Annual Report 2005

METTLER TOLEDO

Contents

METTLER TOLEDO

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 food retailing 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. We also are a top provider of automated chemistry systems used in drug discovery and have a leading position in certain process analytics applications. 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. Software is also an important differentiating factor for METTLER TOLEDO across many of our product lines.

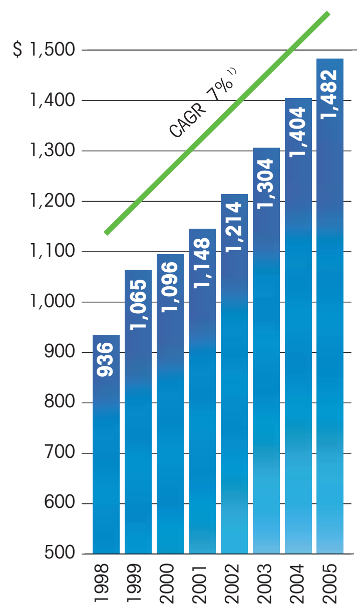
Our global services network is one of the most comprehensive in the industry. We assist our customers with everything from calibrating instruments to ensuring compliance with FDA regulations.

Our investor relations department is available to answer your questions or provide additional information.

Financial Highlights

Sales

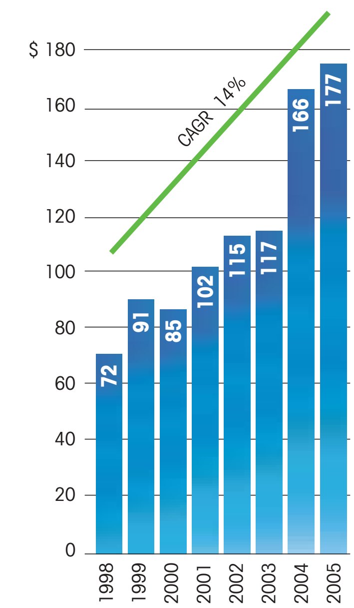
($ in millions)



1) CAGR in local currency for the period 1998 – 2005 is 6%.

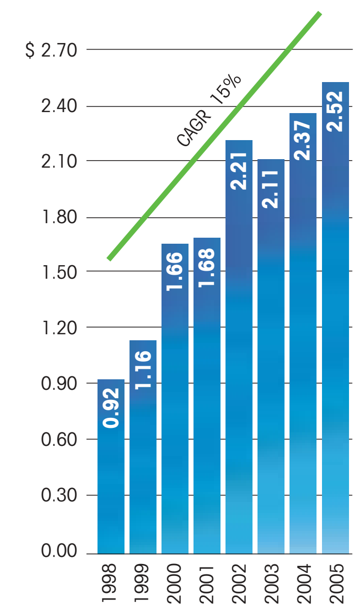
Operating Cash Flow

($ in millions)



Earnings per Share

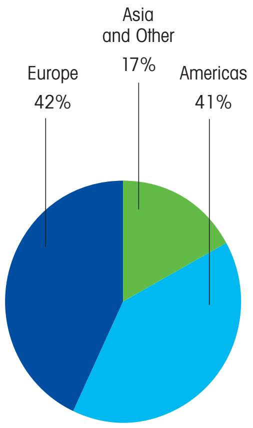
(In dollars)



EPS includes the following items:

1998 $ (0.27) acquisition related charges and other items and $ 0.09 one-time tax benefit
1999 $ (0.24) charge for the transfer or close-down of certain product lines and other items
2000 $ (0.04) charge related to close-down and consolidation of operations within our retail product lines
2001 $ (0.34) charge related to headcount reductions and manufacturing transfers
2002 $ 0.51 one-time tax gain due to tax restructuring program and related tax audits and $ (0.45) charge related to headcount reductions and manufacturing transfers
2003 $ (0.08) charge related to final union settlement on the closure of French manufacturing facility
2004 $ (0.08) expenses related to previously disclosed investigation
2005 $(0.30) charge for a non-cash intangible asset write-off and legal costs in conjunction with previously disclosed pipette litigation and $(0.12) charge for non-recurring tax items

Sales by Customer Destination



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 "Disclaimer" and "Factors affecting our future operating results" sections of the 10-K.

Our Solutions
Providing Value to Customers Worldwide

Laboratory Solutions

Our laboratory instruments are the foundation of research labs all over the world. We are the market leader in balances, the most commonly used instrument in the lab. 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.

Our pipettes, widely used in labs to measure and dispense small volumes of liquid, lead the market because of their innovative ergonomic design. Our proprietary designs and disposable tips ensure reliable performance while preventing repetitive strain injuries.

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.

METTLER TOLEDO has strong worldwide leadership positions. A significant majority of our instrument sales are from products that are global leaders in their segment. We have one of the most extensive global sales and service organizations among precision instrument companies, with approximately 4,800 or more than one-half of our employees providing sales and service in 35 countries. In R&D, more than 800 professionals work daily on maintaining our technology lead. An increasingly large percentage of our R&D investment is for software development.

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.

Product Inspection

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, dimensioning and identification solutions speed throughput and increase revenue.

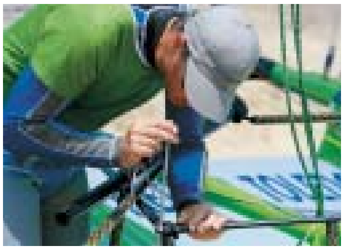
Retail Solutions

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.

