other applications to facilitate reading data from smart cards; fiber optic couplers and connectors used in fiber optic signal transmission; input/output connectors and assemblies used for servers and data storage devices and linking personal computers and peripheral equipment; and sculptured flexible circuits used for integrating printed circuit boards in communication applications. The Company also designs and produces a broad range of radio frequency connector products 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 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 connectors for coaxial cable and fiber optic interconnect components for full service cable television/telecommunication networks.

The rapid development in fiber optic technologies, digital compression (which allows several 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 near video-on-demand, pay-per-view special events, home shopping networks, interactive entertainment and education services, telephone services and high-speed access to data resources such as the Internet. 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, a cable system 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 without amplification, 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 cable television systems in international markets presents a significant opportunity to increase sales of its coaxial cable products.

The Company is also a leading producer of 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 components 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 55% of the Company's sales for the year ended December 31, 2003 were outside the United States. Approximately 48% of such international sales were in Europe. The Company has manufacturing and assembly facilities in the United Kingdom, Germany, France, the Czech Republic, and Estonia and sales offices in most European markets. The balance of the Company's international activities are located in Asia, Canada, Latin America and Australia. Asian operations include manufacturing facilities in Japan, Taiwan, China, Korea, India and Malaysia. 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 Mexico, China, India and Eastern Europe 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 3% of net sales for the year ended December 31, 2003. 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 OEM customers.

The Company's sales to distributors represented approximately 20% of the Company's 2003 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 and Australia. To better serve high volume OEM customers, the Company has established just-in-time facilities near 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 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 $26.4 million, $24.2 million and $22.6 million for 2003, 2002 and 2001, 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 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," "Sine," "Spectra-Strip," "Pyle-National," "Matrix," "Kai Jack" and others to be of value in its businesses. The Company has exclusive rights in all its major markets to use these registered trademarks. 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 $262 million and $224 million at December 31, 2003 and 2002, respectively. Orders typically fluctuate from quarter to quarter based on customer demands 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 cable television industry, distributors, the computer industry, and other commercial customers, generally have short lead times. Therefore, backlog may not be indicative of future demand.

**Employees**

As of December 31, 2003, the Company had approximately 13,900 full-time employees worldwide. Of these employees, approximately 9,200 were hourly employees and the remainder were salaried. The Company had a one week strike in October 1995 at its Sidney, New York facility relating to the renewal of the labor contract at that facility with the International Association of Machinists and Aerospace Workers. The Company has not had any other significant work stoppages in the past ten years. The Company believes that it has a good relationship with its unionized and non-unionized employees.

**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:

- 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 currency fluctuations and unforeseen inflationary pressures.

- Substantial and unforeseen price pressure on the Company's products or significant cost increases that cannot be recovered through price increases or productivity improvements.

- Increased difficulties in obtaining a consistent supply of basic materials like steel, aluminum, copper, bimetallic products, gold or plastic resins at stable pricing levels.

- Unpredictable difficulties or delays in the development of new product programs.

- Significant changes in interest rates or in the availability of financing for the Company or certain of its customers.

- 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.

- Difficulties and unanticipated expense of assimilating newly-acquired businesses.

- Any difficulties in obtaining or retaining the management and other human resource competencies that the Company needs to achieve its business objectives.

- The risks associated with any technological shifts away from the Company's technologies and core competencies. For example, a technological shift away from the use of coaxial cable in cable television/telecommunication systems could have a substantial impact on the Company's coaxial cable business.

- 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 or inventory excesses.

**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, 2003, the Company operated a total of 93 plants and warehouses of which (a) the locations in the U.S. had approximately 2.1 million square feet, of which .9 million square feet were leased; and (b) the locations outside the U.S. had approximately 2.6 million square feet, of which 1.4 million square feet were leased.

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.

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 have been named jointly and severally liable as potentially responsible parties in relation to several environmental cleanup sites. Amphenol and Honeywell have jointly consented to perform certain investigations and remedial and monitoring activities at two sites and they have been jointly ordered to perform work at another site. 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 is currently performing monitoring activities at its manufacturing site in Sidney, New York. The Company is also performing design, cleanup, operations and maintenance and monitoring activities at three off-site disposal sites previously utilized by the Company's Sidney facility and others, the "Richardson Hill" landfill, the "Route 8" landfill and the "Sidney Center" landfill. The Company and Honeywell have entered into an administrative consent order with the United States Environmental Protection Agency (the "EPA") and are presently performing remedial measures for "Richardson Hill", which has been designated a "Superfund" site on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980. The administrative consent order requires the Company to complete the approved remedial measures and to continue to monitor the site. With respect to the second site, the "Route 8" landfill, the Company initiated a remediation program pursuant to a Consent Order with the New York Department of Environmental Protection and is continuing to monitor the results of those remediation efforts. In December 1995, the Company and Honeywell received a letter from the EPA demanding that the Company and Honeywell accept responsibility for the investigation and cleanup of the third site, Sidney Center landfill, another Superfund Site. The Sidney Center landfill was a municipal landfill site utilized by the Company's Sidney facility and other local towns and businesses. In 1996, the Company and Honeywell received a unilateral order from the EPA directing the Company and Honeywell to perform certain investigation, design and cleanup activities at the Sidney Center landfill site. The Company and Honeywell responded to the unilateral order by agreeing to undertake certain remedial design activities. In 1997, the EPA filed a lawsuit against the Company and Honeywell seeking reimbursement of past costs expended by the EPA in connection with activities at the Sidney Center landfill site and seeking to affix liability upon the Company and Honeywell for all additional costs to be incurred in connection with all further investigations, design and cleanup activities at the Sidney Center landfill site. The Company joined four local municipalities as co-defendants in the lawsuit. In 2001 the Company and Honeywell were ordered by the Court to pay the EPA approximately $3.5 million, net of contributions by the municipalities who had been joined as co-defendants in the lawsuit. Pursuant to that decision the Company and Honeywell are implementing the approved remedial measures for the Sidney Center landfill site. The municipalities who were joined in the lawsuit have agreed to monitor and maintain the caps installed at the Sidney Center landfill site as part of the approved remediation plan. The Company and Honeywell will be responsible for continuing groundwater monitoring at the site. 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.

**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, 2003.

**PART II**

**Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters**

The Company affected 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 2003 and 2002 as reported on the New York Stock Exchange.

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $43.95 | $37.00 | $51.75 | $40.25 |
| Second Quarter | 49.40 | 38.76 | 49.00 | 35.50 |
| Third Quarter | 57.67 | 46.10 | 42.46 | 30.11 |
| Fourth Quarter | 64.13 | 52.06 | 45.81 | 27.47 |

As of January 30, 2004 there were 64 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.

Since its initial public offering in 1991, the Company has not paid and it does not have any present intention to commence payment of dividends; however, this policy will be reviewed on an ongoing basis. The Company intends to retain earnings to provide funds for the operation and expansion of the Company's business and to repay outstanding indebtedness. Currently the Company has certain restrictions regarding the declaring and paying of cash dividends on, or repurchasing the Company's common stock under certain covenants contained in the Company's debt agreements.

Partnerships affiliated with Kohlberg Kravis Roberts & Co. L.P. ("KKR") owned 27.2% of the Company's Class A Common Stock as of December 31, 2003. In 2003, 2002 and 2001, the Company paid KKR fees of $.9 million, $1.0 million, and $1.0 million, respectively for management and consulting services.

The following table summarizes our equity compensation plan information as of December 31, 2003:

| | Equity Compensation Plan Information | | |
|---|---|---|---|
| **Plan category** | **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 | 3,931,875 | $35.98 | 1,169,435 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 3,931,875 | $35.98 | 1,169,435 |

On January 21, 2004, the Company announced a 2-for-1 stock split that will be effective for stockholders of record as of March 17, 2004. The Company expects the additional shares to be distributed on or before March 29, 2004. The share information included herein does not reflect the effect of such stock split.

**Item 6. Selected Financial Data**

*(dollars in thousands, except per share data)*

| | | | | | *Year Ended December 31,* |
|---|---|---|---|---|---|
| | ***2003*** | ***2002*** | ***2001*** | ***2000*** | ***1999*** |
| ***Operations*** | | | | | |
| Net sales | $1,239,504 | $1,062,002 | $1,103,771 | $1,359,702 | $1,010,603 |
| Net income | 103,990 (1) | 80,344 | 83,710 | 107,904 | 35,621 (2) |
| Net income per common share—Diluted | 2.36 (1) | 1.85 | 1.95 | 2.52 | .97 (2) |
| ***Financial Position*** | | | | | |
| Working capital | $233,707 | $153,250 | $166,857 | $170,131 | $189,252 |
| Total assets | 1,181,384 | 1,078,908 | 1,026,743 | 1,004,322 | 836,376 |
| Long-term debt, including current portion | 542,959 | 644,248 | 720,319 | 728,346 | 762,487 |
| Shareholders' equity (deficit) | 323,406 | 166,982 | 103,933 | 29,234 | (81,166) |
| Weighted average shares outstanding—diluted | 44,065,860 | 43,445,600 | 42,997,121 | 42,878,922 | 36,664,016 |

(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 $0.16 per share after taxes.

(2) Includes a one-time charge for expenses incurred in the early extinguishment of debt of $13,553, less tax benefit of $4,879, or $0.24 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, 2003 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 2003 approximately 55% 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 and military aerospace applications.

