Essential to Everyday Life

Annual Report 2002

METTLER TOLEDO

Essential to Everyday Life

Contents

Eating breakfast, driving to work, grocery shopping, treating a headache...you might not realize it, but METTLER TOLEDO plays an essential role in each of these everyday scenarios. That's because our precision instruments ensure the quality and integrity of a great number of the products you rely on each day.

Examples include our drug discovery and industrial instruments that help develop and produce pharmaceuticals according to exact specifications; our analytical instruments that ensure you get consistent taste from beverages and dependable performance from cosmetics; our metal detection and check-weighing equipment that guarantee the purity and quantity of your food packages; and our food retailing systems that help grocers offer you the freshest foods at correct prices.

Our support of such fundamental products, combined with our market leadership positions and our strong pipeline of new products, is an important reason why our franchise continues to grow stronger.

Portions of this report may contain "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements 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.

Financial Highlights

(Dollars in thousands, except per share data)

For the Years Ended December 31,	2002	2001	2002 Highlights
Net sales	$1,213,707	$1,148,022	3% growth in local currencies
Adjusted operating income [a]	$165,153	$165,064	consistent profitability level
Adjusted operating margin	13.6%	14.4%	14.4% on constant currency basis
Earnings per share [b]	$2.15	$2.02	flat on comparable basis [c]
Net debt to EBITDA	1.5	1.8	strong financial flexibility
Free cash flow [d]	$95,199	$82,374	16% growth

[a] Adjusted operating income represents gross profit less research and development and selling, general and administrative expenses and excludes amortization, other charges (income) and non-recurring costs.

[b] Diluted earnings per common share before non-recurring items such as acquisition charges and significant restructuring charges.

[c] The adoption of SFAS 142 would have had the effect of increasing EPS to $2.16 in 2001.

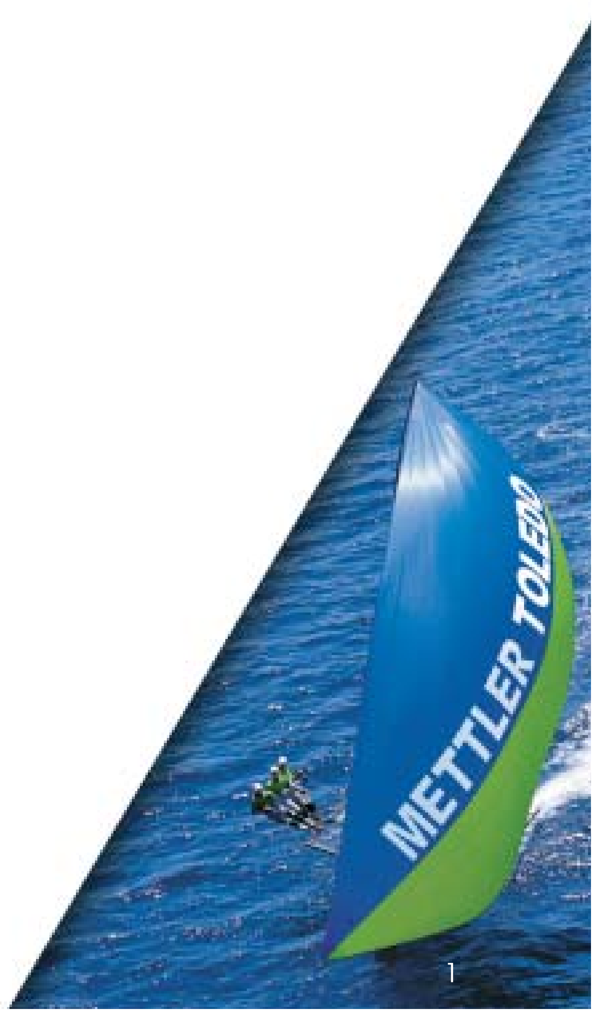
[d] Free cash flow represents cash flow after working capital changes, capital expenditures and taxes and before restructuring payments and acquisitions.

METTLER TOLEDO is a leading global provider of precision instruments and services. We are the world's largest manufacturer of weighing solutions for laboratory, industrial and retail applications.

Within our laboratory offering, we are a market leader in two of the most frequently used instruments in a lab – balances and pipettes. We hold top-three market positions in several related analytical instruments, including titrators, pH meters and thermal analysis. And we are a top provider of automated chemistry systems used in drug discovery. Our industrial instruments range from terminals and weighing sensors for production and quality control to end-of-line inspection systems for packaged goods, where we lead the market. For food retailers, we offer PC-based networked solutions for the management of fresh goods.

Central to our offerings is our application-oriented software, which processes data from our instruments and integrates it into customers' information technology systems. Our global services network – one of the most comprehensive in the industry – assists our customers with everything from calibrating instruments to ensuring compliance with FDA regulations to managing instrument asset portfolios.

Headquartered in Greifensee, Switzerland, METTLER TOLEDO has manufacturing and sales and service operations throughout Europe, the Americas and Asia. We have a talented work force of approximately 8,500 people worldwide.



Dear Fellow Investor

We join many businesses in characterizing 2002 as a year of economic adversity. Customers in many of our markets decreased their spending. In addition, we experienced a significant one-time decline in our food retailing business in Europe, following 2001's high pace of activity from required euro conversions.

Despite these challenges, we were able to create many positives that uplifted our business and will do so for years to come. Most notable are our continued emphasis on new product development, our expanded service offering, the global rollout of RAININ pipettes, improvements to our cost structure and our excellent level of cash flow. I'll discuss each further in this letter.

In this annual report, we bring METTLER TOLEDO directly to your doorstep by showing you how our instruments are essential to your everyday life. Our principal end markets of pharmaceutical and food – together with other markets such as cosmetics and automotive – provide the products you use daily. And these manufacturers rely on our instruments in their development and/or production processes to ensure the quality and integrity of those end products. Simply put, our instruments help give you trust in products ranging from your cereal to your car. We assert that our link to your daily life is a key reason for the fundamental strength of our franchise. In the pages that follow, we hope you enjoy reading about our role with some of the world's best-known products.

A Trying but Telling 2002

The negative economic environment affected all of our end markets to some degree.

Our laboratory business was hindered by slower growth in R&D spending, particularly by our pharmaceutical customers. Even so, we were able to achieve moderate organic growth. RAININ added significant revenues, with its proprietary Lite Touch System (LTS) pipettes continuing to gain market share. We also put in place a sales and service network and the infrastructure necessary to expand RAININ products in Europe.

In our industrial business, results were adversely impacted by declining output in the manufacturing sector and corresponding lower capital investment. Nevertheless, sales were only down modestly from 2001. We saw signs of this market bottoming out toward the end of last year.

Our food retail business had mixed results. We performed very well in North America, but suffered a sharper-than-expected drop in Europe, following completion of euro conversions in 2001. Of course, the latter is a one-time effect, which will be behind us after the first quarter of 2003. In a strategic move to broaden our food retail offering, we acquired SofTechnics, which expands our software capabilities for the management of fresh goods.

Due to the economy's downward pull on all our markets, our overall performance was not what we would have hoped for a year ago. However, we were able to achieve modest sales growth, further extend our market leadership, maintain consistent profitability and generate excellent cash flow. We believe that our accomplishments under such trying circumstances underscore the strength of our franchise and indicate that we are well prepared for the future.

Robert F. Spoerry

Measurable Progress

Let me review our progress in key areas.

Our product pipeline is very strong as a result of our record investment in R&D. Of particular note are our numerous new products in drug discovery. Here we are focusing on bringing much-needed automation to the bench chemist and speeding up the process development phase. For example, for the bench chemist, we introduced personal workstations with smaller, less complex and easier-to-use instruments that offer new automation capabilities for increased efficiency. Our new automated lab reactor features multiple, smaller vessels to conduct more parallel chemical reactions; enhanced in-situ analysis capabilities to monitor chemical reactions; and the ability to further automate through robotics. We are convinced that making similar strategic investments throughout our businesses, even during less-than-ideal times, will assure us of continued technological and market leadership.

In another area of distinct leadership, we successfully expanded our service business with new value-added services, such as those to help our pharmaceutical customers comply with FDA and other regulations. Our unique services give vital assurance of compliance to customers who are increasingly concerned about the potential magnitude of FDA fines and penalties and who are struggling with a shortage of technical personnel. Our unmatched worldwide presence provides this assurance to customers wherever they are located.

To further penetrate our markets, we piloted a market management initiative, which is based on a customer-centered approach and involves a careful segmentation of our end-user markets. Based on this, we can hone R&D efforts and design products and applications precisely tailored to the needs of our end users. With a comprehensive database on possible customers, we can also be more strategic in the deployment of our field resources and more targeted in our communications.

Another highlight of the year was our business in Asia, which enjoyed strong sales growth. We launched many new products there for both domestic and export markets. And we benefited from the increasing investments of our customers in the region, especially in China, which is undergoing an investment boom. We also reinforced our leading market position by investing in technical and product development capabilities, including opening a new factory in China to accommodate higher volume and benefit from low-cost manufacturing.

Internally, we undertook decisive actions to permanently eliminate $15 million to $20 million of costs from our operating structure. We initiated these steps early in the year, as it became evident that the economy was remaining weak. Our actions included closing one plant in the United States and one in France and transferring production to China. Significantly, we were able to cut costs with minimal impact on R&D, sales and service. We realized about a third of these savings last year, with slightly more expected in 2003 and the remainder in 2004. We are also seeing ongoing savings from our global procurement initiative.

In another area of internal strengthening, we refined corporate governance processes throughout our operations. While receiving new scrutiny in 2002, corporate governance has always been a priority for us. We continued to tighten our procedures by requiring each of our global operating units to certify results. Furthermore, our board members and auditors are completely independent.

Respectable Results

Given the economic environment and decreased spending by our customers, we believe we performed respectably in 2002.

Sales of $1.214 billion represented a 3 percent increase in local currency sales and a 6 percent increase in reported sales over 2001. Driving these results were our drug discovery, analytical instruments, process analytics, RAININ and U.S. food retailing businesses, as well as our Asian operations. As expected, our European food retailing business experienced a sharp decline compared with the previous year, when retailers were required to install new equipment to accommodate the changeover to the euro. Overall, in local currency sales, our business increased 16 percent in the Americas and 10 percent in Asia and the rest of the world and declined 10 percent in Europe.

Earnings per share, before non-recurring items on a diluted basis, were $2.15 – essentially flat compared with $2.16 in 2001, which is before non-recurring items and adjusted for the new goodwill accounting standard. Earnings per share, before non-recurring items, actually increased 6 percent over 2001's reported amount.

Operating income before amortization and restructuring charges was $165.2 million, or 13.6 percent of sales, compared with $165.1 million, or 14.4 percent of sales, in 2001. On a comparable currency basis, operating margins were flat at 14.4 percent.

Cash flow generation was again outstanding. Even after making a one-time pension payment and maintaining a stable level of capital expenditures, our free cash flow for the year increased 16 percent over 2001. We saw improvement in working capital efficiency, but are also determined to pursue further improvement.

Our Take on 2003

We expect the world economy to continue to be challenging in 2003. The strength and timing of the recovery is in question, and the possibility of further political turmoil exists. With modest sales growth and the benefits from last year's restructuring, we expect to achieve relatively strong growth in EPS.

Our approach is clear. We will continue to build our market leadership with many new product launches, thanks to record R&D investments over the last several years. Based on the successful pilot in our process analytics business, we will roll out our market management initiative to all business units. We will benefit from the cost savings achieved through our restructuring and procurement initiatives. We will further expand our service capabilities by offering consultative service programs. And we will rise to vigorous demand in Asia by broadening our laboratory and packaging offerings, and we will continue to move production to China as part of our low-cost manufacturing strategy.

In light of all this, we are resolute in our belief that METTLER TOLEDO is stronger today than we were one year ago. As we review the year's events and activities, what stands out is our enhanced market position, continued technological leadership, tighter cost structure and stronger capital structure. We have every reason to believe that we will be able to make the same statement one year from now.

We want to thank our shareholders for their trust and loyalty even during difficult economic times. We also want to extend our thanks to our customers for giving us their ongoing business and honoring us with strategic relationships. Certainly, our heartiest thanks go to our employees. We recognize that all the achievements of the last year resulted from their hard work and dedication. Without their creativity and commitment, we could not have met the ever-increasing demands upon us.

Special acknowledgment goes to Reginald Jones, who retired from our Board this year. Reg had been with us since our spin-off from Ciba Geigy in 1996 and brought a wealth of leadership and counsel to METTLER TOLEDO.

We hope you enjoy the remainder of our report. Specifically, we hope you discover how METTLER TOLEDO is dedicated to bringing high quality and integrity to your daily life in myriad ways.

Sincerely,

Robert F. Spoerry
Chairman, President and Chief Executive Officer

March 14, 2003

Our Solutions

Essential to Customers Worldwide

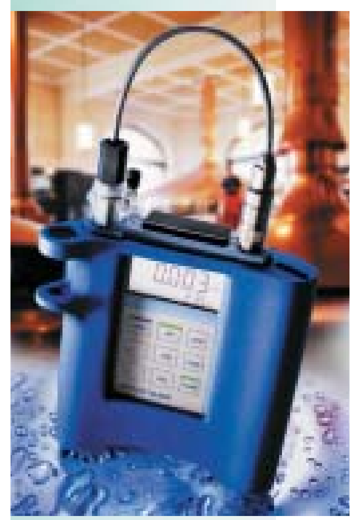
Laboratory Solutions

Laboratory Instruments - Our laboratory instruments are the foundations of research laboratories all over the world. Balances and pipettes are among the most commonly used instruments in the lab, and we hold leading positions in both. In addition, scientists turn to our analytical instruments, such as titrators and thermal analysis, when they need details on composition or properties of liquids or substances. Information generated by our instruments can be analyzed and managed in our application-specific software and interfaced with our customers' information systems.

Drug Discovery - We shorten time-to-market for life sciences customers by accelerating the synthesis, purification and process research and development of drug candidates through integration, automation and sophisticated software solutions.

Process Analytics

Our in-line instruments for measuring critical liquid parameters, such as pH and oxygen levels and water conductivity and resistivity, enable pharmaceutical, biotech and other process companies to continuously ensure product quality and meet regulatory standards.



METTLER TOLEDO has strong worldwide leadership positions. More than 80 percent of our instrument sales are from products that are global leaders in their segment. We have one of the most expansive global sales and service organizations among precision instrument companies, with 4,380 or more than one-half of our employees providing sales and service in 37 countries. In R&D, more than 800 professionals work daily on maintaining our innovative lead, with more than 60 percent of them focused on electronic hardware and software.

