1997 Annual Report

Global Leadership

in precision instruments

METTLER TOLEDO

About the Company

Mettler-Toledo International Inc. is a leading global supplier of precision instruments. The Company is the world's largest manufacturer and marketer of weighing instruments for use in laboratory, industrial and food retailing applications. The Company also holds one of the top three market positions in several related analytical instruments, including titrators, thermal analysis systems, pH meters, automatic lab reactors and electrodes. In addition, it is the world's largest manufacturer and marketer of metal detection systems used in production and packaging.

METTLER TOLEDO focuses on the high value-added segments of its markets by providing innovative instruments that are often integrated into application-specific solutions for customers. The Company designs its instruments not only to gather valuable data but also to facilitate the processing and transfer of this data into customers' management information systems.

Headquartered in Greifensee, Switzerland, METTLER TOLEDO serves customers worldwide through its own sales and service organization, and it has a manufacturing presence in Europe, the United States and Asia. The Company has approximately 6,800 employees.

METTLER TOLEDO became a public company on November 14, 1997. Previously, it was privately held by management and AEA Investors Inc., which together purchased the METTLER TOLEDO Group from Ciba-Geigy AG in October 1996. Management and employees continue to maintain a sizable ownership stake in METTLER TOLEDO.

Contents

Portions of this report may contain "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Further information concerning issues that could materially affect financial performance is contained in the "Forward-Looking Statements" section of Management's Discussion and Analysis in this report and in the Company's periodic filings with the Securities and Exchange Commission.

L a b o r a t o r y

Products & Applications

Precision Balances	Perform precision weighing functions vital to research and development and quality control.
Titrators	Provide accurate measures of the composition of solutions.
pH Meters	Measure acidity of solutions.
Thermal Analysis Systems	Measure different properties (weight, dimension, energy flow) of materials at various temperatures.
Automatic Lab Reactors	Simulate an entire chemical manufacturing process in the lab to ensure its safety and feasibility before proceeding to production.
Electrodes	Used in pH meters and titrators as well as in in-line applications to monitor production processes.
Density Meters/Refractometers	Measure density and concentrations in solutions.


Precision Balances


Titrators


pH Meters


Thermal Analysis Systems


Automatic Lab Reactors


Electrodes


Density Meters

Markets

- **Pharmaceutical**
- **Chemicals**
- **Cosmetics**
- **Food and Beverage**
- **Metals**
- **Electronics**
- **Plastics/Rubber**
- **Jewelry and Precious Metals**
- **Educational Institutions**
- **Government Standards Labs**

Industrial / Retail

Industrial Weighing Systems — Provide weighing data and data processing solutions for goods receiving, manufacturing processes and shipping applications.

Checkweighing Systems — Perform in-line weight control of packaged goods.

Metal Detection Systems — Ensure control of processed material and packaged goods for metal contamination.

Dimensioning Systems — Measure package volumes; can be integrated with industrial weighing equipment for complete and accurate freight tariff calculation.

Retail Scale Systems — Provide information to in-store computers for the handling of perishable goods from backroom to self-service and deli counters to checkout counters; can be networked with scanners, cash registers and backroom equipment.

Prepackaging Systems — Weigh and label products; can be networked with weighing technology at the counter, checkout and backroom.

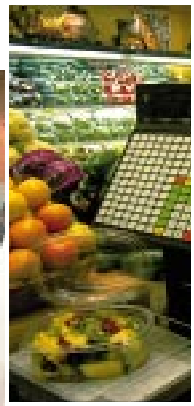
Industrial Weighing Systems

Checkweighing Systems

Metal Detectors

Dimensioning Systems

Counter Scales



Self-Service Scales

Prepackaging Systems

Pharmaceutical

Chemicals

Cosmetics

Food and Beverage

Metals

Electronics

Plastics/Rubber

Transportation

Supermarkets/Groceries

Financial Highlights

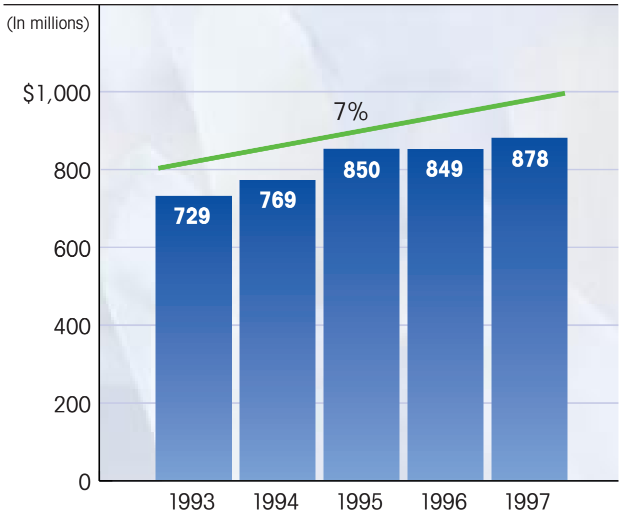
Mettler-Toledo International Inc.

(Dollars in thousands)	Fiscal Year Ended December 31, 1997	Fiscal Year Ended December 31, 1996	1997 Highlights
Net sales	$ 878,415	$ 849,133	11% growth in constant currencies
Adjusted operating income (a)	$ 81,541	$ 57,752	41% growth
Net debt	$ 373,198	$ 393,508	Retired high-yield senior subordinated notes
Interest coverage (b)	4.8	3.9	Borrowing costs reduced to 6.3% from 8.8%
Net debt to EBITDA (b)	3.3	4.6	32% EBITDA growth

a) Adjusted operating income represents gross profit less research and development and selling, general and administrative expenses before amortization and non-recurring costs.

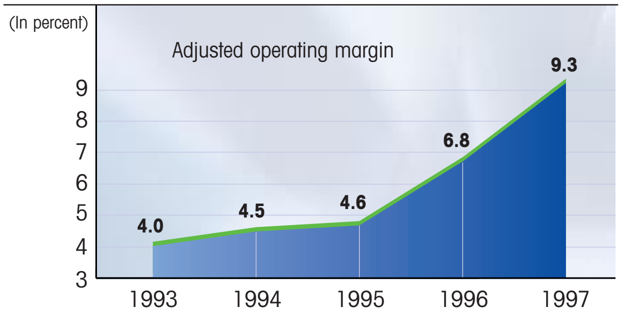
b) Amounts in 1997 are presented pro forma for the Safeline acquisition and IPO related refinancing.

Growing Sales

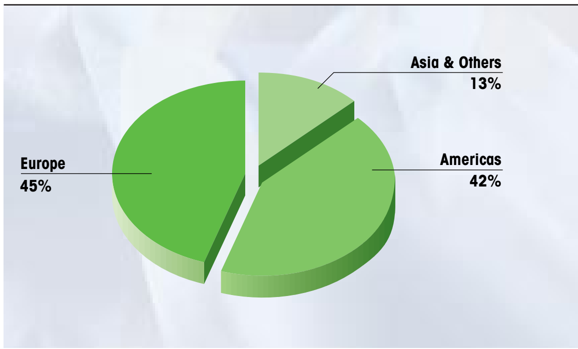


The 7% is the compounded annual growth rate in constant currencies.

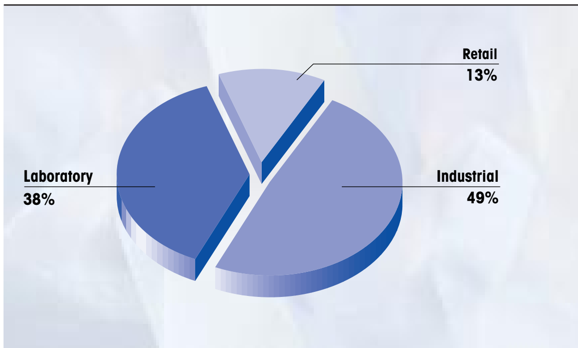
Dramatically Improving Margin



Sales by Geography



Sales by Customer Application



Robert F. Spoerry

We are delighted to share with you METTLER TOLEDO's first annual report. Our management team and employees take great pride in our Company and its reputation. We welcome you as partners in our journey to create an exceptional public company. Indeed, our financial performance in 1997 demonstrates we are well on our way.

While our public-company status is new, our industry leadership is well established. The Mettler and Toledo Scale brand names, which were combined in 1989, have outstanding historic reputations for quality and innovation.

Today we clearly lead the market in offering the most varied line of products to address one of the world's most fundamental needs — the determination of weight. What's more, we are a leader in offering our customers integrated products and solutions that directly address their needs for everything from quality control to information management.

A COMPETITIVE EDGE

Through this annual report, we hope to better acquaint you with METTLER TOLEDO. Specifically, we hope you'll gain a clearer understanding of some of our key competitive advantages. These strengths have been central to achieving and sustaining our leadership position and will continue to drive further improvements in that position:

- Our technological prowess.
- Our corporatewide commitment to product and process quality.
- Our global network of manufacturing and service capabilities.

You'll see why customers consistently rely on us as valuable partners in meeting their own goals. And we hope you'll appreciate why we're so proud of where we are today and excited about our future.

FOCUSED STRATEGIES

At METTLER TOLEDO, our goal is to grow revenues and earnings in a manner which enhances shareholder value. Toward this goal, we are pursuing four targeted strategies, which allow us to build on our strengths and leverage our leading brand name, global presence and diverse customer base.

First, we continue to vigorously invest in research and development, with a focus on innovative new products. Second, we are seeking to grow by further penetrating developed markets and expanding in emerging markets. Third, we continue to improve our cost structure and enhance operating margins through select reengineering projects. And finally, we are actively pursuing the acquisition of complementary product lines and technologies to help us expand our product offerings and provide integrated solutions to customers; we also are interested in acquiring businesses which will enable us to build our geographic market position throughout the world.

Not only are our strategies supported by concrete operating plans, but our employees understand these plans and possess the skills and drive to carry them out. We truly believe that our extraordinary determination and dedication make the difference in turning our plans into reality.

"Our management team and employees take great pride in our Company and its reputation."

STRONG PERFORMANCE

We believe our financial performance and market share gains of the past several years demonstrate that our strategies are sound.

In fact, 1997 marked another year of record performance for METTLER TOLEDO. Sales were $878.4 million, up 11 percent in local currency over 1996, though somewhat offset by unfavorable exchange rates. Gross profit percentage before non-recurring acquisition charges improved to 44.1 percent from 41.1 percent. Adjusted operating income was $81.5 million, representing an increase of more than 41 percent over the 1996 amount.

In all three of our geographic regions, we enjoyed increased sales in local currency. For the year, sales grew by 11 percent in the Americas, 6 percent in Europe and 30 percent in Asia and the rest of the world.

Results included non-recurring charges, after-tax, of $84.2 million for the year. These involved principally non-cash charges of $41.2 million for the early extinguishment of debt, non-cash acquisition charges of $31.3 million and restructuring and other non-recurring charges of $11.7 million.

Another highlight of 1997 was our initial public offering. We were very pleased with the results of the IPO, especially given its occurrence during a period of volatility in worldwide financial markets. Concurrent with the IPO, we also successfully completed an attractive new senior credit agreement, which allowed us to retire our high-yield subordinated notes and provides more than $200 million of available funds to pursue our acquisition strategy.

During the past year, we also made progress in each of our major strategies by accomplishing a number of key initiatives. Each contributed to our overriding efforts to be a customer-centered organization that delivers products and services of exceptional quality and value.

"We believe that our unique global approach to manufacturing and service will continue to provide significant returns..."

Our investment in R&D and customer engineering continued to pay off in 1997 and helped to improve our margins. New products introduced to solid market reception included a network retail scale with an improved price/performance ratio and attractive industrial design; a memo titrator with a built-in chip card for easy customization; and a line of standard precision balances which features our new high-performance, cost-reduced MonoBloc weighing sensor. We believe our MonoBloc sensor provides powerful advantages over competitor products, and we are expanding the use of the sensor throughout our product line.

Our efforts to grow globally were highlighted by our continued expansion in Asia, where we have quadrupled the number of employees since 1990 and recently opened a facility in Shanghai, China, with production and research and development capabilities. The result? Our revenue in the region grew by 26 percent in 1997, despite shaky market conditions. While our growth in Asia may be restricted in the near term, we believe that our unique global approach to manufacturing and service will continue to provide significant returns in the medium to long term.

We also made great strides in improving our cost structure. Profitability was affected positively by reducing product costs, achieving greater flexibility with our workforce, consolidating manufacturing facilities and transferring production to lower-cost manufacturing facilities — notably without any delays in servicing our customers. We also centralized our parts distribution and can now offer direct-from-the-plant deliveries to more than half of our European customers.

And, in an excellent example of our acquisition strategy, in May 1997 we acquired Safeline Limited, which strengthened our ability to offer customers integrated solutions to meet their needs. Safeline is the world's leading supplier of metal detection systems, which can be used in conjunction with our checkweighing instruments for critical quality and safety checks for our customers in the food processing, pharmaceutical, cosmetics, chemical and other industries.

A BRIGHT FUTURE

We are committed to further growth in sales and profit margins to satisfy your — and our — high standards and expectations.

We enter 1998 stronger than ever, and we expect the year to be another successful one for METTLER TOLEDO. Our entire workforce is enthusiastically focused on our strategies. Our business outlook remains solid in the United States and Europe, our largest markets. We look forward to positive reception for pivotal new products, as well as the successful rollout of new organizational initiatives, such as a consolidated marketing organization in North America.

In addition, several other factors combine to make METTLER TOLEDO a particularly attractive investment on an ongoing basis. Our revenue base continues to be diversified by geographic region, product range, industries and individual customers — which reduces our risk and increases our appeal for investors.

Our end markets are stable and growing, especially the chemical, pharmaceutical, transportation, and food and beverage industries where we are clear market leaders in the United States and Europe. Despite Asia's recent economic turmoil, we remain convinced that the region represents excellent long-term opportunities for our Company. Emerging markets, including Latin America and Eastern Europe, offer us tremendous growth opportunities, principally as a result of improving economic conditions, the increasing multinational presence of our customers and the adoption of more sophisticated weighing instruments by local manufacturers.

Furthermore, key industry trends continue to fuel demand for METTLER TOLEDO products. Among these trends are:

- The integration of instruments into data management software systems to automate processes and/or improve process control.
- The development of solutions that combine weighing and related technologies into integrated systems.
- The harmonization of national weighing standards among countries, such as in the European Union.
- More demanding quality standards such as ISO-9001, Good Laboratory Practices and Good Manufacturing Practices.

We believe METTLER TOLEDO is uniquely positioned to capitalize on all of these market opportunities.

OUR THANKS

At this exciting juncture in our development, we extend our gratitude to our employees, who are committed to maintaining and increasing the METTLER TOLEDO reputation for quality and integrity. We also remain deeply appreciative of our customers, who continue to place their trust in us for innovative solutions and help provide us with the motivation to deliver only the best.

And we offer special thanks to our investors, who have expressed confidence in supporting the next phase of this Company's growth. Our goal is to make you just as proud of METTLER TOLEDO as we are, and to provide you with ongoing reasons to affirm your vote of faith in us.

Sincerely,

Robert F. Spoerry
President and Chief Executive Officer

Setting new

Analytical Balance

Quality leadership. It is METTLER TOLEDO's shining hallmark. It is the competitive advantage our people prize the most and work passionately to sustain. Our commitment to quality and continual improvement is pivotal in satisfying the high standards of our customers and positively influencing our own profitability.

A CORNERSTONE OF OUR CULTURE

At METTLER TOLEDO, quality has never been just a buzzword. Quality distinguishes our culture and permeates our decision-making. It has its roots in hiring and training the best employees and harnessing their talents in innovative ways, such as operating within highly motivated, self-managed work cells.

The pride and dedication employees have in our Company and its commitment to quality are evident in our high degree of employee ownership. More than 1,000 employees worldwide own shares in METTLER TOLEDO.