Dear Fellow Investor

Robert F. Spoerry

2005 was a great year for METTLER TOLEDO. Successful execution of our strategic initiatives allowed us to deliver strong financial results while at the same time building our foundation for the future. This focus on execution, combined with a powerful franchise, is what makes us the partner of choice for customers and a solid investment for shareholders. We have delivered solid sales and earnings growth and work hard each day to continue this trend.



METTLER TOLEDO – Precisely

"Precisely" says many things about our Company. We are a leading global provider of precision instruments and services. We believe we act precisely in all we do. Our strategies are well defined and zero in on our best opportunities, and we are determined to execute them with excellence. The result: a franchise that gets things done and delivers on its promises – giving you, our shareholders, a good return for moderate risk. You'll see more evidence of our precision as we talk about what we accomplished in 2005 and how we intend to drive growth this year.

We entered 2005 with a plan to enhance our internal growth. We made important strides and began to see results from Spinnaker, our corporate-wide initiative to accelerate our organic sales growth through excellence in sales, service and marketing. We launched many new products to reinforce our clear technology leadership, as we continued to invest significantly more in R&D than our competition. We also pursued growth opportunities around the world. We expanded our sizable presence in Asia, with further investments in training and sales offices in China and new distribution capabilities in India.

We saw increased demand from customers in 2005. We had solid growth in most of our laboratory product lines as we benefited from many new product introductions. Our industrial customers continued to invest significantly in capacity expansion in China and we recognized strong growth as a result. We also had robust demand in our transportation and logistics products as freight carriers seek to recover revenues, reduce costs and improve the control of goods flow. Finally, we saw a year of good investment by our food retailing customers.

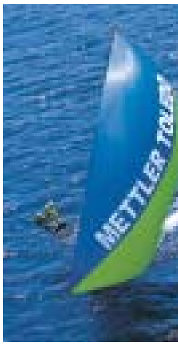
While we focused on sales growth in 2005, we also continued to strengthen our cost leadership position. We made measurable progress in our supply chain initiatives to ensure we can be efficient in logistics and procurement worldwide. We transferred additional production from our plants in Europe and the United States to China and have initiated a plan for a new facility there. These cost efforts allowed us to further improve our operating margins, as well as our cash flow generation.

Finally, we saw the opportunity to generate value for shareholders by using our strong cash flow and solid balance sheet to expand our share repurchase program. We believe the share repurchase program can be a source of significant value creation for investors.

We are convinced that our strategic initiatives can provide even more value in the coming years. With determined execution and a continued positive economic environment, we can continue to deliver good growth in 2006 and in the years ahead.

Marketing Our Solutions More Effectively

Our Spinnaker initiative is now firmly rooted in our organization and represents a fundamental change from a product centric view to a customer centric market approach. In short, we are endeavoring to raise our marketing programs to the same level of excellence our products hold. We believe this program represents our best opportunity to increase our organic growth rate.



We are seeing promising results from Spinnaker's initial focus areas of segment marketing, lead generation and pricing. We rolled out tailored programs for a record number of new segments last year. This segment approach has brought us closer to our customers and allowed us to gain share in these segments. We are also closely tracking our various lead generation programs to determine their relative effectiveness. As a result, we are investing more in telemarketing resources and Internet marketing programs. We are pleased with the progress to date and are seeing record growth in the number of leads since the launch of this initiative. In the area of pricing, we continue to drive better margins through value selling and reducing discounts. In addition, we are implementing new tools to automate discounting, which provide more transparency on discounting data and offer a rigorous framework for the approval process.

We are very encouraged by the successes of Spinnaker and believe there are many facets to this project which will continue our growth momentum in the years ahead.

Increasing Our Presence in Emerging Markets

Our increasing presence in emerging markets is a source of growth for METTLER TOLEDO. We had another year of strong results in China, and expect China to be our second largest market in 2006. Our strategy is to provide low-cost production for our global distribution channel and to capitalize on China's growth opportunities. To accommodate this growth, we are making important organizational changes – splitting our current Chinese organization into a marketing organization and a producing organization. This is the same organizational structure we have in place in the Americas and Europe. The marketing organization will focus on sales growth and will work to increase our regional coverage in China and implement many of the Spinnaker-related initiatives. Our producing organization will focus on ensuring our cost competitiveness and excellence in R&D. In 2006, we will begin to replace one of our three facilities with a new expanded one, nearly doubling the capacity of the existing site. We believe these changes will improve our market share and extend our manufacturing efficiencies.

Another market we want to aggressively develop is India. Since 1990, we have had a sales and service presence there centered on our industrial instruments. To capitalize on the substantial growth opportunities in this market, we have doubled the size of our direct sales force and set up direct distribution capabilities for our lab products.

Launching Innovative New Products

New products have always provided a very effective avenue of growth for us. Our lab business led the way in 2005 with a broad range of new offerings. By year-end, we essentially completed the replacement of our entire balance portfolio started in late 2003. We expect to see ongoing benefit from these products for the next several years as they enjoy increasing acceptance with customers and as we make modifications to provide even greater value to our customers. Of course, we will continually upgrade our product line to meet customer needs, as evidenced by our upcoming launch of a high capacity micro balance that has the ability to weigh with extreme accuracy various types of fine substances or chemicals. Specifically, it allows pharmaceutical and biotech customers to weigh smaller samples directly in the container, thereby reducing loss and improving productivity without sacrificing accuracy. There is no comparable product on the market with this level of accuracy.