Packaging Control Systems

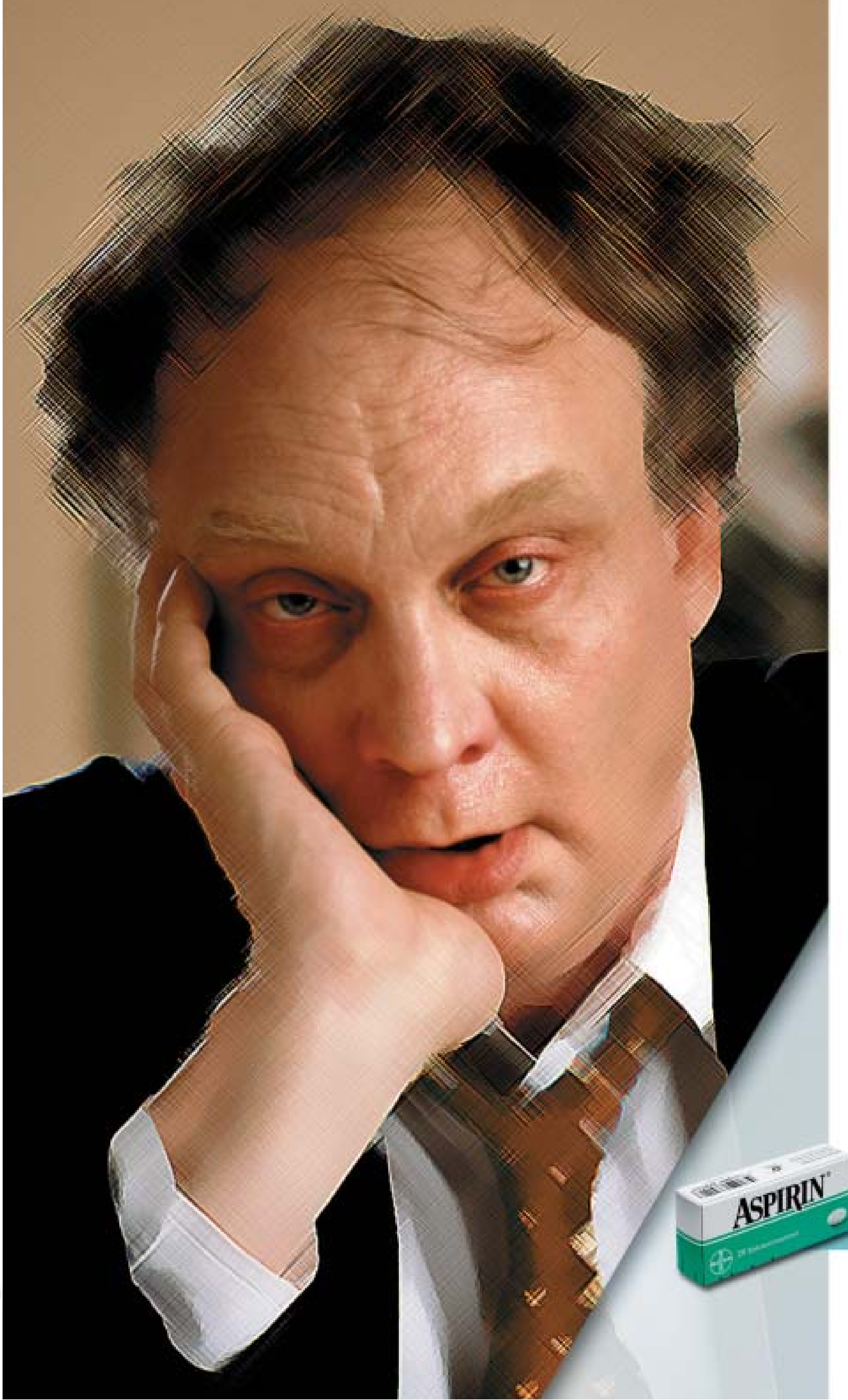
Integrated packaging lines in food, beverage and pharmaceutical companies use our instruments for dynamic quality and quantity control. We ensure the quality of contents through metal detection and x-ray visioning, and we ensure the integrity of packages through check-weighing and automated combination weighers.

Industrial Instruments

Our instruments and software combine to meet manufacturing production and quality control needs. We offer weighing sensors, scale terminals and software to control automated manufacturing, and versatile instruments that dispense and formulate, fill and batch, weigh and count. For express carriers, in-motion weighing and dimensioning solutions speed throughput and increase revenue.

Retail Solutions

From food retailers' receiving docks to their checkout counters, we enhance efficient handling of fresh goods with weighing, packaging, pricing, wrapping and labeling solutions. Our software solutions enable retailers to optimally manage both fresh and nonperishable goods. Moreover, our Internet-enabled scale allows retailers to remotely manage prices, inventory, promotions and more.


ASPIRIN

You've got a crushing headache. You instinctively grab two Aspirin tablets, trusting they have what you need to help you regain control of your day.

Thanks to METTLER TOLEDO's industrial instruments, you can be sure that the right ingredients in the precise amounts went into making each tablet one you can count on to reduce your pain. Our scales and analytical instruments are used throughout the entire pharmaceutical production process, from checking the attributes of raw materials, to weighing ingredients for production batches, to running quality tests of the final product.

Many pharmaceutical companies also rely on our formulation software to ensure adherence to a "recipe" and to link material consumption, production and quality data directly into their enterprise resource planning systems.

In addition, our instruments are used in pharmaceutical labs to research and develop new formulations for pain relievers, cold tablets, cough syrups and a tremendous variety of medicines and prescription drugs. Our sophisticated automated instruments dramatically reduce the time it takes to discover and develop new chemical compounds. Together, our instruments enable customers to eliminate bottlenecks, streamline processes and run multiple investigations concurrently in their quest to bring you effective new medicines. Our record number of new products in drug discovery features a range of automated personal workstations specifically for bench chemists who typically have little automation at their disposal.

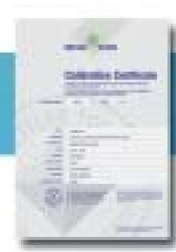
Of increasing importance, we also offer our customers a suite of services to help them meet the rigorous quality and safety requirements of governmental agencies such as the FDA. Pharmaceutical companies turn to METTLER TOLEDO for assistance in instrument qualification, software validation, software maintenance, preparation of compliance documents and training to assist in achieving these standards and to augment smaller technical staffs. Due to our expertise and our worldwide service force, we are uniquely positioned to provide these services to our global customers.

The Right Remedy

Our industrial instruments oversee that the right ingredients in the exact quantities go into forming each tiny, powerful pill.

MultiMax automated lab reactor for drug discovery

Industrial terminal and formulation software



Services for FDA compliance and more


Kellogg's
Honey Crunch
CORN
FLAKES

Your morning is chaotic again. But, understanding the importance of breakfast, you take time to pour cereal for your family, confident that it will keep them happy, healthy and energized.

On the production line, the contents of that box of cereal and countless more have been inspected by METTLER TOLEDO's metal detection equipment to reduce any risk of contamination. The leader in end-of-line metal detection, we continue to create innovations by thinking outside the "box." Our new "throat" detectors are highly sensitive metal detectors that can operate in small spaces on the production line without interference from nearby machinery. These detectors also give manufacturers the flexibility to use specialized packaging materials and to add promotional items that would not be possible with traditional metal detectors. This patented technology is being used in every Kellogg's cereal-producing plant in Europe.

Our checkweighing equipment monitors the weight of your packaged food, making sure you get the amount you pay for at the store. It also protects manufacturers from losing profits by making sure they don't "give away" product.

Food manufacturers are also using our new x-ray visioning technology on the packaging line to check for other foreign contaminants such as glass or bone, ensure the correct number of items in a container, detect broken items or even assess the percentage of fat in meat products. In addition, our FreeWeigh.Net software helps these manufacturers verify compliance with quality standards and government regulations, find packaging or production flaws and remotely monitor package characteristics.

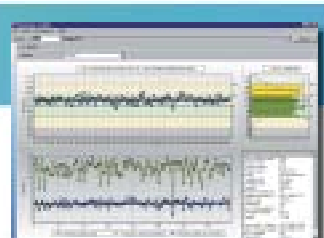
Chances are METTLER TOLEDO played a major role in the packaging of most foods on your breakfast, lunch *and* dinner table. Beyond packaging, our laboratory instruments are used in the research and quality control of many food products, and our industrial instruments are facilitating their production. In a multitude of ways, we are helping food and beverage manufacturers meet quality and freshness standards and, in turn, give you healthy food choices.

Pure Goodness

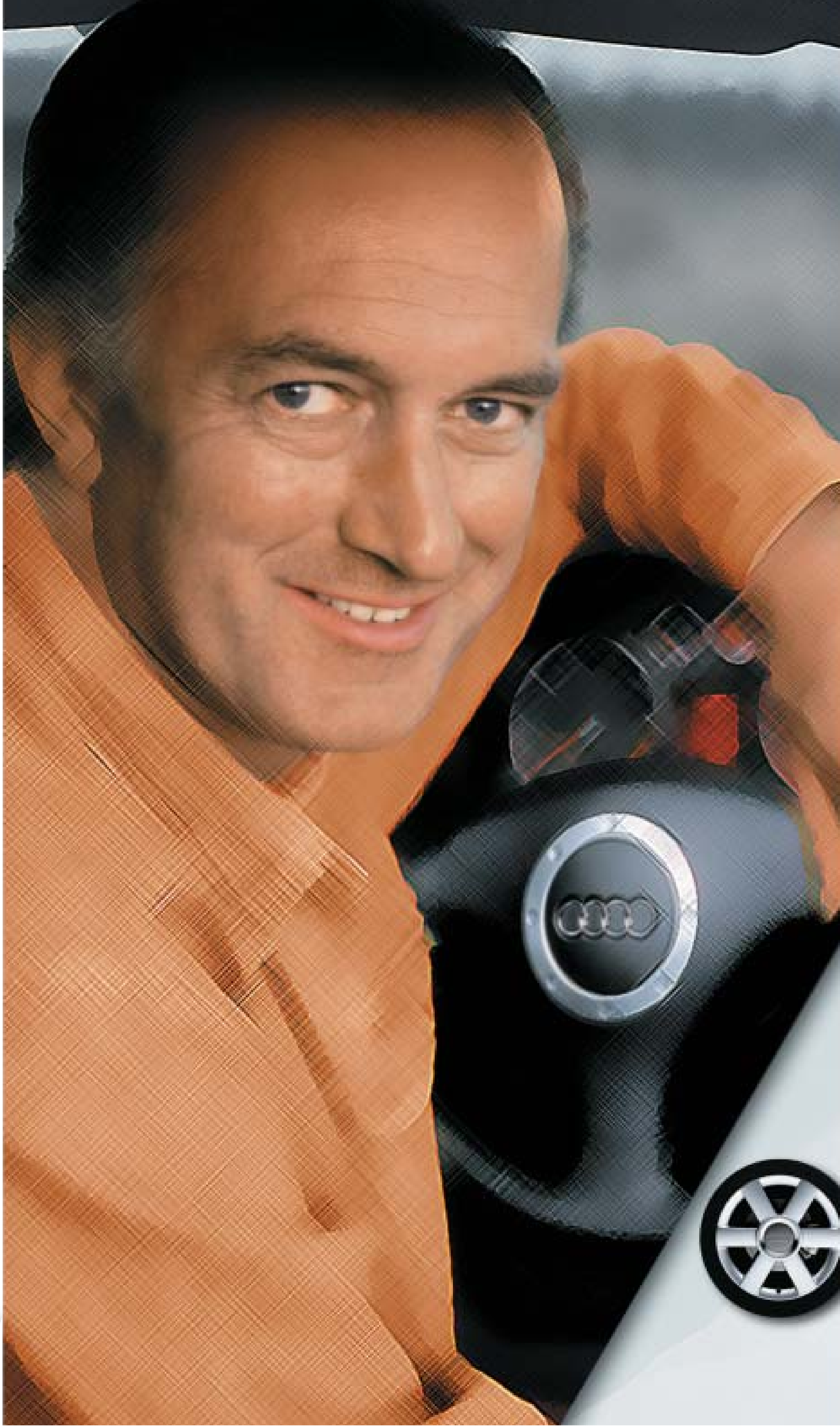
Our metal detection and checkweighing equipment verify that your package contains the promised quality and quantity.

Checkweigher

FreeWeigh.Net software for integrated quality management



Our new "throat" metal detector



You're looking forward to going home after a long day at work. You jump in your car and rely on it for a comfortable ride home.

Supporting each successful trip you take in your car are the appropriate shock absorbers and related springs. And METTLER TOLEDO's precision scales help automotive engineers make that determination, with exact measurements of the load on your car's front and back tires. This type of weighing – up to 1,500 kilograms with a .5-kilogram accuracy – is vital in specifying the size or dimension of the shock absorbers and the tightness or strength of the springs, which directly influence the level of comfort and control you have over your car. Engineers must ensure that the suspension system can handle the car's weight, maintain adequate ground clearance and provide you with the right combination of steadiness, protection and control. Professional race car teams also use these precision scales to distribute the weight of a car for superior control and performance.

Other METTLER TOLEDO balances are also involved in the safety of your car. Airbag manufacturers use our balances in the production of propellant pellets that ignite an airbag when a crash occurs. As part of one of a car's most technological subsystems, these pellets must be manufactured with ultimate precision so that the airbag will release appropriately to protect you but not too hard to harm you. Our balances weigh the pellets with accuracy to four decimal points and are used in an automated system which continually monitors and adjusts the filling to achieve target weights.

Finally, other METTLER TOLEDO equipment may have helped put the finishing touches on your car. Our thermal analysis instruments help ensure that paint properly adheres to metal surfaces, and our titrators do a similar job in the application of chrome on metal.

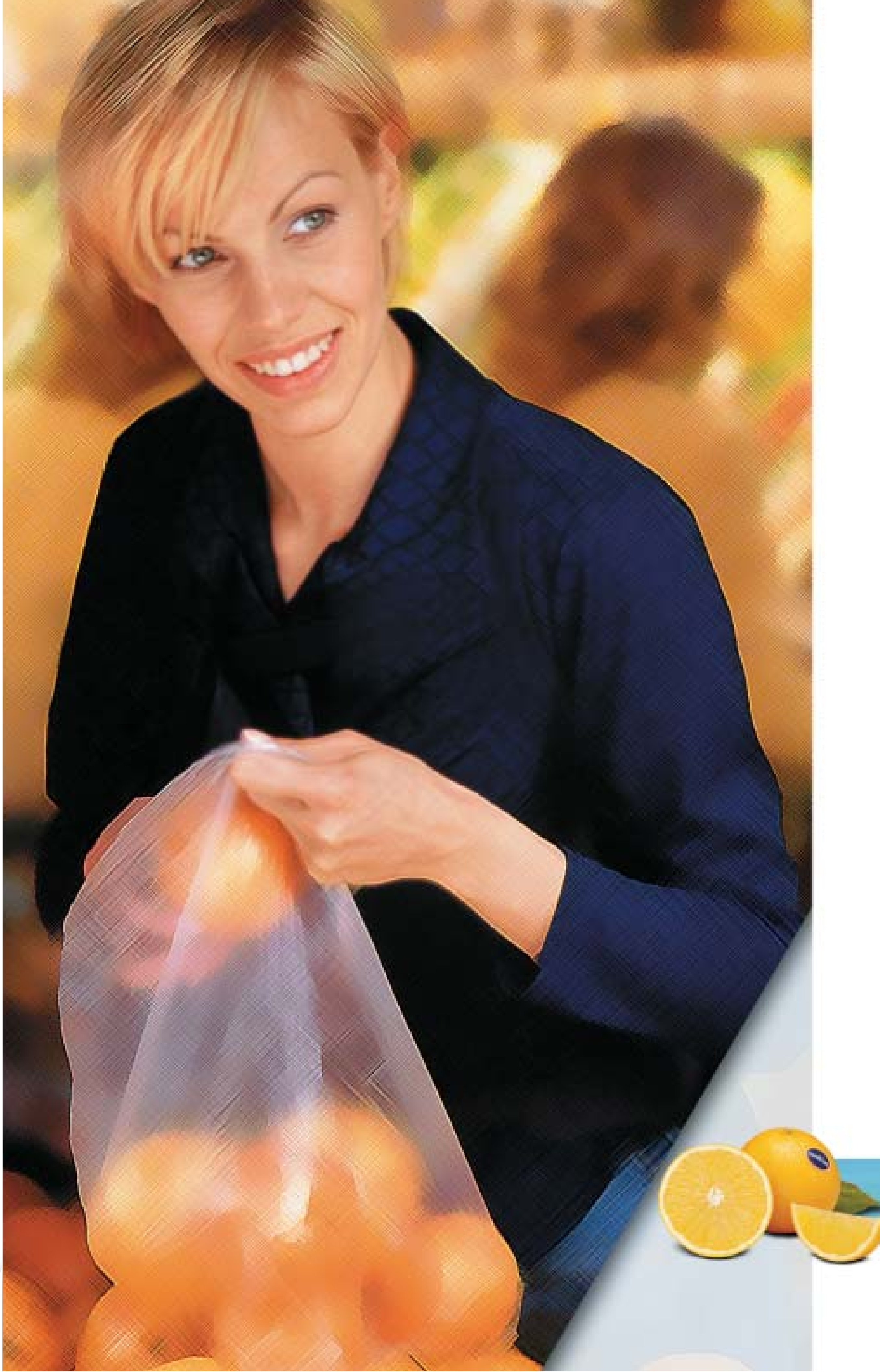
A Reliable Ride

Our precision scales help automotive engineers choose the correct suspension system for your car, so your ride is smooth and safe.

Precision weighing sensor

Floor scale with JagXtreme terminal

Titrator



Stopping in for "just a few" items at the grocery store, your eye catches the display of oranges. You marvel at their freshness and decide to add several to your cart.