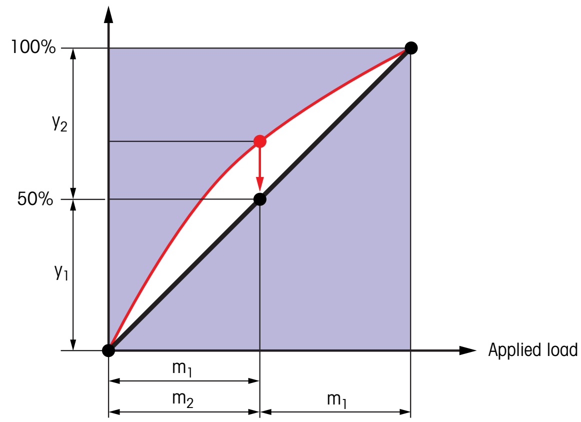
From product development and manufacturing to customer service, our quality culture is demonstrated in all we do, and is continually supported by a wide range of initiatives.

THE BENCHMARK

To see exactly what we mean, ask customers in a variety of industrial, laboratory and retail settings. The "Mettler" and "Toledo" brand names have long been synonymous with quality, accuracy and innovation. For instance, thanks to its exceptional quality, a METTLER TOLEDO balance is the most commonly used instrument in laboratories around the world. Indeed, customers often use "Mettler" to refer to balances in general. And, according to independent research, METTLER TOLEDO ranks among the top three most recognized brands in the broader market of analytical instruments.

standards

METTLER TOLEDO's precision instruments are a staple in laboratories in virtually every industry. Developed and crafted with exceptional quality, our precision balances and analytical instruments meet fundamental lab applications in R&D, quality assurance, production and education.



Automatic Linearity Calibration

Setting new standards

Customers routinely recognize our Company for meeting their highest quality standards. For example, in the United States, VWR Scientific Products has recognized METTLER TOLEDO with its "1997 special achievement award for customer fulfillment." And Fisher Scientific has honored METTLER TOLEDO as an "outstanding quality supplier" in its annual ratings of product and service quality for each of the past six years.

Electromagnetic Compatibility Test

So well respected is METTLER TOLEDO quality that numerous governments rely on our mass comparator equipment to uphold their own national weights-and-measures standards.

DESIGNED FOR QUALITY

Quality is designed into METTLER TOLEDO products from inception. Concurrent product engineering teams not only include representatives of all Company resources needed throughout the product innovation cycle, but also directly involve customers and suppliers. These multi-disciplinary teams are often assigned to a single project with the aim of developing the best solution for the customer and minimizing the product's time to market.

From the earliest design phase, our products undergo extensive testing to ensure they meet the highest specifications and withstand the harshest treatment. Technicians at our in-house testing labs subject every product to disturbing voltages, electrostatic discharges, electromagnetic fields, heavy shocks, vibrations, extreme temperatures, moisture levels and more. Our accredited test labs, which also are sought by third parties, verify that product testing meets official industry standards and international safety regulations.

This development process results in the creation of quality products targeted to customer needs, as well as in dramatically reduced time from concept to market launch. This was exemplified recently in a major partnership with Pitney Bowes, which chose us as the single-source supplier for its weighing equipment. A team, which involved the customer from initial design, created an entirely new family of electronic scales to meet tight specifications in only 16 months. The test lab provided the team with quick performance assessments throughout the product development process.

CONSTRUCTED WITH QUALITY

Our ISO-9001-certified manufacturing operations continue the emphasis on quality, as evidenced by excellent yields, low failure rates and low warranty costs. We were the first weighing instruments manufacturer to receive ISO-9000 certification and are on the way to ISO-14001, the environmental management quality standard. An extensive quality control system is integrated into each step of the manufacturing process.

In fact, beyond designing and building products according to quality standards, we pioneered technology that builds standards into the products themselves, through specialized software and other features. For example, the Company's FACT (Fully Automatic Calibration Technology), used in our balances, detects when permitted tolerance ranges for temperature and humidity are exceeded and then automatically initiates a calibration process to adjust the balance for optimum performance.

UNMATCHED TECHNICAL SERVICE

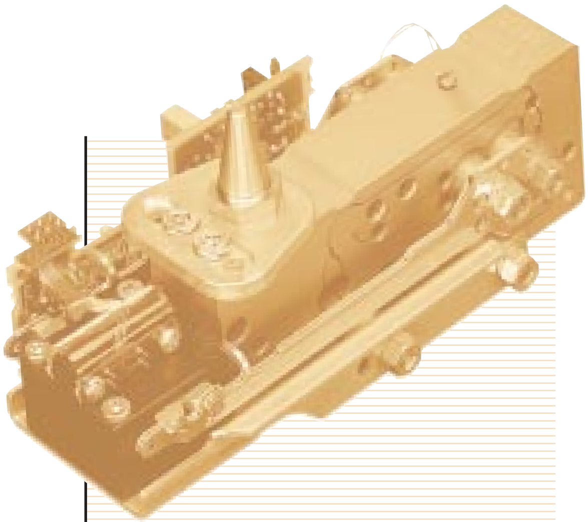
METTLER TOLEDO is unmatched in the high quality of technical service and support it offers customers, as well as in its ability to deliver that assistance on a global scale. More than 1,500 highly trained service technicians provide installation, service and training support, in addition to expert counsel on product and software applications. The Company also conducts workshops to teach customers and industry representatives about quality management, compliance issues and related subjects.

In short, customers benefit from our dedication to quality at every turn. They get extremely reliable, precise products delivered on time and serviced efficiently. Ultimately, they look to us as vital partners in achieving critical applications at low cost and maintaining their own high quality standards. What better testimony to our quality could there be?

Pitney Bowes Mail Scale

Quality is the uncompromising link from the time our products are conceived and developed through to their servicing in specific customer applications. Tough in-house testing epitomizes our efforts to ensure products meet the highest specifications and perform to customer demands. Indeed, our products and services continue to be the industry touchstone for quality.

Creating



MonoBloc Weighing Sensor

Our state-of-the-art technological capabilities are showcased every time one of our instruments detects a pin-point-size piece of metal in a package of ground beef or measures the precise proportion of ingredients that makes a medication potent but not toxic. But what truly distinguishes our technology is the ability to translate those capabilities into specific solutions for customers.

A COMMITMENT TO R&D

Our R&D process is intensive and customer-centered. We invest significantly more in research and development than any of our competitors — a commitment which has led to a position of technology leadership. One-tenth of our employees work in research, development and product engineering, offering expertise in sensor technology, electronics and software development.

R&D efforts, including a multi-disciplinary product development process, are aimed at providing a competitive edge for METTLER TOLEDO and enhanced solutions for customers. Indeed, we partner with customers in everything from generating new product ideas to ensuring products meet exact specifications in their intended application.

Our R&D capabilities often enable us to deepen customer loyalty and dictate the pace of technology in the marketplace.

REVOLUTIONARY APPROACHES

Consider the Company's advances in the design and manufacture of weighing sensors, which comprise the heart of every balance. Our new proprietary MonoBloc design eliminates many of the complex mechanical linkages in a weighing sensor, with one piece replacing as many as 90 assembled parts in a conventional weighing cell.

solutions

METTLER TOLEDO's leading-edge technology has helped customers in a wide range of industries devise solutions to their special challenges. Ongoing innovations, such as our unique MonoBloc weighing sensor, provide significant cost and performance benefits for our customers as well as our Company.

Creating solutions

Manufactured using a unique electromagnetic discharge technique, MonoBloc reflects innovations in cell mechanics, electronics, software and optronics.

For customers, our MonoBloc weighing sensor provides greater reliability and reproducibility of results, as well as lower service and maintenance costs. It also significantly reduces manufacturing costs and the time and expense of design changes. Today more than 60 percent of METTLER TOLEDO's weighing products, including all precision balances, incorporate the technology.

CUSTOMER-FOCUSED SOLUTIONS

Our technology is aimed at solving specific customer challenges. Our greatest value often lies in our ability to combine our instruments and integrate the resulting data into processes which help customers ensure product quality, manage information and optimize the efficiency of their operations.

For example, we recently developed an innovative solution for American and European super- and hypermarkets that were struggling to efficiently manage their perishable goods, often across multiple stores, and improve their margins in this very competitive business. Our MIRA counter scale and its range of software applications and networking capabilities form the basis of integrated weighing and data processing systems which help these retailers manage their perishable goods inventory, pricing, promotions and more. The MIRA scale, which also can be teamed with our weight/price labelers and automatic wrapping machines, represents the industry's premier technological solution for store-wide and chain-wide perishable goods management.

Retail Counter Scale

Extending our retail leadership, we are in the process of introducing the first personal computer-based retail scale with open standards for data management and integration. Such standards make it easy for customers to connect, integrate and adapt the product to their own local quality management and production systems.

INDUSTRY INNOVATIONS

We also specialize in solutions for industrial customers. In fact, many of these customers come to us to fulfill SAP requirements, as we are one of only five certified SAP equipment suppliers in the world, and the only one in weighing instruments.

PC-based Industrial Terminal

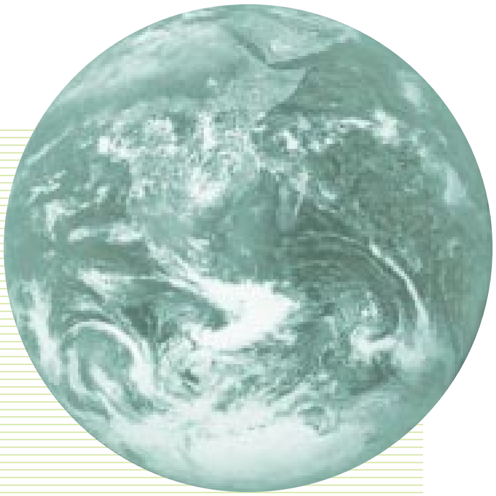
In a novel approach to meet customer needs, our Jaguar terminal enables industrial customers to integrate weighing directly into a plant's process control system or nerve center. In fact, METTLER TOLEDO was the first weighing instruments company to utilize a PC as an industrial terminal. With the recent additions of a touch screen, Pentium processor and radio communication link, the product continues to be the leading-edge terminal on the market today.

Similarly, our technology has allowed customers who package goods to utilize one system for controlling both metal contamination and the filling weight of each package on their lines. With the acquisition of Safeline, the world's leading supplier of metal detection systems, METTLER TOLEDO assists these customers in effectively ensuring the quality and safety of products, as well as the accuracy of filling operations, in food processing, pharmaceutical, cosmetics and other industries.

In another example of innovation, we created a sophisticated solution to help our large shipping customers deal with trends toward larger but lighter parcels, which had rendered weight alone inadequate to calculate tariffs. Our patented PILAR (Parallel Infrared Laser Array) technology, when integrated with our industrial scales, enables customers to use the dual variables of weight and volume to issue invoices and plan capacities. As the most advanced solution for in-motion weighing/dimensioning applications, our system can handle up to 1,700 parcels an hour, while making available in seconds databases for pricing, space optimization and other decisions.

Our focus on providing solutions, together with a strong and growing pipeline of new products, promises to keep METTLER TOLEDO at the technological forefront of the industry.

Through our R&D capabilities, we routinely help customers ensure product quality, manage information and improve productivity. Specific solutions include aiding large food retailers in efficiently managing perishable goods, assisting industrial customers in integrating weighing into process control systems, and making it easier for companies to control the quality and accuracy of packaging operations.



Reaching

With operations in 37 countries, METTLER TOLEDO's leadership extends to virtually all major markets around the world. Our extensive network puts us in a unique position to embrace large customers and serve their needs for high-quality products and services on a worldwide basis. Our global approach has proven a profitable strategy for us as well as a beneficial one for our customers.

UNIQUE NETWORK

We operate the only global manufacturing and marketing network in the weighing instruments industry, holding a market share more than double that of our nearest competitor. Our network is comprised of distinct, but complementary, producing and marketing organizations.

Producing organizations, located throughout America, Europe and Asia, are responsible for product development, research and manufacturing. These organizations have enabled us to achieve economies of scale, maintain technological and engineering leadership and provide a uniform level of quality throughout the Company.

Marketing organizations, located in 37 countries, are responsible for all aspects of sales and service. This gives us the agility to provide timely, responsive service and support to customers and distributors around the world.

the world

Our unique global manufacturing and marketing network extends from Shanghai, China, to Steinbach, Germany, to Spartanburg, South Carolina. In every corner of the world, our aim is to delight our customers — and help them in turn satisfy their own customers.

Reaching the world

Designed to be close to customers, each organization can adapt its marketing and service efforts for different cultural and economic conditions. Yet, each organization delivers the same high service standards to customers everywhere, as all of our service technicians receive training at a central location.

A GLOBAL PARTNER

Our global infrastructure has helped us become the trusted partner of customers who seek to maintain manufacturing and product standards on a worldwide basis. For example, in the transportation industry, DHL Worldwide Express is utilizing our new automated dimensioning equipment to calculate freight costs and plan capacities based on volume and weight in facilities in some 15 countries. In 1996, METTLER TOLEDO acquired the majority holding in Norwegian-based Cargoscan, the leader in scanning and dimensioning systems, as part of our strategy to offer comprehensive solutions to customers.

Customers also benefit from our expertise in tailoring products and applications on a global scale. A multinational food manufacturer, for instance, turned to METTLER TOLEDO to help develop standardized measuring processes and methods for titration used in its production facilities worldwide. Our new memory card feature, in which methods and standards are electronically preprogrammed on chip cards easily inserted into titrators, allows the manufacturer to apply uniform testing methods across multiple facilities. We also provided this customer with worldwide training and support as the new methods were rolled out throughout its organization.

In addition, our vast network provides valuable support as customers expand their own global presence. Thanks to our leading market position in China and our unique global service capabilities, we were chosen the weighing supplier for METRO Cash & Carry, a German wholesaler, when it entered the Chinese market in 1997.

POSITIONED FOR GROWTH

METTLER TOLEDO already has the largest installed base of weighing instruments in the world. And, largely because of our established global presence, we are poised for further

Dimensioning System

Chinese-manufactured
Retail Scale

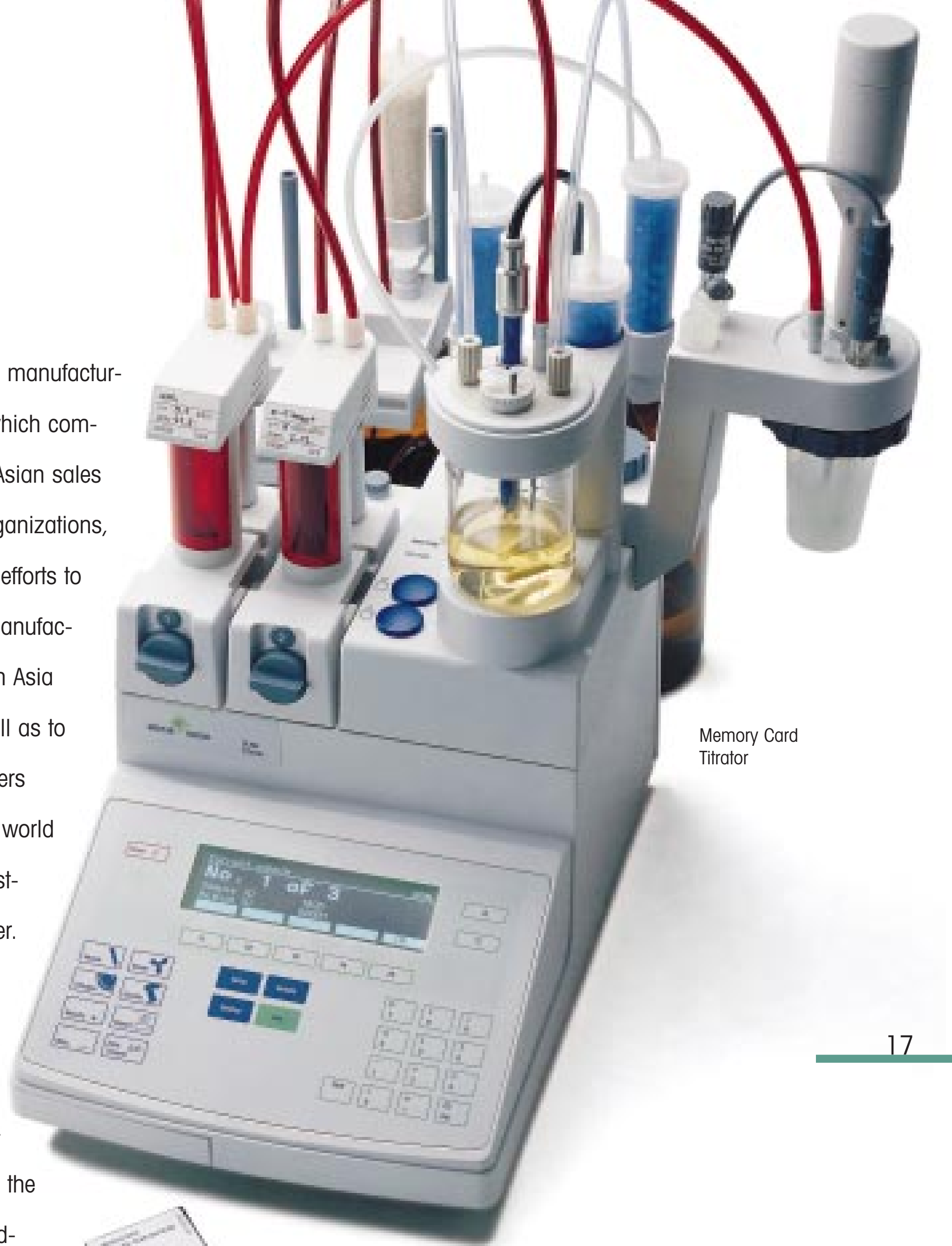
significant growth in markets around the world. Key drivers of this growth, especially in developed countries, include the need to automate processes in both laboratories and production facilities, the need for integrated technology solutions, and the standardization of quality manufacturing and lab practices on a global basis.