Another lab innovation is our soon-to-be launched high-speed system to calibrate single- and multi-channel pipettes, the only compact instrument of its kind in the market. Twenty times faster than a conventional balance for calibration, this instrument and its user-friendly software reduce calibration time by allowing the simultaneous calibration of all channels. Pipette manufacturers, service providers and pharmaceutical and biotech companies can increase productivity, optimize service and support costs and gain more secure results to meet ISO requirements.

In our industrial business, we are revamping our series of control instruments. Offering world-leading performance in demanding process applications, the new instruments feature an enhanced and consistent man-machine interface with easy-to-use graphic displays, a flexible platform allowing connectivity to various systems and remote service capabilities. New features help customers improve productivity, minimize operator training and maximize serviceability. As the major components are being sourced in China, it also means lower manufacturing costs for us.

In 2005, our product inspection business launched a record number of new products. Our significantly upgraded product portfolio allows us to continue to globalize our offering and to move ahead of the competition in many key design areas. For example, our Inspire X system features novel detector technology and advanced image processing algorithms that give it extreme sensitivity. It is the first and only "variable speed" x-ray system, enabling users to adjust the speed of the line without losing accuracy. It also allows the user to inspect for multiple parameters, such as content and contaminants. Specialized software provides traceability, including tracking operators using the machine at any given time.

In retail, we continue to leverage our UC technology platform with new software releases that deliver increasing customer benefits. For example, our latest software assists retailers with the additional nutritional labeling requirements of the FDA for trans fat and allergen content and with the development of targeted promotions and discount offers. We are also working aggressively to reduce our product cost through low-cost country sourcing. Additionally, we have expanded our resources to meet customer needs by contracting with an international software partner.

Improving Our Cost Structure

Even as we are actively pursuing growth, we are still working diligently to improve our cost structure in sustainable ways. We are determined to fight pressure from suppliers and hold steady their prices. On the procurement front, we continue to be able to offset price increases with savings in other areas, keeping material costs flat despite inflation and other pressures. We are vigorously pursuing sourcing from suppliers in low-cost countries such as China and those throughout Eastern Europe and are further consolidating our suppliers. We are also continuing to transfer manufacturing to China.

What's more, we are working to reduce inventory levels and costs. One way we are reducing costs is by sharing suppliers and components/modules across product lines. We are making progress in reducing inventory levels despite having more of our supply chain being sourced from China. In mid-2005, we opened a hub in North America for the customization and final assembly of products and the distribution of spare parts. Through this more centralized approach, we believe we can gain cost efficiencies and reduce inventory levels.

Finally, we are gaining productivity in our fixed cost structure. We are careful to keep our work force levels steady in the majority of our markets, mostly adding resources in emerging markets to make the most of growth opportunities.

As always, corporate governance issues are important to us, and we keep a vigilant eye on them. We remain committed to doing all we can to ensure our processes are consistent with strong corporate governance and our team operates with the highest integrity. At the same time, we have identified ways to reduce our costs of Sarbanes-Oxley compliance, as we become more efficient without sacrificing our high standards. Looking ahead, we see further opportunities to streamline processes, lower product and process costs and reduce inventory investments.

In addition to our strategic initiatives, our financial strength gives us firm positioning for the future. We believe our sales growth, operating leverage and earnings growth are big advantages for us. Given that we don't have sizable capital requirements, our cash flow, when combined with our strong balance sheet, provides us with the ability to repurchase shares. Indeed, during 2005, we repurchased 3.2 million shares or 7 percent of our outstanding shares. We plan to continue to use our free cash flow for share repurchases, as we believe it is a superb way to return value to shareholders.

Delivering Strong Financial Results

Solid demand from customers, combined with persistent execution of our initiatives, produced excellent financial results in 2005.

Sales in 2005 reached $1.5 billion, which represented a 6 percent increase over 2004. This increase is comprised of a 5 percent local currency sales growth and a 1 percent currency benefit. Local currency sales growth, which is sales growth at constant currency rates, is the most important driver of operating profit. By geography, local currency sales growth was 7 percent in the Americas, 3 percent in Europe and 9 percent in Asia and Other.

We saw further increase in gross margins, which reached 49.3 percent, an increase of 70 basis points over the prior year. Higher volume, improved pricing and cost structure initiatives were all contributors to this improvement. Adjusted operating income was $206.7 million, compared with the prior year amount of $179.4 million which included $5.0 million of investigation-related costs. Excluding the one-time item in the 2004 amount, adjusted operating income increased 12 percent in 2005.

In 2005, we repatriated approximately $400 million in cash from foreign operations in conjunction with the American Jobs Creation Act (AJCA), which allowed companies to repatriate foreign earnings at substantially reduced tax rates. The corresponding incremental tax expense of $13.1 million, or $0.30 per share, was recognized in the third quarter and was offset, in part, by a $7.7 million, or $0.18 per share, benefit from the favorable resolution of certain tax matters. We estimate that AJCA will result in tax savings of approximately $44 million over the coming years.

Our contract to distribute certain third party-manufactured pipettes in the United States was terminated following a legal dispute. As a result, we recorded a one-time charge of $21.8 million ($13.1 million after tax), or $0.30 per share, for the non-cash intangible asset write-off and legal costs associated with this dispute.

Net earnings per share in 2005 were $2.52 and include one-time charges of $0.42 per share as outlined above. Net earnings per share in 2004 were $2.37 and include investigation-related costs of $0.08 per share. Excluding the one-time items in both periods, net earnings per share in 2005 would have increased by 20 percent.