When you are buying fruit, vegetables or meat, you undoubtedly look for freshness and good values. METTLER TOLEDO's food retailing systems help grocers offer you both with networked systems that provide all the information necessary to optimally manage their fresh goods. For example, a food retailer can track when fruit comes into the backroom and how much of what kinds are selling each hour at each store, so he or she can adjust inventories, change prices, announce specials and make other merchandising decisions. Thus, shoppers are always greeted by well-stocked foods in excellent condition and can be assured they are being charged correctly.

Our newest PC-based weighing solution, UC, gives food retailers the ability to communicate and integrate information among multiple locations via intranets and the Internet. Its open-system architecture allows easy integration into customers' IT environments. Retailers have maximum flexibility to centrally manage the pricing, inventory and promotions of their fresh goods, thereby maximizing their stores' efficiency and profitability.

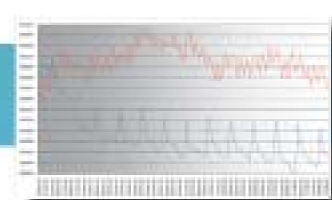
With our acquisition of SofTechnics in 2002, we can now provide food retailers with data management systems for nonperishable goods as well. SofTechnics is the leading supplier of in-store software for real-time item and inventory management, allowing retailers to more accurately match inventory levels with demand at the local level. We see tremendous opportunity in developing a combined data management system for both fresh and nonperishable items that will mean improved price and inventory management, computer automated ordering and more.

No matter where you shop, there is a good possibility that a METTLER TOLEDO food retailing system had a significant part in providing you fresh food choices at correct prices.

Fresh Choices

Our food retailing systems help grocers give you the best selection of fresh foods at the right prices.

UC networked weighing solutions



Software for inventory
and data management

Getting ready for an evening out, you apply your favorite lipstick. Your lips relax into a smile, as you acknowledge the beautiful results.

Lipstick can only be applied smoothly if it has the correct "softening" point, and that's where METTLER TOLEDO's thermal analysis instruments come in. In research and then later in production, our instruments can precisely determine that point, taking into delicate consideration the material characteristics of the wax blends, dyes, fragrances and flavors, as well as users' body temperatures. Our thermal analysis instruments are also used to find out the lipstick's actual melting point in order to prevent it from smearing or ruining your purse.

Many of our other technologies help ensure the quality of a wide variety of health and beauty products. For example, shampoo manufacturers use our in-line process control technologies to check that every batch of shampoo has the correct pH level; our in-line instruments provide manufacturers with 100 percent quality control without needing to halt production to test samples. In addition, cosmetic companies use our scales, weighing terminals and software to control automated manufacturing processes, such as the creation of dyes to maintain a consistent shade of an eye shadow or blush.

And, when you put on your preferred perfume, you can bet METTLER TOLEDO instruments had a part in achieving the perfect blend of fragrance. Perfumes are often made up of an intricate mix of more than 50 ingredients – including extracts from flowers and alcohol – and each must be weighed with extreme accuracy so that eventually every dab on your wrist will contain the right mixture. Not only are our precision balances used in research and development of perfumes, but they are also used to conduct quality checks during production.

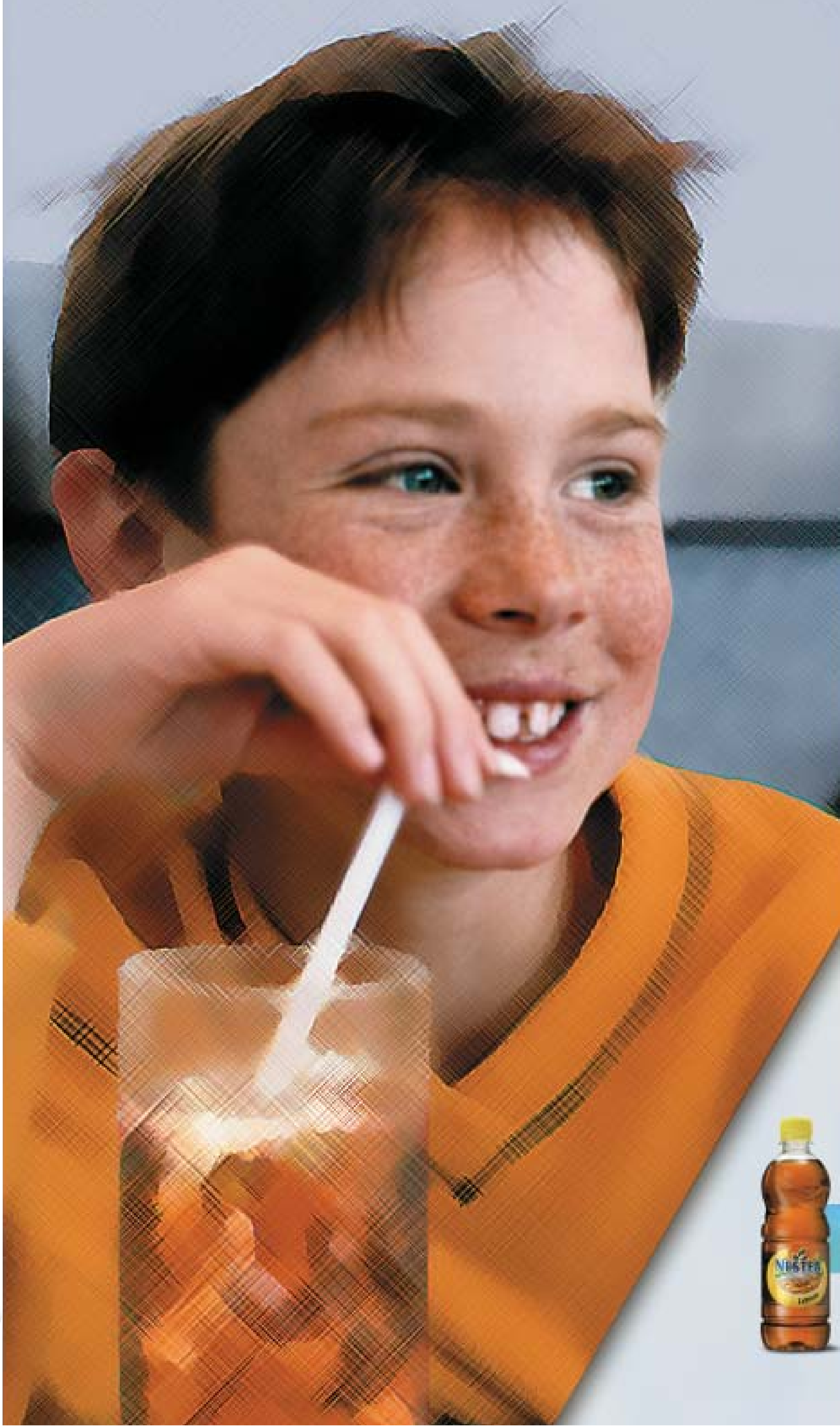
Beautiful Effects

Our thermal analysis instruments ensure that lipstick has what it takes to go on smoothly each time.

Thermal analysis for melting point determination

AX high-end analytical balance

Laboratory pH meter for quality control


NESTEA

For lunch on a spring day, you serve your family iced tea. They love the familiar refreshing taste and ask for refills.

METTLER TOLEDO's titrators are critical in guaranteeing that the taste of your beverage – whether it's iced tea, cola or orange juice – is the same every time you take a sip. For most beverages, our titrators are used to test acidity levels, which can significantly affect taste. Our titrators are also used to ensure that juices contain the claimed nutritional content, including correct amounts of vitamin C and calcium.

Beverage manufacturers have embraced our new automated titrators, which enhance efficiency by reducing the many manually intensive aspects of checking samples and recording results. They have also benefited from the innovative capabilities of our LabX software, which manages and analyzes titrator data in a user-friendly Windows format; for example, its network capability enables chemists to hook up multiple titrators and remotely control them.

Other analytical instruments play an important role in the production of colas and other soft drinks. Our density meters and refractometers measure the sugar content of the syrup, which is key to controlling the soft drink's taste, and provide quality control checks in the bottling process, when the syrup is diluted with water and infused with carbon dioxide. In addition, these instruments help assess the quality of the flavors in the syrup to ensure they meet the highest standards.

Our analytical process technologies also are used in the production of beverages, particularly beer. Our in-line dissolved-oxygen measurement system verifies that oxygen is at the high levels necessary for beer fermentation and then at the low levels necessary afterward to maintain the quality and consistency of the taste. Our state-of-the-art sensors are suited to withstand the high temperatures and frequent cleaning cycles required in beer production and are the only such sensors to meet hygienic standards in both Europe and the United States.

That Familiar Taste

Our analytical instruments assess key characteristics of beverages, so you get the taste you expect every time.

In-line oxygen measurement system

Density meter and refractometer with auto sampler

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

The following discussion and analysis of our financial condition and results of operations should be read together with our audited consolidated financial statements.

Overview

We operate a global business, with net sales that are diversified by geographic region, product range and customer. We hold leading positions worldwide in many of our markets and attribute this leadership to several factors, including the strength of our brand name and reputation, our comprehensive solution offering, the quality of our global sales and service network, our continued investment in product development, our pursuit of technology leadership and our focus on capitalizing on opportunities in developed and emerging markets.

Our financial information is presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Net sales in local currency increased 3% in 2002, 7% in 2001, and 9% in 2000. The fluctuation of the U.S. dollar versus our major trading currencies increased U.S. dollar-reported sales growth in 2002 and reduced U.S. dollar-reported sales growth in 2001 and 2000. Net sales in U.S. dollars increased 6% in 2002, 5% in 2001, and 3% in 2000. In 2002, we had local currency sales growth of 16% in the Americas and 10% in Asia and other markets, partially offset by a decline of 10% in Europe.

We believe our sales growth over the next several years will come primarily from our solutions approach to the principal challenges facing our customer base. These include the need for increased efficiency (for example, in accelerating time to market for new products, achieving better yields, improving work processes and outsourcing non-core activities), the desire to integrate information captured by instruments into management information systems, the drive for ever higher quality of our customers' products and services, including the need to adhere to stringent regulatory and industry standards, and the move towards globalization in all major customer groups.

Acquisitions are also an integral part of our growth strategy. Our acquisitions leverage our global sales and service network, respected brand, extensive distribution channels and technological leadership. We are particularly attracted to acquisitions that leverage these attributes or increase our solutions capability. In addition, we continue to focus on the following end markets: drug discovery; process analytics; food and drug packaging; and transportation and logistics.

We increased our Adjusted Operating Income (gross profit less research and development and selling, general and administrative expenses before amortization, interest expense and non-recurring costs) as a percentage of net sales from 13.0% in 2000 to 13.6% in 2002, or 14.4% on a constant currency basis. This improved performance was achieved while we continued to invest in product development and in our distribution and manufacturing infrastructure. We believe that a significant portion of the increase in our Adjusted Operating Income resulted from our strategy to reduce costs, re-engineer our operations and focus on the highest value-added segments of the markets in which we compete. We believe that Adjusted Operating Income provides important financial information in measuring and comparing our operating performance on an ongoing basis, and as such is used as an important performance measurement by management. Adjusted Operating Income is not intended to represent operating income under U.S. GAAP and should not be considered as an alternative to net earnings as an indicator of our performance.

Recent Acquisitions

We have completed several acquisitions in the last few years, including the following:

In March 2002, we acquired SofTechnics Inc., based in Texas, USA. SofTechnics is a leading provider of in-store retail item management software solutions. SofTechnics provides a key building block in our solution offering to food retailers. Its software provides the full scope of real-time item management, thereby allowing retailers to match local store inventory levels with local customer demand. SofTechnics strongly complements our leadership position in solutions for the management of fresh goods. In addition to gaining cross-selling benefits, we will be able to offer an integrated data management solution in the future.

In November 2001, we acquired Rainin Instrument, LLC, based in California, USA. Rainin is a leading manufacturer of pipetting solutions used in pharmaceutical, biotech and medical research applications. Rainin has a market leadership position in North America, a truly differentiating technology and a broad patent portfolio in areas like electronic pipetting, ergonomic designs for pipettes and tip designs. This acquisition further broadens our offering of instruments and solutions to the life sciences market and positions us to bring greater value to our customers. Assuming we acquired Rainin as of the beginning of 2001, the acquisition would have added sales of approximately $65 million, Adjusted Operating Income of approximately $20 million, and diluted earnings per share of negative $0.01 on a pro forma basis.

In 2000, we acquired Thornton Inc. based in Massachusetts, USA. Thornton is the leader in pure and ultra-pure industrial water monitoring instrumentation used in semiconductor, microelectronics, pharmaceutical, and biotech applications. We believe the acquisition of Thornton is an excellent strategic move to expand our process analytics business and gain access to new markets. Its conductivity technology and know-how are complementary to our strength in pH and oxygen measurements. With a broader technology offering, we will be better able to serve our expanded customer base.

In 1998, we recorded charges for purchased research and development for products that were being developed that had not established technological feasibility as of the date of the acquisition and, if unsuccessful, had no alternative future use in research and development activities or otherwise. These research and development projects related to Bohdan Automation. These purchased research and development projects have been completed, and there have been no material differences between actual and projected results.

Cost Reduction Programs

As further described in Note 14 to our audited consolidated financial statements, in June 2002, the Company's management approved restructuring plans to exit manufacturing facilities in France and the United States, and reduce our expense structure. As part of these efforts to reduce costs, we recorded a charge of $28.7 million ($20.1 million after tax) during the year ended December 31, 2002. The charge comprised involuntary employee separation benefits, write-downs of impaired assets to be disposed and other exit costs. We expect to involuntarily terminate approximately net 300 employees in targeted manufacturing and administrative areas and to substantially complete the manufacturing consolidation by the end of 2003. These employees include positions primarily in manufacturing as well as administrative and other personnel, primarily at our Principal U.S. and Other Western European Operations. As a result of these actions, we expect to eliminate approximately $15 million to $20 million of costs from the business. We estimate that approximately $4 million to $6 million of these savings were realized in 2002, with a further $7 million to $8 million expected in 2003 and the remainder in 2004.

In 2001 we recorded a charge of $15.2 million associated primarily with headcount reductions and manufacturing transfers. This charge relates primarily to severance and other related benefits and costs of exiting facilities, including lease termination costs and the write-down of impaired assets. In 2000, we recorded a charge of $1.4 million related to the close-down and consolidation of operations.

Results of Operations

The following table sets forth certain items from our consolidated statements of operations for the years ended December 31, 2002, 2001 and 2000 (amounts in thousands).

	2002	2001	2000
Net sales	**$1,213,707**	$1,148,022	$1,095,547
Cost of sales	**645,970**	619,140	600,185
Gross profit	**567,737**	528,882	495,362
Research and development	**70,625**	64,627	56,334
Selling, general and administrative	**331,959**	299,191	296,187
Amortization	**9,332**	14,114	11,564
Interest expense	**17,209**	17,162	20,034
Other charges, net (a)	**28,202**	15,354	2,614
Earnings before taxes	**$ 110,410**	$ 118,434	$ 108,629
Net earnings	**$ 100,421**	$ 72,264	$ 70,119
Adjusted Operating Income (b)	**$ 165,153**	$ 165,064	$ 142,841

(a) Other charges, net generally includes interest income, foreign currency transactions, (gains) losses from sales of assets and other items. The 2002 and 2001 amounts also include charges of $28,661 and $15,196 respectively, related primarily to headcount reductions and manufacturing transfers. The 2000 amount includes a charge of $1,425 related to the close-down and consolidation of operations.

(b) Adjusted Operating Income is defined as operating income (gross profit less research and development and selling, general and administrative expenses) before amortization, interest expense and non-recurring costs. Non-recurring costs that have been excluded are the costs set forth in Note (a) above. We believe that Adjusted Operating Income provides important financial information in measuring and comparing our operating performance on an ongoing basis, and as such is used as an important performance measurement by management. Adjusted Operating Income is not intended to represent operating income under U.S. GAAP and should not be considered as an alternative to net earnings as an indicator of our operating performance.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Net sales were $1,213.7 million for the year ended December 31, 2002, compared to $1,148.0 million in the prior year. This reflected an increase of 3% in local currencies during 2002. Results for 2002 were positively impacted by the weakening of the U.S. dollar against other currencies. Net sales in U.S. dollars during 2002 increased 6%. We experienced a sharp decline in sales of our European retail products in 2002 as a result of the product conversions required in 2001 prior to the introduction of the euro currency. Excluding the impact of European retail products in both 2002 and 2001, consolidated local currency sales growth would be 9% for the year ended December 31, 2002.