The Company's products are used in a wide variety of applications by numerous customers, the largest of which accounted for approximately 3% of net sales in 2003. 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 labor 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 cost
- Pursue strategic acquisitions

For the year ended December 31, 2003, the Company reported net sales, operating income and net income of $1,240 million, $204 million and $104 million, respectively; up 17%, 18% and 29%, respectively, from 2002. Sales of interconnect products and assemblies increased in each of the Company's major markets and geographic regions; sales of cable products were stable with the prior year. Net income benefited from both the increase in operating income and reduced interest expense. 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 and to reduce indebtedness. In 2003, the Company reduced debt by approximately $107 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,* | | |
|---|---|---|---|
| | ***2003*** | ***2002*** | ***2001*** |
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of sales, excluding depreciation and amortization | 66.2 | 65.9 | 63.8 |
| Depreciation and amortization expense | 3.0 | 3.3 | 2.9 |
| Selling, general and administrative expense | 14.3 | 14.4 | 14.1 |
| Amortization of goodwill | | | 1.3 |
| Operating income | 16.5 | 16.4 | 17.9 |
| Interest expense | (2.4) | (4.3) | (5.1) |
| Other expenses, net | (.6) | (.5) | (.5) |
| Expense for early extinguishment of debt | (.8) | | |
| Income before income taxes | 12.7 | 11.6 | 12.3 |
| Provision for income taxes | (4.3) | (4.0) | (4.7) |
| Net income | 8.4% | 7.6% | 7.6% |

***2003 Compared to 2002***

Net sales were $1,239.5 million for the year ended December 31, 2003 compared to $1,062.0 million for 2002. Sales of interconnect products and assemblies increased 20% compared to 2002 ($1,072.0 million in 2003 versus $892.3 million in 2002). Sales increased in the Company's major end markets including military/aerospace, mobile communications, industrial, automotive and computer/data communications markets. The increases occurred in all major geographic regions, with approximately one third of the increase attributable to the effect of currency translation, as detailed below. The remaining increase was attributable to the continuing development of new application specific and value added products, economic improvement in some of the Company's major end markets and acquisitions in 2002 and 2003. The increase in military/aerospace sales (approximately $47 million) relates primarily to increased demand on military programs and avionics applications in North America and Europe, and an acquisition ($8 million). The increase in sales in the mobile communications markets (approximately $42 million) is attributable to the acquisition of companies in North America and China serving the network infrastructure market (approximately $18 million) and increases in Asia in sales of handset products. The increase in sales in the industrial market (approximately $36 million) reflects increases resulting from acquisitions in North America (approximately $16 million) and increased sales in Europe. Automotive sales increased approximately $33 million primarily in Europe and to a lesser extent in North America reflecting increased use of safety and telematic applications in cars. Sales to the computer and data communications related markets increased approximately $23 million; a cable assembly acquisition in North America contributed one third of the increase, the remainder reflects increased sales in Europe and Asia. Sales of cable products decreased 1% compared to 2002 ($167.5 million in 2003 versus $169.7 million in 2002). Such decrease is generally attributable to continuing low levels of capital spending by U.S. and international cable television operators for cable system upgrades and expansion. The lower levels of spending are not expected to change significantly in the near term.

Geographically, sales in the U.S. in 2003 increased approximately 11% compared to 2002 ($555.9 million in 2003 versus $501.1 million in 2002); international sales for 2003 increased approximately 22% in U.S. dollars ($683.6 million in 2003 versus $560.9 million in 2002) and increased approximately 12% in local currency compared to 2002. The comparatively weak U.S. dollar in 2003 had the currency effect of increasing net sales by approximately $63.9 million when compared to foreign currency translation rates in 2002.

The gross profit margin as a percentage of net sales (including depreciation in cost of sales) remained constant at 31% for 2003 and 2002. An increase in margins in the interconnect products and assemblies segment was offset by a decline in margins in the cable products segment. The operating margin for interconnect products and assemblies increased approximately 2% compared to the prior year, the increase is generally attributable to the effects of higher sales volume and cost reduction activities relating to purchased materials and increased activity in low cost labor areas. The increase was offset by a decline in operating profit margins for cable products of approximately 6% compared to the prior year due primarily to higher material costs and change in product mix.

Selling, general and administrative expenses were $177.4 million and $152.9 million in 2003 and 2002, respectively, and remained constant at approximately 14% of sales. Research and development expenditures increased approximately $2.2 million, reflecting increases in expenditures for new product development. Selling and marketing expenses remained constant at approximately 7% of sales. Shipping expense, which relates primarily to sales of cable products to the broadband market, remained stable, commensurate with sales for those products. Administrative expenses increased by approximately $6.9 million, due primarily to increases in costs relating to insurance, pensions and medical benefits.

Interest expense was $29.5 million for 2003 compared to $45.9 million for 2002. The decrease is primarily attributable to lower interest rates including the effect of the refinancing completed in the second quarter of 2003 (see liquidity and capital resources) and lower average debt levels. At current interest rates, interest expense for 2004 is expected to be approximately $23 million.

Expenses for early extinguishment of debt totaling $10.4 million in 2003, relate to the refinancing of the Company's senior credit facilities. Such one-time expenses include the call premium related to the redemption of the Company's Senior Subordinated Notes of $4.7 million, write-off of unamortized deferred debt issuance costs of $3.9 million and other related fees and expenses of $1.8 million.

Other expenses, net for 2003 and 2002 was $7.0 million and $5.4 million, respectively. Other expenses, net, is comprised primarily of foreign currency transaction losses ($1.3 million in 2003 and $2.7 million in 2002), reflecting the relative weakness of the U.S. dollar in 2003 and 2002, program fees on sale of accounts receivable ($1.5 million in 2003 and $1.8 million in 2002), reflecting lower receivable fee rates in 2003, minority interests ($2.4 million in 2003 and $1.8 million in 2002) and agency and commitment fees on the Company's credit facilities ($.8 million in 2003 and $.6 million in 2002). In addition, in 2003 the Company incurred $1.0 million in expenses relating to a secondary stock offering (for which the Company did not receive any proceeds), and in 2002 the Company realized $1.5 million of income relating to a license fee settlement. See Note 8 to the Company's Consolidated Financial Statements for details of the components of other expenses, net.

The provision for income taxes for 2003 was at an effective rate of 34% compared to 34.5% in 2002.

### *2002 Compared to 2001*

Net sales were $1,062.0 million for the year ended December 31, 2002 compared to $1,103.8 million for 2001. Sales of interconnect products and assemblies decreased 2% compared to 2001 ($892.3 million in 2002 versus $906.8 million in 2001). Such decrease is primarily attributable to decreased sales (approx. $52.8 million) of products and interconnect systems for telecom infrastructure, datacom and industrial markets. These declines occurred primarily in North America and to a lesser extent in Europe and resulted from a generally slowing economy and a continuing slowdown in communication related markets. Major OEM customers that manufacture equipment for telecom infrastructure (including wireless) and internet related applications experienced a slowdown in purchases from system operators due to a variety of factors including the availability of capital and a shortfall from expectations of demand. Such declines were partially offset by increased sales (approx. $38.3 million) of products and interconnect systems for military aerospace, automotive and wireless handset markets. The increase in sales of military aerospace products (approximately $12 million), relates primarily to the acquisition of a backplane assembly business in North America. The increase in automotive sales (approximately $11 million) occurred primarily in North America and relates to the increasing use of electronic componentry in automobiles. The increase in sales in the wireless handset market (approximately $15 million), reflects the strong market for these products in Asia. Sales of cable products decreased 14% compared to 2001 ($169.7 million in 2002 versus $197.0 million in 2001). Such decrease is primarily attributable to a slowdown in capital spending by U.S. and international cable television operators.

Geographically, sales in the U.S. in 2002 decreased approximately 7% compared to 2001 ($501.1 million in 2002 versus $538.9 million in 2001); international sales for 2002 decreased approximately 1% in U.S. dollars ($560.9 million in 2002 versus $564.8 million in 2001) and decreased approximately 3% in local currency compared to 2001. The comparatively weaker U.S. dollar in 2002 had the currency effect of increasing net sales by approximately $14.4 million when compared to foreign currency translation rates in 2001.

The gross profit margin as a percentage of net sales (including depreciation in cost of sales) was 31% for 2002 compared to 33% for 2001. The decrease in gross profit margin is generally attributable to a difficult pricing environment, particularly in the communications markets, and the adverse effect on production costs of the lower sales volume, partially offset by cost reduction programs relating to purchased materials and services and a shift of headcount from high cost to low cost labor areas.

Selling, general and administrative expenses were $152.9 million and $155.8 million in 2002 and 2001 respectively, and remained constant at approximately 14% of sales. Research and development expenditures increased approximately $1.6 million, reflecting increases in expenditures for new product development. Selling and marketing expenses remained constant at approximately 7% of sales. Shipping expense, which relates primarily to sales of cable products to the Broadband market, declined approximately $2.6 million, commensurate with sales declines for those products. Administrative expenses were down by approximately $1.5 million due to a reduction in compensation cost.

Goodwill amortization expense was nil in 2002, as a result of adopting FAS No.142; whereas goodwill amortization was $14.3 million in 2001.

Interest expense was $45.9 million for 2002 compared to $56.1 million for 2001. The decrease is primarily attributable to lower average debt levels and lower interest rates.

Other expenses, net for 2002 and 2001 was $5.4 million and $5.6 million, respectively. Other expenses, net, is comprised primarily of foreign currency transaction gains and losses ($2.7 million loss in 2002 and $1.4 million gain in 2001), reflecting the relative weakness of the U.S. dollar in 2002 and strength in 2001, program fees on sale of accounts receivable ($1.8 million in 2002 and $3.9 million in 2001), reflecting lower receivable sales and fee rates in 2002, minority interests ($1.8 million in 2002 and 2001) and agency and commitment fees on the Company's credit facilities ($.6 million in 2002 and $.5 million in 2001). In addition, in 2002 the Company realized $1.5 million of income relating to a license fee settlement. See Note 8 to the Company's Consolidated Financial Statements for details of the components of other expenses, net.

The provision for income taxes for 2002 was at an effective rate of 34.5% compared to 38.2% in 2001. For 2001, the effective tax rate, excluding non-deductible goodwill amortization, was 35%.

### *Liquidity and Capital Resources*

Cash provided by operating activities totaled $159.4 million, $131.6 million and $118.9 million for 2003, 2002 and 2001, respectively. The increase in cash from operating activities in 2003 compared to 2002 is primarily attributable to an increase in net income partially offset by a smaller reduction in the 2003 period in non-cash components of working capital. The increase in cash from operating activities in 2002 compared to 2001 is primarily attributable to a net decrease in non-cash components of working capital offset in part by a decrease in net income.

The non-cash components of working capital decreased $1.0 million in 2003 due primarily to a $20.8 million increase in accounts payable, an operating reduction of $4.6 million in inventory, and an increase of $10.2 million in accrued liabilities partially offset by a $28.8 million increase in accounts receivable due to higher sales levels.

The non-cash components of working capital decreased $15.8 million in 2002 due primarily to a $12.9 million decrease in inventory as inventory levels were reduced in response to lower sales levels.