Our net cash flow from operations reached $177.1 million in 2005 and gave us plenty of capacity for share repurchases. In late 2005, we amended and expanded our bank facility, increasing it from $300 million to $450 million and extending its maturity for two years until 2010. Given the favorable banking market, we felt it was an opportune time to do so. With our improved bank facility, strong balance sheet and ample cash flow generation, we have the financial flexibility to repurchase shares as well as pursue our acquisition strategy.

Well Positioned for 2006 and Beyond

In sum, we are really pleased with our performance in 2005 and feel that we are strongly positioned for further growth in 2006. We remain cautious on the economy, including the impact of rising oil prices and sustainability of the European recovery. We feel confident in our market position and our ability to execute our strategic initiatives. Our foundation for the future continues to be rooted in the hallmarks of our franchise – market leadership, global presence, diversified customer base and product portfolio, technology leadership, and culture of delivering the highest quality products and services.

At the heart of it all is our employees. We want to sincerely thank them for their dedication, for utilizing their talents and experience and for being engaged and focused on the execution of our strategies. We all share a determination to deliver strong earnings growth and returns for our shareholders.

We would also like to thank our customers and you, our shareholders, for believing in our products and our Company and giving us your support. We are eager to continue our journey of growth with you.

Sincerely,

Robert F. Spoerry
Chairman, President and Chief Executive Officer

February 21, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-13595

Mettler-Toledo International Inc.

(Exact name of registrant as specified in its charter)

Delaware	13-3668641
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
	(Zip Code)

Im Langacher
P.O. Box MT-100
CH 8606 Greifensee, Switzerland
(Address of principal executive offices)

011-41-44-944-2211
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☑

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12 b-2 of the Act). Yes ☐ No ☑

As of February 1, 2006 there were 41,242,371 shares of the Registrant's Common Stock, $0.01 par value per share, outstanding. The aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant on June 30, 2005 (based on the closing price for the Common Stock on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2005) was approximately $1.9 billion. For purposes of this computation, shares held by affiliates and by directors of the Registrant have been excluded. Such exclusion of shares held by directors is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the Registrant.

Documents Incorporated by Reference

Document	Part of Form 10-K Into Which Incorporated
Proxy Statement for 2006 Annual Meeting of Shareholders	Part III

METTLER-TOLEDO INTERNATIONAL INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL Year Ended December 31, 2005

DISCLAIMER

Some of the statements in this annual report and in documents incorporated by reference constitute "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. These statements relate to future events or our future financial performance, including, but not limited to, strategic plans, potential growth opportunities in both developed markets and emerging markets, impact of inflation, currency and interest rate fluctuations, planned research and development efforts, product introductions and innovation, manufacturing capacity, adequacy of facilities, anticipated customer spending pattern and levels, expected customer demand, meeting customer expectations, planned operational changes and productivity improvements, effect of changes in internal control over financial reporting, research and development expenditures, competitors' product development, levels of competitive pressure, expected capital expenditures, future cash sources and requirements, liquidity, value of inventories, impact of long term incentive plans, expected pension and other benefits contributions and payments, expected tax treatment and assessment, impact of taxes and changes in tax benefits, expected compliance with laws, changes in laws and regulations, impact of environmental costs, expected trading volume and value of stocks and options, impact of issuance of preferred stock, expected cost savings, impact of legal proceedings, satisfaction of contractual obligations by counterparties, benefits and other effects of completed or future acquisitions, which involve known and unknown risks, uncertainties and other factors that may cause our or our businesses' actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or "continue" or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. Moreover, we do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. Unless otherwise required by applicable laws, we disclaim any intention or obligation to publicly update or revise any of the forward-looking statements after the date of this annual report to conform them to actual results, whether as a result of new information, future events, or otherwise. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Factors affecting our future operating results" in the "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this annual report, which describe risks and factors that could cause results to differ materially from those projected in those forward-looking statements.

We caution the reader that the above list of risks and factors that may affect results addressed in the forward-looking statements may not be exhaustive. Other sections of this annual report and other documents incorporated by reference may describe additional risks or factors that could adversely impact our business and financial performance. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict these new risk factors, nor can it assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

PART I

Item 1. *Business*

We are a leading global supplier of precision instruments and services. We are the world's largest manufacturer of weighing instruments for use in laboratory, industrial, product inspection, transportation and logistics and food retailing applications. We also hold top-three market positions in several related analytical instruments, and are a leading provider of automated chemistry systems used in drug and chemical compound discovery and development. In addition, we are the world's largest manufacturer and marketer of metal detection and other end-of-line inspection systems used in production and packaging, and hold a leading position in certain process analytics applications.

Our business is geographically diversified, with sales in 2005 derived 42% from Europe, 41% from North and South America and 17% from Asia and other countries. Our customer base is also diversified by industry and by individual customer.

Mettler-Toledo International Inc. was incorporated as a Delaware corporation in 1991 and became a publicly traded company with its initial public offering in November 1997. In November 2001, we acquired Rainin Instrument, a leading manufacturer of pipetting solutions used in pharmaceutical, biotech and medical research applications.

Business Segments

We updated the geographic aggregation of our segments as of March 31, 2005 and have determined there are five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other. Prior year segment information has been restated to conform with the current period presentation. See Note 16 to the audited consolidated financial statements and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations under "Results of Operations — by Operating Segment" for detailed results by segment and geographic region.

We manufacture a wide variety of precision instruments and provide value-added services to our customers. Our principal products and principal services are set forth below. Given the inherently global nature of our business, the following description of our products, customers and distribution, sales and services, research and development, manufacturing and other elements of our business apply, for the most part, to each of our segments. In some instances particular products are targeted for particular segments but none of these products are material in nature to the entire business or an individual segment.