Net sales by geographic customer location were as follows: Net sales in Europe decreased 10% in local currencies during 2002 versus the prior year, reflecting weak sales performance across several product lines, particularly in Germany and France. Excluding the impact of European retail products in both 2002 and 2001, European local currency sales decreased 1% for the year ended December 31, 2002. Net sales in local currencies during 2002 in the Americas increased 16% principally due to the acquisition of Rainin Instrument in November 2001. Approximately 86% of Rainin's operations are based in the Americas, with 7% each in Asia and Europe. Net sales in Asia and other markets increased 10% in local currencies during 2002. The results of our business in Asia and other markets during 2002 reflect particularly strong sales performance in China.

As previously mentioned, we acquired Rainin Instrument in November 2001. Assuming we had acquired Rainin at the beginning of 2001, the acquisition would have added approximately $65 million of sales and $20 million of Adjusted Operating Income to 2001 on a pro forma basis.

Our sales decline in Europe was primarily due to a decrease in sales of our European retail products after the introduction of the euro currency, as well as a deterioration in economic conditions, particularly in Germany and France. In the Americas, there has been no sign to date of a significant economic recovery benefiting the markets for most of our products. To the extent that economic conditions significantly deteriorate in these or other parts of the world, our sales growth and profitability may be adversely affected.

Gross profit as a percentage of net sales was 46.8% for 2002 and 46.1% for 2001. This increase is primarily related to benefits from various cost saving initiatives.

Research and development expenses as a percentage of net sales were 5.8% for 2002, compared to 5.6% for the prior year. We continue to make significant investments in research and development, which increased 5% in local currencies in 2002.

Selling, general and administrative expenses as a percentage of net sales increased to 27.4% for 2002, compared to 26.1% for the prior year, primarily due to changes in our sales mix and our reduced sales volume in Europe. After adjusting for acquisitions and unfavorable foreign currency effects, selling, general and administrative expenses increased 2% in the year ended December 31, 2002.

Adjusted Operating Income was $165.2 million, or 13.6% of net sales, for 2002, compared to $165.1 million, or 14.4% of net sales, for the prior year. The reduced operating margin percentage is due to the combination of two foreign exchange impacts. First, is the currency translation impact resulting in higher reported U.S. dollar sales due to weaker U.S. dollar exchange rates and second, an unfavorable impact on pre-tax earnings of approximately $4.3 million, due primarily to the strengthening of the Swiss franc against the euro and U.S. dollar. Adjusting for these items on a constant currency basis would result in Adjusted Operating Income of approximately 14.4% of net sales for the year ended December 31, 2002. Our 2002 Adjusted Operating Income increased $37.7 million in our Principal U.S. Operations due primarily to the Rainin acquisition and improvements in service profitability. Adjusted Operating Income declined significantly in Europe due to the aforementioned volume impact on European retail after the introduction of the euro currency in 2001. In Asia and other markets, Adjusted Operating Income increased due to continued growth in China partially offset by declines in other regions. We believe that Adjusted Operating Income provides important financial information in measuring and comparing our operating performance on an ongoing basis, and as such is used as an important performance measurement by management. Adjusted Operating Income is not intended to represent operating income under U.S. GAAP and should not be considered as an alternative to net earnings as an indicator of our performance.

Interest expense remained at $17.2 million for 2002, as the reduced interest rates were offset by higher average borrowings during 2002 to fund the Rainin acquisition.

Other charges, net were $28.2 million for 2002, compared to other charges, net of $15.4 million for the prior year. The 2002 and 2001 amounts include charges of $28.7 million ($20.1 million after tax) and $15.2 million ($14.6 million after tax), respectively, primarily associated with headcount reductions and manufacturing transfers.

Our effective tax rate before non-recurring items for the year ended December 31, 2002 was approximately 30% compared with 35% in 2001. This reduction reflects the effects of a restructuring of our European operations and other tax initiatives. In addition, we recorded a one-time benefit of $23.1 million during the second quarter of 2002 related to the completion of a tax restructuring program and related tax audits.

During the fourth quarter of 2002, we began a program of repatriating foreign subsidiary earnings to the United States in a tax efficient manner. This program resulted in a repatriation of $85 million of foreign earnings during 2002. In addition, this program will result in the repatriation of $180 million of foreign earnings over the next few years. The 2002 repatriation of $85 million created additional U.S. taxable income resulting in the utilization of certain historical tax attributes related to our U.S. operations and release of the related U.S. federal deferred tax valuation allowance. The tax effects related to the future repatriation of $180 million were also accrued and included the establishment of other tax attributes related to our U.S. operations.

Net earnings were $100.4 million for the year ended December 31, 2002 compared to net earnings of $72.3 million for the prior year. Excluding the effect of the previously mentioned charge associated with headcount reductions and manufacturing transfers and the one-time tax benefit, net earnings were $97.3 million for the year ended December 31, 2002. This compares to net earnings of $86.9 million for the prior year before the prior year restructuring charge. Adjusting for the adoption of SFAS 142, net earnings before restructuring charges and the one-time tax benefit for the year ended December 31, 2002 increased 4%.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Net sales were $1,148.0 million for the year ended December 31, 2001, compared to $1,095.5 million in the prior year. This reflected an increase of 7% in local currencies during 2001. Results for 2001 were negatively impacted by the strengthening of the U.S. dollar against other currencies. Net sales in U.S. dollars during 2001 increased 5%. We experienced a sharp increase in sales of our European retail products as a result of the product conversions required in 2001 prior to the introduction of the euro currency. Excluding the impact of European retail products in both 2001 and 2000, consolidated local currency sales growth would be 4% for the year ended December 31, 2001.

Net sales by geographic customer location were as follows: Net sales in Europe increased 10% in local currencies during 2001 versus the prior year, principally due to strong results in our retail product lines related to the introduction of the euro currency. Excluding the impact of European retail products in both 2001 and 2000, European local currency sales increased 4% for the year ended December 31, 2001. Net sales in local currencies during 2001 in the Americas increased 1%. Net sales in Asia and other markets increased 18% in local currencies during 2001. The results of our business in Asia and other markets during 2001 reflect particularly strong sales performance in China and Japan. Net sales growth in the Americas was lower than Europe and Asia and other markets primarily due to a deterioration in economic conditions.

As previously mentioned, we acquired Rainin Instrument in November 2001. Assuming we had acquired Rainin at the beginning of 2000, the acquisition would have added approximately $65 million of sales to both 2000 and 2001 on a pro forma basis. In total, acquisitions added approximately 2% to 2001 sales growth.

Gross profit as a percentage of net sales was 46.1% for 2001 and 45.2% for 2000. This increase is primarily related to benefits from various cost saving initiatives.

Research and development expenses as a percentage of net sales were 5.6% for 2001, compared to 5.1% for the prior year. We continue to make significant investments in research and development, which increased 16% in local currencies in 2001.

Selling, general and administrative expenses as a percentage of net sales decreased to 26.1% for 2001, compared to 27.1% for the prior year, in part due to lower distribution costs associated with changes in our sales mix.

Adjusted Operating Income increased 16% to $165.1 million, or 14.4% of net sales, for 2001, compared to $142.8 million, or 13.0% of net sales, for the prior year. Our 2001 Adjusted Operating Income increased significantly in Europe due to the favorable impact of the euro currency conversion, but was partially offset by a decline in the Principal U.S. Operations. In Asia and other markets, Adjusted Operating Income benefited from stronger sales and improved manufacturing productivity in China. We believe that Adjusted Operating Income provides important financial information in measuring and comparing our operating performance on an ongoing basis, and as such is used as an important performance measurement by management. Adjusted Operating Income is not intended to represent operating income under U.S. GAAP and should not be considered as an alternative to net earnings as an indicator of our performance.

Interest expense decreased to $17.2 million for 2001, compared to $20.0 million for the prior year. The decrease was principally due to reduced debt levels throughout the year.

Other charges, net were $15.4 million for 2001, compared to other charges, net of $2.6 million for the prior year. The 2001 amount includes a charge of $15.2 million ($14.6 million after tax) primarily associated with headcount reductions and manufacturing transfers. The 2000 amount includes a charge of $1.4 million related to the close-down and consolidation of operations.

Our effective tax rate of 35% before non-recurring items in 2001 was consistent with the previous year.

Net earnings were $72.3 million for the year ended December 31, 2001 compared to net earnings of $70.1 million for the prior year. Excluding the effect of the previously mentioned charge associated with headcount reductions and manufacturing transfers, net earnings were $86.9 million for the year ended December 31, 2002. This compares to net earnings of $71.5 million for the prior year before the prior year restructuring charge. This represents an increase in net earnings of 21%.

Liquidity and Capital Resources

Liquidity is our ability to generate sufficient cash flows from operating activities to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate financing. Therefore, liquidity cannot be considered separately from capital resources that consist of current and potentially available funds for use in achieving long-range business objectives and meeting debt service commitments. Currently, our liquidity needs arise primarily from: debt service on indebtedness; working capital requirements; capital expenditures; and acquisitions.

Cash provided by operating activities totalled $115.4 million in 2002, compared to $101.6 million in 2001 and $84.7 million in 2000. The increase in 2002 resulted principally from improved working capital management. Included in 2002 cash provided by operating activities is an extra contribution of $19 million to the U.S. pension plan. As a result, we have no significant required contributions to our U.S. plan in the next two years. Cash provided by operating activities includes payments for restructuring, certain acquisition integration activities and a one-time payment in 2000 associated with an early retirement plan from previous years. These amounts totalled $11.1 million, $10.7 million and $10.3 million in 2002, 2001 and 2000, respectively. Excluding these amounts, cash provided by operating activities totalled $126.7 million in 2002, compared to $112.3 million in 2001 and $95.0 million in 2000.

During 2002, we spent approximately $21.3 million on acquisitions, including additional consideration related to earn-out periods associated with acquisitions consummated in prior years. The cash portions of these purchases were funded from cash generated from operations and additional borrowings. We continue to explore potential acquisitions. In connection with any acquisition, we may incur additional indebtedness. In addition, the terms of certain of our acquisitions in 2002 and earlier years provide for possible additional earn-out payments. Although we do not currently believe we will make any material payments relating to such earn-outs, the maximum amount potentially payable in cash is $74 million, including up to $30 million for Rainin based on operating profits through March 31, 2003.

Capital expenditures are a significant use of funds and are made primarily for machinery, equipment and the purchase and expansion of facilities. Our capital expenditures totalled $33.2 million in 2002, $33.2 million in 2001 and $29.3 million in 2000. Capital expenditures in 2002 include spending of $8.3 million associated with Rainin's new facility in California. We also expect capital expenditures to increase between $2 million and $5 million in 2003, principally due to spending associated with manufacturing transfers to China. We expect capital expenditures to increase as our business grows, and to fluctuate as currency exchange rates change.

We expect the 2002 restructuring charge of $28.7 million to result in cash outlays of approximately $20.2 million, of which $10.3 million had been incurred as of December 31, 2002 and the remainder of which will be substantially incurred during 2003.

At December 31, 2002, our consolidated debt, net of cash, was $281.2 million. We had borrowings of $292.1 million under our credit agreement and $20.6 million under various other arrangements as of December 31, 2002. Of our credit agreement borrowings, approximately $67.6 million was borrowed as term loans scheduled to mature in May, 2004 and $224.5 million was borrowed under a multi-currency revolving credit facility. At December 31, 2002, we had $185.6 million of availability remaining under the revolving credit facility.

At December 31, 2002, approximately $194.9 million of the borrowings under the credit agreement and local working capital facilities were denominated in U.S. dollars. The balance of the borrowings under the credit agreement and local working capital facilities were denominated in certain of our other principal trading currencies amounting to approximately $117.8 million at December 31, 2002. Changes in exchange rates between the currencies in which we generate cash flow and the currencies in which our borrowings are denominated affect our liquidity. In addition, because we borrow in a variety of currencies, our debt balances fluctuate due to changes in exchange rates.

Under the credit agreement, amounts outstanding under the term loans are payable in quarterly installments. In addition, the credit agreement obligates us 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 us and our subsidiaries, including restrictions and limitations on the ability to pay dividends to our shareholders, incur indebtedness, make investments, grant liens, sell financial assets and engage in certain other activities. We must also comply with several financial and other covenants, including requirements that we maintain the following criteria as specifically defined in our credit agreement:

- a fixed charge coverage ratio (the ratio of EBITDA less capital expenditures to interest expense) of 3.25:1 (at December 31, 2002, this ratio was more than 9:1);
- a debt to EBITDA ratio of no more than 4:1 (at December 31, 2002, this ratio was less than 2:1); and
- a minimum net worth (as specifically defined in the credit agreement) of at least $300 million (at December 31, 2002, we exceeded the minimum by more than 3 times).

A deterioration in our financial performance could result in a breach of these covenants and trigger the lenders' right to require immediate repayment of all or part of the indebtedness.

At December 31, 2002, we are in compliance with all covenants set forth in our credit facility and other indentures. In addition, we do not have any downgrade triggers that would accelerate the maturity dates of our debt.

The interest rates for our borrowings under the credit agreement are based in part on our credit rating. For so long as Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates our debt at "BBB-" or above and Moody's Investors Service Inc. rates our debt at "Baa3" or above, our current ratings, the applicable interest rates are determined from a grid that sets out the interest rates for each rating grade. However, if our credit rating falls below "BBB-" or "Baa3" then the applicable interest rates are set by reference to a separate grid in which interest rate levels are determined by our debt to EBITDA ratio. We estimate that if our credit rating was reduced to below investment grade our interest expense would increase by approximately $0.6 million per year.

We plan to implement a new credit agreement on or before the expiration of the current facility in 2004.

The following summarizes certain of our contractual obligations at December 31, 2002 and the effect such obligations are expected to have on our liquidity and cash flow in future periods. We do not have significant outstanding letters of credit or other financial commitments. During the ordinary course of business, we enter into contracts to purchase production components for manufacture. In general these commitments do not extend for more than a few months.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt (a)	$292,091	$38,646	$253,445	$ —	$ —
Non-cancelable operating leases (b)	91,341	20,785	26,659	15,742	28,155
Total	$383,432	$59,431	$280,104	$15,742	$28,155

(a) As described in Notes 8 and 9 to the audited consolidated financial statements.

(b) As described in Note 15 to the audited consolidated financial statements.

We currently believe that cash flow from operating activities, together with liquidity available under the existing credit agreement or a renegotiated 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

Because we conduct operations in many countries, our operating income can be significantly affected by fluctuations in currency exchange rates. Swiss franc-denominated expenses represent a much greater percentage of our operating expenses than Swiss franc-denominated sales represent of our net sales. In part, this is because most of our manufacturing costs in Switzerland relate to products that are sold outside Switzerland. Moreover, a substantial percentage of our research and development expenses, and general and administrative expenses are incurred in Switzerland. Therefore, if the Swiss franc strengthens against all or most of our major trading currencies (e.g., the U.S. dollar, the euro, other major European currencies and the Japanese yen), our operating profit is reduced. We also have significantly more sales in European currencies (other than the Swiss franc) than we have expenses in those currencies. Therefore, when European currencies weaken against the U.S. dollar and the Swiss franc, it also decreases our operating profits. During 2000 and prior years, the Swiss franc and other European currencies have generally moved in a consistent manner versus the U.S. dollar. Therefore, because the two effects previously described have offset each other, our operating profits were not materially affected by movements in the U.S. dollar exchange rate versus European currencies. However, as evidenced in 2002 and 2001, there can be no assurance that these currencies will continue to move in a consistent manner in the future. In 2002, we estimate that the unfavorable impact due primarily to the strengthening of the Swiss franc was approximately $4.3 million. We estimate that a one percent strengthening of the Swiss franc against the euro would result in a decrease in our earnings before tax of $0.8 million to $1.2 million on an annual basis. In addition to the effects of exchange rate movements on operating profits, our debt levels can fluctuate due to changes in exchange rates, particularly between the U.S. dollar and the Swiss franc.