Emerging markets also provide us with dynamic growth opportunities, including helping local companies comply with international quality requirements and upgrade from mechanical to electronic scales. To realize such opportunities, we have invested in new sales and service operations in growing markets of Latin America, Eastern Europe and Asia.

Despite recent economic turmoil, Asia offers us great potential for long-term growth. In 1997, we constructed a wholly owned facility in Shanghai for the production of laboratory balances, analytical instruments and weighing systems. At the same time, we celebrated the 10th anniversary of our industrial and retail scale manufacturing joint venture in Changzhou, which was China's first foreign joint venture in the industry. These manufacturing facilities, which complement eight Asian sales and service organizations, are part of our efforts to develop and manufacture products in Asia for Asia, as well as to supply customers throughout the world in the most cost-effective manner.

A recent example of our manufacturing capabilities in China is the new Tiger stand-alone price-computing counter scale. The Tiger product line represents the first such Chinese-designed and -manufactured scales sold throughout the world.

With our broad and growing array of quality products, our technological expertise and our unique ability to reach the world's customers and markets, METTLER TOLEDO is in an excellent position to further strengthen its global leadership in precision instruments.



Memory Card
Titrator

METTLER TOLEDO is the only company in the weighing instruments industry to provide products for lab, industry and food retailing applications throughout the world. Our extensive presence enables us to serve global customers with multiple weighing needs and to assist them in maintaining uniform manufacturing and product standards throughout their diverse operations.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the consolidated financial statements included herein.

GENERAL

The financial statements for periods ended prior to October 15, 1996 reflect the combined operations of the Mettler-Toledo Group, while the financial statements for periods after October 15, 1996 reflect the consolidated operations of the Company after accounting for the Acquisition using the purchase method of accounting. See Note 1 to the consolidated financial statements included herein. Operating results subsequent to the Acquisition and the Safeline Acquisition are not comparable in many respects to the operating results prior to the Acquisition and the Safeline Acquisition. Financial information is presented in accordance with generally accepted accounting principles in the United States of America.

The Company operates a global business, with net sales that are diversified by geographic region, product range and customer. The Company believes that it has achieved its market leadership positions through its continued investment in product development, the maintenance and, in some instances, expansion of its existing position in established markets and its pursuit of new markets. Net sales in local currency (adjusted for the exit in 1996 and 1995 from certain systems businesses) have increased in both the laboratory and industrial and food retailing product lines, increasing by 11% in 1997 and by 3% and 6% in 1996 and 1995, respectively. Net sales in U.S. dollars increased by 3% in 1997, as the strengthening of the U.S. dollar versus the Company's major trading currencies reduced U.S. dollar reported sales. Net sales in U.S. dollars were unchanged in 1996 and increased by 11% in 1995. The Company's growth in 1997 has benefited from recent investments to establish distribution and manufacturing infrastructure in certain emerging markets, particularly in Asia. Net sales in Asia and other emerging markets in local currency increased by 30% in 1997 over the prior year, despite weakening economic conditions in the region. The Company believes that its growth over the next several years will come primarily from (i) the needs of customers in developed markets to continue to automate their research and development and manufacturing processes, (ii) the needs of customers in emerging markets to continue modernizing these same processes through the use of increasingly sophisticated instruments and (iii) the pursuit of the Company's acquisition strategy.

During the periods presented, the Company increased its gross profit margins before non-recurring acquisition costs from 40.3% in 1995 to 44.1% in 1997 and increased its Adjusted Operating Income (gross profit less research and development and selling, general and administrative expenses) before amortization and non-recurring costs as a percentage of net sales from 4.6% in 1995 to 9.3% for 1997. These increases were achieved despite the Company's continued investments in product development and in its distribution and manufacturing infrastructure. The Company believes that a significant portion of these increases can be attributed to its strategy to reduce costs and reengineer its operations. This strategy has a number of key elements, such as ongoing efforts to direct more of its research and development activities to the reduction of product costs, to reengineer manufacturing, distribution, sales and administrative processes, and to consolidate operations and redeploy resources to lower cost facilities. Examples of recent efforts to implement the different elements of this strategy include the introduction of several products in 1997 with significantly reduced manufacturing costs compared to their predecessors, the closure of the Westerville, Ohio manufacturing facility in 1996, completion of a targeted workforce reduction of approximately 170 personnel, planned closure of three North American facilities as described below and the opening of a new laboratory manufacturing facility in Shanghai, China in 1997 with significant production and research and development capabilities. The Company is currently implementing several additional reengineering and cost reduction projects, including the consolidation of worldwide precision balance manufacturing, the restructuring of its ordering process, product delivery and parts inventory management in Europe, the realignment of industrial product manufacturing in Europe and the consolidation of the Company's North American laboratory, industrial and food retailing businesses into a single marketing organization.

On May 30, 1997, the Company acquired Safeline for £61.0 million (approximately $100.0 million at May 30, 1997), plus up to an additional £6.0 million (approximately $10.0 million at May 30, 1997) for a contingent earn-out payment. In October 1997, the Company made an additional payment, representing a post-closing adjustment, of £1.9 million (approximately $3.1 million at October 3, 1997). Such amount has been accounted for as additional purchase price. Safeline, based in Manchester, United Kingdom, is the world's largest manufacturer and marketer of metal detection systems for companies that produce and package goods in the food processing, pharmaceutical, cosmetics, chemicals and other industries. Safeline's metal detectors can also be used in conjunction with the Company's checkweighing products for important quality and safety checks in these industries. From 1992 to 1996, Safeline's sales increased at a compounded annual growth rate of approximately 30%, in part due to the introduction of new products such as the first digital electronic and Zero Metal-Free Zone metal detectors. Safeline had net sales and Adjusted Operating Income of $40.4 million and $9.9 million, respectively, for the year ended December 31, 1996. The Safeline Acquisition was financed by £47.3 million (approximately $77.4 million at May 30, 1997) loaned under a credit agreement together with the issuance of £13.7 million (approximately $22.4 million at May 30, 1997) of seller loan notes which mature May 30, 1999.

In the third and fourth quarters of 1997, the Company recorded restructuring charges totaling approximately $6.3 million. These charges are in connection with the closure of three facilities in North America and are comprised primarily of severance and other related benefits and costs of exiting facilities, including lease termination costs and write-down of existing assets to their expected net realizable value. The Company expects these actions will be substantially completed in 1998 and that the two owned facilities will be sold after that period. In connection with the closure of these facilities, the Company expects to involuntarily terminate approximately 70 employees. The Company is undertaking these actions as part of its efforts to reduce costs through reengineering. When complete, these actions will enable the Company to close certain operations and realize cost savings estimated at approximately $2.5 million on an annual basis. The Company also estimates that it will receive, after 1998, upon the sale of the two facilities which the Company owns proceeds in excess of $5.0 million. The Company believes that the fair market value of these facilities approximates their respective book values.

During the fourth quarter of 1997, the Company completed its initial public offering of 7,666,667 shares of common stock, including the underwriters' over-allotment option, (the "Offering") at a per share price equal to $14.00. The Offering raised net proceeds, after underwriters' commission and expenses, of approximately $97.3 million. In connection with the Offering, the Company effected a merger by and between it and its direct wholly owned subsidiary, Mettler-Toledo Holding Inc., whereby Mettler-Toledo Holding Inc. was merged with and into the Company (the "Merger"). In connection with the Merger, all classes of the Company's previous outstanding common stock were converted into 30,669,348 shares of a single class of common stock. Concurrently with the Offering, the Company entered into a bank credit agreement (the "Credit Agreement") borrowings from which, along with the proceeds from the Offering, were used to repay substantially all of the Company's then existing debt (collectively, the "Refinancing"). In connection with the Refinancing, the Company recorded an extraordinary charge of $31.6 million, net of tax, principally for prepayment premiums on certain debt repaid and for the write-off of existing deferred financing fees. The Company also incurred a non-recurring termination fee of $2.5 million in connection with the termination of its management consulting agreement with AEA Investors Inc. (the "Termination Fee").

RESULTS OF OPERATIONS

The following table sets forth certain items from the consolidated statements of operations for the year ended December 31, 1995, for the period from January 1, 1996 to October 14, 1996, for the period from October 15, 1996 to December 31, 1996, pro forma for the year 1996 and actual for the year ended December 31, 1997. The pro forma 1996 information gives effect to the Acquisition, the Safeline Acquisition, the Offering and the Refinancing as if such transactions had occurred on January 1, 1996, and does not purport to represent the Company's actual results if such transactions had occurred on such date. The pro forma 1996 information reflects the historical results of operations of the Predecessor Business for the period from January 1, 1996 to October 14, 1996 and the historical results of operations of the Company for the period from October 15, 1996 to December 31, 1996, together with certain pro forma adjustments as described below. The consolidated statement of operations data for the year ended December 31, 1997 includes Safeline results from May 31, 1997. The pro forma 1996 information includes Safeline's historical results of operations for all of 1996. The pro forma information is presented in order to facilitate management's discussion and analysis.

	Predecessor Business		Mettler-Toledo International Inc.		
(In thousands)	Year ended December 31, 1995	For the period January 1, 1996 to October 14, 1996	For the period October 15, 1996 to December 31, 1996(b)(c)	Pro forma 1996 (a)(b)(c)(d)(e)	Year ended December 31, 1997(b)(c)
Net sales	$850,415	$662,221	$ 186,912	$889,567	$878,415
Cost of sales	508,089	395,239	136,820	523,783	493,480
Gross profit	342,326	266,982	50,092	365,784	384,935
Research and development	54,542	40,244	9,805	50,608	47,551
Selling, general and administrative	248,327	186,898	59,353	252,085	260,397
Amortization	2,765	2,151	1,065	6,526	6,222
Purchased research and development	—	—	114,070	—	29,959
Interest expense	18,219	13,868	8,738	30,007	35,924
Other charges (income), net(f)	(9,331)	(1,332)	17,137	14,036	10,834
Earnings (loss) before taxes, minority interest and extraordinary items	$ 27,804	$ 25,153	$(160,076)	$ 12,522	$ (5,952)
Adjusted Operating Income(g)	$ 39,457	$ 39,840	$ 17,912	$ 63,091	$ 81,541

(a) In giving effect to the Acquisition, the Safeline Acquisition, the Offering and the Refinancing, the pro forma 1996 data includes certain adjustments to historical results to reflect: (i) an increase in interest expense resulting from acquisition-related borrowings, which expense has been partially offset by reduced borrowings following application of Offering proceeds and a lower effective interest rate following the Refinancing including the repayment of the Company's 9 3⁄4% Senior Subordinated Notes, (ii) an increase in amortization of goodwill and other intangible assets following the Acquisition and the Safeline Acquisition and (iii) changes to the provision for taxes to reflect the Company's estimated effective income tax rate at a stated level of pro forma earnings before tax for the year ended December 31, 1996.

(b) In connection with the Acquisition and the Safeline Acquisition, the Company allocated $32,194 and $2,054, respectively, of the purchase prices to revalue certain inventories (principally work-in-progress and finished goods) to fair value (net realizable value). Substantially all such inventories revalued in connection with the Acquisition were sold during the period October 15, 1996 to December 31, 1996, and substantially all such inventories revalued in connection with the Safeline Acquisition were sold in the second quarter of 1997. The expense related to inventory revalued in connection with the Acquisition has been excluded from the 1996 pro forma information.

(Footnotes continued on next page)

(c) In conjunction with the Acquisition and the Safeline Acquisition, the Company allocated, based upon independent valuations, $114,070 and $29,959, respectively, of the purchase prices to purchased research and development in process. These amounts were expensed immediately following the Acquisition and the Safeline Acquisition, respectively. The amounts related to the Acquisition and have been excluded from the 1996 pro forma information.

(d) Certain one-time charges incurred during 1996 have not been excluded from the 1996 pro forma information. These charges consist of certain non-recurring items for (i) advisory fees associated with the reorganization of the Company's structure of approximately $4,800 and (ii) restructuring charges of approximately $12,600.

(e) Selling, general and administrative expense has been adjusted to eliminate the AEA Investors annual management fee of $1,000, payment of which was discontinued upon consummation of the Offering.

(f) Other charges (income), net generally includes interest income, foreign currency transactions (gains) losses, (gains) losses from sales of assets and other charges (income). For the period January 1,1996 to October 14,1996, the amount shown includes employee severance and other exit costs associated with the closing of its Westerville, Ohio facility. For the period October 15,1996 to December 31,1996, the amount shown includes employee severance benefits associated with the Company's general headcount reduction programs in Europe and North America and the realignment of the analytical and precision balance business in Switzerland. For the year ended December 31,1997, the amount shown includes a restructuring charge of $6,300 to close three facilities in North America. See Note 14 to the consolidated financial statements included herein.

(g) Adjusted Operating Income is operating income (gross profit less research and development and selling, general and administrative expenses) before amortization and non-recurring costs. Non-recurring costs which have been excluded are those costs associated with selling inventories revalued to fair value in connection with the Acquisition and the Safeline Acquisition, fees associated with the termination of the Company's management consulting agreement with AEA Investors at the time of the Offering of $2,500 in 1997 and advisory fees associated with the reorganization of the Company's structure of approximately $4,800 in 1996.

Year Ended December 31, 1997 Compared to Pro Forma Year Ended December 31, 1996

Net sales were $878.4 million for 1997, compared to pro forma 1996 net sales of $889.6 million. As previously described, pro forma 1996 includes a full year of Safeline's operating results, while 1997 only includes the operating results of Safeline from May 31, 1997. Net sales in local currency during the year increased 11% (excluding Safeline results from pro forma 1996) and 7% (excluding Safeline results from both pro forma 1996 and actual 1997).

Net sales in local currency in 1997 in Europe increased 6% as compared to net sales in local currency in pro forma 1996 (excluding Safeline results from pro forma 1996). Net sales in local currency during 1997 in the Americas increased 11%, principally due to improved market conditions for sales to industrial and food retailing customers. Net sales in local currency in 1997 in Asia and other markets increased 30%, primarily as a result of the establishment of additional direct marketing and distribution in the region. During the six months ended December 31, 1997, sales trends in Europe were more favorable compared to sales trends in the first two quarters of 1997. Overall, the Company's business in Asia and other markets has remained solid. However, growth in net sales in Southeast Asia and Korea (which collectively represent approximately 3% of the Company's total net sales for 1997) has slowed, and the Company anticipates that overall net sales growth in Asia will slow in 1998 and margins will be reduced. The Company believes Asia and other emerging markets will continue to provide opportunities for growth in the long term based upon the movement toward international quality standards, the need to upgrade mechanical scales to electronic versions and the establishment of local production facilities by the Company's multinational client base.

The operating results for Safeline (which as previously noted were included in the Company's results from May 31, 1997) had the effect of increasing the Company's net sales by $28.5 million for 1997. Additionally, Safeline's operating results had the effect of increasing the Company's Adjusted Operating Income by $7.1 million for the same period. The Company recorded non-cash purchase accounting adjustments for purchased research and development ($30.0 million) and the sale of inventories revalued to fair value ($2.1 million) during such period.