Laboratory Instruments

We make a wide variety of precision laboratory instruments, including laboratory balances, pipettes, titrators, thermal analysis systems and other analytical instruments. The laboratory instruments business accounted for approximately 45% of our net sales in 2005.

Laboratory Balances

Our laboratory balances have weighing ranges from one ten-millionth of a gram up to 32 kilograms. To cover a wide range of customer needs and price points, we market our balances in a range of product tiers offering different levels of functionality. Based on the same technology platform, we also manufacture mass comparators, which are used by weights and measures regulators as well as laboratories to ensure the accuracy of reference weights.

In addition to Mettler-Toledo branded products, we manufacture and sell balances under the brand name "Ohaus." Ohaus branded products principally target the educational market and other markets in which customers are interested in lower cost, a more limited set of features and less comprehensive support and service.

Pipettes

Pipettes are used in laboratories for dispensing small volumes of liquids. In late 2001, we acquired Rainin Instrument, a premier provider of pipetting solutions based in California. Rainin develops, manufactures and distributes advanced pipettes, tips and accessories, including single and multi-channel manual and electronic pipettes. Rainin maintains service centers in the key markets where customers periodically send in their pipettes for certified recalibrations. Rainin's principal end markets are pharmaceutical, biotech, clinical and academia.

Analytical Instruments

Titrators measure the chemical composition of samples and are used in laboratories as well as the food and beverage and other industries. Our high-end titrators are multi-tasking models, which can perform two determinations simultaneously on multiple vessels. Our offering includes robotics to automate routine work in quality control applications.

Thermal analysis systems measure material properties as a function of temperature, such as weight, dimension, energy flow and viscoelastic properties. Thermal analysis systems are used in nearly every industry, but primarily in the plastics and polymer industries and increasingly in the pharmaceutical industry.

pH meters measure acidity in laboratory samples. We also sell density and refractometry instruments, which measure chemical concentrations in solutions. In addition, we manufacture and sell moisture analyzers, which precisely determine the moisture content of a sample by utilizing an infrared dryer to evaporate moisture.

Laboratory Software

LabX, our PC-based laboratory software platform, manages and analyzes data generated by our titrators and balances. LabX provides full network capability, has efficient, intuitive protocols, and enables customers to collect and archive data in compliance with the U.S. Food and Drug Administration's traceability requirements for electronically stored data (also known as 21 CFR Part 11). We plan to expand LabX to include other laboratory instruments.

Automated Chemistry Solutions

Our current Automated Chemistry offerings are focused on key aspects of drug development process, including the identification of new lead compounds and optimization of those leads. Our automated lab reactors, in situ analysis systems, and VirtualLab Informatics Suite are considered integral to the process development and scale-up activities of our customers. We offer a range of technologies including synthesizer tools to support chemists working on lead identification and optimization. In addition, we provide systems for cleaning up and purifying synthesized products for use in preclinical trials. Our on-line measurement technologies based on infrared and laser light enables customers to monitor chemical reactions and crystallization processes in the lab and plant. We believe that our portfolio of integrated technologies can bring significant efficiencies to the drug development process, enabling our customers to create larger numbers of higher quality candidate compounds and bring them to market faster.

Process Analytics

Our process analytics business provides instruments for the in-line measurement of liquid parameters used primarily in the production process of pharmaceutical, biotech, beverage, microelectronics, and chemical companies. About half of our process analytics sales are to the pharmaceutical and biotech markets, where our customers need fast and secure scale-up and production that meets the validation processes required for GMP (Good Manufacturing Processes) and other regulatory standards. We are a leading solution provider for liquid analytical measurement to control and optimize production processes. Our solutions include sensor technology for pH, dissolved oxygen, CO_2, conductivity, turbidity and TOC and automated systems for calibration and cleaning of measurement points. Our instruments offer leading multi-parameter capabilities and plant-wide control system integration, which are key for integrated measurement of multiple parameters to secure production quality and efficiency. With a worldwide network of specialists, we support customers in critical process applications, compliance and systems integration questions.

Industrial Instruments

We manufacture numerous industrial weighing instruments and related terminals and we offer dedicated software solutions for the chemical, pharmaceutical and food industries. We supply automatic identification and data capture solutions, which integrate in-motion weighing, dimensioning and identification technologies for transport, shipping and logistics customers. We also offer heavy industrial scales and related software. The industrial instruments business accounted for approximately 42% of our net sales in 2005.

Industrial Weighing Instruments

We offer a comprehensive line of industrial scales and balances, such as bench scales and floor scales, for weighing loads from a few grams to several thousand kilograms in applications ranging from measuring materials in chemical production to weighing mail and packages. Our products are used in a wide range of applications, such as counting applications and in formulating and mixing ingredients.

Industrial Terminals

Our industrial scale terminals integrate collected data and control and automate manufacturing processes. They allow users to remotely download programs or access setup data and can minimize down time through predictive rather than reactive maintenance.

Transportation and Logistics

We are a leading global supplier of automatic identification and data capture solutions, which integrate in-motion weighing, dimensioning and identification technologies. With these solutions, customers can measure the weight and cubic volume of packages for appropriate billing, logistics and quality control. Our solutions also integrate into customers' information systems.

Vehicle Scale Systems

Our primary heavy industrial products are scales for weighing trucks or railcars (i.e., weighing bulk goods as they enter or leave a factory or at a toll station). Heavy industrial scales are capable of measuring weights up to 500 tons and permit accurate weighing under extreme environmental conditions. We also offer advanced computer software that can be used with our heavy industrial scales to facilitate a broad range of customer solutions and provides a complete system for managing vehicle transaction processing.