The non-cash components of working capital increased $10.0 million in 2001. Accounts receivable, accounts payable and accrued liabilities declined $74.9 million, $44.2 million and $34.5 million, respectively, for a net $3.8 million increase in the non-cash components of working capital. These reductions were driven primarily by lower sales volume, and in the case of accrued liabilities, increased income tax payments. Inventory increased approximately $2.8 million; inventory turnover which had improved to 4.6x in 2000 as sales levels significantly increased, returned to historical levels of approximately 3.5x in 2001. In addition, accrued interest declined $2.1 million.

In 2003, accounts receivable increased $41.2 million to $172.5 million, due to an increase in sales levels, $9.5 million from acquired companies, and a $13.5 million increase due to translation resulting from the comparatively weaker U.S. dollar at December 31, 2003 compared to December 31, 2002, partially offset by a $10.6 million increase in sales of receivables (further discussed below). Days sales outstanding, computed before sales of receivables, remained constant at 66 days. Inventory increased $15.7 million to $221.4 million, primarily due to an increase of $12.9 million due to translation resulting from the comparatively weaker U.S. dollar at December 31, 2003 compared to December 31, 2002, and $7.4 million in inventory from acquired companies which more than offset the operating reduction of $4.6 million. Inventory turnover increased to 3.9x at December 31, 2003 from 3.5x at December 31, 2002. Deferred taxes and other assets decreased $9.4 million to $28.4 million reflecting the decrease in deferred taxes, the details of which are included in Note 3 to the Company's Consolidated Financial Statements. Goodwill increased $29.5 million to $516.3 million as a result of acquisitions completed in 2003. Land and depreciable assets, net, increased $17.6 million to $178.3 million reflecting capital expenditures of $30.2 million, assets from acquisitions of approximately $11.6 million, an increase of $12.3 million due to translation resulting from the comparatively weaker U.S. dollar at December 31, 2003 compared to December 31, 2002, and depreciation of $36.5 million. Accounts payable and accrued salaries, wages and employee benefits increased $28.3 million and $6.5 million to $116.8 million and $31.1 million, respectively, due primarily to an increase in sales levels, liabilities from acquired companies and a $5.7 million and $1.7 million increase, respectively, due to translation resulting from the comparatively weaker U.S. dollar at December 31, 2003 compared to December 31, 2002. Other accrued liabilities increased $16.6 million to $56.1 million relating primarily to an increase in accrued income taxes, liabilities for the purchase of acquired companies and accruals relating to higher sales volume.

Cash from operating activities was used for capital expenditures ($30.2 million, $18.8 million and $38.6 million in 2003, 2002 and 2001, respectively), and acquisitions ($51.1 million, $33.8 million and $60.5 million in 2003, 2002 and 2001, respectively).

In 2003, cash from operating activities of $159.4 million, proceeds from the refinancing of $27.0 million, additional sales of receivables of $10.6 million and proceeds from exercise of stock options and related tax benefits of $35.9 million were used primarily to fund capital expenditures of $30.2 million, acquisitions of $51.1 million, an increase in cash on hand of $2.9 million and for a net debt reduction of $148.8 million. For 2002, cash from operating activities of $131.6 million, cash on hand of $7.3 million and proceeds from exercise of stock options and related tax benefits of $5.8 million were used to fund capital expenditures of $18.8 million, acquisitions of $13.0 million, a reduction in sales of receivables of $11.0 million and a net reduction in bank debt of $81.0 million.

During the second quarter 2003, the Company completed a refinancing of its senior credit facilities. Borrowings of $625.0 million under a new bank loan agreement (Bank Agreement), described below, were used to repay $439.5 million outstanding under the Company's previous bank agreement, redeem all outstanding senior subordinated notes totaling $148.7 million (including the call premium of $4.7 million) and to pay other fees and expenses associated with the refinancing of $8.9 million. A prepayment of the new bank loan of $37.0 million was made in June with excess borrowing proceeds and cash flow from operations and additional prepayments of $89.0 million were made in the second half of 2003. The refinancing had the effect of extending the maturity of the Company's debt coming due in 2003 through 2007.

The Company's new Bank Agreement includes a Term Loan, consisting of a Tranche A and B, and a $125.0 million revolving credit facility. At December 31, 2003, the Tranche A had a balance of $90.0 million and matures over the period 2006 to 2008, and the Tranche B had a balance of $409.0 million and matures in 2010. The revolving credit facility expires in 2008; availability under the facility at December 31, 2003 was $117.2 million, after a reduction of $7.8 million for outstanding letters of credit. The Company's interest rate on loans under the new Bank Agreement is LIBOR plus 200 basis points. The Bank Agreement is secured by a first priority pledge of 100% of the capital stock of the Company's direct domestic subsidiaries and 65% of the capital stock of direct material foreign subsidiaries, as defined in the Bank Agreement. In addition, if the Company's credit rating as assigned by Standard & Poor's or Moody's were to decline to BB- or Ba3, respectively, the Company would be required to perfect liens in favor of participants in the Bank Agreement in substantially all of the Company's U.S. based assets. At December 31, 2003, the Company's credit rating from Standard and Poor's was BB+ and from Moody's was Ba2. The Bank Agreement requires that the Company satisfy certain financial covenants including an interest coverage ratio of higher than 3x (EBITDA divided by interest expense) and a leverage test (Debt divided by EBITDA) lower than 3.8x. At December 31, 2003, such ratios as defined in the Bank Agreement, were 7.82x and 2.49x, respectively. The Bank Agreement also includes limitations with respect to, among other things, indebtedness in excess of $50 million for capital leases, $200 million for general indebtedness and $200 million for acquisition indebtedness, of which approximately $2.1 million, $0 and $0 were outstanding at December 31, 2003, and restricted payments, including dividends on the Company's Common Stock, in excess of 50% of consolidated cumulative net income, or approximately $39.0 million at December 31, 2003. In conjunction with entering into the new Bank Agreement the Company entered into interest rate swap agreements that fixed the Company's LIBOR interest rate on $250.0 million and $150.0 million of floating rate bank debt at 2.44% and 1.24%, expiring in 2006 and 2004, respectively.

The Company's primary ongoing cash requirements will be for operating and capital expenditures, product development activities and debt service. 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. The Company expects that ongoing requirements for operating and capital expenditures, product development activities 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 2004 will be approximately $40 million. The Company's required debt and capital lease amortization in 2004 is $10.7 million; the Company's required cash interest payments for 2004, at current interest rates, are estimated at approximately $22 million. The Company may also use cash to fund part or all of the cost of future acquisitions. The Company has not paid, and does not have any present intention to commence payment of, cash dividends on its common stock; however, this policy will be reviewed on an ongoing basis. Management believes that the Company's working capital position, ability to generate strong cash flow from operations and access to credit markets will allow it to meet its obligations for the next twelve months and the foreseeable future.

***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 $85.0 million in a designated pool of qualified accounts receivable. The Company services, administers and collects the receivables on behalf of the purchaser. The agreement includes certain covenants and provides for various events of termination. The agreement expires in May 2004. It is the Company's intention to renew or replace the agreement at expiration on similar terms. At December 31, 2003, approximately $73.8 million of receivables were sold under the agreement and are therefore not reflected in the accounts receivable balance in the accompanying Consolidated Balance Sheet.

***Environmental Matters***

Subsequent to the acquisition of Amphenol from Allied Signal Corporation in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 "Honeywell"), Amphenol and Honeywell have been named jointly and severally liable as potentially responsible parties in relation to several environmental cleanup sites. Amphenol and Honeywell have jointly consented to perform certain investigations and remedial and monitoring activities at two sites and they have been jointly ordered to perform work at another site. The costs incurred relating to these three sites are currently reimbursed by Honeywell based on an agreement entered into in connection with the acquisition in 1987. For sites covered by this 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 work closely with the Company in addressing the most significant environmental liabilities covered by the 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.

***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 21, 2004, the Company announced a 2-for-1 stock split that will be effective for shareholders of record as of March 17, 2004. The Company expects the additional shares to be distributed on or before March 29, 2004. The share information included herein does not reflect the effect of such stock split.

***Recent Accounting Changes***

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No.146 (FAS 146), "Accounting for Costs Associated with Exit or Disposal Activities". The statement addresses financial accounting and reporting for costs associated with exit or disposal activities and requires that a liability for such costs be recognized and measured in the period in which a liability is incurred. There was no effect to the Company's Consolidated Financial Statements as a result of such adoption.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". The Interpretation addresses the disclosures to be made by a guarantor in its financial statements about its obligations under guarantee. In addition, it also clarifies the requirements related to the recognition of a liability by a guarantor at the inception of a guarantee for the obligations the guarantor has undertaken in issuing that guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure provisions became effective December 15, 2002 and have no material impact on the Company's Consolidated Financial Statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148 (FAS 148), "Accounting for Stock-Based Compensation—Transition and Disclosure". FAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of FAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has elected to continue to apply APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for stock options, and the disclosures required by FAS 123 and 148 are included in Notes 1 and 4 to the Company's Consolidated Financial Statements.

In January and December 2003, the Financial Accounting Standards Board issued Interpretation No.46 (FIN 46), "Consolidation of Variable Interest Entities". It requires that the assets, liabilities and results of the activity of variable interest entities be consolidated into the financial statements of the company that has controlling financial interest. It also provides the framework for determining whether a variable interest entity should be consolidated based on voting interest or significant financial support provided to it. The Company adopted this interpretation in 2003 and there was no effect to the Company's Consolidated Financial Statements as a result of such adoption.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149 (FAS 149), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments embedded in other contracts and for hedging activities under FAS 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for contracts entered into or modified after June 30, 2003, and did not have a material impact on the Company's Consolidated Financial Statements.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150 (FAS 150), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. The statement is effective for financial instruments entered into or modified after May 31, 2003, and did not have a material impact on the Company's Consolidated Financial Statements.

In December 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132R (FAS 132R), "Employers' Disclosures about Pensions and Other Postretirement Benefits." FAS 132R amends the disclosure requirements of FAS 132 to require additional disclosures about assets, obligations, cash flow and net periodic benefit cost. The statement is effective in 2003 and the related disclosures have been included in Note 5 to the Company's Consolidated Financial Statements.