Gross profit before non-recurring acquisition costs as a percentage of net sales increased to 44.1% for 1997, compared to 41.1% for pro forma 1996. Gross profit in 1997 includes the previously noted $2.1 million non-cash charge associated with the excess of the fair value over the historic value of inventory acquired in the Safeline Acquisition. The improved gross profit percentage reflects the benefits of reduced product costs arising from the Company's research and development efforts, ongoing productivity improvements and the depreciation of the Swiss franc against the Company's other principal trading currencies.

Research and development expenses as a percentage of net sales decreased to 5.4% for 1997, compared to 5.7% for pro forma 1996; however, the local currency spending level remained relatively constant period to period.

Selling, general and administrative expenses as a percentage of net sales increased to 29.6% for 1997, compared to 28.3% for pro forma 1996. This increase is primarily a result of establishing additional direct marketing and distribution in Asia.

Adjusted Operating Income was $81.5 million, or 9.3% of net sales in 1997, compared to $63.1 million, or 7.1% of net sales in pro forma 1996, an increase of 29.2% (40.0% excluding Safeline results from both pro forma 1996 and actual 1997). The 1997 period excludes non-recurring costs of $2.1 million for the revaluation of inventories to fair value in connection with the Safeline Acquisition and $2.5 million for the Termination Fee.

As previously noted, in connection with the Safeline Acquisition, $30.0 million of the purchase price was attributed to purchased research and development in process. Such amount was expensed immediately following the Safeline Acquisition. The technological feasibility of the products being developed had not been established as of the date of the Safeline Acquisition. The Company expects that the projects underlying these research and development efforts will be substantially complete over the next two years.

Interest expense was $35.9 million for 1997, compared to $30.0 million for pro forma 1996. The difference is principally due to the fact that the pro forma 1996 information reflects a full year of the benefits of reduced borrowing costs in connection with the Company's Offering and Refinancing which occurred in November 1997.

Other charges, net of $10.8 million for 1997 includes restructuring related charges of approximately $6.3 million and other charges of approximately $3.5 million relating to (i) certain derivative financial instruments acquired in 1996 and closed in 1997 and (ii) foreign currency exchange losses resulting from certain unhedged bank debt denominated in foreign currencies (such derivative financial instruments and such unhedged bank debt are no longer held pursuant to current Company policy). The decrease compared to other charges, net of $14.0 million for pro forma 1996 is principally a result of lower restructuring related charges in 1997 compared to pro forma 1996 ($6.3 million versus $12.6 million).

The significant increase in the Company's effective tax rate in 1997 was primarily attributable to the nondeductibility of goodwill and purchased research and development charges incurred in connection with the Safeline Acquisition.

Net earnings before non-recurring items were $19.1 million in 1997. Such non-recurring items in 1997 include the previously mentioned charges for purchased research and development, the revaluation of inventories to fair value, the Termination Fee, the restructuring of North American operations and losses relating to derivative financial instruments and unhedged bank debt denominated in foreign currencies. Including these charges of $43.0 million after taxes, the net loss before extraordinary items was $23.9 million for 1997, compared to net earnings of $5.0 million for pro forma 1996.

The extraordinary loss of $41.2 million in 1997 represents charges for the early repayment premium on the Senior Subordinated Notes and the write-off of capitalized debt issuance fees associated with the Senior Subordinated Notes and previous credit facilities. See "Liquidity and Capital Resources."

For the Period From January 1, 1996 to October 14, 1996, the Period From October 15, 1996 to December 31, 1996 and Pro Forma 1996 Compared to Year Ended December 31, 1995

Net sales for the period from January 1, 1996 to October 14, 1996 and for the period from October 15, 1996 to December 31, 1996 were $662.2 million and $186.9 million, respectively. Pro forma 1996 net sales were $889.6 million, or $849.1 million excluding Safeline results, compared to actual net sales of $850.4 million in 1995. Net sales (pro forma excluding Safeline) in local currency increased 3%, excluding the impact of reductions of the systems business, but were offset by a strengthening of the U.S. dollar, the Company's reporting currency, relative to the local currencies of the Company's operations. The flat sales (pro forma excluding Safeline) in 1996 compared to actual 1995 resulted from slightly lower sales from products in the industrial and food retailing markets, offset by strong performance by the product lines in the laboratory market. The growth in the laboratory market was across substantially all product lines and geographical regions as sales in local currency (excluding Safeline) increased 7% compared to the previous year. In particular, new product introductions in titration, thermal and reaction calorimetry as well as new Ohaus products for the education, laboratory and light industrial market helped to increase laboratory market sales. The slight decline in industrial and food retailing sales resulted from overall weakness in the European market where the Company has been able to retain its market share. This market weakness has persisted in early 1997.

Net sales (pro forma excluding Safeline) in Europe in local currency decreased 2% in 1996 compared to actual 1995 due to a weaker second half of the year in 1996 in all major markets, and especially in key countries such as Germany, France and the United Kingdom. Net sales (pro forma excluding Safeline) in the Americas in local currency increased by 5% over actual 1995 due to growth in the United States and Latin America and double digit expansion in laboratory measurement instruments other than balances and in related service. Net sales (pro forma excluding Safeline) in Asia and other markets in local currency increased by 8% over actual 1995, primarily as a result of significantly increased sales in the Shanghai operation and strong sales in Japan and Australia.

Gross profit for the period from January 1, 1996 to October 14, 1996 and for the period from October 15, 1996 to December 31, 1996 was $267.0 million and $50.1 million, respectively. Pro forma 1996 gross profit was $365.8 million or $349.3 million (excluding Safeline results). This compares to $342.3 million in actual 1995. Pro forma gross profit as a percentage of sales increased to 41.1% in 1996 from 40.3% in actual 1995. The increased gross profit margin resulted principally from operational improvements and the depreciation of the Swiss franc against the Company's other principal trading currencies. See "Effect of Currency on Results of Operations."

Selling, general and administrative expenses and research and development expenses for the period from January 1, 1996 to October 14, 1996 and for the period from October 15, 1996 to December 31, 1996 were $227.1 million and $69.2 million, respectively. Pro forma 1996 selling, general and administrative and research and development expenses totaled $302.7 million or $296.1 million excluding Safeline. This compares to $302.9 million in actual 1995. Pro forma selling, general and administrative expenses and research and development expenses as a percentage of net sales decreased to an aggregate of 34.0% in 1996 from 35.6% in actual 1995. The cost decreases resulted primarily from the currency effect of the depreciation of the Swiss franc against the Company's other major trading currencies and the Company's cost control efforts. These cost decreases were partially offset by non-recurring legal and advisory fees of $4.8 million.

In connection with the Acquisition, the Company allocated, based upon independent valuations, $114.1 million of the purchase price to purchased research and development in process. Such amount was expensed immediately following the Acquisition.

Interest expense for the period from January 1, 1996 to October 14, 1996 and for the period from October 15, 1996 to December 31, 1996 was $13.9 million and $8.7 million, respectively. Pro forma interest expense increased to $30.0 million in 1996 from $18.2 million in actual 1995, principally due to a higher debt level as a result of the Acquisition and the Safeline Acquisition. Interest expense since the Acquisition and the Safeline Acquisition is materially different. See "Liquidity and Capital Resources."

Other income, net for the period January 1, 1996 to October 14, 1996 of $1.3 million includes interest income of $3.4 million and severance and other exit costs of $1.9 million associated with the closing of its Westerville, Ohio facility. Other charges, net for the period October 15, 1996 to December 31, 1996 of $17.1 million principally represent (i) losses on foreign currency transactions of $8.3 million of which $5.7 million were incurred in connection with the Acquisition, (ii) employee severance benefits associated with the Company's general headcount reduction programs in Europe and North America of $4.6 million which were announced during such period, and (iii) the realignment of the analytical and precision balance business in Switzerland of $6.2 million which was internally announced in December 1996. In connection with such programs, the Company reduced its workforce by approximately 170 employees in 1996 and intends to further reduce its workforce by approximately 70 employees in 1997. The Company anticipates that as a result of the foregoing it will achieve cost savings in the range of $8.3 million. Such cost savings consist primarily of lower employee salary and benefit costs and fixed manufacturing costs. In addition, at the time of the Acquisition, the Company estimated it would incur additional selling, general and administrative expenses of $1.3 million annually as a result of the Acquisition.

Earnings before taxes and minority interest for the period from January 1, 1996 to October 14, 1996 were $25.2 million. Loss before taxes and minority interest for the period from October 15, 1996 to December 31, 1996 was $160.1 million. This loss includes non-recurring costs of $114.1 million for the allocation of purchase price to in-process research and development projects, $32.2 million for the revaluation of inventories to fair value, $9.9 million of other charges (an additional $1.9 million of other charges was incurred by the Predecessor Business in 1996) and $4.8 million for non-recurring legal and advisory fees. Pro forma earnings before taxes and minority interest would have been $12.5 million in 1996. Pro forma Adjusted Operating Income would have been $67.9 million in 1996, or $58.0 million (excluding Safeline), compared to $39.5 million in actual 1995.

Net earnings for the period from January 1, 1996 to October 14, 1996 were $14.5 million. The net loss for the period from October 15, 1996 to December 31, 1996 was $159.0 million. Pro forma net earnings of $5.0 million in 1996 compared to net earnings of $18.3 million in actual 1995.

LIQUIDITY AND CAPITAL RESOURCES

In November 1997, the Company refinanced its previous credit agreement and purchased all of its 9¾% Senior Subordinated Notes due 2006 (the "Notes") pursuant to a tender offer with proceeds from the Offering and additional borrowings under the Credit Agreement. The Notes were originally issued in October 1996 at the time of the Acquisition.

The Credit Agreement provides for term loan borrowings in aggregate principal amounts of $101.6 million, SFr 85.5 million (approximately $59.0 million at December 31, 1997) and £21.7 million (approximately $36.2 million at December 31, 1997) that are scheduled to mature in 2004, a Canadian revolver with availability of CDN $26.3 million (approximately CDN $19.0 million of which was drawn as of December 31, 1997) which is scheduled to mature in 2004, and a multi-currency revolving credit facility with availability of $400.0 million (approximately $220.0 million was available at December 31, 1997) which is also scheduled to mature in 2004. The Company had borrowings of $357.6 million under the Credit Agreement and $39.2 million under various other arrangements as of December 31, 1997. Under the Credit Agreement, amounts outstanding under the term loans amortize in quarterly installments. In addition, the Credit Agreement obligates the Company to make mandatory prepayments in certain circumstances with the proceeds of asset sales or issuance of capital stock or indebtedness and with certain excess cash flow. The Credit Agreement imposes certain restrictions on the Company and its subsidiaries, including restrictions on the ability to incur indebtedness, make investments, grant liens, sell financial assets and engage in certain other activities. The Company must also comply with certain financial covenants. The Credit Agreement is secured by certain assets of the Company. The Credit Agreement imposes certain restrictions on the Company's ability to pay dividends to its shareholders.

In connection with the Refinancing, the Company recorded an extraordinary charge amounting to $31.6 million, principally for prepayment premiums on its Notes and the write-off of capitalized debt issuance fees. In addition, with the May 29, 1997 refinancing of its previous credit facility, the Company recorded an extraordinary charge of $9.6 million, representing a charge for the write-off of capitalized debt issuance fees and related expenses associated with the previous credit facility.

At December 31, 1997, approximately $102.0 million of the borrowings under the Credit Agreement were denominated in U.S. dollars. The balance of the borrowings under the Credit Agreement and under local working capital facilities were also denominated in certain of the Company's other principal trading currencies amounting to approximately $295.0 million at December 31, 1997. Changes in exchange rates between the currencies in which the Company generates cash flow and the currencies in which its borrowings are denominated will affect the Company's liquidity. In addition, because the Company borrows in a variety of currencies, its debt balances will fluctuate due to changes in exchange rates. See "Effect of Currency on Results of Operations."

The Acquisition was financed principally through capital contributions of $190.0 million before related expenses from the Company, borrowings under a previous credit agreement of $307.0 million and $135.0 million from the issuance of the Notes. The Safeline Acquisition was financed by £47.3 million ($77.4 million at May 30, 1997) loaned under the Company's previous credit agreement together with the issuance of £13.7 million ($22.4 million at May 30, 1997) of seller loan notes which mature May 30, 1999.

Prior to the Acquisition, the Company's cash and other liquidity was used principally to fund capital expenditures, working capital requirements, debt service and dividends to Ciba. Following the Acquisition and the Safeline Acquisition, the annual interest expense associated with increased borrowings, as well as scheduled principal payments of term loans under the Credit Agreement, have significantly increased the Company's liquidity requirements.

The Company's capital expenditures totaled $25.9 million in 1995, $29.4 million in pro forma 1996 and $22.3 million in actual 1997. Capital expenditures are primarily for machinery, equipment and the purchase and expansion of facilities, including the purchase of land for, and construction of, the Company's Shanghai manufacturing facility. Capital expenditures for 1998 are expected to increase over 1997 levels, but should remain consistent with earlier periods. In connection with the transfer of the Japanese laboratory business from a former agent to a subsidiary of the Company, the Company agreed to make total payments of approximately SFr 8.0 million of which only approximately SFr 1.0 million remains to be paid.

The Company's cash provided by operating activities was $55.6 million in 1997 as compared to $62.5 million for the period January 1, 1996 to October 14, 1996 and $9.6 million for the period October 15, 1996 to December 31, 1996. The 1997 results include higher interest costs resulting from the Acquisition and the Safeline Acquisition.

At December 31, 1997, consolidated debt, net of cash, was $373.2 million.

The Company continues to explore potential acquisitions to expand its product portfolio and improve its distribution capabilities. In connection with any acquisition, the Company may incur additional indebtedness.

The Company currently believes that cash flow from operating activities, together with borrowings available under the Credit Agreement and local working capital facilities, will be sufficient to fund currently anticipated working capital needs and capital spending requirements as well as debt service requirements for at least several years, but there can be no assurance that this will be the case.

Effect of Currency on Results of Operations

The Company's operations are conducted by subsidiaries in many countries, and the results of operations and the financial position of each of those subsidiaries are reported in the relevant foreign currency and then translated into U.S. dollars at the applicable foreign exchange rate for inclusion in the Company's consolidated financial statements. Accordingly, the results of operations of such subsidiaries as reported in U.S. dollars can vary as a result of changes in currency exchange rates. Specifically, a strengthening of the U.S. dollar versus other currencies reduces net sales and earnings as translated into U.S. dollars, whereas a weakening of the U.S. dollar has the opposite effect.

Swiss franc-denominated costs represent a much greater percentage of the Company's total expenses than Swiss franc-denominated sales represent of total sales. In general, an appreciation of the Swiss franc versus the Company's other major trading currencies, especially the principal European currencies, has a negative impact on the Company's results of operations and a depreciation of the Swiss franc versus the Company's other major trading currencies, especially the principal European currencies, has a positive impact on the Company's results of operations. The effect of these changes generally offsets in part the translation effect on earnings before interest and taxes of changes in exchange rates between the U.S. dollar and other currencies described in the preceding paragraph.

Taxes

The Company is subject to taxation in many jurisdictions throughout the world. The Company's effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which the Company transfers funds between jurisdictions and income is repatriated, and future changes in law. Generally, the tax liability for each legal entity is determined either (i) on a non-consolidated/combined basis or (ii) on a consolidated/combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated/combined affiliated entities. As a result, the Company may pay income taxes to certain jurisdictions even though the Company on an overall basis incurs a net loss for the period.

Environmental Matters

The Company is subject to various environmental laws and regulations in the jurisdictions in which it operates. The Company, like many of its competitors, has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations in both the United States and abroad. The Company does not currently anticipate any material capital expenditures for environmental control technology. Some risk of environmental liability is inherent in the Company's business, and there can be no assurance that material environmental costs will not arise in the future. However, the Company does not anticipate any material adverse effect on its results of operations or financial condition as a result of future costs of environmental compliance.

Inflation

Inflation can affect the costs of goods and services used by the Company. The competitive environment in which the Company operates limits somewhat the Company's ability to recover higher costs through increased selling prices. Moreover, there may be differences in inflation rates between countries in which the Company incurs the major portion of its costs and other countries in which the Company sells its products, which may limit the Company's ability to recover increased costs, if not offset by future increase of selling prices. The Company's growth strategy includes expansion in China, Latin America and Eastern Europe, which have experienced inflationary conditions. To date, inflationary conditions have not had a material effect on the Company's operating results. However, as the Company's presence in China, Latin America and Eastern Europe increases, these inflationary conditions could have a greater impact on the Company's operating results.