Industrial Software

We offer a wide range of software that can be used with our industrial instruments. Examples include FreeWeigh.Net, statistical quality control software, Formweigh.Net, our formulation/batching software, and OverDrive. FreeWeigh.Net and Formweigh.Net provide full network capability and enable customers to collect and archive data in compliance with the U.S. Food and Drug Administration's traceability requirements for electronically stored data (21 CFR part 11). In addition, our Q.i365 software controls batching processes by monitoring the material transfer control process. Q.i365 also provides statistical, diagnostic and operational information for asset management, process control and database applications.

Product Inspection

Increasing safety and consumer protection requirements are driving the need for more and more sophisticated end-of-line inspection systems (e.g., for use in food processing and packaging, and pharmaceutical and other industries). We are a leading global provider of metal detectors, x-ray visioning equipment and checkweighers that are used in these industries. Metal detectors are most commonly used to detect fine particles of metal that may be contained in raw materials or may be generated by the manufacturing process itself. X-ray-based vision inspection helps detect non-metallic contamination, such as glass, stones and pits, which enter the manufacturing process for similar reasons. Our x-ray systems can detect metal in metallized containers and can be used for mass control. Both x-ray and metal detection systems may be used together with checkweighers as components of integrated packaging lines. Checkweighers are used to control the filling content of packaged goods such as food, pharmaceuticals and cosmetics. FreeWeigh.net is our statistical and quality control software that optimizes package filling, monitors weight-related data and integrates it in real time into customers' enterprise resource planning and/or process control systems.

Retail Weighing Solutions

Supermarkets, hypermarkets and other food retail businesses make use of multiple weighing and food labeling solutions for handling fresh goods (such as meats, vegetables, fruits and cheeses). We offer stand-alone scales for basic counter weighing and pricing, price finding and printing. In addition, we offer networked scales and software, which can integrate backroom, counter, self-service and checkout functions and can incorporate fresh goods item data into a supermarket's overall food item and inventory management system. Customer benefits are in the areas of pricing, merchandising, inventory management, and regulatory compliance. The retail business accounted for approximately 13% of our net sales in 2005.

Retail Software

Our subsidiary SofTechnics provides retail software for in-store item and inventory management solutions. SofTechnics' offering complements our retail weighing solutions to food retailers by providing the full scope of real-time item management retailers can then match local store inventory levels with local customer demand. As our traditional retail weighing business extends further into the area of information technology, the opportunity to cross-sell SofTechnics' software and services expands. We continue to introduce SofTechnics software for the improved inventory management of fresh goods and plan to sell more complete and integrated data management solutions for fresh goods now and in the future.

Customers and Distribution

Our principal customers include companies in the following key end markets: the life science industry (pharmaceutical and biotech companies, as well as independent research organizations); food producers; food retailers; the beverage industry; specialty chemicals and cosmetics companies; the transportation and logistics industry; the metals industry; the electronics industry; and the academic market.

Our products are sold through a variety of distribution channels. Generally, more technically sophisticated products are sold through our direct sales force, while less complicated products are sold through indirect channels. Our sales through direct channels exceed our sales through indirect channels. A significant portion of our sales in the Americas is generated through the indirect channels. We have a diversified customer base, with no single customer accounting for more than 2% of 2005 net sales.

Sales and Service

Market Organizations

We maintain geographically focused market organizations around the world that are responsible for all aspects of our sales and service. The market organizations are local marketing and service organizations designed to maintain close relationships with our customers. Each market organization has the flexibility to adapt its marketing and service efforts to account for different cultural and economic conditions. Market organizations also work closely with our producing organizations (described below) by providing feedback on manufacturing and product development initiatives and relaying new product and application ideas.

We have one of the largest and broadest global sales and service organizations among precision instrument manufacturers. At December 31, 2005, our sales and services group consisted of over 4,800 employees in sales, marketing and customer service (including related administration) and post-sales technical service, located in 35 countries. This field organization has the capability to provide service and support to our customers and distributors in major markets across the globe. This is important because our customers are seeking to do more and more business with a consistent global approach.

Service

We have expanded our service business from one centered on repair and maintenance to one driven by regulatory compliance and other value-added services, which we call Service XXL. We have a unique offering to our pharmaceutical customers in promoting use of our instruments in compliance with FDA regulations and we can provide these services regardless of the customer's location throughout the world. This global service network also is an important factor in our ability to expand in emerging markets. We estimate that we have the largest installed base of weighing instruments in the world. In 2005, service (representing service contracts, repairs and replacement parts) accounted for approximately 23% of our total net sales. A significant portion of this amount is derived from sales of replacement parts.

Beyond revenue opportunities, we believe service is a key part of our solution offering and helps significantly in customer retention. The close relationships and frequent contact with our large customer base provides us with sales opportunities and innovative product and application ideas.

Research and Development and Manufacturing

Producing Organizations

Our research, product development and manufacturing efforts are organized into a number of producing organizations which specialize in specific products on a global basis. Our focused producing organizations help reduce product development time and costs, improve customer focus and maintain technological leadership. The producing organizations work together to share ideas and best practices, and there is a close interface and coordinated customer interaction among marketing organizations and producing organizations.