***Pensions***

The Company and its domestic subsidiaries have a defined benefit pension plan ("Plan") covering substantially all U.S. employees. 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 (credit) for all pension plans approximated \$6.5 million, \$.7 million and \$(.3) million in 2003, 2002 and 2001, 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 Plan assets. In developing the expected long-term rate of return assumption for U.S. plans, we 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. We also considered our historical fourteen-year compounded return of 11.4%, which has been in excess of these broad equity and bond benchmark indices. Our expected long-term rate of return on Plan assets is based on an asset allocation assumption of 60% with equity managers, with an expected long-term rate of return of 11%, 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 8.5%. As of December 31, 2003, our asset allocation was 63% with equity managers and 37% with fixed income managers, including high yield managers. We believe that our long-term asset allocation on average will approximate 60% with equity managers and 40% with fixed income managers. We regularly review our actual asset allocation and periodically rebalance our investments to our targeted allocation when considered appropriate. Based on this methodology the Company's expected long-term rate of return assumption is 9.5% for both 2003 and 2004.

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 on this basis has decreased from 6.5% at December 31, 2002 to 6.15% at December 31, 2003. This will have the effect of increasing pension expense in 2004 by approximately $.8 million. Although future changes to the discount rate are unknown, had the discount rate increased or decreased 50 basis points, the pension liability would have decreased $11.6 million or increased $12.8 million, respectively.

The financial markets declined significantly in 2002, which had an adverse effect on Plan assets. This resulted in a $42.5 million non-cash charge to the accumulated other comprehensive loss account component of stockholders' equity. Such charge represented an increase in the accrued pension liabilities of $67.0 million, net of deferred taxes. The Company made a cash contribution to the U.S. pension plans in 2003 of $10.0 million. The liability for accrued pension and post employment benefit obligations declined modestly in 2003 to $100.3 million from $102.4 million in 2002, as the positive impact on assets of improved investment returns was offset by the negative impact on accumulated liabilities of the reduction in the discount rate and the foreign currency translation effect for non-U.S. plans. The Company estimates that, based on current actuarial calculations, it will make a cash contribution to the pension plan in 2004 of approximately $10 million. Cash contributions in subsequent years will depend on a number of factors including the investment performance of Plan assets.

### *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 - Sales and related cost of sales are recognized upon shipment of products. Allowances for estimated uncollectible accounts, discounts, returns and allowances are provided based upon historical experience, current trends and specific information which indicates that an allowance is appropriate.

Inventories - Inventories are stated at the lower of standard cost, which approximates average cost, or market. Provisions for slow moving and obsolete inventory are provided 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.

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, 2003, 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** | **4-5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| Long-Term Debt | $541,076 | $ 9,588 | $37,088 | $85,092 | $409,308 |
| Capital Lease Obligations | 1,883 | 1,091 | 792 | | |
| Operating Leases | 40,404 | 13,424 | 15,663 | 6,417 | 4,900 |
| Purchase Obligations | 58,199 | 57,220 | 870 | 109 | |
| Other Long-Term Liabilities | 8,179 | 6,691 | 1,205 | 205 | 78 |
| Total | $649,741 | $88,014 | $55,618 | $91,823 | $414,286 |

**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 and 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 completed a refinancing of its senior credit facilities during the second quarter 2003 as discussed in liquidity and capital resources above. In conjunction with the refinancing, the Company entered into interest rate swap agreements that fixed the Company’s LIBOR interest rate on $250.0 million and $150.0 million of floating rate debt at 2.44% and 1.24%, expiring in 2006 and 2004, respectively. At December 31, 2003, the Company’s average LIBOR rate was 1.8%. A 10% change in the LIBOR interest rate at December 31, 2003 would have the effect of increasing or decreasing interest expense by approximately $.1 million. The Company does not expect changes in interest rates to have a material effect on income or cash flows in 2004, although there can be no assurances that interest rates will not significantly change.

## Item 8. Financial Statements and Supplementary Data

### Report of Management

Management is responsible for the integrity and objectivity of the financial statements and other information appearing in this annual report on Form 10-K. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's best estimates and judgments. The Company maintains a system of internal accounting controls and procedures intended to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and accounted for in accordance with management's authorization.

Deloitte & Touche LLP has been engaged to audit the financial statements in accordance with auditing standards generally accepted in the United States of America. They obtain an understanding of the Company's accounting policies and controls, and conduct such tests and related procedures as they consider necessary to arrive at their opinion. The Board of Directors has appointed an Audit Committee composed of outside directors. The Audit Committee meets periodically with representatives of management and Deloitte & Touche LLP to discuss and review their activities with respect to internal accounting controls and financial reporting and auditing.

### Independent Auditors' Report

To the Board of Directors and
Shareholders of Amphenol Corporation

We have audited the accompanying consolidated balance sheets of Amphenol Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Amphenol Corporation and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142.

Hartford, Connecticut
February 4, 2004

**Consolidated Statement of Income**

*(dollars in thousands, except per share data)*

| | Year Ended December 31, | | |
|---|---|---|---|
| | *2003* | *2002* | *2001* |
| Net sales | $1,239,504 | $1,062,002 | $1,103,771 |
| Costs and expenses: | | | |
| Cost of sales, excluding depreciation and amortization | 820,724 | 700,302 | 704,278 |
| Depreciation and amortization expense | 37,007 | 34,825 | 32,316 |
| Selling, general and administrative expense | 177,353 | 152,928 | 155,810 |
| Amortization of goodwill | | | 14,340 |
| Operating income | 204,420 | 173,947 | 197,027 |
| Interest expense | (29,505) | (45,930) | (56,099) |
| Other expenses, net | (6,987) | (5,355) | (5,573) |
| Expense for early extinguishment of debt | (10,367) | | |
| Income before income taxes | 157,561 | 122,662 | 135,355 |
| Provision for income taxes | (53,571) | (42,318) | (51,645) |
| Net income | $ 103,990 | $ 80,344 | $ 83,710 |
| Net income per common share – Basic | $2.42 | $1.89 | $2.00 |
| Average common shares outstanding – Basic | 43,050,344 | 42,445,849 | 41,920,616 |
| Net income per common share – Diluted | $2.36 | $1.85 | $1.95 |
| Average common shares outstanding - Diluted | 44,065,860 | 43,445,600 | 42,997,121 |

*See accompanying notes to consolidated financial statements.*

## Consolidated Balance Sheet

*(dollars in thousands, except per share data)*

| | December 31, 2003 | 2002 |
|---|---|---|
| ***Assets*** | | |
| Current Assets: | | |
| Cash and short-term cash investments | $ 23,533 | $ 20,659 |
| Accounts receivable, less allowance for doubtful accounts of $9,244 and $8,812 | 172,488 | 131,252 |
| Inventories: | | |
| Raw materials and supplies | 48,917 | 38,133 |
| Work in process | 116,023 | 111,337 |
| Finished goods | 56,445 | 56,173 |
| | 221,385 | 205,643 |
| Prepaid expenses and other assets | 33,943 | 31,610 |
| Total current assets | 451,349 | 389,164 |
| Land and depreciable assets: | | |
| Land | 13,948 | 12,679 |
| Buildings | 104,614 | 95,578 |
| Machinery and equipment | 387,173 | 337,860 |
| | 505,735 | 446,117 |
| Less accumulated depreciation | (327,469) | (285,427) |
| | 178,266 | 160,690 |
| Deferred debt issuance costs | 7,014 | 4,382 |
| Goodwill | 516,335 | 486,841 |
| Deferred taxes and other assets | 28,420 | 37,831 |
| | $1,181,384 | $1,078,908 |
| ***Liabilities & Shareholders' Equity*** | | |
| Current Liabilities: | | |
| Accounts payable | $ 116,835 | $ 88,533 |
| Accrued interest | 2,939 | 4,957 |
| Accrued salaries, wages and employee benefits | 31,091 | 24,568 |
| Other accrued expenses | 56,098 | 39,493 |
| Current portion of long-term debt | 10,679 | 78,363 |
| Total current liabilities | 217,642 | 235,914 |
| Long-term debt | 532,280 | 565,885 |
| Accrued pension and post employment benefit obligations | 100,326 | 102,418 |
| Other liabilities | 7,730 | 7,709 |
| Commitments and contingent liabilities (Notes 2, 6 and 9) | | |
| Shareholders' Equity: | | |
| Class A Common Stock, $.001 par value; 100,000,000 shares authorized; 43,842,763 and 42,571,623 shares outstanding at December 31, 2003 and 2002, respectively | 44 | 43 |
| Additional paid-in capital (deficit) | (238,124) | (274,282) |
| Accumulated earnings | 626,430 | 522,440 |
| Accumulated other comprehensive loss | (64,944) | (81,219) |
| Total shareholders' equity | 323,406 | 166,982 |
| | $1,181,384 | $1,078,908 |

*See accompanying notes to consolidated financial statements.*

## Consolidated Statement of Changes in Shareholders' Equity

*(dollars in thousands, except per share data)*

| | Common Stock | Additional Paid-In Capital (Deficit) | Comprehensive Income | Accumulated Earnings | Accumulated Other Comprehensive Loss | Total Shareholders Equity |
|---|---|---|---|---|---|---|
| **Balance December 31, 2000** | $42 | $(305,464) | | $358,386 | $(23,730) | $ 29,234 |
| Comprehensive income: | | | | | | |
| Net income | | | [$83,710] | 83,710 | | 83,710 |
| Other comprehensive loss, net of tax: | | | | | | |
| Translation adjustments | | | (9,612) | | (9,612) | (9,612) |
| Revaluation of interest rate derivatives | | | (8,837) | | (8,837) | (8,837) |
| Minimum pension liability adjustment | | | (15,802) | | (15,802) | (15,802) |
| Other comprehensive loss | | | (34,251) | | | |
| Comprehensive income | | | [$49,459] | | | |
| Deferred compensation | | 240 | | | | 240 |
| 606,796 shares issued in connection with acquisition | | 25,000 | | | | 25,000 |
| **Balance December 31, 2001** | 42 | (280,224) | | 442,096 | (57,981) | 103,933 |
| Comprehensive income: | | | | | | |
| Net income | | | [$80,344] | 80,344 | | 80,344 |
| Other comprehensive loss, net of tax: | | | | | | |
| Translation adjustments | | | 10,377 | | 10,377 | 10,377 |
| Expiration of interest rate derivatives | | | 8,837 | | 8,837 | 8,837 |
| Minimum pension liability adjustment | | | (42,452) | | (42,452) | (42,452) |
| Other comprehensive loss | | | (23,238) | | | |
| Comprehensive income | | | [$57,106] | | | |
| Deferred compensation | | 166 | | | | 166 |
| Stock options exercised, including tax benefit | 1 | 5,776 | | | | 5,777 |
| **Balance December 31, 2002** | 43 | (274,282) | | 522,440 | (81,219) | 166,982 |
| Comprehensive income: | | | | | | |
| Net income | | | [$103,990] | 103,990 | | 103,990 |
| Other comprehensive income, net of tax: | | | | | | |
| Translation adjustments | | | 17,047 | | 17,047 | 17,047 |
| Revaluation of interest rate derivatives | | | (669) | | (669) | (669) |
| Minimum pension liability adjustment | | | (103) | | (103) | (103) |
| Other comprehensive income | | | 16,275 | | | |
| Comprehensive income | | | [$120,265] | | | |
| Deferred compensation | | 240 | | | | 240 |
| Stock options exercised, including tax benefit | 1 | 35,918 | | | | 35,919 |
| **Balance December 31, 2003** | $44 | $(238,124) | | $626,430 | $(64,944) | $323,406 |