Taxes

We are subject to taxation in many jurisdictions throughout the world. Our 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 we transfer funds between jurisdictions, earnings repatriations between jurisdictions and changes in law. Generally, the tax liability for each taxpayer within the group is determined either (i) on a non-consolidated/non-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/non-combined affiliated legal entities. As a result, we may pay income taxes to certain jurisdictions even though on an overall basis we incur a net loss for the period.

Our effective tax rate before non-recurring items for the year ended December 31, 2002 was approximately 30% compared with 35% in 2001. This reduction reflects the effects of a restructuring of our European operations and other tax initiatives. In addition, we recorded a one-time benefit of $23.1 million during the second quarter of 2002 related to the completion of a tax restructuring program and related tax audits.

Environmental Matters

We are subject to various environmental laws and regulations, including those relating to air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances.

We incur capital and operating expenditures in complying with environmental laws and regulations both in the United States and abroad. We are currently involved in, or have potential liability with respect to, the remediation of past contamination in facilities both in the United States and abroad. In addition, some of these facilities have or had been in operation for many decades and may have used substances or generated and disposed of wastes that are hazardous or may be considered hazardous in the future. Such sites and disposal sites owned by others to which we sent waste may in the future be identified as contaminated and require remediation. Accordingly, it is possible that we could become subject to additional environmental liabilities in the future that may harm our results of operations or financial condition.

Inflation

Inflation can affect the costs of goods and services that we use. The competitive environment in which we operate limits somewhat our ability to recover higher costs through increased selling prices. Moreover, there may be differences in inflation rates between countries in which we incur the major portion of our costs and other countries in which we sell products, which may limit our ability to recover increased costs. We remain committed to operations in China, Latin America and Eastern Europe, which have experienced inflationary conditions. To date, inflationary conditions have not had a material effect on our operating results. However, as our presence in China, Latin America and Eastern Europe increases, these inflationary conditions could have a greater impact on our operating results.

Quantitative and Qualitative Disclosures About Market Risk

We have only limited involvement with derivative financial instruments and do not use them for trading purposes.

We have entered into foreign currency forward contracts to economically hedge short-term intercompany balances with our foreign businesses. Such contracts limit our exposure to both favorable and unfavorable currency fluctuations. A sensitivity analysis to changes in the U.S. dollar and Swiss franc on these foreign currency-denominated contracts indicates that if the U.S. dollar and Swiss franc uniformly worsened by 10% against all of our currency exposures, the fair value of these instruments would decrease by $2.9 million at December 31, 2002, as compared with $5.3 million at December 31, 2001. Any resulting changes in fair value would be offset by changes in the underlying hedged balance sheet position. The sensitivity analysis assumes a parallel shift in foreign currency exchange rates. The assumption that exchange rates change in parallel fashion may overstate the impact of changing exchange rates on assets and liabilities denominated in a foreign currency. We also have other currency risks as described under "Effect of Currency on Results of Operations."

We have entered into certain interest rate swap agreements in order to limit our exposure to increases in interest rates. These contracts are more fully described in Note 5 to our audited consolidated financial statements. The market value of these contracts as of December 31, 2002 and 2001 was negative $4.4 million and negative $1.7 million, respectively. Based on our agreements outstanding at December 31, 2002, a 100 basis point increase in interest rates would result in an increase in the net aggregate market value of these instruments of $1.4 million, as compared with $6.0 million at December 31, 2001. Conversely, a 100 basis point decrease in interest rates would result in a $1.4 million net reduction in the net aggregate market value of these instruments, as compared with $6.0 million at December 31, 2001. Any change in fair value would not affect our consolidated statement of operations unless such agreements and the variable rate debt they hedge were prematurely settled.

We have designated certain of our Swiss franc debt as a hedge of our net investments. A sensitivity analysis to changes in the U.S. dollar on such debt at December 31, 2002 indicates that if the U.S. dollar weakened by 10% against the Swiss franc, the fair value of such debt would increase by $7.3 million, as compared with $3.8 million at December 31, 2001. Any foreign exchange translation gains and losses arising from debt qualifying as a non-derivative hedging instrument are recorded in comprehensive income and offset the impact on comprehensive income of foreign exchange translation gains and losses related to the hedged net investments.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, revenue, pensions and other post-retirement benefits, income taxes, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 2 to our consolidated financial statements.

- *Retirement plans.* Pension and post-retirement benefit plan expense and obligations are developed from assumptions in actuarial valuations. These assumptions include discount rate and expected return on plan assets. In accordance with U.S. generally accepted accounting principles, actual results that differ from the assumptions are accumulated and amortized over future periods. While management believes the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our plan obligations and future expense. In 2002, we adjusted the expected long-term rate of return on U.S. pension plan assets to 8.5% down from 9.5%, and adjusted the discount rate used for all U.S. pension and post-retirement plans to 7.0% from 7.5%. In April 2002, we froze our U.S. pension plan and discontinued our U.S. retiree medical program for certain current and all future employees. Consequently, no significant future service costs will be incurred on these plans. As a net result of these changes, consolidated recurring pension and post-retirement expense in 2003 is expected to decrease by approximately $0.6 million. In December 2002, we made a $19 million payment to reduce the underfunded status of the U.S. pension plan. However, if the equity markets continue recent trends, we could be required to make additional cash funding payments or adjust the $33.9 million additional minimum pension liability recorded at December 31, 2002.
- *Inventory.* We record our inventory at the lower of cost or net realizable value. The estimated market value is based on assumptions for future demand and related pricing. If actual market conditions are less favorable than those projected by management, reductions in the value of inventory may be required. Excess and obsolete reserves are established based on forecast usage, orders and technological obsolescence.
- *Acquired intangibles.* Our business acquisitions typically result in goodwill and other intangible assets, which affect the amount of future period amortization expense and possible impairment expense that we will incur. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements.
- *Income taxes.* Income tax expense and deferred tax assets and liabilities reflect management's assessment of actual future taxes to be paid on items reflected in the financial statements. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. In 2002, provisions were made for U.S. income taxes on certain undistributed earnings of non-U.S. subsidiaries as a decision was made to repatriate these earnings rather than permanently reinvest them.
- *Revenue recognition.* Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Other than a few small software applications, Mettler-Toledo does not sell its software products without the related hardware instrument as the software is embedded in the instrument. The Company's typical solution requires no significant production, modification or customization of the hardware or software that is essential to the functionality of the products. Revenues from service contracts are recognized ratably over the contract period.

New Accounting Standards

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002.

Forward-Looking Statements and Associated Risks

This annual report includes forward-looking statements based on our current expectations and projections about future events, including: strategic plans; potential growth, including penetration of developed markets and opportunities in emerging markets; planned research and development efforts, product introductions and innovation; meeting customer expectations; planned operational changes, including productivity improvements; future financial performance, including expected capital expenditures; research and development expenditures; potential acquisitions; impact of completed acquisitions; future cash sources and requirements; liquidity; impact of environmental costs; and potential cost savings.

These forward-looking statements are subject to a number of risks and uncertainties, including those identified in Exhibit 99.1 to our Annual Report on Form 10-K, which could cause our actual results to differ materially from historical results or those anticipated and certain of which are beyond our control. The words "believe," "expect," "anticipate" and similar expressions identify forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Report of Independent Accountants

To the Board of Directors and Shareholders of Mettler-Toledo International Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Mettler-Toledo International Inc. and its subsidiaries at December 31, 2002 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers AG

Zurich, Switzerland
March 14, 2003

Consolidated Statements of Operations

For the years ended December 31 (In thousands, except share data)	2002	2001	2000
Net sales	**$1,213,707**	$1,148,022	$1,095,547
Cost of sales	**645,970**	619,140	600,185
Gross profit	**567,737**	528,882	495,362
Research and development	**70,625**	64,627	56,334
Selling, general and administrative	**331,959**	299,191	296,187
Amortization	**9,332**	14,114	11,564
Interest expense	**17,209**	17,162	20,034
Other charges, net	**28,202**	15,354	2,614
Earnings before taxes	**110,410**	118,434	108,629
Provision for taxes	**9,989**	46,170	38,510
Net earnings	**$ 100,421**	$ 72,264	$ 70,119
Basic earnings per common share:			
Net earnings	**$ 2.27**	$ 1.78	$ 1.80
Weighted average number of common shares	**44,280,605**	40,609,716	38,897,879
Diluted earnings per common share:			
Net earnings	**$ 2.21**	$ 1.68	$ 1.66
Weighted average number of common shares	**45,370,053**	42,978,895	42,141,548

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

As of December 31 (In thousands, except share data)	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,427	$ 27,721
Trade accounts receivable, less allowances of $10,916 in 2002 and $9,450 in 2001	231,673	227,295
Inventories, net	150,441	145,621
Current deferred tax assets, net	33,583	8,862
Other current assets and prepaid expenses	28,603	22,259
Total current assets	475,727	431,758
Property, plant and equipment, net	217,754	192,272
Goodwill, net of accumulated amortization of $43,337 in 2002 and $39,724 in 2001	408,351	384,947
Other intangible assets, net	129,441	126,524
Other non-current assets	72,120	53,911
Total assets	$1,303,393	$1,189,412
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 73,072	$ 66,327
Accrued and other liabilities	130,490	111,284
Accrued compensation and related items	47,013	47,702
Taxes payable	66,511	72,035
Short-term borrowings and current maturities of long-term debt	50,578	50,239
Total current liabilities	367,664	347,587
Long-term debt	262,093	309,479
Non-current deferred taxes	37,650	25,053
Other non-current liabilities	133,600	119,109
Total liabilities	801,007	801,228
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 44,384,820 in 2002 and 44,145,742 in 2001	444	441
Additional paid-in capital	459,213	455,684
Retained earnings	104,378	3,957
Accumulated other comprehensive loss	(61,649)	(71,898)
Total shareholders' equity	502,386	388,184
Commitments and contingencies	—	—
Total liabilities and shareholders' equity	$1,303,393	$1,189,412

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

For the years ended December 31 (In thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 1999	38,674,768	$386	$288,092	$(138,426)	$(38,037)	$112,015
Exercise of stock options	698,105	7	6,466	—	—	6,473
Comprehensive income:						
Net earnings	—	—	—	70,119	—	70,119
Change in currency translation adjustment	—	—	—	—	(9,767)	(9,767)
Comprehensive income						60,352
Balance at December 31, 2000	39,372,873	$393	$294,558	$ (68,307)	$(47,804)	$178,840
Issuance of shares	3,388,132	34	144,300	—	—	144,334
Exercise of stock options	1,384,737	14	16,826	—	—	16,840
Comprehensive income:						
Net earnings	—	—	—	72,264	—	72,264
Unrealized loss on cash flow hedging arrangements	—	—	—	—	(1,591)	(1,591)
Change in currency translation adjustment	—	—	—	—	(2,494)	(2,494)
Minimum pension liability adjustment	—	—	—	—	(20,009)	(20,009)
Comprehensive income						48,170
Balance at December 31, 2001	44,145,742	$441	$455,684	$ 3,957	$(71,898)	$388,184
Exercise of stock options	239,078	3	3,529	—	—	3,532
Comprehensive income:						
Net earnings	—	—	—	100,421	—	100,421
Unrealized loss on cash flow hedging arrangements	—	—	—	—	(2,805)	(2,805)
Change in currency translation adjustment	—	—	—	—	26,933	26,933
Minimum pension liability adjustment (a)	—	—	—	—	(13,879)	(13,879)
Comprehensive income						110,670
Balance at December 31, 2002	**44,384,820**	**$444**	**$459,213**	**$104,378**	**$(61,649)**	**$502,386**

(a) The minimum pension liability adjustment is net of deferred tax benefits of $6,650.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (In thousands)	2002	2001	2000
Cash flows from operating activities:			
Net earnings	$ 100,421	$ 72,264	$ 70,119
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	25,392	22,858	21,690
Amortization	9,332	14,114	11,564
Other	2,950	1,055	1,890
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable, net	13,663	(11,502)	(12,437)
Inventories	7,378	3,531	(17,274)
Other current assets	6,061	570	(1,778)
Trade accounts payable	919	(14,825)	(2,958)
Taxes payable	(13,340)	15,937	16,979
Accruals and other liabilities	(37,366)[a]	(2,430)[a]	(3,081)[a]
Net cash provided by operating activities	115,410	101,572	84,714
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	1,995	3,518	1,468
Purchase of property, plant and equipment	(33,157)	(33,228)	(29,304)
Acquisitions, net of seller financings	(21,305)[b]	(165,471)[b]	(26,377)[b]
Net cash used in investing activities	(52,467)	(195,181)	(54,213)
Cash flows from financing activities:			
Proceeds from borrowings	81,425	188,448	29,239
Repayments of borrowings	(142,609)	(105,062)	(61,617)
Proceeds from options exercised	3,532	16,840	6,473
Net cash provided by (used in) financing activities	(57,652)	100,226	(25,905)
Effect of exchange rate changes on cash and cash equivalents	(1,585)	(621)	(50)
Net increase in cash and cash equivalents	3,706	5,996	4,546
Cash and cash equivalents:			
Beginning of period	27,721	21,725	17,179
End of period	$ 31,427	$ 27,721	$ 21,725
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 16,249	$ 15,504	$ 20,014
Taxes	$ 31,387	$ 26,838	$ 16,523
Non-cash financing and investing activities:			
Issuance of common stock on acquisitions	—	$ 144,334	—
Seller financings on acquisitions	—	—	$ 27,638

(a) Accruals and other liabilities include payments for restructuring, certain acquisition integration activities and a one-time payment in 2000 associated with an early retirement plan from previous years. These amounts totaled $11.1 million, $10.7 million and $10.3 million in 2002, 2001 and 2000, respectively. 2002 also includes a $19.0 million incremental contribution to the U.S. pension plan.

(b) Amounts paid for acquisitions including the issuance of common stock, seller financing, assumed debt and working capital retained by sellers were $21.3 million, $309.8 million and $55.5 million in 2002, 2001 and 2000, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(In thousands unless otherwise stated)

1. Business Description and Basis of Presentation

Mettler-Toledo International Inc. ("Mettler-Toledo" or the "Company") is a leading global supplier of precision instruments and services. The Company is the world's largest manufacturer of weighing instruments for use in laboratory, process analytics, industrial, packaging and food retailing applications. The Company also holds top-three market positions in several related analytical instruments, and is a leading provider of automated chemistry solutions used in drug and chemical compound discovery and development. In addition, the Company is the world's largest manufacturer and marketer of metal detection and other end-of-line inspection systems used in production and packaging. The Company's primary 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 consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include all entities in which the Company has control, including its majority owned subsidiaries. Certain amounts in the prior period financial statements have been reclassified to conform with current year presentation.

All intercompany transactions and balances have been eliminated. Investments in which the Company has voting rights between 20% to 50% are accounted for using the equity method of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles 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 periods. Actual results may differ from those estimates.

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 net realizable value. Cost, which includes direct materials, labor and overhead, is generally determined using the first in, first out (FIFO) method. Excess and obsolete reserves are established based on forecast usage, orders and technological obsolescence.

Long-Lived Assets

a) 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

b) Capitalized Software

In accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the Company expenses all internal-use software costs incurred in the preliminary project stage and capitalizes certain direct costs associated with the development and purchase of internal-use software within property, plant and equipment. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software, generally not exceeding five years.

c) Goodwill and Other Intangible Assets

In accordance with SFAS 142, goodwill, representing the excess of purchase price over the net asset value of companies acquired, is reviewed for impairment on an annual basis in the fourth quarter. Other intangible assets are amortized on a straight-line basis over the expected period to be benefited. The Company assesses the recoverability of other intangible assets subject to amortization by determining whether the sum of the undiscounted future operating cash flows exceed the unamortized balance.

Accounting for Impairment of Long-Lived Assets

In accordance with SFAS 144, the Company assesses the need to record impairment losses on long-lived assets when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. An impairment loss would be recognized when future estimated undiscounted cash flows expected to result from use of the asset are less than the asset's carrying value with the loss measured at fair value based on discounted expected cash flows.