Seasonality

The Company's business has historically experienced a slight amount of seasonal variation, with sales in the first fiscal quarter slightly lower than, and sales in the fourth fiscal quarter slightly higher than, sales in the second and third fiscal quarters. This trend has a somewhat greater effect on income from operations than on net sales due to the effect of fixed costs.

Financial Instruments With Off-Balance Sheet Risks

Prior to 1997, the Company entered into currency forward and option contracts primarily as a hedge against anticipated foreign currency exposures and not for speculative purposes. Such contracts, which are types of financial derivatives, limit the Company's exposure to both favorable and unfavorable currency fluctuations. These contracts are adjusted to reflect market values as of each balance sheet date, with the resulting unrealized gains and losses being recognized in financial income or expense, as appropriate. At December 31, 1997, all remaining derivative instruments met the requirements of hedge accounting.

During 1997, the Company has entered into certain interest rate swap and cap agreements. See Note 5 to the consolidated financial statements included herein.

New Accounting Standards

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income"("SFAS 130"). SFAS 130 becomes effective for fiscal years beginning after December 15, 1997 and requires reclassification of earlier financial statements for comparison purposes. SFAS 130 requires that changes in the amounts of certain items, including foreign currency translation adjustments and gains and losses on certain securities, be shown in the financial statements. SFAS 130 does not require a specific format for the financial statement in which comprehensive income is reported, but does require that an amount representing total comprehensive income be reported in that statement. Management has not yet determined the effect of the adoption of SFAS 130.

Also in June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). This Statement will change the way public companies report information about segments of their business in annual financial statements and requires them to report selected financial information in their quarterly reports issued to shareholders. It also requires entity-wide disclosures about products and services an entity provides, the material countries in which it holds assets and reports revenues, and its major customers. The Statement is effective for fiscal years beginning after December 15, 1997. Management has not determined the effect of the adoption of SFAS 131.

Forward-Looking Statements and Associated Risks

This annual report includes forward-looking statements that reflect the Company's current views with respect to future events and financial performance, including capital expenditures, planned product introductions, research and development expenditures, potential future growth, including potential penetration of developed markets and potential growth opportunities in emerging markets, potential future acquisitions, potential cost savings from planned employee reductions and restructuring programs, estimated proceeds from and timing of asset sales, planned operational changes and research and development efforts, strategic plans and future cash sources and requirements. The words "believe," "expect," "anticipate" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements are subject to a number of risks and uncertainties, including the risk of substantial indebtedness on operations and liquidity, risks associated with currency fluctuations, risks associated with international operations, highly competitive markets and technological developments, risks relating to downturns or consolidation affecting the Company's customers, risks relating to future acquisitions, risks associated with reliance on key management, uncertainties associated with environmental matters, risks relating to restrictions on payment of dividends and risks relating to certain anti-takeover provisions, which could cause actual results to differ materially from historical results or those anticipated. For a discussion of these risks and uncertainties, see Exhibit 99.1, Factors Affecting Future Operating Results, included as part of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Independent Auditors' Report

The Board of Directors and Shareholders
Mettler-Toledo International Inc.

We have audited the accompanying consolidated balance sheets of Mettler-Toledo International Inc. (formerly "MT Investors Inc.") and subsidiaries (as defined in Note 1 to the consolidated financial statements) as of December 31, 1996 and 1997, and the related consolidated statements of operations, net assets/shareholders' equity and cash flows for the year ended December 31, 1995 and for the period January 1, 1996 to October 14, 1996, the Predecessor periods, and for the period October 15, 1996 to December 31, 1996, and for the year ended December 31, 1997, the Successor periods. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mettler-Toledo International Inc. and subsidiaries as of December 31, 1996 and 1997, and the consolidated results of their operations and their cash flows for the year ended December 31, 1995 and for the period January 1, 1996 to October 14, 1996, the Predecessor periods, and for the period October 15, 1996 to December 31, 1996, and for the year ended December 31, 1997, the Successor periods, in conformity with generally accepted accounting principles in the United States of America.

As more fully described in Note 1 to the consolidated financial statements, Mettler-Toledo International Inc. acquired the Mettler-Toledo Group as of October 15, 1996 in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial statements for the Successor periods are presented on a different basis of accounting than that of the Predecessor periods, and therefore are not directly comparable.

KPMG Fides Peat

KPMG Fides Peat

Zurich, Switzerland

February 6, 1998

Consolidated Balance Sheets

(In thousands, except per share data)	Successor December 31, 1996	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,696	$ 23,566
Trade accounts receivable, less allowances of $8,388 in 1996 and $7,669 in 1997	151,161	153,619
Inventories	102,526	101,047
Deferred taxes	7,565	7,584
Other current assets and prepaid expenses	17,268	24,066
Total current assets	339,216	309,882
Property, plant and equipment, net	255,292	235,262
Excess of cost over net assets acquired, net of accumulated amortization of $982 in 1996 and $6,427 in 1997	135,490	183,318
Non-current deferred taxes	3,916	5,045
Other assets	37,974	15,806
Total assets	$771,888	$749,313
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 32,797	$ 39,342
Accrued and other liabilities	79,857	80,844
Accrued compensation and related items	35,457	43,214
Taxes payable	17,580	33,267
Deferred taxes	9,132	10,486
Short-term borrowings and current maturities of long-term debt	80,446	56,430
Total current liabilities	255,269	263,583
Long-term debt	373,758	340,334
Non-current deferred taxes	30,467	25,437
Other non-current liabilities	96,810	91,011
Total liabilities	756,304	720,365
Minority interest	3,158	3,549
Shareholders' equity:		
Preferred stock, $0.01 par value per share; authorized 10,000,000 shares	—	—
Common stock, $0.01 par value per share; authorized 125,000,000 shares; issued 38,336,015 (excluding 64,467 shares held in treasury) at December 31,1997	—	383
Class A, B and C common stock, $0.01 par value per share; authorized 2,775,976 shares; issued 2,438,514 at December 31,1996	25	—
Additional paid-in capital	188,084	284,630
Accumulated deficit	(159,046)	(224,152)
Currency translation adjustment	(16,637)	(35,462)
Total shareholders' equity	12,426	25,399
Commitments and contingencies		
Total liabilities and shareholders' equity	$771,888	$749,313

See the accompanying notes to the consolidated financial statements

Consolidated Statements of Operations

	Predecessor		Successor	
(In thousands, except per share data)	Year ended December 31, 1995	For the period January 1, 1996 to October 14, 1996	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997
Net sales	$850,415	$662,221	$ 186,912	$ 878,415
Cost of sales	508,089	395,239	136,820	493,480
Gross profit	342,326	266,982	50,092	384,935
Research and development	54,542	40,244	9,805	47,551
Selling, general and administrative	248,327	186,898	59,353	260,397
Amortization	2,765	2,151	1,065	6,222
Purchased research and development	—	—	114,070	29,959
Interest expense	18,219	13,868	8,738	35,924
Other charges (income), net	(9,331)	(1,332)	17,137	10,834
Earnings (loss) before taxes, minority interest and extraordinary items	27,804	25,153	(160,076)	(5,952)
Provision for taxes	8,782	10,055	(938)	17,489
Minority interest	768	637	(92)	468
Net earnings (loss) before extraordinary items	18,254	14,461	(159,046)	(23,909)
Extraordinary items-debt extinguishments, net of tax	—	—	—	(41,197)
Net earnings (loss)	$ 18,254	$ 14,461	$(159,046)	$ (65,106)
Basic and diluted loss per common share:				
Loss before extraordinary items			$ (5.18)	$ (0.76)
Extraordinary items			—	(1.30)
Net loss			$ (5.18)	$ (2.06)
Weighted average number of common shares			30,686,065	31,617,071

See the accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Net Assets/Shareholders' Equity

(In thousands, except per share data)	Predecessor — Year ended December 31, 1995 and for the period January 1, 1996 to October 14, 1996: Capital Employed	Currency Translation Adjustment	Total
Net assets at December 31, 1994	$218,129	$ 10,065	$228,194
Capital transactions with Ciba and affiliates	(73,779)	—	(73,779)
Net earnings	18,254	—	18,254
Change in currency translation adjustment	—	20,585	20,585
Net assets at December 31, 1995	162,604	30,650	193,254
Capital transactions with Ciba and affiliates	(88,404)	—	(88,404)
Net earnings	14,461	—	14,461
Change in currency translation adjustment	—	(6,538)	(6,538)
Net assets at October 14, 1996	$ 88,661	$ 24,112	$112,773

	Successor — For the period from October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997					
	Common Stock All Classes		Additional Paid-in	Accumulated	Currency Translation	
(In thousands, except per share data)	Shares	Amount	Capital	Deficit	Adjustment	Total
Balance at October 15, 1996	1,000	$ 1	$ —	$ —	$ —	$ 1
New issuance of Class A and C shares	2,437,514	24	188,084	—	—	188,108
Net loss	—	—	—	(159,046)	—	(159,046)
Change in currency translation adjustment	—	—	—	—	(16,637)	(16,637)
Balance at December 31, 1996	2,438,514	25	188,084	(159,046)	(16,637)	12,426
New issuance of Class A and C shares	3,857	—	300	—	—	300
Purchase of Class A and C treasury stock	(5,123)	(1)	(668)	—	—	(669)
Common stock conversion	28,232,100	282	(282)	—	—	—
Proceeds from stock offering	7,666,667	77	97,196	—	—	97,273
Net loss	—	—	—	(65,106)	—	(65,106)
Change in currency translation adjustment	—	—	—	—	(18,825)	(18,825)
Balance at December 31, 1997	38,336,015	$383	$284,630	$(224,152)	$(35,462)	$ 25,399

See the accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(In thousands)	Predecessor: Year ended December 31, 1995	Predecessor: For the period January 1, 1996 to October 14, 1996	Successor: For the period October 15, 1996 to December 31, 1996	Successor: Year ended December 31, 1997
Cash flows from operating activities:				
Net earnings (loss)	$ 18,254	$ 14,461	$(159,046)	$ (65,106)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Depreciation	30,598	19,512	7,925	25,613
Amortization	2,765	2,151	1,065	6,222
Write-off of purchased research and development and cost of sales associated with revaluation of inventories	—	—	146,264	32,013
Extraordinary items	—	—	—	41,197
Net loss (gain) on disposal of long-term assets	(1,053)	(768)	—	33
Deferred taxes and adjustments to goodwill	(551)	(1,934)	(4,563)	(4,244)
Minority interest	768	637	(92)	468
Increase (decrease) in cash resulting from changes in:				
Trade accounts receivable, net	(9,979)	9,569	(10,159)	(8,113)
Inventories	(607)	1,276	3,350	(2,740)
Other current assets	(3,058)	14,748	(10,605)	(7,177)
Trade accounts payable	1,437	(3,065)	3,415	4,936
Accruals and other liabilities, net	13,095	5,948	32,030	32,547
Net cash provided by operating activities	51,669	62,535	9,584	55,649
Cash flows from investing activities:				
Proceeds from sale of property, plant and equipment	4,000	1,606	736	15,913
Purchase of property, plant and equipment	(25,858)	(16,649)	(11,928)	(22,251)
Acquisition of Mettler-Toledo from Ciba	—	—	(314,962)	—
Acquisition, net of seller financing	—	—	—	(80,469)
Other investing activities	(7,484)	(1,632)	4,857	(9,184)
Net cash used in investing activities	(29,342)	(16,675)	(321,297)	(95,991)
Cash flows from financing activities:				
Proceeds from borrowings	3,983	—	414,170	614,245
Repayments of borrowings	—	(13,464)	—	(703,201)
Proceeds from issuance of common stock	—	—	188,108	97,573
Purchase of treasury stock	—	—	—	(669)
Ciba and affiliates borrowings (repayments)	(15,693)	(26,589)	(184,666)	—
Capital transactions with Ciba and affiliates	(37,361)	(7,716)	(80,687)	—
Net cash provided by (used in) financing activities	(49,071)	(47,769)	336,925	7,948
Effect of exchange rate changes on cash and cash equivalents	4,344	(3,394)	(615)	(4,736)
Net increase (decrease) in cash and cash equivalents	(22,400)	(5,303)	24,597	(37,130)
Cash and cash equivalents:				
Beginning of period	63,802	41,402	36,099	60,696
End of period	$ 41,402	$ 36,099	$ 60,696	$ 23,566
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	$ 18,927	$ 6,524	$ 17,874	$ 38,345
Taxes	9,970	9,385	2,470	6,140
Non-cash financing and investing activities:				
Due to Ciba for capital transactions	36,418	—	—	—
Seller financing on acquisition	—	—	—	22,514

See the accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements

(In thousands unless otherwise stated)

Note 1
BUSINESS DESCRIPTION AND BASIS OF PRESENTATION

Mettler-Toledo International Inc. ("Mettler Toledo," the "Company" or "Successor"), formerly MT Investors Inc., is a global supplier of precision instruments and is a manufacturer and marketer of weighing instruments for use in laboratory, industrial and food retailing applications. The Company also manufactures and sells certain related analytical and measurement technologies. The Company's manufacturing facilities are located in Switzerland, the United States, Germany, the United Kingdom and China. The Company's principal executive offices are located in Greifensee, Switzerland.

The Company was incorporated by AEA Investors Inc. ("AEA") and recapitalized to effect the acquisition (the "Acquisition") of the Mettler-Toledo Group ("Predecessor") from Ciba-Geigy AG ("Ciba") and its wholly owned subsidiary, AG für Präzisionsinstrumente ("AGP") on October 15, 1996. The Company acquired the Mettler-Toledo Group for cash consideration of SFr 504,996 (approximately $402,000) including dividends of SFr 109,406 (approximately $87,100) which were paid to Ciba by the Company in conjunction with the Acquisition. In addition, the Company incurred expenses in connection with the Acquisition and related financing of approximately $29,000, including approximately $5,500 paid to AEA, and paid approximately $185,000 to settle amounts due to Ciba and affiliates. The Company has accounted for the Acquisition using the purchase method of accounting. Accordingly, the costs of the Acquisition were allocated to the assets acquired and liabilities assumed based upon their respective fair values.

In connection with the Acquisition, the Company allocated, based upon independent valuations, $114,070 of the purchase price to purchased research and development in process. Such amount was recorded as an expense in the period from October 15, 1996 to December 31, 1996. Additionally, the Company allocated approximately $32,200 of the purchase price to revalue certain inventories (principally work-in-process and finished goods) to fair value (net realizable value). Substantially all of such inventories were sold during the period from October 15, 1996 to December 31, 1996. The excess of the cost of the Acquisition over the fair value of the net assets acquired of approximately $137,500 is being amortized over 32 years. Because of this purchase price allocation, the accompanying financial statements of the Successor are not directly comparable to those of the Predecessor.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and include all entities in which the Company has control, including its majority owned subsidiaries. All intercompany transactions and balances have been eliminated. Investments in which the Company has voting rights between 20% to 50% are generally accounted for using the equity method of accounting. Certain amounts in the prior year financial statements have been reclassified to conform with current period presentation.

The combined financial statements of the Predecessor include the combined historical assets and liabilities and combined results of operations of the Mettler-Toledo Group. All intergroup transactions have been eliminated as part of the combination process.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less.

Inventories

Inventories are valued at the lower of cost or market. Cost, which includes direct materials, labor and overhead plus indirect overhead, is determined using the first in, first out (FIFO) or weighted average cost methods and to a lesser extent the last in, first out (LIFO) method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 12 years
Computer software	3 to 5 years
Leasehold improvements	Shorter of useful life or lease term

Beginning January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, SFAS 121 requires that long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. Adoption of SFAS 121 had no material effect on the consolidated financial statements.

Excess of Cost Over Net Assets Acquired

The excess of purchase price over the fair value of net assets acquired is amortized on a straight line basis over the expected period to be benefited. The Company assesses the recoverability of such amount by determining whether the amortization of the balance over its remaining life can be recovered from the undiscounted future operating cash flows of the acquired operation. The amount of impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of the excess of cost over net assets acquired will be impacted if estimated future operating cash flows are not achieved.