*See accompanying notes to consolidated financial statements.*

## Consolidated Statement of Cash Flow

*(dollars in thousands, except per share data)*

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2003** | **2002** | **2001** |
| Net income | $103,990 | $ 80,344 | $ 83,710 |
| Adjustments for cash from operations: | | | |
| Depreciation and amortization | 37,007 | 34,825 | 32,316 |
| Amortization of goodwill | | | 14,340 |
| Amortization of deferred debt issuance costs | 1,473 | 1,413 | 2,235 |
| Expense for early extinguishment of debt | 10,367 | | |
| Net change in: | | | |
| Accounts receivable | (28,799) | 1,054 | 74,924 |
| Inventory | 4,647 | 12,897 | (2,793) |
| Prepaid expenses and other assets | (3,420) | 1,951 | (1,331) |
| Accounts payable | 20,776 | 3,701 | (44,206) |
| Accrued liabilities | 10,231 | (305) | (34,470) |
| Accrued interest | (2,429) | (3,530) | (2,099) |
| Accrued pension and post employment benefits | (5,804) | 121 | (1,827) |
| Deferred taxes and other assets | 11,168 | (625) | (1,492) |
| Other | 197 | (283) | (457) |
| Cash flow provided by operations | 159,404 | 131,563 | 118,850 |
| Cash flow from investing activities: | | | |
| Additions to property, plant and equipment | (30,196) | (18,816) | (38,555) |
| Investments in acquisitions | (51,101) | (33,796) | (60,518) |
| Cash flow used by investing activities | (81,297) | (52,612) | (99,073) |
| Cash flow from financing activities: | | | |
| Net change in borrowings under revolving credit facilities | 1,751 | (17,839) | 24,413 |
| Decrease in borrowings under Bank Agreement | (150,543) | (63,205) | (30,000) |
| Retirement of debt: old Bank Agreement | (439,500) | | |
| senior subordinated notes | (148,740) | | |
| fees and expenses relating to refinancing | (9,720) | | |
| Borrowings under new Bank Agreement | 625,000 | | |
| Net change in receivables sold | 10,600 | (11,000) | (10,800) |
| Proceeds from exercise of stock options including tax benefit | 35,919 | 5,777 | |
| Cash flow used by financing activities | (75,233) | (86,267) | (16,387) |
| Net change in cash and short-term cash investments | 2,874 | (7,316) | 3,390 |
| Cash and short-term cash investments balance, beginning of period | 20,659 | 27,975 | 24,585 |
| Cash and short-term cash investments balance, end of period | $ 23,533 | $ 20,659 | $ 27,975 |
| | | | |
| Cash paid during the year for: | | | |
| Interest | $ 30,819 | $ 48,059 | $ 55,425 |
| Income taxes paid, net of refunds | 21,996 | 34,061 | 60,662 |

*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") is in two business segments which consist of manufacturing and selling interconnect products and assemblies, and manufacturing and selling cable products.

***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. Intercompany transactions have been eliminated in consolidation.

***Cash and Short-Term Cash Investments***

Cash and short-term cash investments 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 $85,000 in a designated pool of qualified accounts receivable. The agreement expires in May 2004. Under the terms of the agreement, new receivables are added to the pool as collections reduce previously sold accounts receivable. The aggregate value of receivables transferred to the pool for the year 2003, 2002 and 2001 were $538,093, $541,834, and $598,659, respectively. At December 31, 2003 and 2002, $24,568 and $21,427, 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 Sheet. Due to the short-term nature of the accounts receivable, the fair value approximates the carrying value. The Company services, administers and collects the receivables on behalf of the purchaser. 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 Statement of Income. The agreement contains certain covenants and provides for various events of termination. At December 31, 2003 and 2002, approximately $73,800 and $63,200, respectively, of receivables were sold under the agreement and are therefore not reflected in the accounts receivable balance in the accompanying Consolidated Balance Sheet.

***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. Depreciation and amortization of property, plant and equipment are provided 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.

***Deferred Debt Issuance Costs***

Deferred debt issuance costs are being amortized on the interest method over the term of the related debt and such amortization is included in interest expense.

***Goodwill***

Through December 31, 2001, for acquisitions completed prior to July 1, 2001, the excess of cost over the fair value of net assets acquired (goodwill) was being amortized on the straight-line basis over a period of 40 years. Accumulated amortization was $148,779 at December 31, 2001. Effective July 1, 2001, the Company adopted the provisions of Financial Accounting Standards ("FAS") No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets," applicable to business combinations completed after June 30, 2001. In accordance with these standards, goodwill resulting from acquisitions after June 30, 2001 is not amortized and beginning January 1, 2002, goodwill for acquisitions completed prior to July 1, 2001 is not amortized. The Company adopted the additional provisions of FAS No. 142 effective January 1, 2002, which include requirements for annual evaluations for impairment of goodwill. The Company performs its annual evaluation for the impairment of goodwill for the Company's reporting units, in accordance with FAS No. 142, as of 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, 2003, the fair market value of the Company's reporting units exceeded the carrying value and therefore no impairment was recognized. In 2002, goodwill increased by $26,399 primarily as a result of five relatively minor acquisitions with a total acquisition price of $26,970, less the fair value of new assets acquired of $4,951 and the acquisition of additional minority interests in two subsidiaries with a purchase price of $6,826 for such interests, less the proportional fair value of net assets acquired of $2,446. The increase in goodwill by segment was $21,322 and $5,077 for interconnect products and assemblies and cable products, respectively. In 2003, goodwill increased by $29,494 primarily as a result of four relatively minor acquisitions with a total acquisition price of $42,957, less the fair value of net assets acquired of $23,989, and the acquisition of additional minority interests and payment of contingent consideration relating to previously acquired subsidiaries of $10,526. The increase in goodwill by segment was $27,494 and $2,000 for interconnect products and assemblies and cable products, respectively. Pro forma information for 2001 as if goodwill had not been amortized is as follows:

| | | | ***2001*** |
|---|---|---|---|
| | | ***Earnings Per Share*** | |
| | **Net Income** | **Basic** | **Diluted** |
| As reported | $83,710 | $2.00 | $1.95 |
| Goodwill amortization | 14,340 | .34 | .33 |
| Pro forma | $98,050 | $2.34 | $2.28 |

***Revenue Recognition***

Sales and related cost of sales are recognized upon shipment of products.

***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 recognized on adoption of the accounting principle.

***Stock Options***

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for stock options. Accordingly, no compensation cost has been recognized for the Plans. 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 FAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

| | ***2003*** | ***2002*** | ***2001*** |
|---|---|---|---|
| Net income | $103,990 | $80,344 | $83,710 |
| Less: Total stock based compensation expense determined under Black-Scholes option pricing model, net of related tax effects | (5,148) | (6,559) | (8,636) |
| Pro forma net income | $ 98,842 | $73,785 | $75,074 |
| Earnings Per Share: | | | |
| Basic-as reported | $2.42 | $1.89 | $2.00 |
| Basic-pro forma | $2.30 | $1.74 | $1.79 |
| Diluted-as reported | $2.36 | $1.85 | $1.95 |
| Diluted-pro forma | $2.24 | $1.70 | $1.75 |

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:

| | ***2003*** | ***2002*** | ***2001*** |
|---|---|---|---|
| Risk free interest rate | 3.2% | 2.7% | 4.3% |
| Expected life | 5 years | 5 years | 5 years |
| Expected volatility | 30.0% | 40.0% | 54.0% |
| Expected dividend yield | 0.0% | 0.0% | 0.0% |

The weighted-average fair values of options granted during 2003, 2002 and 2001 were $12.99, $17.07 and $20.98, respectively.

***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. 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.

### *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 so calculated is included as a component of accumulated other comprehensive loss within shareholders’ equity. Transaction gains and losses are included in other expense, net.

### *Research and Development*

Research and development expenses for the creation of new and improved products and processes were $26,361, $24,183 and $22,604, for the years 2003, 2002 and 2001, respectively.

### *Environmental Obligations*

The Company recognizes the potential cost for environmental remediation activities when 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 21, 2004, the Company announced a 2-for-1 stock split that will be effective for shareholders of record as of March 17, 2004. The Company expects the additional shares to be distributed on or before March 29, 2004. The share information included herein does not 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. The Company adopted FAS 133, as amended by FAS 138, beginning January 1, 2001. Adoption of this new accounting standard resulted in a cumulative after-tax gain of $291 in accumulated other comprehensive income as of that date. 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. At December 31, 2003, the Company had interest rate swap agreements that fix the Company’s LIBOR interest rate on $250,000 and $150,000 of floating rate bank debt at 2.44% and 1.24%, expiring in 2006 and 2004, respectively. These agreements are designated as cash flow hedges and accounted for as described above.

### *Recent Accounting Changes*

Effective January 1, 2002, the Company adopted FAS No. 143, "Accounting for Asset Retirement Obligations" and FAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". FAS No. 143 addresses the recognition and re-measurement of obligations associated with the retirement of tangible long-lived assets. FAS No. 144 addresses accounting and reporting for the impairment or disposal of long-lived assets, including discontinued operations. There was no effect to the Company's Consolidated Financial Statements as a result of such adoption.