Taxation

The Company files tax returns in each jurisdiction in which it operates. 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. 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.

Deferred taxes are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are permanently reinvested. 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.

Currency Translation and Transactions

The reporting currency for the consolidated financial statements of the Company is the U.S. dollar. 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 U.S. dollar are included in the consolidated financial statements by translating the assets and liabilities into the reporting currency at the exchange rates applicable at the end of the reporting period. The statements of operations and cash flows of such non-U.S. dollar functional currency operations are translated at the monthly average exchange rates during the year. Translation gains or losses are accumulated in other comprehensive income (loss) in the consolidated statements of shareholders' equity.

Revenue Recognition

Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Typically, Mettler-Toledo does not sell its software products without the related hardware instrument as the software is embedded in the instrument. The Company's typical solution requires no significant production, modification or customization of the hardware or software that is essential to the functionality of the products. Revenues from service contracts are recognized ratably over the contract period.

Research and Development

Research and development costs are expensed as incurred.

Earnings per Common Share

In accordance with the treasury stock method, the Company has included 1,089,448, 2,369,179 and 3,243,669 equivalent shares in the calculation of diluted weighted average number of common shares for the years ending December 31, 2002, 2001 and 2000, respectively, relating to outstanding stock options. Outstanding options of 1,360,600, 354,250 and 0 for the years ending December 31, 2002, 2001 and 2000, respectively, have been excluded from the calculation of diluted weighted average number of common shares on the grounds that such options would be anti-dilutive.

Derivative Financial Instruments

The Company adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended, on January 1, 2001. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The cumulative effect of adopting SFAS 133 as of January 1, 2001 was not material to the Company's consolidated financial statements.

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. As described more fully in Note 5, the Company enters into foreign currency forward contracts to economically 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 changes in fair value being recognized in other charges, net.

The Company also enters into certain interest rate 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 as interest expense over the life of the agreements as incurred. The fair value of outstanding interest rate swap agreements that are effective cash flow hedges at December 31, 2002 are included in the Company's consolidated statements of shareholders' equity.

The Company has designated certain of its Swiss franc debt as a hedge of its net investments. Any changes in fair value of the debt are recorded in comprehensive income (loss) and offset the translation impact of designated net investments they hedge.

Stock Based Compensation

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

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, food and beverage, transportation and logistics and chemicals industries. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

New Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002.

3. Business Combinations

During 2002, the Company spent approximately $21.3 million on acquisitions, including the acquisition of SofTechnics Inc. and approximately $4.2 million of additional consideration related to earn-out periods associated with acquisitions consummated in prior years. SofTechnics is a leading provider of in-store retail item management software solutions. Goodwill recognized in connection with these acquisition payments totaled $18.8 million, which is primarily included in the Company's Principal U.S. Operations segment. The Company accounted for the acquisition payments using the purchase method of accounting.

Rainin Acquisition

In November 2001, the Company acquired the issued and outstanding membership units of Rainin Instrument, LLC for approximately $294.2 million. Rainin develops, manufactures and distributes advanced pipettes, tips and accessories, including single- and multi-channel manual and electronic pipettes. As a result of the acquisition the Company is expected to be the leading provider of pipetting solutions in North America.

The aggregate purchase price for Rainin was $294.2 million, including $149.9 million of cash and the issuance of common stock valued at $144.3 million, plus the potential for an additional contingent payment, of up to $60 million. Up to half of any additional contingent payment may be paid in shares of the Company's common stock and the remainder will be paid in cash and will be treated as additional purchase price.

The following table summarizes the estimated fair values of the Rainin assets acquired and liabilities assumed at the date of acquisition.

Current assets	$ 22,653
Property, plant and equipment	4,168
Intangible assets	127,074
Goodwill	148,624
Total assets acquired	302,519
Current liabilities	8,228
Non-current liabilities	57
Total liabilities assumed	8,285
Net assets acquired	$294,234

The non-indefinite lived identifiable intangible assets are amortized on a straight-line basis over periods ranging from 11 to 45 years. The identifiable intangible assets include customer relationships of $67.4 million, tradename of $22.4 million, intellectual property license of $19.9 million and technology and patents of $17.4 million. The $148.6 million of goodwill was primarily assigned to the Company's Principal U.S. Operations segment and is expected to be fully deductible for tax purposes. This goodwill and certain intangible assets with indefinite useful lives approximating $42.3 million are not subject to amortization in accordance with current generally accepted accounting principles.

The following summarized unaudited pro forma information assumes the acquisition of Rainin occurred on January 1, 2000. The pro forma data reflects adjustments directly related to the acquisition, and does not include adjustments that may arise as a consequence of the acquisition. Accordingly, the unaudited pro forma information does not purport to be indicative of what the Company's combined results of operations would actually have been had the acquisition occurred on January 1, 2000 or to project the Company's combined results of operations for any future periods.

Year ended December 31:

	2001	2000
Net sales:		
As reported	$1,148,022	$1,095,547
Pro forma	1,212,587	1,159,129
Net earnings:		
As reported	$72,264	$70,119
Pro forma	76,561	71,980
Basic earnings per common share:		
As reported	$1.78	$1.80
Pro forma	1.76	1.70
Diluted earnings per common share:		
As reported	$1.68	$1.66
Pro forma	1.67	1.58

Other Acquisitions

During 2001, the Company spent a further $15.6 million on other acquisitions, including approximately $9.3 million additional consideration related to earn-out periods associated with acquisitions consummated in prior years. Goodwill recognized in connection with these acquisition payments totaled $21.3 million, which is primarily included in the Company's Principal U.S. Operations segment. The Company accounted for the acquisition payments using the purchase method of accounting.

During 2000, the Company spent approximately $55.5 million on acquisitions, including the acquisition of Thornton Inc., approximately $10.2 million of additional consideration related to earn-out periods associated with acquisitions consummated in prior years, seller financing of $27.6 million and working capital retained by sellers that has been excluded from the purchase price allocation. Thornton is the market leader in pure and ultra-pure industrial water monitoring instrumentation used in semiconductor, microelectronics, pharmaceutical and biotech applications. Goodwill recognized in connection with these acquisition payments totaled $47.8 million, which is primarily included in the Company's Principal U.S. Operations, Other Western European Operations and Other Operations segments. The Company accounted for the acquisition payments using the purchase method of accounting.

The terms of certain of our acquisitions in 2002 and earlier years provide for possible additional earn-out payments. Although we do not currently believe we will make any material payments relating to such earn-outs, the maximum amount potentially payable in cash is approximately $74 million, including up to $30 million for Rainin, based on operating profits through March 31, 2003. Any additional earn-out payments incurred will be treated as additional purchase price and accounted for using the purchase method of accounting.

4. Inventories, Net

Inventories, net consisted of the following at December 31:

	2002	2001
Raw materials and parts	**$ 73,667**	$ 70,392
Work-in-progress	**33,683**	28,433
Finished goods	**43,091**	46,796
	$150,441	$145,621

5. Financial Instruments

At December 31, 2002, the Company had certain interest rate swap agreements outstanding that fix the variable interest obligation associated with CHF 50 million of Swiss franc-based debt and $155 million of USD-based debt. These agreements have various maturities through 2004. The fixed rates associated with the swap of Swiss franc debt are approximately 3.6%, while the rates associated with the USD are approximately 4.0% plus the Company's normal interest margin. The swaps are effective at three-month LIBOR rates. At December 31, 2002 and 2001, the fair market value of such financial instruments was approximately negative $4.4 million and negative $1.7 million, respectively.

At December 31, 2002, the Company had outstanding foreign currency forward contracts in the amount of $58 million. The purpose of these contracts is to economically hedge short-term intercompany balances with its foreign businesses. These agreements have various maturities through January 2003. The fair value of these contracts was not materially different from the carrying value at December 31, 2002 and 2001, respectively.

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.

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 or receive to terminate the agreements at the reporting date, taking into account current creditworthiness of the counterparties.

6. Property, Plant and Equipment, Net

Property, plant and equipment, net, consisted of the following at December 31:

	2002	2001
Land	**$ 45,421**	$ 38,690
Buildings and leasehold improvements	**128,711**	102,308
Machinery and equipment	**193,802**	155,777
Computer software	**4,934**	4,673
	372,868	301,448
Less accumulated depreciation and amortization	**(155,114)**	(109,176)
	$ 217,754	$ 192,272

7. Goodwill and Other Intangible Assets

As of January 1, 2002 the Company has adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets", effective for fiscal years beginning after December 15, 2001. This Statement requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment upon initial adoption of SFAS 142 and on an annual basis going forward. Other intangible assets with finite lives will continue to be amortized over their useful lives. Under the transition provisions of SFAS 142, there was no impairment of goodwill and indefinite lived intangible assets at January 1, 2002. We estimate that application of the non-amortization provisions of SFAS 142 would have increased our net earnings for 2001 by $6.5 million and our diluted earnings per share by $0.14, adjusting for additional shares issued in connection with our acquisition of Rainin Instrument LLC.

The reconciliations of reported net earnings to adjusted net earnings before amortization of goodwill for the years ended December 31 are as follows:

	2002	2001
Net earnings:		
Reported	$100,421	$72,264
Goodwill amortization	—	6,535
Adjusted	$100,421	$78,799
Basic earnings per share:		
Reported	$ 2.27	$ 1.78
Goodwill amortization(a)	—	0.15
Adjusted	$ 2.27	$ 1.93
Diluted earnings per share:		
Reported	$ 2.21	$ 1.68
Goodwill amortization(a)	—	0.14
Adjusted	$ 2.21	$ 1.82

(a) Adjusted for additional shares issued in connection with our acquisition of Rainin.

The following table shows the changes in the carrying amount of goodwill for the years ended December 31:

	2002	2001
Balance at beginning of year	$384,947	$228,035
Goodwill acquired – Principal U.S. Operations	18,762	169,868
Amortization charge for the year	—	(10,054)
Acquisition related tax assets realized	(9,488)	(961)
Effect of changes in foreign currency	14,130	(1,941)
Balance at end of year	$408,351	$384,947

SFAS 142 requires that goodwill and indefinite lived assets be subject to annual impairment tests using a two-step process. The first step is to determine if an impairment exists, and if so the second step measures the amount of impairment based on fair value. The Company has completed its impairment review under SFAS 142 as of December 31, 2002 and has determined that there is no impairment.

The components of other intangible assets as of December 31, are as follows:

	2002		2001	
	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Customer relationships	$ 70,955	$(1,839)	$ 67,383	$(268)
Tradename	23,327	(37)	22,434	—
Perpetual intellectual property license	19,905	—	19,905	—
Proven technology and patents	19,138	(2,008)	17,352	(282)
	$133,325	$(3,884)	$127,074	$(550)

Other intangible assets substantially relate to the acquisition of Rainin Instrument. The annual aggregate amortization expense based on the current balance of other intangible assets for each of the next five years is estimated at $3.4 million.

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 at December 31:

	2002	2001
Current maturities of long-term debt	$38,646	$31,455
Other short-term borrowings	11,932	18,784
	$50,578	$50,239

9. Long-Term Debt

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

	2002	2001
Credit Agreement Borrowings:		
Term A USD Loans, interest at LIBOR plus 0.45% (1.85% at December 31, 2002) payable in quarterly installments due May 19, 2004	$ 34,709	$ 52,065
Term A CHF Loans, interest at LIBOR plus 0.45% (1.12% at December 31, 2002) payable in quarterly installments due May 19, 2004	21,050	26,183
Term A GBP Loans, interest at LIBOR plus 0.45% (4.48% at December 31, 2002) payable in quarterly installments due May 19, 2004	11,865	16,106
Revolving credit facilities, interest at LIBOR plus 0.3%	224,467	238,459
Other	20,580	26,905
	312,671	359,718
Less current maturities	(50,578)	(50,239)
	$262,093	$309,479

The Company has a multi-currency $400.0 million revolving credit facility and a CDN $26.3 million Canadian revolving credit facility under its credit agreement. Loans under these revolving credit facilities may be repaid and reborrowed and are due in full on May 19, 2004. At December 31, 2002, the Company had $185.6 million of additional borrowing capacity under its credit agreement. The Company has the ability to refinance its short-term borrowings through its revolving facilities for an uninterrupted period extending beyond one year. Accordingly, approximately $192 million of the Company's short-term borrowings at December 31, 2002 have been reclassified to long-term.

The aggregate maturity of term loan obligations for 2004 is $29.0 million.

The Company is required to pay a facility fee based in part on our credit rating. The facility fee at December 31, 2002 was equal to 0.15%. At December 31, 2002, borrowings under the Company's revolving facilities carried an interest rate of LIBOR plus 0.3%. The Company's weighted average interest rate for the year ended December 31, 2002 was approximately 5.1%.

The Company's credit agreement contains covenants, including limitations on the Company's ability to pay dividends to shareholders, incur indebtedness, make investments, grant liens, sell financial assets and engage in certain other activities. The credit agreement also requires the Company to maintain a minimum net worth, a minimum fixed charge coverage ratio, and a ratio of total debt to EBITDA below a specified maximum.

The carrying value of the Company's obligations under its credit agreement approximates fair value due to the variable rate nature of the obligations.

10. Shareholders' Equity

Common Stock

The number of authorized shares of the Company's common stock is 125,000,000 shares with a par value of $0.01 per share. Holders of the Company's common stock are entitled to one vote per share. At December 31, 2002, 1,407,998 shares of the Company's common stock were reserved for grant pursuant to 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.

Shareholder Rights Plan

On August 26, 2002 the Board of Directors adopted a Shareholder Rights Plan under which the Company declared a non-cash dividend of one right for each outstanding share of common stock. The Rights, which expire on September 5, 2012, entitle stockholders to buy one one-thousandth of a share of preferred stock at an exercise price of $150. The Rights were distributed to those stockholders of record as of close of business on September 5, 2002 and are attached to all certificates representing those shares of common stock.

The Rights Plan provides that should any person or group acquire, or announce a tender or exchange offer for 15% or more of the Company's common stock, each Right, other than Rights held by the acquiring person or group, would entitle its holder to purchase a number of shares of the Company's common stock for 50% of its then-current market value. Unless a 15% acquisition has occurred, the Rights may be redeemed by the Board of Directors of the Company at any time. The Rights Plan will not be triggered by a tender or exchange offer for all outstanding shares of the Company at a price and on terms that the Company's Board of Directors determines to be adequate and in the best interest of the Company and its stockholders.

The Rights Plan exempts any stockholder that beneficially owned 15% or more of the Company's common stock as of August 26, 2002. However, the Rights will become exercisable if, at any time after August 26, 2002, any of these stockholders acquire additional shares of the Company's common stock in an amount which is greater than 2% of the Company's outstanding common stock.

Comprehensive Income

Accumulated other comprehensive income consisted of the following at December 31:

	2002	2001	2000
Currency translation adjustment	**$(23,365)**	$(50,298)	$(47,804)
Unrealized gain / (loss) on cash flow hedging arrangements	**(4,396)**	(1,591)	—
Additional minimum pension liability	**(40,538)**	(20,009)	—
Deferred tax on additional minimum pension liability	**6,650**	—	—
Total accumulated other comprehensive loss	**$(61,649)**	$(71,898)	$(47,804)

11. Stock Option Plan

The Company's stock option plan provides certain key employees and 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 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 and have a maximum term of 10 years.

Stock option activity is shown below:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 1999	5,035,647	$ 13.45
Granted	887,000	43.72
Exercised	(698,105)	(10.68)
Forfeited	(50,765)	(13.12)
Outstanding at December 31, 2000	5,173,777	$ 19.02
Granted	901,000	45.09
Exercised	(1,384,737)	(12.02)
Forfeited	(310,465)	(30.44)
Outstanding at December 31, 2001	4,379,575	$ 25.79
Granted	912,250	35.21
Exercised	(239,078)	(14.77)
Forfeited	(252,974)	(34.97)
Outstanding at December 31, 2002	**4,799,773**	**$ 27.65**
Options exercisable at December 31, 2000	2,700,697	$ 11.14
Options exercisable at December 31, 2001	2,112,471	$ 14.29
Options exercisable at December 31, 2002	**2,620,713**	**$ 18.34**

At December 31, 2002, 1,407,998 options were available for grant.