Deferred Financing Costs

Debt financing costs are deferred and amortized over the life of the underlying indebtedness using the interest method.

Taxation

The Company files tax returns in each jurisdiction in which it operates. Prior to the Acquisition discussed in Note 1, in certain jurisdictions the Company filed its tax returns jointly with other Ciba subsidiaries. The Company had a tax sharing arrangement with Ciba in these countries to share the tax burden or benefits. Such arrangement resulted in each company's tax burden or benefit equating to that which it would have incurred or received if it had been filing a separate tax return.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which the Company operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Generally, deferred taxes are not provided on the unremitted earnings of subsidiaries outside of the United States because it is expected that these earnings are permanently reinvested and such determination is not practicable. Such earnings may become taxable upon the sale or liquidation of these subsidiaries or upon the remittance of dividends. Deferred taxes are provided in situations where the Company's subsidiaries plan to make future dividend distributions.

Research and Development

Research and development costs are expensed as incurred. Research and development costs, including customer engineering (which represents research and development charged to customers and, accordingly, is included in cost of sales), amounted to approximately $62,400, $45,100, $11,100 and $50,200 for the year ended December 31, 1995, for the period from January 1, 1996 to October 14, 1996, for the period from October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997, respectively.

Currency Translation and Transactions

The reporting currency for the consolidated financial statements of the Company is the United States dollar (USD). The functional currency for the Company's operations is generally the applicable local currency. Accordingly, the assets and liabilities of companies whose functional currency is other than the USD are included in the consolidation by translating the assets and liabilities into the reporting currency at the exchange rates applicable at the end of the reporting year. The statements of operations and cash flows of such non-USD functional currency operations are translated at the monthly average exchange rates during the year. Translation gains or losses are accumulated as a separate component of net assets/shareholders' equity.

The Company has designated certain of its Swiss franc debt as a hedge of its net investments. Any gains and losses due to changes on the debt are recorded to currency translation adjustment and offset the net investments which they hedge.

Derivative Financial Instruments

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. The Company enters into foreign currency forward contracts to hedge short-term intercompany transactions with its foreign businesses. Such contracts limit the Company's exposure to both favorable and unfavorable currency fluctuations. These contracts are adjusted to reflect market values as of each balance sheet date, with the resulting unrealized gains and losses being recognized in other charges (income), net.

The Company enters into certain interest rate cap and swap agreements in order to reduce its exposure to changes in interest rates. The differential paid or received on interest rate swap agreements is recognized over the life of the agreements. Realized and unrealized gains on interest rate cap agreements are recognized as adjustments to interest expense as incurred.

Stock Based Compensation

The Company applies Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option plan.

Loss per Common Share

Effective December 31, 1997, the Company adopted the Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). Accordingly, basic and diluted loss per common share data for each period presented have been determined in accordance with the provisions of SFAS 128. Outstanding options to purchase shares of common stock, as described in Note 11, were not included in the computation of diluted loss per common share for the periods ended December 31, 1996 and 1997, as the effect is antidilutive. The Company retroactively adjusted its weighted average common shares for the purpose of the basic and diluted loss per common share computations for the 1996 and 1997 periods pursuant to SFAS 128 and Securities and Exchange Commission Staff Accounting Bulletin No. 98 issued in February 1998.

Concentration of Credit Risk

The Company's revenue base is widely diversified by geographic region and by individual customer. The Company's products are utilized in many different industries, although extensively in the pharmaceutical and chemical industries. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

Revenue Recognition

Revenue is recognized when title to a product has transferred or services have been rendered. Revenues from service contracts are recognized over the contract period.

Note 3
BUSINESS COMBINATIONS

On May 30, 1997, the Company purchased the entire issued share capital of Safeline Limited ("Safeline"), a manufacturer of metal detection systems based in Manchester in the United Kingdom, for approximately £61,000 (approximately $100,000), plus up to an additional £6,000 (approximately $10,000) for a contingent earn-out payment. In October 1997, the Company made an additional payment, representing a post-closing adjustment, of £1,900 (approximately $3,100). Such amount has been accounted for as additional purchase price. Under the terms of the agreement, the Company paid approximately £47,300 (approximately $77,400) of the purchase price in cash, provided by amounts loaned under its Credit Agreement, with the remaining balance of approximately £13,700 (approximately $22,400) paid in the form of seller loan notes which mature May 30, 1999. In connection with the acquisition, the Company incurred expenses of approximately $2,200 which have been accounted for as part of the purchase price.

The Company has accounted for the acquisition using the purchase method of accounting. Accordingly, the costs of the acquisition were allocated to the assets acquired and liabilities assumed based upon their respective fair values. Approximately $30,000 of the purchase price was attributed to purchased research and development in process. Such amount was expensed immediately in the second quarter of 1997. The technological feasibility of the products being developed had not been established as of the date of the acquisition. The Company expects that the projects underlying these research and development efforts will be substantially complete over the next two years. In addition, the Company allocated approximately $2,100 of the purchase price to revalue certain finished goods inventories to fair value. Substantially all of such inventories were sold in the second quarter of 1997. The excess of the cost of the acquisition over the fair value of the net assets acquired of approximately $65,000 is being amortized over 30 years. The results of operations and cash flows of Safeline have been consolidated with those of the Company from the date of the acquisition.

The following unaudited pro forma summary presents the consolidated results of operations of the Company as if the Acquisition (see Note 1) and Safeline Acquisition had been completed as of the beginning of each of the periods presented, after giving effect to certain adjustments, including Safeline's historical results of operations prior to the acquisition date, depreciation and amortization of the assets acquired based upon their fair values, increased interest expense from the financing of the acquisitions and income tax effects. The Company allocated a portion of the purchase prices to (i) in-process research and development projects that have economic value and (ii) the revaluation of inventories. These adjustments have not been reflected in the following pro forma summary due to their unusual and non-recurring nature. This pro forma summary does not necessarily reflect the results of operations as they would have been if the acquisitions had been completed as of the beginning of such periods and is not necessarily indicative of the results which may be obtained in the future.

	Pro Forma Financial Information (Unaudited)		
	Predecessor	Successor	
	For the period January 1, 1996 to October 14, 1996	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997
Net sales	$694,231	$195,336	$897,448
Earnings (loss) before extraordinary items	826	(2,128)	9,565
Net earnings (loss)	$ 826	$ (2,128)	$ (31,632)
Basic and diluted loss per common share		$ (0.07)	$ (1.00)

Note 4
INVENTORIES

Inventories consisted of the following:

	Successor	
	December 31, 1996	December 31, 1997
Raw materials and parts	$ 41,015	$ 42,435
Work-in-progress	31,534	29,746
Finished goods	29,982	28,968
	102,531	101,149
LIFO reserve	(5)	(102)
	$102,526	$101,047

At December 31, 1996 and 1997, 13.2% and 12.7%, respectively, of the Company's inventories (certain U.S. companies only) were valued using the LIFO method of accounting. There were no material liquidations of LIFO inventories during the periods presented.

Note 5
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

At December 31, 1996, the Company had forward contracts maturing during 1997 to sell the equivalent of approximately $135,000 in various currencies in exchange for Swiss francs. These contracts were used to limit its exposure to currency fluctuations on anticipated future cash flows.

In July 1997, the Company entered into three year interest rate cap agreements to limit the impact of increases in interest rates on its U.S. dollar based debt. These agreements "cap" the effects of an increase in three month LIBOR above 8.5%. In addition, the Company has entered into three year interest rate swap agreements which swap the interest obligation associated with $100,000 of U.S. dollar based debt from variable to fixed. The fixed rate associated with the swap is 6.09% plus the Company's normal interest margin. The swap is effective at three month LIBOR rates up to 7.00%.

In August 1997, the Company entered into certain three year interest rate swap agreements that fix the interest obligation associated with SFr 112,500 of Swiss franc based debt at rates varying between 2.17% and 2.49% plus the Company's normal interest margin. The swaps are effective at one month LIBOR rates up to 3.5%.

The Company may be exposed to credit losses in the event of nonperformance by the counterparties to its derivative financial instrument contracts. Counterparties are established banks and financial institutions with high credit ratings. The Company has no reason to believe that such counterparties will not be able to fully satisfy their obligations under these contracts.

At December 31, 1996 and 1997, the fair value of such financial instruments was approximately $(5,100) and $(1,064), respectively. The fair values of all derivative financial instruments are estimated based on current settlement prices of comparable contracts obtained from dealer quotes. The values represent the estimated amount the Company would pay to terminate the agreements at the reporting date, taking into account current creditworthiness of the counterparties.

Note 6
PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consisted of the following:

	Successor	
	December 31, 1996	December 31, 1997
Land	$ 63,514	$ 58,226
Buildings and leasehold improvements	120,173	111,065
Machinery and equipment	75,675	93,418
Computer software	3,067	3,948
	262,429	266,657
Less accumulated depreciation and amortization	(7,137)	(31,395)
	$255,292	$235,262

Note 7
OTHER ASSETS

Other assets include deferred financing fees of $22,015 and $4,101, net of accumulated amortization of $820 and $76, at December 31, 1996 and 1997, respectively. During 1997, the Company wrote-off deferred financing costs associated with its previous credit facilities and its Senior Subordinated Notes as further discussed in Note 9. Also included in other assets are restricted bank deposits of $5,960 and $1,756 at December 31, 1996 and 1997, respectively. Other assets at December 31, 1996 and 1997 also included a loan due from the Company's Chief Executive Officer of approximately $740 and $690, respectively. Such loan bears an interest rate of 5% and is payable upon demand, which may not be made until 2003.

Note 8
SHORT-TERM BORROWINGS AND CURRENT MATURITIES OF LONG-TERM DEBT

Short-term borrowings and current maturities of long-term debt consisted of the following:

	Successor	
	December 31, 1996	December 31, 1997
Current maturities of long-term debt	$ 8,968	$14,915
Borrowings under revolving credit facility	51,928	33,320
Other short-term borrowings	19,550	8,195
	$80,446	$56,430

Note 9
LONG-TERM DEBT

Long-term debt consisted of the following:

	Successor	
	December 31, 1996	December 31, 1997
9.75% Senior Subordinated Notes due October 1,2006	$135,000	$ —
Credit Agreement:		
Term A USD Loans, interest at LIBOR plus 1.125% (7.03% at December 31,1997) payable in quarterly installments beginning March 31,1998 due May 19, 2004	—	101,573
Term A SFr Loans, interest at LIBOR plus 1.125% (2.57% at December 31,1997) payable in quarterly installments beginning March 31,1998 due May 19, 2004	—	58,991
Term A GBP Loans, interest at LIBOR plus 1.125% (8.71% at December 31,1997) payable in quarterly installments beginning March 31,1998 due May 19, 2004	—	36,198
Seller Notes, interest at LIBOR plus 0.26% (7.84% at December 31,1997) due in full May 30,1999	—	22,946
Term A SFr Loans, interest at LIBOR plus 2.5% (4.38% at December 31,1996) payable in quarterly installments beginning March 31,1997 due December 31, 2002	92,730	—
Term B USD Loans, interest at LIBOR plus 3.00% (8.53% at December 31,1996) payable in quarterly installments beginning March 31,1997 due December 31,2003	75,000	—
Term C USD Loans, interest at LIBOR plus 3.25% (8.78% at December 31,1996) payable in quarterly installments beginning March 31,1997 due December 31,2004	72,000	—
Revolving credit facilities	51,928	160,862
Other	27,546	16,194
	454,204	396,764
Less current maturities	80,446	56,430
	$373,758	$340,334

To provide a portion of the financing required for the Acquisition and for working capital and for general corporate purposes thereafter, in October 1996 Mettler-Toledo Holding Inc., a wholly owned subsidiary of the Company, entered into a credit agreement with various banks.

At December 31, 1996, loans under the credit agreement consisted of: (i) Term A Loans in an aggregate principal amount of SFr 125,000 ($92,730 at December 31, 1996), (ii) Term B Loans in an aggregate principal amount of $75,000, (iii) Term C loans in an aggregate principal amount of $72,000 and (iv) a multi-currency revolving credit facility in an aggregate principal amount of $140,000, which included letter of credit and swingline subfacilities available to certain subsidiaries.

On May 29, 1997, the Company refinanced its previous credit facility and entered into a new credit facility. This credit facility provided for term loan borrowings in an aggregate principal amount of approximately $133,800, SFr 171,500 and £26,700, that were scheduled to mature between 2002 and 2004, a Canadian revolving credit facility with availability of CDN $26,300 and a multi-currency revolving credit facility with availability of $151,000. The revolving credit facilities were scheduled to mature in 2002. The Company recorded an extraordinary loss of approximately $9,600 representing a charge for the write-off of capitalized debt issuance fees and related expenses associated with the Company's previous credit facility.

On November 19, 1997, in connection with the initial public offering, the Company refinanced its existing credit facility by entering into a new credit facility (the "Credit Agreement") with certain financial institutions. At December 31, 1997, loans under the Credit Agreement consisted of: (i) Term A Loans in aggregate principal amount of $101,573, SFr 85,467 ($58,991 at December 31, 1997) and £21,661 ($36,198 at December 31, 1997), (ii) a Canadian revolving credit facility with availability of CDN $26,300 and (iii) a multi-currency revolving credit facility in an aggregate principal amount of $400,000 including a $100,000 acquisition facility.

Concurrent with the initial public offering and refinancing, the Company consummated a tender offer to repurchase the Senior Subordinated Notes. The aggregate purchase price in connection with the tender offer was approximately $152,500. In connection with the refinancing and the note repurchase, the Company recorded an extraordinary loss of $31,600 representing primarily the premium paid in connection with the early extinguishment of the notes of $17,900 and the write-off of capitalized debt issuance fees associated with the Senior Subordinated Notes and the Company's previous credit facility.

The Company's weighted average interest rate at December 31, 1997 was approximately 6.3%.

Loans under the Credit Agreement may be repaid and reborrowed and are due in full on May 19, 2004. The Company is required to pay a facility fee based upon certain financial ratios per annum on the amount of the revolving facility and letter of credit fees on the aggregate face amount of letters of credit under the revolving facility. The facility fee at December 31, 1997 was equal to 0.3%. At December 31, 1997, the Company had available approximately $220,000 of additional borrowing capacity under its Credit Agreement. The Company has the ability to refinance its short-term borrowings through its revolving facility for an uninterrupted period extending beyond one year. Accordingly, approximately $128,000 of the Company's short-term borrowings at December 31, 1997 have been reclassified to long-term. At December 31, 1997, borrowings under the Company's revolving facility carried an interest rate of LIBOR plus 0.825%.

The Credit Agreement contains covenants that, among other things, limit the Company's ability to incur liens; merge, consolidate or dispose of assets; make loans and investments; incur indebtedness; engage in certain transactions with affiliates; incur certain contingent obligations; pay dividends and other distributions; or make certain capital expenditures. The Credit Agreement also requires the Company to maintain a minimum net worth and a minimum fixed charge coverage ratio, and to maintain a ratio of total debt to EBITDA below a specified maximum.

The aggregate maturities of long-term obligations during each of the years 1999 through 2002 are approximately $42,748, $32,691, $34,531 and $34,531, respectively.

The estimated fair value of the Company's obligations under the Credit Agreement approximate fair value due to the variable rate nature of the obligations.

Note 10
SHAREHOLDERS' EQUITY

Common Stock

At December 31, 1996, the authorized capital stock of the Company consisted of 2,775,976 shares of common stock, $0.01 par value of which 2,233,117 shares were designated as Class A common stock, 1,000 shares were designated as Class B common stock and 541,859 shares were designated as Class C common stock. All general voting power was vested in the holders of the Class B common stock. At December 31, 1996, the Company had outstanding 1,899,779 shares of Class A common stock, 1,000 shares of Class B common stock and 537,735 shares of Class C common stock.

In November 1997, pursuant to a merger with its wholly owned subsidiary Mettler-Toledo Holding Inc., each share of the Company's existing Class A, Class B and Class C common stock converted into 12.58392 shares of common stock and increased the number of authorized shares to 125,000,000 shares with a par value of $0.01 per share. Concurrent therewith, the Company completed an underwritten initial public offering of 7,666,667 shares at a public offering price of $14.00 per share. The net proceeds from the offerings of approximately $97,300 were used to repay a portion of the Company's 9.75% Senior Subordinated Notes (see Note 9). As part of the offering, the Company sold approximately 287,000 shares of its common stock to Company sponsored benefit plans at the public offering price. Holders of the Company's common stock are entitled to one vote per share.