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No.146 (FAS 146), "Accounting for Costs Associated with Exit or Disposal Activities". The statement addresses financial accounting and reporting for costs associated with exit or disposal activities and requires that a liability for such costs be recognized and measured in the period in which a liability is incurred. There was no effect to the Company's Consolidated Financial Statements as a result of such adoption.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". The Interpretation addresses the disclosures to be made by a guarantor in its financial statements about its obligations under guarantee. In addition, it also clarifies the requirements related to the recognition of a liability by a guarantor at the inception of a guarantee for the obligations the guarantor has undertaken in issuing that guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure provisions became effective December 15, 2002 and there was no effect to the Company's Consolidated Financial Statements as a result of such adoption.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148 (FAS 148), "Accounting for Stock-Based Compensation—Transition and Disclosure". FAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of FAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has elected to continue to apply APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for stock options, and the disclosures required by FAS 123 and 148 are included in Notes 1 and 4 to the Company's Consolidated Financial Statements.

In January and December 2003, the Financial Accounting Standards Board issued Interpretation No.46 (FIN 46), "Consolidation of Variable Interest Entities". It requires that the assets, liabilities and results of the activity of variable interest entities be consolidated into the financial statements of the company that has controlling financial interest. It also provides the framework for determining whether a variable interest entity should be consolidated based on voting interest or significant financial support provided to it. The Company adopted this interpretation in 2003 and there was no effect to the Company's Consolidated Financial Statements as a result of such adoption.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149 (FAS 149), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments embedded in other contracts and for hedging activities under FAS 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for contracts entered into or modified after June 30, 2003, and did not have a material impact on the Company's Consolidated Financial Statements.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150 (FAS 150), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. This statement is effective for financial instruments entered into or modified after May 31, 2003, and did not have a material impact on the Company's Consolidated Financial Statements.

In December 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132R (FAS 132R), "Employers' Disclosures about Pensions and Other Postretirement Benefits." FAS 132R amends the disclosure requirements of FAS 132 to require additional disclosures about assets, obligations, cash flow and net periodic benefit cost. The statement is effective in 2003 and the related disclosures have been included in Note 5 to the Company's Consolidated Financial Statements.

*Note 2—Long-Term Debt*

Long-term debt consists of the following:

| | Interest Rate at December 31, 2003 | Maturity | December 31, 2003 | 2002 |
|---|---|---|---|---|
| Bank Agreement: | | | | |
| Term Loan – Tranche A | 3.2% | 2006-2008 | $ 90,000 | |
| Term Loan – Tranche B | 4.0% | 2010 | 409,000 | |
| Revolving Credit Facility | | 2008 | | |
| Old Bank Agreement | | | | $464,043 |
| Senior Subordinated Notes | | | | 144,000 |
| Notes payable to foreign banks and other debt | 3% to 9.5% | 2004-2009 | 43,959 | 36,205 |
| | | | 542,959 | 644,248 |
| Less current portion | | | 10,679 | 78,363 |
| Total long-term debt | | | $532,280 | $565,885 |

In May 2003, the Company completed a refinancing of its senior credit facilities and redeemed all of its outstanding Senior Subordinated Notes ("Notes"). The new Bank Agreement ("Bank Agreement") consists of: (1) a $125,000 five-year Revolving Credit Facility, (2) a $125,000 Tranche A Loan (December 31, 2003 balance $90,000) and (3) a $500,000 Tranche B Loan (December 31, 2003 balance $409,000). At December 31, 2003, availability under the Revolving Credit Facility was $117,193, after a reduction of $7,807 for outstanding letters of credit. In connection with the refinancing, the Company incurred one-time expenses for the early extinguishment of debt of $10,367 (less tax effects of $3,525) or $.16 per share after tax. Such one-time expenses include the call premium on the Notes, write-off of unamortized deferred debt issuance costs and other related costs. The Company's interest rate on borrowings under the Bank Agreement is LIBOR plus 200 basis points. The Company also pays certain annual agency and commitment fees. The Bank Agreement is secured by a first priority pledge of 100% of the capital stock of the Company's direct domestic subsidiaries and 65% of the capital stock of direct material foreign subsidiaries, as defined in the Bank Agreement. In addition, if the Company's credit rating as assigned by Standard & Poor's or Moody's were to decline to BB- or Ba3, respectively, the Company would be required to perfect liens in favor of participants in the Bank Agreement in substantially all of the Company's U.S. based assets. At December 31, 2003, the Company's credit rating from Standard & Poor's was BB+ and from Moody's was Ba2. The Bank Agreement 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 3.8X; at December 31, 2003, such ratios as defined in the Bank Agreement were 7.82X and 2.49X, respectively. The Bank Agreement also includes limitations with respect to, among other things, (i) indebtedness in excess of $50,000 for capital leases, $200,000 for general indebtedness, $200,000 for acquisition indebtedness, (of which approximately $2,080, $0 and $0 were outstanding at December 31, 2003, respectively), (ii) restricted payments including dividends on the Company's Common Stock in excess of 50% of consolidated cumulative net income subsequent to May 2003, or approximately $38,985 at December 31, 2003, (iii) creating or incurring liens, (iv) making other investments, (v) acquiring or disposing of assets and (vi) capital expenditures.

In conjunction with the Bank Agreement, the Company entered into interest rate swap agreements that fixed the Company's LIBOR interest rate on $250,000 and $150,000 of floating rate bank debt at 2.44% and 1.24%, expiring in 2006 and 2004, respectively. While it was not the Company's intention to terminate the interest rate swap agreements, 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 indicated that termination of the agreements at December 31, 2003 would have resulted in a pre-tax loss of $1,108; such loss, net of tax, of $669 was recorded in 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: 2004 - $10,679; 2005 - $10,170; 2006 - $27,710; 2007 - $40,000; 2008 - $45,092; thereafter $409,308.

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:

| | *Year Ended December 31,* | | |
|---|---|---|---|
| | ***2003*** | ***2002*** | ***2001*** |
| Income before taxes: | | | |
| United States | $ 58,560 | $ 52,337 | $ 58,129 |
| Foreign | 99,001 | 70,325 | 77,226 |
| | $157,561 | $122,662 | $135,355 |
| Current provision: | | | |
| United States | $ 24,483 | $ 23,448 | $ 26,826 |
| Foreign | 17,176 | 17,185 | 16,811 |
| | 41,659 | 40,633 | 43,637 |
| Deferred provision: | | | |
| United States | $ 11,008 | $ 1,129 | $ 5,841 |
| Foreign | 904 | 556 | 2,167 |
| | 11,912 | 1,685 | 8,008 |
| Total provision for income taxes | $ 53,571 | $ 42,318 | $ 51,645 |

At December 31, 2003, the Company had $11,046 of foreign tax loss carryforwards, of which $2,319 expire at various dates through 2008 and the balance can be carried forward indefinitely. A valuation allowance of $2,063 and $1,312 at December 31, 2003 and 2002, respectively, has been recorded which relates to the foreign net operating loss carryforwards. The net change in the valuation allowance for deferred tax assets was an increase of $751 and $288 in 2003 and 2002, respectively. In both 2003 and 2002 the net change in the valuation allowance was related to foreign net operating loss carryforwards. Accrued income tax liabilities of $24,315 and $18,861 at December 31, 2003 and 2002, respectively, are included in other accrued expenses in the Consolidated Balance Sheet.

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

| | *Year Ended December 31,* | | |
|---|---|---|---|
| | ***2003*** | ***2002*** | ***2001*** |
| U.S. statutory federal tax rate | 35.0% | 35.0% | 35.0% |
| State and local taxes | 1.6 | 2.3 | 1.9 |
| Non-deductible purchase accounting differences | | | 3.6 |
| Foreign earnings and dividends taxed at different rates | (1.7) | (5.2) | (2.3) |
| Valuation allowance | .5 | .2 | .4 |
| Other | (1.4) | 2.2 | (.4) |
| Effective tax rate | 34.0% | 34.5% | 38.2% |

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

| | *December 31,* | |
|---|---|---|
| | ***2003*** | ***2002*** |
| Deferred tax assets relating to: | | |
| Accrued liabilities and reserves | $ 5,657 | $ 9,421 |
| Operating loss carryforward | 3,339 | 2,704 |
| Pensions | 20,564 | 26,056 |
| Employee benefits | 2,605 | 2,475 |
| | $32,165 | $40,656 |
| Deferred tax liabilities relating to: | | |
| Depreciation | $ 8,001 | $ 6,454 |

The deferred tax asset relating to pension in the table above includes $36,483 and $36,203 at December 31, 2003 and 2002, respectively, relating to the Company's additional minimum pension liability (Note 5).

The Company is subject to periodic audits of its various tax returns by government agencies; management does not believe that amounts, if any, which may be required to be paid by reason of such audits will have a material effect on the Company's financial position or results of operations.

***Note 4—Shareholders' Equity***

In May 1997, the Company adopted the 1997 Option Plan, and in May 2000, adopted the 2000 Option Plan ("Plans"). The Plans authorize the granting of stock options by a committee of the Board of Directors. At December 31, 2003, the maximum number of shares of common stock available for the granting of stock options under the Plans was 1,169,435. Options granted under the 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 are generally subject to Management Stockholder Agreements which, among other things, place restrictions on the sale or transfer of such shares.