The following table details the weighted average remaining contractual life of options outstanding at December 31, 2002 by range of exercise prices:

Number of Options Outstanding	Weighted Average Exercise Price	Contractual Life of Options Outstanding	Remaining Options Exercisable
1,346,090	$ 7.95	3.8	1,346,090
319,083	$15.92	4.8	318,403
847,000	$25.87	5.1	542,480
834,650	$34.10	9.6	42,560
1,452,950	$45.81	8.3	371,180
4,799,773		6.5	2,620,713

As of the date granted, the weighted average grant-date fair value of the options granted during the years ended December 31, 2002, 2001 and 2000 was approximately $11.20, $16.72 and $18.31 per share, respectively. Such weighted average grant-date fair value was determined using an option pricing model that incorporated the following assumptions:

	2002	2001	2000
Risk-free interest rate	**3.0%**	4.3%	5.0%
Expected life in years	**4**	4	4
Expected volatility	**35%**	40%	46%
Expected dividend yield	**—**	—	—

The Company applies the intrinsic valuation methodology under Accounting Standards Board Opinion No. 25 and related interpretations in accounting for its plan. Had compensation cost for the Company's 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," the Company's net earnings and basic and diluted net earnings per common share for the years ended December 31 would have been as follows:

	2002	2001	2000
Net earnings:			
As reported	**$100,421**	$72,264	$70,119
Pro forma	**94,612**	67,348	66,425
Basic earnings per common share:			
As reported	**$ 2.27**	$ 1.78	$ 1.80
Pro forma	**2.14**	1.66	1.71
Diluted earnings per common share:			
As reported	**$ 2.21**	$ 1.68	$ 1.66
Pro forma	**2.09**	1.57	1.58

12. Benefit Plans

Mettler-Toledo maintains a number of retirement and other post-retirement employee benefit plans.

Certain subsidiaries sponsor defined contribution plans. Benefits are determined and funded annually based upon the terms of the plans. Amounts recognized as cost under these plans amounted to $3.3 million for the year ended December 31, 2002 and $2.6 million for the years ended December 31, 2001 and 2000, respectively.

Certain subsidiaries 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 Company's U.S. operations also provide post-retirement medical benefits to their employees. Contributions for medical benefits are related to employee years of service.

As described in Note 14, during the year ended December 31, 2002 the Company revised its U.S. defined benefit pension plan to freeze the benefits for current participants and to discontinue the plan for all future employees, resulting in an expense of $1.1 million. In addition, the Company's U.S. retiree medical program was also discontinued during 2002 for certain current and all future active employees resulting in a curtailment gain of $1.3 million.

The following table sets forth the change in benefit obligation, the change in plan assets, the funded status and amounts recognized in the consolidated financial statements for the Company's defined benefit plans and post-retirement plans at December 31, 2002 and 2001:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2002	2001	**2002**	2001	**2002**	2001
Change in benefit obligation:						
Benefit obligation at beginning of year	**$83,164**	$74,652	**$335,323**	$319,385	**$ 36,839**	$ 33,380
Service cost, gross	**2,033**	3,487	**18,834**	15,184	**324**	495
Interest cost	**6,167**	5,596	**17,386**	14,399	**2,551**	2,480
Actuarial (gains) losses	**4,540**	2,983	**(18,385)**	15,149	**(3,601)**	4,833
Plan amendments and other	**(2,051)**	673	**1,387**	406	**—**	(1,797)
Benefits paid	**(4,604)**	(4,227)	**(15,034)**	(15,839)	**(2,810)**	(2,549)
Impact of foreign currency	**—**	—	**64,546**	(13,361)	**—**	(3)
Benefit obligation at end of year	**$89,249**	$83,164	**$404,057**	$335,323	**$ 33,303**	$ 36,839
Change in plan assets:						
Fair value of plan assets at beginning of year	**$54,555**	$69,931	**$302,617**	$314,154	**$ —**	$ —
Actual return on plan assets	**(5,397)**	(12,840)	**(8,256)**	3,390	**—**	—
Employer contributions	**2,613**	1,691	**10,882**	8,020	**2,810**	2,549
Plan participants' contributions	—	—	**5,557**	4,630	**—**	—
Benefits paid	**(4,604)**	(4,227)	**(15,034)**	(15,839)	**(2,810)**	(2,549)
Impact of foreign currency	**—**	—	**59,314**	(11,738)	**—**	—
Fair value of plan assets at end of year	**$47,167**	$54,555	**$355,080**	$302,617	**$ —**	$ —
Funded status	**(42,082)**	(28,609)	**(48,977)**	(32,706)	**(33,303)**	(36,839)
Unrecognized net actuarial (gain) loss	**33,302**	22,626	**806**	(9,062)	**77**	2,714
Post-measurement date contributions	**19,007**	1,025	**—**	—	**—**	—
Net amount recognized	**$10,227**	$ (4,958)	**$ (48,171)**	$ (41,768)	**$(33,226)**	$(34,125)

Amounts recognized in the consolidated balance sheets consist of:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2002	2001	**2002**	2001	**2002**	2001
Other non-current assets	**$ —**	$ —	**$ 11,730**	$ 7,621	**$ —**	$ —
Other non-current liabilities	**(23,078)**	(24,935)	**(67,134)**	(49,421)	**(33,226)**	(34,125)
Accumulated other comprehensive loss	**33,305**	19,977	**7,233**	32	**—**	—
Net amount recognized	**$ 10,227**	$ (4,958)	**$(48,171)**	$(41,768)	**$(33,226)**	$(34,125)

The assumed discount rates and rates of increase in future compensation levels used in calculating the projected benefit obligations vary according to the economic conditions of the country in which the retirement plans are situated. The weighted average rates used for the purposes of the Company's plans are as follows:

	U.S.			Non-U.S.		
	2002	2001	2000	**2002**	2001	2000
Discount rate	**7.0%**	7.5%	7.8%	**4.5%**	4.7%	4.8%
Compensation increase rate	**n/a**	4.0%	5.0%	**2.5%**	2.9%	3.0%
Expected long-term rate of return on plan assets	**8.5%**	9.5%	9.5%	**6.1%**	6.1%	5.7%

Plan assets relate principally to the Company's U.S. and Swiss subsidiaries 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 the defined benefit plans includes the following components for the year ended December 31:

	U.S.			Non-U.S.		
	2002	2001	2000	**2002**	2001	2000
Service cost, net	**$ 897**	$ 3,487	$ 3,331	**$ 13,982**	$ 10,789	$ 12,107
Interest cost on projected benefit obligations	**6,167**	5,596	5,305	**17,386**	14,399	13,267
Expected return on plan assets	**(5,196)**	(6,484)	(6,048)	**(21,662)**	(17,373)	(16,443)
Impact of plan freeze	**1,136**	—	—	**—**	—	—
Impact of early retirement	**1,615**	1,013	—	**—**	—	—
Recognition of actuarial losses (gains)	**791**	5	5	**333**	(731)	14
Net periodic pension cost	**$ 5,410**	$ 3,617	$ 2,593	**$ 10,039**	$ 7,084	$ 8,945

Net periodic post-retirement benefit cost for the U.S. post-retirement plans includes the following components for the year ended December 31:

	2002	2001	2000
Service cost	**$ 324**	$ 495	$ 461
Interest cost on projected benefit obligations	**2,551**	2,480	2,460
Curtailment gain on plan freeze	**(1,334)**	—	—
Impact of early retirement	**365**	—	—
Net amortization and deferral	**(209)**	—	—
Net periodic post-retirement benefit cost	**$ 1,697**	$2,975	$2,921

The accumulated post-retirement benefit obligation and net periodic post-retirement benefit cost were principally determined using discount rates of 7.0% in 2002, 7.5% in 2001 and 7.8% in 2000 and health care cost trend rates ranging from 9% to 14% in 2002, and from 10% to 15% in 2001 and 2000, decreasing to 4.5% in 2008.

The health care cost trend rate assumption has a significant effect on the accumulated post-retirement benefit obligation and net periodic post-retirement benefit cost. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 212	$ (198)
Effect on post-retirement benefit obligation	$3,034	$(2,803)

13. Taxes

The sources of the Company's earnings before taxes were as follows for the years ending December 31:

	2002	2001	2000
United States	**$ 29,669**	$ (3,202)	$ 13,670
Non-United States	**80,741**	121,636	94,959
Earnings before taxes	**$110,410**	$118,434	$108,629

The provisions for taxes consist of:

	Current	Deferred	Adjustments to Goodwill	Total
Year ended December 31, 2002:				
United States federal	**$14,291**	**$(12,517)**	**$9,488**	**$11,262**
State and local	**539**	**—**	**—**	**539**
Non-United States	**120**	**(1,932)**	**—**	**(1,812)**
	$14,950	**$(14,449)**	**$9,488**	**$ 9,989**

	Current	Deferred	Adjustments to Goodwill	Total
Year ended December 31, 2001:				
United States federal	$ 129	$ 214	$ —	$ 343
State and local	553	—	—	553
Non-United States	42,564	1,749	961	45,274
	$43,246	$1,963	$961	$46,170

	Current	Deferred	Adjustments to Goodwill	Total
Year ended December 31, 2000:				
United States federal	$ 381	$ (601)	$ —	$ (220)
State and local	519	—	—	519
Non-United States	36,123	1,052	1,036	38,211
	$37,023	$ 451	$1,036	$38,510

During 2002, the Company recorded a one-time benefit of $23.1 million related to the completion of a tax restructuring program and related audits.

The adjustments to goodwill during the years ending December 31, 2002, 2001 and 2000 relate to tax benefits utilized that were not previously recognized in the purchase price allocation pertaining to previous acquisitions.

The provisions for tax expense for the years ending December 31, 2002, 2001 and 2000 differed from the amounts computed by applying the United States federal income tax rate of 35% to the earnings before taxes as a result of the following:

	2002	2001	2000
Expected tax	$ 38,643	$41,453	$38,020
United States state and local income taxes, net of federal income tax benefit	350	553	519
Non-deductible intangible amortization	—	2,222	2,227
Change in valuation allowance	6,751	1,288	(3,065)
Tax restructuring program and audit settlements	(23,135)	—	—
Other non-United States income taxes at other than a 35% rate	(13,499)	373	455
Other, net	879	281	354
Total provision for taxes	$ 9,989	$46,170	$38,510

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below at December 31:

	2002	2001
Deferred tax assets:		
Inventory	$ 497	$ 4,132
Accrued and other liabilities	29,931	20,339
Deferred losses	2,099	2,099
Accrued post-retirement benefit and pension costs	28,304	27,928
Net operating loss and tax credit carryforwards	60,935	30,317
Other	4,508	4,065
Total deferred tax assets	126,274	88,880
Less valuation allowance	(68,344)	(71,081)
Total deferred tax assets less valuation allowance	57,930	17,799
Deferred tax liabilities:		
Inventory	1,510	1,689
Property, plant and equipment	16,976	20,837
Rainin intangibles amortization	6,283	1,026
Other	13,482	5,132
International earnings	3,815	—
Total deferred tax liabilities	42,066	28,684
Net deferred tax asset/(liability)	$ 15,864	$(10,885)

The summary of total valuation allowances is as follows at December 31:

	2002	2001
Summary of valuation allowances:		
Cumulative net operating loss and tax credit carryforwards	$60,935	$25,762
Deferred loss	2,099	2,099
Accrued post-retirement and pension benefit costs	—	22,880
Other	5,310	20,340
Total valuation allowance	$68,344	$71,081

The Company has recorded valuation allowances related to its deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets. The potential decrease or increase of the valuation allowance in the near term is dependent on the future realizability of the deferred tax assets that are affected by the future profitability of operations in various worldwide jurisdictions. The 2002 net change in the valuation allowance includes the release of the valuation allowance attributable to deferred tax assets associated with temporary differences and net operating loss carryforwards and the establishment of a valuation allowance on U.S. foreign tax credits created in 2002 pursuant to the Company's plan of foreign earnings repatriations. A valuation allowance of $20.5 million at December 31, 2002 pertaining to foreign tax credit carryforwards resulted from the exercise of certain employee stock options. When recognized, the tax benefit of these credits will be recorded in shareholders' equity.

The total valuation allowances relating to acquired businesses amount to $4.9 million and $14.3 million at December 31, 2002 and 2001, respectively. The reduction for the current year is primarily attributable to the release of U.S. federal deferred tax assets associated with post-retirement benefit liabilities. Future reductions of these valuation allowances will continue to be credited to goodwill when realized.

At December 31, 2002, for U.S. federal income tax purposes, the Company had net operating loss carryforwards of $3.1 million that expire in various amounts through 2018 and foreign tax credits of $48 million that will expire in various amounts through 2007. The Company has various U.S. state net operating losses and various foreign net operating losses that expire in varying amounts through 2022.

During 2002 the Company undertook a plan to repatriate in future years $180 million of previously unremitted earnings of foreign subsidiaries. Accordingly, a deferred tax liability of $3.8 million was established in the current financial statements to account for the incremental tax costs associated with the planned repatriation. In conjunction with this plan, $85 million of foreign subsidiary earnings were repatriated to the United States during 2002, the effects of which are included in the 2002 financial statements. No deferred tax liability has been recognized on the residual unremitted earnings approximating $140 million, as such earnings have been permanently reinvested in the business.

The Company is currently under examination in various taxing jurisdictions in which it conducts business operations. While the Company has not yet received any material assessments from these taxing authorities, the Company believes that adequate amounts of taxes and related interest and penalties have been provided for any adverse adjustments as a result of these examinations and that the ultimate outcome of these examinations will not result in an adverse material impact on the Company's consolidated results of operations or financial position.

14. Other Charges, Net

Other charges, net consists primarily of charges related to the Company's cost-reduction programs and gains on the sale of property, plant and equipment.

In June 2002, the Company's management approved restructuring plans to exit manufacturing facilities in France and the United States, and reduce the Company's expense structure. As part of these efforts to reduce costs, the Company recorded a charge of $28.7 million ($20.1 million after tax) during the year ended December 31, 2002. This charge was comprised of restructuring liabilities of $24.3 million and related asset impairments of $4.4 million. In total, the Company expects this restructuring plan to result in cash outlays of approximately $20.2 million and non-cash items of $8.5 million. The charge comprised involuntary employee separation benefits, write-downs of impaired assets to be disposed and other exit costs. The Company expects to involuntarily terminate approximately net 300 employees in targeted manufacturing and administrative areas and to substantially complete the manufacturing consolidation by the end of 2003. Under U.S. GAAP, the charge related to the exit of the Company's French manufacturing facility was limited to the contractual minimum in the second quarter of 2002. This amount is subject to adjustment based on final settlement of the social plan being negotiated with the French union workers' council. The asset impairments of $4.4 million primarily relate to plant and equipment disposals resulting from the exit of certain manufacturing facilities. Fair value of these assets was determined on the basis of their net realizable value on disposal. Substantially all of the impaired assets will be physically disposed by the end of 2003.

As part of this restructuring program, the Company revised its U.S. defined benefit pension plan to freeze the benefits for current participants and to discontinue the plan for all future employees, resulting in an expense of $1.1 million. In addition, the Company's U.S. retiree medical program was also discontinued for certain current and all future active employees resulting in a curtailment gain of $1.3 million.

As part of its efforts to reduce costs, the Company recorded charges of approximately $15.2 million, and $1.4 million in 2001 and 2000, respectively, associated primarily with headcount reductions and manufacturing transfers in 2001, and the close-down and consolidation of operations in 2000. The charges comprised primarily severance and other related benefits and costs of exiting facilities, including lease termination costs and the write-down of impaired assets.