Research and Development

We intend to continue to invest in product innovation in order to provide technologically advanced products to our customers for existing and new applications. Over the last three years, we have invested $243.1 million in research and development ($81.9 million in 2005, $83.2 million in 2004, and $78.0 million in 2003). In 2005, we spent approximately 5.5% of net sales on research and development. Our research and development efforts fall into two categories:

- technology advancements, which increase the value of our products. These advancements may be in the form of enhanced functionality, new applications for our technologies, more accurate or reliable measurement, additional software capability or automation through robotics or other means, and
- cost reductions, which reduce the manufacturing cost of our products through better overall design.

We have devoted an increasing proportion of our research and development budget to software development. This includes software to process the signals captured by the sensors of our instruments, application-specific software, and software that connects our solutions into customers' IT systems. We closely integrate research and development with marketing, manufacturing and product engineering. We have over 800 employees in research and development and product engineering.

Manufacturing

We are a worldwide manufacturer, with facilities principally in the United States, Switzerland, Germany, the United Kingdom and China. Laboratory instruments are produced mainly in Switzerland and to a lesser extent in the United States and China, while our remaining products are produced worldwide. We emphasize product quality in our manufacturing operations, and most of our products require very strict tolerances and exact specifications. We use an extensive quality control system that is integrated into each step of the manufacturing process. All major manufacturing facilities have achieved ISO 9001 certification. We believe that our manufacturing capacity is sufficient to meet our present and currently anticipated needs.

We generally manufacture only critical components ourselves, usually components that contain proprietary technology. When outside manufacturing is more efficient, we contract with others for certain components. We use a wide range of suppliers. We believe our supply arrangements to be adequate and that there are no material constraints on the sources and availability of materials. From time to time we rely on a single supplier for all of our requirements of a particular component. Supply arrangements for electronics are generally made globally.

Backlog; Seasonality

Our manufacturing turnaround time is generally sufficiently short so as to permit us to manufacture to fill orders for most of our products, which helps to limit inventory costs. Backlog is therefore generally a function of requested customer delivery dates and is typically no longer than one to two months.

Our business has historically experienced a slight amount of seasonal variation, particularly the high-end laboratory instruments business. Traditionally, sales in the first quarter are slightly lower than, and sales in the fourth quarter are slightly higher than sales in the second and third quarters. Fourth quarter sales have historically generated approximately 27-28% of our net sales. This trend has a somewhat greater effect on income from operations than on net sales because fixed costs are spread evenly across all quarters.

Employees

As of December 31, 2005, we had approximately 8,800 employees throughout the world, including approximately 4,000 in Europe, 2,900 in North and South America, and 1,900 in Asia and other countries.

We believe our employee relations are good, and we have not suffered any material employee work stoppage or strike during the last five years, except for a strike in early 2003 at our Bethune, France facility, which has been closed. Labor unions do not represent a meaningful number of our employees.

Intellectual Property

We hold over 1,700 patents and trademarks, primarily in the United States, Switzerland, Germany, the United Kingdom, France, Japan and China. Our products generally incorporate a wide variety of technological innovations, some of which are protected by patents of various durations. Products are generally not protected as a whole by individual patents, and as a result, no one patent or group of related patents is material to our business. We have numerous trademarks, including the Mettler-Toledo name and logo, which are material to our business. We regularly protect against infringement of our intellectual property.

Regulation

Our products are subject to various regulatory standards and approvals by weights and measures regulatory authorities. All of our electrical components are subject to electrical safety standards. We believe that we are in compliance in all material respects with applicable regulations.

Approvals are required to ensure our instruments do not impermissibly influence other instruments, and are themselves not affected by other instruments. In addition, some of our products are used in "legal for trade" applications, in which prices based on weight are calculated, and for which specific weights and measures approvals are required. Although there are a large number of regulatory agencies across our markets, there is an increasing trend toward harmonization of standards, and weights and measures regulation is harmonized across the European Union.

Our products may also be subject to special requirements depending on the end-user and market. For example, laboratory customers are typically subject to Good Laboratory Practices (GLP), industrial customers to Good Manufacturing Practices (GMP), pharmaceutical customers to U.S. Food and Drug Administration (FDA) regulations, and customers in food processing industries may be subject to Hazard Analysis and Critical Control Point (HACCP) regulations. Products used in hazardous environments may also be subject to special requirements.

Environmental Matters

We are subject to environmental laws and regulations in the jurisdictions in which we operate. We own or lease a number of properties and manufacturing facilities around the world. Like many of our competitors, we have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations in both the United States and abroad.

We are currently involved in, or have potential liability with respect to, the remediation of past contamination in certain of our facilities in both the United States and abroad. Our subsidiary Mettler-Toledo Hi-Speed, Inc. ("Hi-Speed") is one of two private parties ordered to perform certain ground water contamination monitoring under an administrative consent order that the New Jersey Department of Environmental Protection ("NJDEP") signed on June 13, 1988 with respect to certain property in Landing, New Jersey. GEI International Corporation ("GEI") is the other ordered party. GEI has failed to fulfill its obligations under the NJDEP order, and NJDEP has agreed with Hi-Speed that the residual ground water contaminants can be monitored through the establishment of a Classification Exception Area and concurrent Well Restriction Area for the site. The NJDEP does not view these vehicles as remedial measures, but rather as "institutional controls" that must be adequately maintained and periodically evaluated. We estimate that the costs of compliance associated with monitoring ground water contamination levels at the site will be approximately $0.8 million over the next seven years.

In addition, certain of our present and former facilities have or had been in operation for many decades and, over such time, some of these facilities may have used substances or generated and disposed of wastes which are or may be considered hazardous. It is possible that these sites, as well as disposal sites owned by third parties to which we have sent wastes, may in the future be identified and become the subject of remediation. Accordingly, although we believe that we are in substantial compliance with applicable environmental requirements and to date we have not incurred material expenditures in connection with environmental matters, it is possible that we could become subject to additional environmental liabilities in the future that could result in a material adverse effect on our financial condition, results of operations or cash flows.