Stock option activity for 2001, 2002, and 2003 was as follows:

| | ***Options*** | ***Average Price*** |
|---|---|---|
| **Options outstanding at December 31, 2000** | 3,755,422 | $25.00 |
| Options granted | 522,450 | 40.97 |
| Options cancelled | (58,175) | 36.22 |
| **Options outstanding at December 31, 2001** | 4,219,697 | 26.82 |
| Options granted | 715,500 | 43.80 |
| Options exercised | (265,404) | 14.18 |
| Options cancelled | (45,248) | 36.54 |
| **Options outstanding at December 31, 2002** | 4,624,545 | 30.07 |
| Options granted | 615,900 | 40.18 |
| Options exercised | (1,266,300) | 16.22 |
| Options cancelled | (42,270) | 42.81 |
| **Options outstanding at December 31, 2003** | 3,931,875 | $35.98 |

The following table summarizes information about stock options outstanding at December 31, 2003:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| ***Exercise Price*** | ***Shares*** | ***Average Price*** | ***Remaining Term*** | ***Shares*** | ***Average Price*** |
| $13.00 | 769,523 | $13.00 | 3.38 | 769,523 | $13.00 |
| 15.00-20.00 | 305,685 | 18.71 | 5.24 | 230,285 | 18.60 |
| 25.00-30.00 | 109,000 | 28.88 | 4.35 | 107,000 | 28.94 |
| 31.00-40.20 | 630,300 | 40.02 | 9.21 | 7,000 | 35.93 |
| 40.21-50.00 | 2,108,867 | 45.94 | 7.23 | 862,057 | 47.12 |
| 55.00-60.00 | 8,500 | 56.75 | 6.76 | 5,100 | 56.75 |
| | 3,931,875 | $35.98 | 6.56 | 1,980,965 | $29.55 |

At December 31, 2003, Kohlberg Kravis Roberts and Co. L.P. ("KKR") and its affiliates owned 27.2% of the Company's outstanding common stock. In 2003, 2002 and 2001, the Company paid KKR fees of $938, $1,000 and $1,000, respectively, for management consulting and financial services.

Balances of related after-tax components comprising accumulated other comprehensive loss included in shareholders' equity at December 31, 2001, 2002 and 2003, are as follows:

| | **Foreign Currency Translation Adjustment** | **Revaluation of Interest Rate Derivatives** | **Minimum Pension Liability Adjustment** | **Accumulated Other Comprehensive Loss** |
|---|---|---|---|---|
| Balance at December 31, 2000 | $(23,730) | | | $(23,730) |
| Translation adjustments | (9,612) | | | (9,612) |
| Revaluation of interest rate derivatives, net of tax of $5,794 | | $(8,837) | | (8,837) |
| Minimum pension liability adjustment, net of tax of $10,360 | | | $(15,802) | (15,802) |
| Balance at December 31, 2001 | (33,342) | (8,837) | (15,802) | (57,981) |
| Translation adjustments | 10,377 | | | 10,377 |
| Expiration of interest rate derivatives, net of tax of $5,794 | | 8,837 | | 8,837 |
| Minimum pension liability adjustment, net of tax of $25,844 | | | (42,452) | (42,452) |
| Balance at December 31, 2002 | (22,965) | | (58,254) | (81,219) |
| Translation adjustments | 17,047 | | | 17,047 |
| Revaluation of interest rate derivatives, net of tax of $439 | | (669) | | (669) |
| Minimum pension liability adjustment, net of tax of $(230) | | | (103) | (103) |
| Balance at December 31, 2003 | $ (5,918) | $ (669) | $(58,357) | $(64,944) |

***Note 5—Benefit Plans and Other Postretirement Benefits***

The Company and its domestic subsidiaries have a defined benefit pension plan covering substantially all U.S. employees. 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 defined benefit 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,*** | |
|---|---|---|
| | ***2003*** | ***2002*** |
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $268,001 | $232,526 |
| Service cost | 5,910 | 5,116 |
| Interest cost | 16,894 | 16,313 |
| Plan participants' contributions | 342 | 140 |
| Actuarial loss | 18,046 | 23,705 |
| Foreign exchange translation | 6,461 | 5,472 |
| Benefits paid | (16,594) | (15,271) |
| Benefit obligation at end of year | 299,060 | 268,001 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 156,079 | 193,190 |
| Actual return on plan assets | 32,535 | (25,428) |
| Employer contribution | 11,619 | 229 |
| Plan participants' contributions | 342 | 140 |
| Foreign exchange translation | 3,111 | 2,192 |
| Benefits paid | (15,477) | (14,244) |
| Fair value of plan assets at end of year | 188,209 | 156,079 |
| Excess of liabilities over assets | (110,851) | (111,922) |
| Unrecognized net actuarial loss | 111,070 | 109,253 |
| Unrecognized prior service cost | 7,104 | 8,694 |
| Unrecognized transition obligation net | (1,059) | (1,163) |
| Additional minimum pension liability | (103,823) | (103,830) |
| Accrued benefit cost | $ (97,559) | $ (98,968) |

| | Year Ended December 31, | | |
|---|---|---|---|
| | *2003* | *2002* | *2001* |
| Components of net pension expense: | | | |
| Service cost | $5,910 | $5,116 | $4,991 |
| Interest cost | 16,894 | 16,313 | 15,790 |
| Expected return on plan assets | (19,702) | (22,281) | (22,014) |
| Net amortization of actuarial losses | 3,418 | 1,575 | 926 |
| Net pension expense (credit) | $6,520 | $ 723 | $ (307) |

| | *Weighted-average assumptions used to determine benefit obligations at December 31,* | | | |
|---|---|---|---|---|
| | *Pension Benefits* | | *Other Benefits* | |
| | *2003* | *2002* | *2003* | *2002* |
| Discount Rate | 6.15% | 6.50% | 6.15% | 6.50% |
| Rate of compensation increase | 3.00% | 3.00% | n/a | n/a |

| | *Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31,* | | | |
|---|---|---|---|---|
| | *Pension Benefits* | | *Other Benefits* | |
| | *2003* | *2002* | *2003* | *2002* |
| Discount Rate | 6.50% | 7.25% | 6.50% | 7.25% |
| Expected long-term return on assets | 9.50% | 10.50% | n/a | n/a |
| Rate of compensation increase | 3.00% | 3.00% | n/a | n/a |

The pension expense (credit) for pension 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 Plan 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 discount rate on this basis has decreased from 6.5% at December 31, 2002 to 6.15% at December 31, 2003. This will have the effect of increasing pension expense in 2004 by approximately $.8 million. Although future changes to the discount rate are unknown, had the discount rate increased or decreased 50 basis points, the pension liability would have decreased $11.6 million or increased $12.8 million, respectively. In developing our expected long-term rate of return assumption on plan assets which consist mainly of U.S. equity and debt securities, we 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. We also considered our historical 14 year compound return of 11.4%, which has been in excess of these broad equity and bond benchmark indices. Our expected long-term rate of return on Plan assets is based on an asset allocation assumption of 60% with equity managers, with an expected long-term rate of 11%, 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 8.5%. At December 31, 2003, our asset allocation was 63% with equity managers and 37% with fixed income managers, including high yield managers. We believe that our long-term asset allocation on average will approximate 60% with equity managers and 40% with fixed income managers. We regularly review our actual asset allocation and periodically rebalance our investments to our targeted allocation when considered appropriate. Based on this methodology the Company’s expected long-term rate of return assumption is 9.5% in 2003 and 2004. 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 an accumulated benefit obligation of approximately $34,434 and $25,170 at December 31, 2003 and 2002, respectively. Such obligation is included in the Consolidated Balance Sheet and the tables above.

In accordance with the provisions of FAS No. 87, the Company has recognized a minimum pension liability at December 31, 2003 of $103,823 ($103,830 at December 31, 2002) 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 $103 ($42,452 at December 31, 2002), recorded as a reduction in shareholders' equity, net of related deferred tax benefits.

The Company made a $10,000 voluntary cash contribution to the U.S. Pension Plan in 2003 and paid benefit payments of $13,900**.** The Company estimates that based on current actuarial calculations it will make a cash contribution to the U.S. Pension Plan in 2004 of $10,000. Cash contributions in subsequent years will depend on a number of factors including performance of plan assets.

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, we believe any change in medical costs from that estimated will not have a significant impact on the Company. The discount rate used in determining the APBO at December 31, 2003 and 2002 was 6.15% and 6.50%, respectively. Summary information on the Company's postretirement medical plans is as follows:

| | ***December 31,*** | |
|---|---|---|
| | ***2003*** | ***2002*** |
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $13,422 | $13,763 |
| Service cost | 73 | 71 |
| Interest cost | 799 | 912 |
| Paid benefits and expenses | (1,733) | (1,849) |
| Actuarial loss | 191 | 525 |
| Benefit obligation at end of year | $12,752 | $13,422 |
| Funded status | $(12,752) | $(13,422) |
| Unrecognized net actuarial loss | 9,426 | 10,092 |
| Unrecognized transition obligation | 559 | 621 |
| Accrued benefit cost | $ (2,767) | $ (2,709) |

| | ***Year ended December 31,*** | | |
|---|---|---|---|
| | ***2003*** | ***2002*** | ***2001*** |
| Components of net postretirement benefit cost: | | | |
| Service cost | $ 73 | $ 71 | $ 75 |
| Interest cost | 799 | 912 | 972 |
| Amortization of transition obligation | 62 | 62 | 62 |
| Net amortization of actuarial losses | 857 | 934 | 975 |
| Net postretirement benefit cost | $1,791 | $1,979 | $2,084 |

*Note 6—Leases*

At December 31, 2003, the Company was committed under operating leases which expire at various dates through 2010. Total rent expense under operating leases for the years 2003, 2002, and 2001 was $18,650, $16,007 and $16,762, respectively.