At December 31, 1997, 6,368,445 shares of the Company's common stock were reserved for the Company's stock option plan.

Preferred Stock

The Board of Directors, without further shareholder authorization, is authorized to issue up to 10,000,000 shares of preferred stock, par value $0.01 per share in one or more series and to determine and fix the rights, preferences and privileges of each series, including dividend rights and preferences over dividends on the common stock and one or more series of the preferred stock, conversion rights, voting rights (in addition to those provided by law), redemption rights and the terms of any sinking fund therefore, and rights upon liquidation, dissolution or winding up, including preferences over the common stock and one or more series of the preferred stock. The issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of the Company or an unsolicited acquisition proposal.

Note 11
STOCK OPTION PLAN

Effective October 15, 1996, the Company adopted a stock option plan to provide certain key employees and/or directors of the Company additional incentive to join and/or remain in the service of the Company as well as to maintain and enhance the long-term performance and profitability of the Company.

Under the terms of the plan, options granted shall be nonqualified and the exercise price shall not be less than 100% of the fair market value of the common stock on the date of grant. Options vest equally over a five year period from the date of grant.

Stock option activity is shown below:

	Number of Shares	Weighted Average Exercise Price
Granted during the period October 15, 1996 to December 31, 1996	3,510,747	$ 7.95
Exercised	—	—
Forfeited	—	—
Outstanding at December 31, 1996	3,510,747	$ 7.95
Granted	1,028,992	14.68
Exercised	—	—
Forfeited	(130,999)	(7.95)
Outstanding at December 31, 1997	4,408,740	$ 9.75
Shares exercisable at December 31, 1997	675,950	$ 7.95

At December 31, 1997, there were 3,537,047 and 871,693 options outstanding to purchase shares of common stock with exercise prices of $7.95 and $15.89, respectively. The weighted average remaining contractual life of such options was 8.7 and 9.7 years, respectively.

As of the date granted, the weighted average grant date fair value of the options granted during the period from October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997 was approximately $1.99 and $3.37 per share, respectively. Such weighted average grant date fair value was determined using an option pricing model which incorporated the following assumptions:

	Successor	
	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997
Risk-free interest rate	4.0%	5.4%
Expected life, in years	7	4
Expected volatility	—	26%
Expected dividend yield	—	—

The Company applies Accounting Standards Board Opinion No. 25 and related interpretations in accounting for its plans. Had compensation cost for the Company stock option plan been determined based upon the fair value of such awards at the grant date, consistent with the methods of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"), the Company's net loss and basic and diluted net loss per common share for the twelve months ended December 31, 1997 would have been as follows:

Net loss:	
As reported	$(65,106)
Pro forma	(66,417)
Basic and diluted loss per common share:	
As reported	$ (2.06)
Pro forma	(2.10)

The Company's net loss for the period October 15, 1996 to December 31, 1996 would not have been materially different had compensation cost been determined consistent with SFAS 123.

Note 12
BENEFIT PLANS

Mettler Toledo maintains a number of retirement plans for the benefit of its employees.

Certain companies sponsor defined contribution plans. Benefits are determined and funded annually based upon the terms of the plans. Contributions under these plans amounted to $9,413, $9,484, $2,496 and $8,925 in 1995, for the period January 1, 1996 to October 14, 1996, for the period October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997, respectively.

Certain companies sponsor defined benefit plans. Benefits are provided to employees primarily based upon years of service and employees' compensation for certain periods during the last years of employment. The following table sets forth the funded status and amounts recognized in the consolidated financial statements for the Company's principal defined benefit plans at December 31, 1996 and 1997:

	Successor			
	December 31, 1996		December 31, 1997	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets	Assets exceed accumulated benefits	Accumulated benefits exceed assets
Actuarial present value of accumulated benefit obligations:				
Vested benefits	$10,211	$ 97,639	$11,712	$ 98,974
Non-vested benefits	16	2,280	20	3,574
	10,227	99,919	11,732	102,548
Projected benefit obligations	12,458	108,504	13,350	111,608
Plan assets at fair value	13,336	50,609	14,899	58,176
Projected benefit obligations in excess of (less than) plan assets	(878)	57,895	(1,549)	53,432
Unrecognized net (losses) gains	22	1,479	544	561
(Prepaid) accrued pension costs	$ (856)	$ 59,374	$ (1,005)	$ 53,993

The (prepaid) accrued pension costs are recognized in the accompanying consolidated financial statements as other long-term assets and other long-term liabilities, respectively.

The assumed discount rates and rates of increase in future compensation level used in calculating the projected benefit obligations vary according to the economic conditions of the country in which the retirement plans are situated. The range of rates used for the purposes of the above calculations are as follows:

	1996	1997
Discount rate	6.0% to 8.5%	6.0% to 8.5%
Compensation increase rate	2.0% to 6.5%	2.0% to 6.5%

The expected long-term rates of return on plan assets ranged between 9.5% and 10.0% for 1995, 7.0% and 10.0% for 1996, and 6.0% and 9.5% in 1997. The assumptions used above have a significant effect on the reported amounts of projected benefit obligations and net periodic pension cost. For example, increasing the assumed discount rate would have the effect of decreasing the projected benefit obligation and increasing unrecognized net gains. Increasing the assumed compensation increase rate would increase the projected benefit obligation and decrease unrecognized net gains. Increasing the expected long-term rate of return on investments would decrease unrecognized net gains.

Plan assets relate principally to the Company's U.S. companies and consist of equity investments, obligations of the U.S. Treasury or other governmental agencies, and other interest-bearing investments.

Net periodic pension cost for all of the plans above includes the following components:

	Predecessor		Successor	
	Year ended December 31, 1995	For the period January 1, 1996 to October 14, 1996	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997
Service cost (benefits earned during the period)	$3,668	$3,850	$1,013	$5,655
Interest cost on projected benefit obligations	7,561	6,540	1,721	8,020
Actual gain on plan assets	(8,653)	(6,079)	(1,600)	(8,543)
Net amortization and deferral	5,137	2,485	—	2,516
Net periodic pension expense	$7,713	$6,796	$1,134	$7,648

The Company's U.S. operations provide postretirement medical benefits to their employees. Employee contributions for medical benefits are related to employee years of service.

The following table sets forth the status of the U.S. postretirement plans and amounts:

	Successor	
	December 31, 1996	December 31, 1997
Accumulated postretirement benefit obligations:		
Retired	$25,894	$26,702
Fully eligible	3,033	4,154
Other	3,098	5,256
	32,025	36,112
Unrecognized net loss	(540)	(4,465)
Accrued postretirement benefit cost	$31,485	$31,647

Net periodic postretirement benefit cost for the above plans includes the following components:

	Predecessor		Successor	
	Year ended December 31, 1995	For the period January 1, 1996 to October 14, 1996	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997
Service cost (benefits earned during the period)	$ 285	$ 431	$114	$ 440
Interest cost on projected benefit obligations	2,371	1,795	472	2,296
Net amortization and deferral	99	343	—	33
Net periodic postretirement benefit cost	$2,755	$2,569	$586	$2,769

The accumulated postretirement benefit obligation and net periodic postretirement benefit cost were principally determined using discount rates of 7.3% in 1995, 7.6% in 1996 and 7.0% in 1997 and health care cost trend rates ranging from 9.5% to 12.25% in 1995, 1996 and 1997, decreasing to 5.0% in 2006.

The health care cost trend rate assumption has a significant effect on the accumulated postretirement benefit obligation and net periodic postretirement benefit cost. For example, in 1997 the effect of a one-percentage-point increase in the assumed health care cost trend rate would be an increase of $3,611 on the accumulated postretirement benefit obligations and an increase of $464 on the aggregate of the service and interest cost components of the net periodic benefit cost.

Note 13
TAXES

The sources of the Company's earnings (loss) before taxes, minority interest and extraordinary items were as follows:

	Predecessor	
	Year ended December 31, 1995	For the period January 1, 1996 to October 14, 1996
Switzerland	$11,431	$21,241
Non-Switzerland	16,373	3,912
Earnings before taxes, minority interest and extraordinary items	$27,804	$25,153

	Successor	
	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997
United States	$ (37,293)	$(14,178)
Non-United States	(122,783)	8,226
Loss before taxes, minority interest and extraordinary items	$(160,076)	$ (5,952)

The provision (benefit) for taxes consists of:

	Current	Deferred	Adjustments to Goodwill	Total
Predecessor:				
Year ended December 31, 1995:				
Switzerland federal	$ 513	$ (92)	$ —	$ 421
Switzerland canton (state) and local	481	(505)	—	(24)
Non-Switzerland	8,339	46	—	8,385
	$ 9,333	$ (551)	$ —	$ 8,782
For the period January 1, 1996 to October 14, 1996:				
Switzerland federal	$ 2,152	$ (172)	$ —	$ 1,980
Switzerland canton (state) and local	4,305	(344)	—	3,961
Non-Switzerland	5,532	(1,418)	—	4,114
	$11,989	$(1,934)	$ —	$10,055
Successor:				
For the period October 15, 1996 to December 31, 1996:				
United States federal	$ 475	$(1,556)	$ —	$ (1,081)
United States state and local	696	(183)	—	513
Non-United States	2,454	(2,824)	—	(370)
	$ 3,625	$(4,563)	$ —	$ (938)
Year ended December 31, 1997:				
United States federal	$ —	$ (351)	$ —	$ (351)
United States state and local	466	(41)	107	532
Non-United States	12,779	2,600	1,929	17,308
	$13,245	$ 2,208	$2,036	$17,489

The adjustments to goodwill during the year ending December 31, 1997 relate to tax benefits received on amounts which were included in the purchase price allocation pertaining to the Acquisition of the Company described in Note 1.

The provision for tax expense for the year ended December 31, 1995 and for the period January 1, 1996 to October 14, 1996 where the Company operated as a group of businesses owned by Ciba differed from the amounts computed by applying the Switzerland federal income tax rate of 9.8% to earnings before taxes and minority interest as a result of the following:

	Predecessor	
	Year ended December 31, 1995	For the period January 1, 1996 to October 14, 1996
Expected tax	$2,725	$ 2,465
Switzerland canton (state) and local income taxes, net of federal income tax benefit	(21)	3,573
Non-deductible intangible amortization	248	205
Change in valuation allowance	1,603	1,235
Non-Switzerland income taxes in excess of 9.8%	4,968	2,291
Other, net	(741)	286
Total provision for taxes	$8,782	$10,055

The provision for tax expense (benefit) for the period October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997, subsequent to the Acquisition described in Note 1, differed from the amounts computed by applying the United States federal income tax rate of 35% to the loss before taxes, minority interest and extraordinary items as a result of the following:

	Successor	
	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997
Expected tax	$(56,027)	$ (2,083)
United States state and local income taxes, net of federal income tax benefit	333	276
Non-deductible purchased research and development	39,925	10,486
Non-deductible intangible amortization	336	2,073
Change in valuation allowance	4,662	263
Non-United States income taxes at other than a 35% rate	10,037	5,545
Other, net	(204)	929
Total provision for taxes	$ (938)	$17,489

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	Successor	
	December 31, 1996	December 31, 1997
Deferred tax assets:		
Inventory	$ 7,974	$ 7,552
Accrued and other liabilities	7,046	9,278
Deferred loss on sale of subsidiaries	7,907	7,907
Accrued postretirement benefit and pension costs	19,043	19,161
Net operating loss carryforwards	15,817	27,345
Other	408	678
Total deferred tax assets	58,195	71,921
Less valuation allowance	(46,714)	(59,292)
Total deferred tax assets less valuation allowance	11,481	12,629
Deferred tax liabilities:		
Inventory	5,618	6,177
Property, plant and equipment	31,123	24,081
Other	2,858	5,665
Total deferred tax liabilities	39,599	35,923
Net deferred tax liability	$28,118	$23,294

The Company has established valuation allowances primarily for net operating losses, deferred losses on the sale of subsidiaries as well as postretirement and pension costs as follows:

	Successor	
	December 31, 1996	December 31, 1997
Summary of valuation allowances:		
Cumulative net operating losses	$15,817	$27,345
Deferred loss on sale of subsidiaries	7,907	7,907
Accrued postretirement and pension benefit costs	18,122	17,104
Other	4,868	6,936
Total valuation allowance	$46,714	$59,292

The total valuation allowances relating to acquired businesses amount to $38,785 and $35,524 at December 31, 1996 and 1997, respectively. Future reductions of these valuation allowances will be credited to goodwill.

At December 31, 1997, the Company had net operating loss carryforwards for income tax purposes of (i) $45,939 related to U.S. federal net operating losses of which $4,376 expires in 2011 and $41,563 expires in 2012, (ii) $51,832 related to U.S. state net operating losses which expire in varying amounts through 2012, (iii) $15,595 related to foreign net operating losses with no expiration date and (iv) $14,205 related to foreign net operating losses which expire in varying amounts through 2003.

Note 14
OTHER CHARGES (INCOME), NET

Other charges (income), net consists primarily of foreign currency transactions, interest income and charges related to the Company's restructuring programs. Foreign currency transactions, net for the year ended December 31, 1995, for the period January 1, 1996 to October 14, 1996, for the period October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997 were $(3,242), $(220), $8,324 and $4,235, respectively. Interest income for the year ended December 31, 1995, for the period January 1, 1996 to October 14, 1996, for the period October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997 was $(5,388), $(3,424), $(1,079) and $(1,832), respectively.

Severance and other exit costs for the period January 1, 1996 to October 14, 1996 of $1,872 represent employee severance of $1,545 and other exit costs of $327 associated with the closing of its Westerville, Ohio facility. Severance costs for the period October 15, 1996 to December 31, 1996 principally represent employee severance benefits associated with (i) the Company's general headcount reduction programs in Europe and North America of $4,557 which were announced during such period and (ii) the realignment of the analytical and precision balance business in Switzerland of $6,205 which was announced in December 1996. In connection with such programs, the Company reduced its workforce by 168 employees in 1996.

The Company recorded further restructuring charges of $6,300 during 1997. Such charges are in connection with the closure of three facilities in North America and are comprised primarily of severance and other related benefits and costs of exiting facilities, including lease termination costs and write-down of existing assets to their expected net realizable value. In connection with the closure of these facilities, the Company expects to involuntarily terminate approximately 70 employees. The Company is undertaking these actions as part of its efforts to reduce costs through reengineering.

A rollforward of the components of the Company's accrual for restructuring activities is as follows:

Balance at December 31, 1996	$10,762
1997 Activities:	
Restructuring accrual for North American operations	6,300
Reductions in workforce and other cash outflows	(7,182)
Non-cash write-downs of property, plant and equipment	(540)
Impact of foreign currency	(582)
Balance at December 31, 1997	$ 8,758

The Company's accrual for restructuring activities of $8,758 at December 31, 1997 primarily consisted of $6,544 for severance and other related benefits with the remaining balance for lease termination and other costs of exiting facilities. Such programs are expected to be substantially complete in 1998.

Note 15
COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain of its facilities and equipment under operating leases. The future minimum lease payments under non-cancelable operating leases are as follows at December 31, 1997:

1998	$12,006
1999	8,565
2000	5,771
2001	4,023
2002	3,296
Thereafter	1,856
Total	$35,517

Rent expense for operating leases amounted to $13,034, $3,430 and $16,420 for the period January 1, 1996 to October 14, 1996, for the period October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997, respectively.

Legal

The Company is party to various legal proceedings, including certain environmental matters, incidental to the normal course of business. Management does not expect that any of such proceedings will have a material adverse effect on the Company's financial condition or results of operations.

Note 16
GEOGRAPHIC SEGMENT INFORMATION

The following tables show the Company's operations by geographic region. Transfers between geographic regions are priced to reflect consideration of market conditions and the regulations of the countries in which the transferring entities are located.