A roll-forward of the Company's accrual for restructuring activities follows:

	Employee related[(a)]	Lease termination[(b)]	Other[(c)]	Total
Balance at December 31, 2000	$ 2,141	$ 779	$ 60	$ 2,980
Restructuring expense	8,848	464	1,163	10,475
Cash payments	(6,856)	(964)	(899)	(8,719)
Increase in retirement benefit obligation	(2,114)	—	—	(2,114)
Impact of foreign currency	(18)	—	—	(18)
Balance at December 31, 2001	$ 2,001	$ 279	$ 324	$ 2,604
Restructuring expense	21,967	2,051	283	24,301
Cash payments	(9,660)	(433)	(238)	(10,331)
Increase in retirement benefit obligation	(3,850)	—	—	(3,850)
Impact of foreign currency	1,345	135	51	1,531
Balance at December 31, 2002	**$11,803**	**$2,032**	**$ 420**	**$ 14,255**

(a) Employee related costs in 2002 include severance, medical and early retirement costs for approximately net 300 employees, of which 190 employees had been terminated as of December 31, 2002. These employees include positions primarily in manufacturing, as well as administrative and other personnel, primarily at the Company's Principal U.S. and Other Western European Operations. The remaining employee terminations and related cash outflows are expected to be completed by the end of 2003.

Employee related costs in 2001 include severance and early retirement costs for 350 employees. These employees include positions primarily in manufacturing, as well as administrative and other personnel, primarily at the Company's Principal U.S. Operations. The employee terminations and related cash outflows were completed during the first quarter of 2002.

The increases in the Company's retirement benefit obligation represent enhanced early retirement benefits provided to impacted employees.

(b) Lease termination costs primarily relate to the early termination of leases on vacated property, primarily at the Company's Principal U.S. and Other Western European Operations.

(c) Other costs include expenses associated with equipment dismantling and disposal, and other exit costs.

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, 2002:

2003	$20,785
2004	15,807
2005	10,852
2006	8,727
2007	7,015
Thereafter	28,155
Total	$91,341

Rent expense for operating leases amounted to $24.7 million, $20.0 million and $21.2 million for the years ended December 31, 2002, 2001 and 2000, 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.

16. Segment Reporting

Operating segments are the individual reporting units within the Company. These units are managed separately, and it is at this level where the determination of resource allocation is made. The units have been aggregated based on operating segments in geographic regions that have similar economic characteristics and meet the aggregation criteria of SFAS 131. The Company has determined that there are five reportable segments: Principal U.S. Operations, Principal Central European Operations, Swiss R&D and Manufacturing Operations, Other Western European Operations and Other. Principal U.S. Operations represent certain of the Company's marketing and producing organizations located in the United States. Principal Central European Operations primarily include the Company's German marketing and producing organizations that primarily serve the German market and, to a lesser extent, Europe. Swiss R&D and Manufacturing Operations consist of the organizations located in Switzerland that are responsible for the development, production and marketing of precision instruments, including weighing, analytical and measurement technologies for use in a variety of industrial and laboratory applications. Other Western European Operations include the Company's market organizations in Western Europe that are not included in Principal Central European Operations. The Company's market organizations are geographically focused and are responsible for all aspects of the Company's sales and service. Operating segments that exist outside these reportable segments are included in Other.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on Adjusted Operating Income (gross profit less research and development and selling, general and administrative expenses before amortization, interest expense and non-recurring costs). Intersegment sales and transfers are priced to reflect consideration of market conditions and the regulations of the countries in which the transferring entities are located. The following tables show the operations of the Company's operating segments:

For the year ended December 31, 2002	Principal U.S. Operations	Principal Central European Operations	Swiss R&D and Mfg. Operations	Other Western European Operations	Other [a]	Eliminations and Corporate [b]	Total
Net sales to external customers	**$441,898**	**$158,232**	**$ 49,632**	**$264,683**	**$ 299,262**	**$ —**	**$1,213,707**
Net sales to other segments	**33,373**	**54,830**	**178,716**	**36,578**	**72,369**	**(375,866)**	**—**
Total net sales	**$475,271**	**$213,062**	**$228,348**	**$301,261**	**$ 371,631**	**$ (375,866)**	**$1,213,707**
Adjusted Operating Income	**$ 68,817**	**$ 16,143**	**$ 47,242**	**$ 15,106**	**$ 30,947**	**$ (13,102)**	**$ 165,153**
Depreciation	**8,457**	**2,607**	**5,916**	**3,195**	**4,622**	**595**	**25,392**
Total assets	**906,546**	**156,612**	**500,597**	**193,192**	**1,059,461**	**(1,513,015)**	**1,303,393**
Purchase of property, plant and equipment	**14,480**	**2,908**	**4,905**	**2,156**	**5,974**	**2,734**	**33,157**
Goodwill	**201,663**	**23,607**	**21,512**	**76,184**	**85,385**	**—**	**408,351**

For the year ended December 31, 2001	Principal U.S. Operations	Principal Central European Operations	Swiss R&D and Mfg. Operations	Other Western European Operations	Other [a]	Eliminations and Corporate [b]	Total
Net sales to external customers	$362,855	$185,606	$ 51,300	$269,733	$278,528	$ —	$1,148,022
Net sales to other segments	32,507	60,886	190,485	44,616	79,549	(408,043)	—
Total net sales	$395,362	$246,492	$241,785	$314,349	$358,077	$(408,043)	$1,148,022
Adjusted Operating Income	$ 31,074	$ 30,432	$ 56,999	$ 27,517	$ 30,319	$ (11,277)	$ 165,064
Depreciation	6,762	2,283	5,769	2,962	4,631	451	22,858
Total assets	585,357	144,967	381,873	183,120	557,768	(663,673)	1,189,412
Purchase of property, plant and equipment	7,007	4,386	5,980	3,498	5,981	6,376	33,228
Goodwill	187,565	21,100	19,205	77,982	79,095	—	384,947

For the year ended December 31, 2000	Principal U.S. Operations	Principal Central European Operations	Swiss R&D and Mfg. Operations	Other Western European Operations	Other(a)	Eliminations and Corporate(b)	Total
Net sales to external customers	$367,738	$177,912	$ 48,140	$256,257	$245,500	$ —	$1,095,547
Net sales to other segments	33,528	53,563	177,237	41,896	69,738	(375,962)	—
Total net sales	$401,266	$231,475	$225,377	$298,153	$315,238	$(375,962)	$1,095,547
Adjusted Operating Income	$ 38,414	$ 22,881	$ 45,609	$ 21,979	$ 24,935	$ (10,977)	$ 142,841
Depreciation	6,692	2,364	5,685	2,803	3,765	381	21,690
Total assets	242,878	138,957	346,561	152,816	514,246	(507,876)	887,582
Purchase of property, plant and equipment	6,289	3,123	7,689	4,226	6,177	1,800	29,304

(a) Other includes reporting units in Asia, Eastern Europe, Latin America and segments from other countries that do not meet the aggregation criteria of SFAS 131.

(b) Eliminations and Corporate includes the elimination of intersegment transactions as well as certain corporate expenses, intercompany investments and certain goodwill, which are not included in the Company's operating segments.

A reconciliation of Adjusted Operating Income to earnings before taxes for the year ended December 31 follows:

	2002	2001	2000
Adjusted Operating Income	**$165,153**	$165,064	$142,841
Amortization	**9,332**	14,114	11,564
Interest expense	**17,209**	17,162	20,034
Other charges, net	**28,202**	15,354	2,614
Earnings before taxes	**$110,410**	$118,434	$108,629

The Company sells precision instruments, including weighing instruments and certain analytical and measurement technologies, and related post-sales support to a variety of customers and industries. None of these customers account for more than 3% of net sales. Post-sales support revenues are primarily derived from parts and services such as calibration, certification and repair, much of which is provided under contracts. A breakdown of the Company's sales by product category for the years ended December 31 follows:

	2002	2001	2000
Weighing-related instruments	**$ 594,465**	$ 634,834	$ 624,510
Non-weighing instruments	**359,616**	271,519	237,501
Post-sales support	**259,626**	241,669	233,536
Total net sales	**$1,213,707**	$1,148,022	$1,095,547

The breakdown of net sales by geographic customer destination and property, plant and equipment, net for the year ended December 31 is as follows:

	Net sales			Property, plant and equipment, net	
	2002	2001	2000	**2002**	2001
United States	**$ 494,913**	$ 417,886	$ 411,484	**$ 46,650**	$ 41,543
Other Americas	**72,754**	74,020	76,522	**1,859**	2,157
Total Americas	**567,667**	491,906	488,006	**48,509**	43,700
Germany	**104,311**	130,641	122,570	**26,842**	22,920
France	**90,046**	104,206	97,345	**5,497**	5,606
United Kingdom	**47,228**	44,689	44,927	**5,156**	5,806
Switzerland	**46,274**	45,437	45,308	**108,249**	92,707
Other Europe	**197,225**	185,961	168,040	**5,930**	5,239
Total Europe	**485,084**	510,934	478,190	**151,674**	132,278
Rest of World	**160,956**	145,182	129,351	**17,571**	16,294
Totals	**$1,213,707**	$1,148,022	$1,095,547	**$217,754**	$192,272

17. Quarterly Financial Data (Unaudited)

Quarterly financial data for the years ended December 31, 2002 and 2001 are as follows:

	First Quarter	Second Quarter(a)	Third Quarter	Fourth Quarter
2002				
Net sales	$272,957	$296,454	$306,990	$337,306
Gross profit	125,137	141,082	142,923	158,595
Net earnings	$ 18,674	$ 27,478	$ 22,977	$ 31,292
Basic earnings per common share:				
Net earnings	$0.42	$0.62	$0.52	$0.71
Weighted average number of common shares	44,173,850	44,208,274	44,355,475	44,384,820
Diluted earnings per common share:				
Net earnings	$0.41	$0.61	$0.51	$0.69
Weighted average number of common shares	45,517,058	45,409,690	45,235,544	45,317,919
Market price per share:				
High	$51.85	$45.74	$36.87	$37.04
Low	$42.80	$35.65	$24.85	$25.41
2001				
Net sales	$265,644	$279,033	$285,064	$318,281
Gross profit	118,310	126,849	131,024	152,699
Net earnings	$ 14,498	$ 6,682	$ 20,384	$ 30,700
Basic earnings per common share:				
Net earnings	$0.37	$0.17	$0.51	$0.72
Weighted average number of common shares	39,716,936	40,112,438	40,157,813	42,451,676
Diluted earnings per common share:				
Net earnings	$0.34	$0.16	$0.48	$0.69
Weighted average number of common shares	42,539,345	42,472,310	42,463,944	44,441,101
Market price per share:				
High	$53.92	$52.20	$49.20	$51.98
Low	$36.50	$37.95	$37.00	$39.98

(a) The financial data for the second quarters of 2002 and 2001 include charges of $28.7 million ($20.1 million after tax) and $15.2 million ($14.6 million after tax), respectively, primarily related to headcount reductions and manufacturing transfers (Note 14). The financial data for the second quarter of 2002 also includes a benefit of $23.1 million related to tax restructuring activities and the completion of related tax audits.

Selected Financial Data

The selected historical financial information set forth below at December 31 and for the years then ended is derived from our consolidated financial statements. The financial information presented below, in thousands except share data, was prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

(In thousands, except share data)	**2002(g)**	2001(g)	2000	1999	1998
Statement of Operations Data:					
Net sales	**$1,213,707**	$1,148,022	$1,095,547	$1,065,473	$935,658
Cost of sales	**645,970**	619,140	600,185	585,007(a)	520,190
Gross profit	**567,737**	528,882	495,362	480,466	415,468
Research and development	**70,625**	64,627	56,334	57,393	48,977
Selling, general and administrative	**331,959**	299,191	296,187	300,389	265,511
Amortization	**9,332**	14,114	11,564	10,359	7,634
Purchased research and development	**—**	—	—	—	9,976(b)
Interest expense	**17,209**	17,162	20,034	21,980	22,638
Other charges, net(c)	**28,202**	15,354	2,614	10,468	1,197
Earnings before taxes and minority interest	**110,410**	118,434	108,629	79,877	59,535
Provision for taxes	**9,989(d)**	46,170	38,510	31,398	20,999
Minority interest	**—**	—	—	378	911
Net earnings(h)	**$ 100,421**	$ 72,264	$ 70,119	$ 48,101	$ 37,625
Basic earnings per common share:					
Net earnings	**$ 2.27**	$ 1.78	$ 1.80	$ 1.25	$ 0.98
Weighted average number of common shares	**44,280,605**	40,609,716	38,897,879	38,518,084	38,357,079
Diluted earnings per common share:					
Net earnings	**$ 2.21**	$ 1.68	$ 1.66	$ 1.16	$ 0.92
Weighted average number of common shares	**45,370,053**	42,978,895	42,141,548	41,295,757	40,682,211
Balance Sheet Data:					
Cash and cash equivalents	**$ 31,427**	$ 27,721	$ 21,725	$ 17,179	$ 21,191
Working capital(e)	**127,214**	106,689	103,021	81,470	90,042
Total assets	**1,303,393**	1,189,412	887,582	820,973	820,441
Long-term debt	**262,093**	309,479	237,807	249,721	340,246
Other non-current liabilities(f)	**133,600**	119,109	95,843	100,334	103,201
Shareholders' equity	**502,386**	388,184	178,840	112,015	53,835

(a) In connection with acquisitions in 1999, including the acquisition of the Testut-Lutrana group, we allocated $998 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 1999.

(b) In connection with the Bohdan acquisition, we allocated $9,976 of the purchase price to purchased research and development in process. This amount was recorded as an expense immediately following the Bohdan acquisition.

(c) Other charges, net generally includes interest income, foreign currency transactions, (gains) losses from sales of assets and other items. The 2002 and 2001 amounts also include charges of $28,661 and $15,196 respectively, primarily related to headcount reductions and manufacturing transfers. The 2000 amount includes a charge of $1,425 related to the close-down and consolidation of operations. The 1999 amount includes a gain on an asset sale of approximately $3,100, a charge of $8,007 to transfer production lines from the Americas to China and Europe and the closure of facilities and losses of approximately $4,100 in connection with the exit from our glass batching business based in Belgium. For the years ended December 31, 1999 and 1998, the amount shown also includes $825 and $650, respectively, of expenses incurred on behalf of certain selling shareholders in connection with secondary offerings.

(d) The provision for taxes for 2002 includes a benefit of $23,135 related to the completion of our tax restructuring program and related tax audits.

(e) Working capital represents total current assets net of cash, less total current liabilities net of short-term borrowings and current maturities of long-term debt.

(f) Other non-current liabilities consists primarily of obligations under various pension plans and plans that provide post-retirement medical benefits. See Note 12 to the audited consolidated financial statements included herein.

(g) Includes the results of the Rainin acquisition from November 2001.

(h) No dividends were paid during the five-year period ended December 31, 2002.

Corporate Offices

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Stock Exchange

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

Dividend Policy

Historically, we have not paid dividends on our common stock. However, the Company will evaluate this policy on a periodic basis, taking into account our results of operations; financial condition; capital requirements; contractual restrictions, including those in our new credit facility, if any; the taxation of dividends to our shareholders; and other factors deemed relevant by our Board of Directors.

Transfer Agent and Registrar

Mellon Investor Services LLC 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:

Mellon Investor Services
85 Challenger Road
Ridgefield Park, New Jersey 07660
Phone 800-526-0801
Phone 201-329-8660
www.melloninvestor.com

Shareholders

As of March 3, 2003, the Company estimates there were approximately 15,000 shareholders.

Annual Meeting

The annual meeting of shareholders will be held at 10:00 a.m. on Friday, May 9, 2003 at Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, 29th Floor, New York, New York 10004. 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, 2003.

Internet

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

Trademarks

The following registered and unregistered trademarks, found in this annual report, are among those used by METTLER TOLEDO: BOHDAN, FREEWEIGH, JAGXTREME, LABX, LITE TOUCH, LTS, METTLER TOLEDO, MULTIMAX, RAININ, SOFTECHNICS, TESTUT-LUTRANA, THORNTON.

Form 10-K

Mettler-Toledo International Inc.'s Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2002 is available at www.mt.com as well as upon written request to the Investor Relations Department.

Investor Relations

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

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Robert F. Spoerry
Chairman of the Board,
President and Chief Executive Officer
Director since 1996

Philip Caldwell
Retired Chairman of the Board
and Chief Executive Officer,
Ford Motor Company
Director since 1996

John T. Dickson
Chief Executive Officer and President,
Agere Systems Inc.(formerly the
Microelectronics Group of Lucent)
Director since 2000

Philip H. Geier, Jr.
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and Chief Executive Officer,
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Former Chairman and President,
Export-Import Bank of the United States
Director since 1996

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President and Chief Executive Officer

Urs Widmer
Industrial

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