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

| | |
|---|---|
| 2004 | $13,424 |
| 2005 | 8,933 |
| 2006 | 6,730 |
| 2007 | 3,406 |
| 2008 | 3,011 |
| Beyond 2008 | 4,900 |
| Total minimum obligation | $40,404 |

*Note 7—Reportable Business Segments and International Operations*

The Company has two reportable business segments: interconnect products and assemblies and 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, income taxes and nonrecurring gains and losses. The Company's operating segments are an aggregation of business units that have similar production processes and products.

| | ***Interconnect products and assemblies*** | | | ***Cable products*** | | | ***Total*** | | |
|---|---|---|---|---|---|---|---|---|---|
| | ***2003*** | ***2002*** | ***2001*** | ***2003*** | ***2002*** | ***2001*** | ***2003*** | ***2002*** | ***2001*** |
| Net Sales | | | | | | | | | |
| —external | $1,071,968 | $892,309 | $906,799 | $167,536 | $169,693 | $196,972 | $1,239,504 | $1,062,002 | $1,103,771 |
| —intersegment | 1,891 | 1,840 | 1,454 | 11,569 | 8,864 | 7,200 | 13,460 | 10,704 | 8,654 |
| Depreciation and amortization | 30,470 | 28,369 | 27,330 | 6,103 | 6,005 | 4,551 | 36,573 | 34,374 | 31,881 |
| Segment operating income | 196,377 | 150,881 | 180,729 | 20,420 | 28,820 | 38,239 | 216,797 | 179,701 | 218,968 |
| Segment assets | 512,923 | 436,682 | 418,066 | 78,076 | 80,898 | 83,581 | 590,999 | 517,580 | 501,647 |
| Additions to property, plant and equipment | 28,992 | 16,645 | 27,444 | 1,065 | 2,171 | 11,083 | 30,057 | 18,816 | 38,527 |

Reconciliation of segment operating income to consolidated income before taxes:

| | *2003* | *2002* | *2001* |
|---|---|---|---|
| Segment operating income | $216,797 | $179,701 | $218,968 |
| Amortization of goodwill | | | (14,340) |
| Interest expense | (29,505) | (45,930) | (56,099) |
| Headquarters' expense and other net expenses | (19,364) | (11,109) | (13,174) |
| Expense for early extinguishment of debt | (10,367) | | |
| Consolidated income before taxes | $157,561 | $122,662 | $135,355 |

Reconciliation of segment assets to consolidated total assets:

| | *2003* | *2002* | *2001* |
|---|---|---|---|
| Segment assets | $ 590,999 | $ 517,580 | $ 501,647 |
| Goodwill | 516,335 | 486,841 | 460,442 |
| Other assets | 74,050 | 74,487 | 64,654 |
| Consolidated total assets | $1,181,384 | $1,078,908 | $1,026,743 |

Geographic information:

| | *Net sales* | | | *Land and depreciable assets* | | |
|---|---|---|---|---|---|---|
| | *2003* | *2002* | *2001* | *2003* | *2002* | *2001* |
| United States | $ 555,918 | $ 501,073 | $ 538,938 | $ 72,169 | $ 66,871 | $ 80,343 |
| International | 683,586 | 560,929 | 564,833 | 106,097 | 93,819 | 84,544 |
| Total | $1,239,504 | $1,062,002 | $1,103,771 | $178,266 | $160,690 | $164,887 |

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

***Note 8—Other Expenses, net***

Other income (expense) is comprised as follows:

| | *Year Ended December 31,* | | |
|---|---|---|---|
| | ***2003*** | ***2002*** | ***2001*** |
| Foreign currency transaction gains (losses) | $(1,330) | $(2,729) | $ 1,398 |
| Program fees on sale of accounts receivable | (1,468) | (1,826) | (3,888) |
| Minority interests | (2,363) | (1,770) | (1,792) |
| Agency and commitment fees | (837) | (554) | (471) |
| License fee settlement | | 1,476 | |
| Fees and expenses associated with secondary stock offering | (950) | | |
| Other | (39) | 48 | (820) |
| | $(6,987) | $(5,355) | $(5,573) |

***Note 9—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 financial position or results of operations.

Subsequent to the acquisition of Amphenol from Allied Signal Corporation in 1987 (Allied Signal merged with Honeywell International Inc. in December 1999 "Honeywell"), Amphenol and Honeywell have been named jointly and severally liable as potentially responsible parties in relation to several environmental cleanup sites. Amphenol and Honeywell have jointly consented to perform certain investigations and remedial and monitoring activities at two sites and they have been jointly ordered to perform work at another site. The costs incurred relating to these three sites are currently reimbursed by Honeywell based on an Agreement entered into in connection with the acquisition in 1987. For sites covered by this 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 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 cleanup matters identified by the Company, including those referred to above, are covered under the Honeywell Agreement.

*Note 10—Selected Quarterly Financial Data (Unaudited)*

| | | | | ***Three Months Ended*** |
|---|---|---|---|---|
| | ***March 31*** | ***June 30*** | ***September 30*** | ***December 31*** |
| ***2003*** | | | | |
| Net sales | $277,774 | $304,893 | $314,798 | $342,039 |
| Gross profit, including depreciation | 86,442 | 92,256 | 97,117 | 106,474 |
| Net income | 23,313 | 19,479 | 28,212 | 32,986 |
| Net income per share—Basic | .55 | .46 | .65 | .75 |
| Net income per share—Diluted | .54 | .45 | .64 | .74 |
| Stock price—High | 43.95 | 49.40 | 57.67 | 64.13 |
| —Low | 37.00 | 38.76 | 46.10 | 52.06 |
| ***2002*** | | | | |
| Net sales | $255,976 | $270,865 | $268,115 | $267,046 |
| Gross profit, including depreciation | 76,972 | 83,967 | 83,109 | 83,343 |
| Net income | 17,193 | 20,003 | 20,666 | 22,482 |
| Net income per share—Basic | .41 | .47 | .49 | .53 |
| Net income per share—Diluted | .40 | .46 | .48 | .52 |
| Stock price—High | 51.75 | 49.00 | 42.46 | 45.81 |
| —Low | 40.25 | 35.50 | 30.11 | 27.47 |
| ***2001*** | | | | |
| Net sales | $316,672 | $274,146 | $252,581 | $260,372 |
| Gross profit, including depreciation | 109,149 | 94,090 | 82,749 | 81,705 |
| Net income | 28,505 | 22,536 | 16,633 | 16,036 |
| Net income per share—Basic | .68 | .54 | .40 | .38 |
| Net income per share—Diluted | .67 | .53 | .39 | .37 |
| Stock price—High | 50.75 | 57.99 | 45.95 | 52.95 |
| —Low | 28.30 | 29.11 | 32.00 | 32.50 |

**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 within the 90 day period prior to the filing of this annual report, and based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

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**

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 and Related Transactions**

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 Accounting 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, Financial Statement Schedules and Reports on Form 8-K

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) 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 6th day of February 2004.

**AMPHENOL CORPORATION**

Martin H. Loeffler
Chairman, Chief Executive
Officer and President

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<br>Martin H. Loeffler | Chairman, Chief Executive Officer<br>and President (Principal Executive Officer) | February 6, 2004 |
| /s/ Edward G. Jepsen<br>Edward G. Jepsen | Chief Financial Officer<br>(Principal Financial Officer and<br>Principal Accounting Officer) | February 6, 2004 |
| /s/ Andrew M. Clarkson | Director | February 6, 2004 |
| /s/ James H. Greene, Jr. | Director | February 6, 2004 |
| /s/ Henry R. Kravis | Director | February 6, 2004 |
| /s/ Andrew E. Lietz | Director | February 6, 2004 |
| /s/ Marc S. Lipschultz | Director | February 6, 2004 |
| /s/ Michael W. Michelson | Director | February 6, 2004 |
| /s/ Scott Nuttall | Director | February 6, 2004 |
| /s/ Dean H. Secord | Director | February 6, 2004 |

## Additional Financial Data
*(dollars in thousands, except per share data)*

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| Net sales by business segment: | | | | | |
| Interconnect product and assemblies | $1,071,968 | $ 892,309 | $ 906,799 | $1,009,162 | $ 769,967 |
| Cable products | 167,536 | 169,693 | 196,972 | 350,540 | 240,636 |
| | $1,239,504 | $1,062,002 | $1,103,771 | $1,359,702 | $1,010,603 |
| Net sales by geographic area: | | | | | |
| United States | $ 555,918 | $ 501,073 | $ 538,938 | $ 714,756 | $ 519,459 |
| International | 683,586 | 560,929 | 564,833 | 644,946 | 491,144 |
| | $1,239,504 | $1,062,002 | $1,103,771 | $1,359,702 | $1,010,603 |
| Net income before extraordinary item | $103,990 | $ 80,344 | $ 83,710 | $107,904 | $ 44,295 |
| Net income | 103,990 | 80,344 | 83,710 | 107,904 | 35,621 |
| Net income per common share before extraordinary item | 2.36 | 1.89 | 2.00 | 2.59 | 1.23 |
| Net income per common share | 2.36 | 1.89 | 2.00 | 2.59 | .99 |
| Backlog | 262,133 | 223,923 | 229,002 | 365,002 | 235,321 |
| Long-term debt | 532,280 | 565,885 | 660,614 | 700,216 | 745,658 |
| Days sales outstanding in accounts receivable | 66 | 66 | 65 | 64 | 59 |
| Inventory turnover | 3.9X | 3.5X | 3.5X | 4.6X | 3.7X |
| Working capital turnover | 5.3X | 6.9X | 6.6X | 8.0X | 5.3X |
| Fixed asset turnover | 7.3X | 6.5X | 6.8X | 9.7X | 8.2X |
| Average employees | 12,522 | 10,852 | 10,509 | 10,320 | 7,826 |
| Year end shares outstanding | 43,842,763 | 42,571,623 | 42,300,068 | 41,686,887 | 41,232,440 |

## *Directors*

***Martin H. Loeffler***
*Chairman of the Board,*
*Chief Executive Officer*
*and President*

***Andrew M. Clarkson***

***James H. Greene, Jr.***

***Andrew E. Lietz***

***Marc S. Lipschultz***

***John R. Lord***

***Michael W. Michelson***

***Scott Nuttall***

***Dean H. Secord***

## *Officers*
*(Other than Directors)*

***Gary A. Anderson***
*Senior Vice President*

***Timothy F. Cohane***
*Senior Vice President*

***Jamie A. Fraser***
*Senior Vice President*

***Edward G. Jepsen***
*Executive Vice President*
*and Chief Financial Officer*

***Jerome F. Monteith***
*Vice President Human Resources*

***Udo Naujoks***
*Vice President*

***R. Adam Norwitt***
*Vice President*

***Diana G. Reardon***
*Vice President, Controller and Treasurer*

***Mark C. J. Twaalfhoven***
*Senior Vice President*

***Luc Walter***
*Senior Vice President*

***Edward C. Wetmore***
*Vice President, Secretary*
*and General Counsel*

## OPERATING UNITS

***World Headquarters***
***Executive Offices***
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Phone: (203) 265-8900

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***Industrial Operations***
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***Amphenol - Air LB***
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## OPERATING UNITS

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## S H A R E H O L D E R   I N F O R M A T I O N

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***Stock Listing***
*New York Stock Exchange*
*Symbol: APH*

***Registrar and Transfer Agent for Common Stock***
***EquiServe Trust Company, N.A.***
*P.O. Box 219045*
*Kansas City, MO 64121-9045*
*Shareholder Inquiries 1-877-282-1168*
*www.equiserve.com*

***Annual Meeting***
*See Proxy material for time and location.*