GEOGRAPHIC SEGMENT INFORMATION (continued)

	Net sales by destination	Net sales by origin	Transfers between geographic areas	Total net sales by origin	Earnings (loss) before taxes
Twelve months ended December 31, 1995					
Switzerland [(1)]	$ 41,820	$102,712	$ 159,453	$262,165	$11,431
Germany	151,974	158,393	47,379	205,772	9,626
Other Europe	247,802	228,939	799	229,738	1,780
Total Europe	441,596	490,044	207,631	697,675	22,837
United States	263,945	298,053	29,578	327,631	(1,353)
Other Americas	52,966	32,732	131	32,863	905
Total Americas	316,911	330,785	29,709	360,494	(448)
Asia and other	91,908	29,586	97	29,683	1,861
Eliminations	—	—	(237,437)	(237,437)	3,554
Totals	$850,415	$850,415	$ —	$850,415	$27,804
For the period January 1, 1996 to October 14, 1996					
Switzerland [(1)]	$ 32,282	$ 74,303	$ 126,423	$200,726	$21,241
Germany	104,961	114,015	35,583	149,598	8,292
Other Europe	186,823	171,061	840	171,901	591
Total Europe	324,066	359,379	162,846	522,225	30,124
United States	217,636	246,180	22,753	268,933	(1,577)
Other Americas	47,473	25,925	3	25,928	1,078
Total Americas	265,109	272,105	22,756	294,861	(499)
Asia and other	73,046	30,737	265	31,002	686
Eliminations	—	—	(185,867)	(185,867)	(5,158)
Totals	$662,221	$662,221	$ —	$ 662,221	$25,153

	Net sales by destination	Net sales by origin	Transfers between geographic areas	Total net sales by origin	Earnings (loss) before taxes [(2)]	Total Assets
For the period October 15, 1996 to December 31, 1996						
Switzerland [(1)]	$ 8,415	$ 15,892	$ 39,570	$ 55,462	$(108,865)	$ 432,387
Germany	29,688	29,117	10,965	40,082	(6,041)	170,845
Other Europe	58,598	59,688	485	60,173	(5,809)	126,063
Total Europe	96,701	104,697	51,020	155,717	(120,715)	729,295
United States	56,405	64,109	6,731	70,840	(37,293)	477,762
Other Americas	13,436	7,371	3	7,374	(446)	17,730
Total Americas	69,841	71,480	6,734	78,214	(37,739)	495,492
Asia and other	20,370	10,735	28	10,763	(2,267)	48,245
Eliminations	—	—	(57,782)	(57,782)	645	(501,144)
Totals	$186,912	$186,912	$ —	$ 186,912	$(160,076)	$ 771,888
Twelve months ended December 31, 1997						
Switzerland [(1)]	$ 34,555	$ 69,700	$186,292	$ 255,992	$ 31,621	$ 430,436
Germany	115,665	123,382	51,502	174,884	5,519	144,660
Other Europe	245,945	232,105	10,857	242,962	(16,441)	337,720
Total Europe	396,165	425,187	248,651	673,838	20,699	912,816
United States	297,688	335,630	32,009	367,639	(14,176)	589,775
Other Americas	71,403	37,330	165	37,495	(3,245)	32,941
Total Americas	369,091	372,960	32,174	405,134	(17,421)	622,716
Asia and other	113,159	80,268	1,834	82,102	1,413	63,453
Eliminations	—	—	(282,659)	(282,659)	(10,643)	(849,672)
Totals	$878,415	$878,415	$ —	$ 878,415	$ (5,952)	$ 749,313

(1) Includes Corporate.

(2) The period October 15, 1996 to December 31,1996 includes the effect of non-recurring Acquisition charges arising from in-process research and development projects ($114,100) and the revaluation of inventories to fair value ($32,200) which are comprised by region as follows: Europe, $108,100; Americas, $36,000; and Asia/Rest of World, $2,200.

Note 17
QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for the years 1996 and 1997 are as follows:

	First Quarter	Second Quarter (1)	Third Quarter	Fourth Quarter (2)
1996				
Net sales	$201,373	$222,429	$200,391	$ 224,940
Gross profit	80,394	91,204	79,013	66,463
Net income (loss)	$ 929	$ 9,078	$ 3,129	$(157,721)
1997				
Net sales	$197,402	$220,412	$215,929	$ 244,672
Gross profit	83,282	97,016	94,365	110,272
Net income (loss) before extraordinary items	(1,122)	(25,613)	(284)	3,110
Extraordinary items	—	(9,552)	—	(31,645)
Net income (loss)	$ (1,122)	$(35,165)	$ (284)	$ (28,535)
Basic earnings (loss) per common share:				
Earnings (loss) before extraordinary items	$ (0.04)	$ (0.84)	$ (0.01)	$ 0.09
Extraordinary items	—	(0.31)	—	(0.92)
Net loss	$ (0.04)	$ (1.15)	$ (0.01)	$ (0.83)
Diluted earnings (loss) per common share:				
Earnings (loss) before extraordinary items	$ (0.04)	$ (0.84)	$ (0.01)	$ 0.09
Extraordinary items	—	(0.31)	—	(0.88)
Net loss	$ (0.04)	$ (1.15)	$ (0.01)	$ (0.79)
Market price per share (3)				
High	—	—	—	18 3/4
Low	—	—	—	14 1/16

(1) The financial data for the second quarter of 1997 includes charges in connection with the Safeline Acquisition, as discussed in Note 3, for the sale of inventories revalued to fair value of $2,054 and in-process research and development of $29,959. The second quarter also includes extraordinary charges for the write-off of capitalized debt issuance fees of $9,552 as discussed in Note 9.

(2) The financial data for the fourth quarter of 1996 represents the Company's combined results of operations for the period from October 1, 1996 to October 14, 1996 and for the period from October 15, 1996 to December 31, 1996. The period from October 15, 1996 to December 31, 1996 includes charges in connection with the Acquisition, as discussed in Note 1, for the sale of inventories revalued to fair value of $32,194 and in-process research and development of $114,070. The fourth quarter 1997 data includes charges for the early extinguishment of debt and the write-off of capitalized debt issuance fees totaling $31,645 as further discussed in Note 9.

(3) The Company's shares began trading on the New York Stock Exchange on November 14, 1997.

Selected Financial Data

The following selected historical financial information at December 31, 1994, 1995, 1996 and 1997, for the years ended December 31, 1993, 1994 and 1995, for the period from January 1, 1996 to October 14, 1996, for the period from October 15, 1996 to December 31, 1996 and for the year ended December 31, 1997 is derived from the Company's financial statements, which were audited by KPMG Fides Peat, independent auditors. The financial information for all periods prior to October 15, 1996, the date of the Acquisition, is combined financial information of the Mettler-Toledo Group (the "Predecessor Business"). The combined historical data of the Predecessor Business and the consolidated historical data of the Company are not comparable in many respects due to the Acquisition and the Safeline Acquisition. See Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes included herein. The following financial information was prepared in accordance with generally accepted accounting principles in the United States.

Selected Financial Data (continued)

	Predecessor Business				Mettler-Toledo International Inc.	
	Year Ended December 31,			January 1 to October 14,	October 15 to December 31,	Year Ended December 31,
(In thousands, except per share data)	1993	1994	1995	1996	1996	1997
Statement of Operations Data:						
Net sales	$728,958	$769,136	$850,415	$662,221	$ 186,912	$878,415
Cost of sales	443,534	461,629	508,089	395,239	136,820 (b)	493,480 (d)
Gross profit	285,424	307,507	342,326	266,982	50,092	384,935
Research and development	46,438	47,994	54,542	40,244	9,805	47,551
Selling, general and administrative	209,692	224,978	248,327	186,898	59,353	260,397
Amortization	2,917	6,437	2,765	2,151	1,065	6,222
Purchased research and development	—	—	—	—	114,070 (c)	29,959 (e)
Interest expense	15,239	13,307	18,219	13,868	8,738	35,924
Other charges (income), net (f)	14,110	(7,716)	(9,331)	(1,332)	17,137	10,834
Earnings (loss) before taxes, minority interest and extraordinary items	(2,972)	22,507	27,804	25,153	(160,076)	(5,952)
Provision for taxes	3,041	8,676	8,782	10,055	(938)	17,489
Minority interest	1,140	347	768	637	(92)	468
Earnings (loss) before extraordinary items	(7,153)	13,484	18,254	14,461	(159,046)	(23,909)
Extraordinary items – debt extinguishments	—	—	—	—	—	(41,197) (g)
Net earnings (loss)	$ (7,153)	$ 13,484	$ 18,254	$ 14,461	$(159,046)	$ (65,106)
Basic and diluted loss per common share (h):						
Loss per common share before extraordinary items					$ (5.18)	$ (0.76)
Extraordinary items					—	(1.30)
Loss per common share					$ (5.18)	$ (2.06)
Weighted average number of common shares					30,686,065	31,617,071
Balance Sheet Data (at end of period) (a):						
Cash and cash equivalents		$ 63,802	$ 41,402		$ 60,696	$ 23,566
Working capital		132,586	136,911		103,697	79,163
Total assets		683,198	724,094		771,888	749,313
Long-term third party debt		862	3,621		373,758	340,334
Net borrowing from Ciba and affiliates (i)		177,651	203,157		—	—
Other long-term liabilities (j)		83,964	84,303		96,810	91,011
Shareholders' equity (k)		228,194	193,254		12,426	25,399

(a) Balance sheet information at December 31,1993 is not available.

(b) In connection with the Acquisition, the Company allocated $32,194 of the purchase price to revalue certain inventories (principally work-in-progress and finished goods) to fair value (net realizable value). Substantially all such inventories were sold during the period October 15,1996 to December 31,1996.

(c) In connection with the Acquisition, the Company allocated, based upon independent valuations, $114,070 of the purchase price to purchased research and development in process. This amount was recorded as an expense immediately following the Acquisition.

(d) In connection with the Safeline Acquisition, the Company allocated $2,054 of the purchase price to revalue certain inventories (principally work-in-progress and finished goods) to fair value (net realizable value). Substantially all such inventories were sold during the second quarter of 1997.

(e) In connection with the Safeline Acquisition, the Company allocated, based upon independent valuations, $29,959 of the purchase price to purchased research and development in process. This amount was recorded as an expense immediately following the Safeline Acquisition.

(f) Other charges (income), net generally includes interest income, foreign currency transactions (gains) losses, (gains) losses from sales of assets and other charges (income). In 1993, the amount shown includes costs associated with the closure of a manufacturing facility in Cologne, Germany, the restructuring of certain manufacturing operations and an early retirement program in the United States. For the period January 1, 1996 to October 14,1996, the amount shown includes employee severance and other exit costs associated with the closing of the Company's Westerville, Ohio facility. For the period October 15,1996 to December 31,1996, the amount shown includes employee severance benefits associated with the Company's general headcount reduction programs in Europe and North America and the realignment of the analytical and precision balance business in Switzerland. For the period ended December 31,1997, the amount shown includes a restructuring charge of $6,300 to close three facilities in North America. See Note 14 to the consolidated financial statements included herein.

(g) Represents charges for the write-off of capitalized debt issuance fees and related expenses associated with the Company's previous credit facilities as well as the prepayment premium on the Senior Subordinated Notes and the write-off of the related capitalized debt issuance fees.

(h) Effective December 31,1997, the Company adopted the Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). Accordingly, basic and diluted loss per common share data for each period presented have been determined in accordance with the provisions of SFAS 128. Outstanding options to purchase shares of common stock were not included in the computation of diluted loss per common share for the periods ended December 31,1996 and 1997, as the effect is antidilutive.

(i) Includes notes payable and long-term debt payable to Ciba and affiliates less amounts due from Ciba and affiliates.

(j) Consists primarily of obligations under various pension plans and plans that provide postretirement medical benefits. See Note 12 to the consolidated financial statements included herein.

(k) Shareholders' equity for the Predecessor Business consists of the combined net assets of the Mettler-Toledo Group.

Corporate Information

CORPORATE OFFICES

Mettler-Toledo International Inc.
Im Langacher
P.O. Box MT-100
CH-8606 Greifensee, Switzerland
+41-1-944 22 11
Fax +41-1-944 30 60

STOCK EXCHANGE

Shares of Mettler-Toledo International Inc. common stock are traded on the New York Stock Exchange under the listing MTD.

DIVIDEND POLICY

The Company has never paid any dividends on its common stock. The Company presently intends to retain earnings to finance the operations and expansion of its business and therefore does not anticipate paying any cash dividends in the foreseeable future.

TRANSFER AGENT AND REGISTRAR

ChaseMellon Shareholder Services L.L.C. acts as primary Transfer Agent and Registrar for the Company. Questions on change of ownership, total shares owned, consolidation of accounts and other such matters should be sent to:

ChaseMellon Shareholder Services
85 Challenger Road
Ridgefield Park, New Jersey 07660
1-800-851-9677
1-201-329-8660
http://www.chasemellon.com

INDEPENDENT AUDITORS

KPMG, Zurich, Switzerland, is the independent public accounting firm for the Company.

ANNUAL MEETING

The annual meeting of shareholders will be held at 10:00 a.m. on Monday, May 18, 1998 at Chase Securities Inc., 270 Park Avenue, New York, New York 10017. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about March 31, 1998.

INTERNET

Company and product information is available at our World Wide Web site at the following address:

http://www.mt.com

TRADEMARKS

The following registered and unregistered trademarks, found in this annual report, are among those used by METTLER TOLEDO: Mettler Toledo, Mettler, Safeline, FACT, MIRA, Jaguar, PILAR, Tiger, MonoBloc and Ohaus.

FORM 10-K

Mettler-Toledo International Inc.'s Form 10-K filed with the Securities and Exchange Commission for the year ended December 31,1997 is available to shareholders upon written request to the Investor Relations Department at the corporate offices.

INVESTOR RELATIONS

Security analysts, investment professionals and shareholders should direct their business-related inquiries and requests for information to:

William P. Donnelly, Chief Financial Officer
+41-1-944 22 62

WORLDWIDE FACILITIES

Europe

Vienna, Austria
Lot, Belgium
Zagreb, Croatia
Prague, Czech Republic
Glostrup, Denmark
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Leicester, England
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Viroflay, France
Albstadt, Germany
Giesen, Germany
Giessen, Germany
Steinbach, Germany
Budapest, Hungary
Novate Milanese, Italy
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Oslo, Norway
Warsaw, Poland
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Ljubljana, Slovenia
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Schwerzenbach, Switzerland
Urdorf, Switzerland
Uznach, Switzerland

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Hightstown, New Jersey
Ithaca, New York
Worthington, Ohio
Spartanburg, South Carolina
Franksville, Wisconsin

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Alphaville, Brazil

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Melbourne, Australia
Changzhou, China
Shanghai, China
Hong Kong, Hong Kong
Bombay, India
Osaka, Japan
Petaling Jaya, Malaysia
Singapore, Singapore
Seoul, South Korea
Taipei, Taiwan
Bangkok, Thailand

Board of Directors

PHILIP CALDWELL
Chairman of the Board*
Senior Managing Director, Lehman Brothers Inc.;
Retired Chairman of the Board and Chief Executive Officer,
Ford Motor Company
Director since 1996

REGINALD H. JONES[2]
Retired Chairman of the Board and Chief Executive Officer,
General Electric Company
Director since 1996

JOHN D. MACOMBER[1]
Principal, JDM Investment Group;
Former Chairman and President,
Export-Import Bank of the United States
Director since 1996

JOHN M. MANSER
Treasurer,
Novartis International AG
Director since 1996

LAURENCE Z.Y. MOH[2]
Chairman Emeritus,
Universal Furniture Limited
Director since 1996

THOMAS P. SALICE[1, 2]
Managing Director,
AEA Investors Inc.
Director since 1996

ROBERT F. SPOERRY
President and Chief Executive Officer*
Director since 1996

ALAN W. WILKINSON[1]
Managing Director,
AEA Investors Inc.
Director since 1996

[1] Member of the Audit Committee
[2] Member of the Compensation Committee

*As of May 18, 1998, Robert F. Spoerry, President and Chief Executive Officer, will become Chairman of the Board. Philip Caldwell will step down as Chairman, but will remain a member of the Board.

Corporate Officers

LUKAS BRAUNSCHWEILER
Head, Industrial and Retail, Europe

PETER BÜRKER
Head, Human Resources

WILLIAM P. DONNELLY
Chief Financial Officer

KARL M. LANG
Head, Laboratory Division

JOHN D. ROBECHEK
Head, Industrial and Retail, Americas

THOMAS RUBBE
Head, Logistics and Information Systems

ROBERT F. SPOERRY
President and Chief Executive Officer

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