Competition

Our markets are highly competitive. Weighing and analytical instruments markets are fragmented both geographically and by application, particularly the industrial and food retailing markets. As a result, we face numerous regional or specialized competitors, many of which are well established in their markets. In addition, some of our competitors are divisions of larger companies with potentially greater financial and other resources than our own. Taken together, the competitive forces present in our markets can impair our operating margins in certain product lines and geographic markets.

We expect our competitors to continue to improve the design and performance of their products and to introduce new products with competitive prices. Although we believe that we have technological and other competitive advantages over many of our competitors, we may not be able to realize and maintain these advantages. These advantages include our worldwide market leadership positions; our global brand and reputation; our track record of technological innovation; our comprehensive, high-quality solution offering; our global sales and service offering; our large installed base of weighing instruments; and the fact that our revenue base is diversified by geographic region, product range and customer. To remain competitive, we must continue to invest in research and development, sales and marketing and customer service and support. We cannot be sure that we will have sufficient resources to continue to make these investments or that we will be successful in identifying, developing and maintaining any competitive advantages.

We believe that the principal competitive factors in developed markets for purchasing decisions are the product itself, application support, service support and price. In emerging markets, where there is greater demand for less sophisticated products, price is a more important factor than in developed markets. Competition in the U.S. laboratory market is also influenced by the presence of large distributors that sell not only our products but those of our competitors as well.

Company Website and Information

Our website can be found on the Internet at www.mt.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q, Form 8-K and Schedule 14A and all amendments to those reports can be viewed and downloaded free of charge when they are filed with the SEC by accessing www.mt.com, clicking on *Investor Relations* and then clicking on *SEC Filings*. These filings may also be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Our website also contains copies of the following documents that can be downloaded free of charge:

- Corporate Governance Guidelines
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Code of Conduct

Any of the above documents, and any of our reports on Form 10-K, Form 10-Q, Form 8-K and Schedule 14A and all amendments to those reports can also be obtained in print by sending a written request to our Investor Relations Department:

Investor Relations
Mettler-Toledo International Inc.
1900 Polaris Parkway
Columbus, OH 43240 U.S.A.
Phone: +1 614 438 4748
Fax: +1 614 438 4646
E-mail: mary.finnegan@mt.com

Item 1A. *Risk Factors*

Factors affecting our future operating results

Currency fluctuations may affect our operating profits.

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. Accordingly, the Swiss franc exchange rate to the euro is an important cross-rate monitored by the Company. We estimate that a 1% strengthening of the Swiss franc against the euro would result in a decrease in our earnings before tax of approximately $1 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. Based on our outstanding debt at December 31, 2005, we estimate that a 10% weakening of the U.S. dollar against the currencies in which our debt is denominated would result in an increase of approximately $33.4 million in the reported U.S. dollar value of the debt.

We are subject to certain risks associated with our international operations and fluctuating conditions in emerging markets.

We conduct business in many countries, including emerging markets in Asia, Latin America and Eastern Europe and these operations represent a significant potion of our sales and earnings. For example our Chinese Operations account for $116.9 million of sales to external customers and $40.2 million of segment profit. In addition to the currency risks discussed above, international operations pose other substantial risks and problems for us. For instance, various local jurisdictions in which we operate may revise or alter their respective legal and regulatory requirements. In addition, we may encounter one or more of the following obstacles or risks:

- tariffs and trade barriers;
- difficulties in staffing and managing local operations, and/or mandatory salary increases for local employees;
- credit risks arising from financial difficulties facing local customers and distributors;
- difficulties in protecting intellectual property;
- nationalization of private enterprises;
- restrictions on investments and/or limitations regarding foreign ownership;
- adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries; and
- other uncertain local economic, political and social conditions, including hyper-inflationary conditions, or periods of low or no productivity growth.

We must also comply with a variety of regulations regarding the conversion and repatriation of funds earned in local currencies. For example, converting earnings from our operations in China into other currencies and repatriating these funds require governmental approvals. If we cannot comply with these or other applicable regulations, we may face increased difficulties in utilizing cash flow generated by these operations outside of China.

Economic conditions in emerging markets have from time to time deteriorated significantly, and some emerging markets are experiencing recessionary trends, severe currency devaluations and inflationary prices. Moreover, economic problems in individual markets can spread to other economies, adding to the adverse conditions we face in emerging markets. We remain committed to emerging markets, particularly those in Asia, Latin America and Eastern Europe. However, we expect the fluctuating economic conditions will affect our results of operations in these markets for the foreseeable future.

We operate in highly competitive markets, and it may be difficult to preserve operating margins, gain market share and maintain a technological advantage.

Our markets are highly competitive. Weighing and analytical instruments markets are also fragmented both geographically and by application, particularly the industrial and food retailing markets. As a result, we face numerous regional or specialized competitors, many of whom are well established in their markets. In addition, some of our competitors are divisions of larger companies with potentially greater financial and other resources than our company. Taken together, the competitive forces present in our markets can impair our operating margins in certain product lines and geographic markets. We expect our competitors to continue to improve the design and performance of their products and to introduce new products with competitive prices. Although we believe that we have certain technological and other advantages over our competitors, we may not be able to realize and maintain these advantages.

Our product development efforts may not produce commercially viable products in a timely manner.

We must introduce new products and enhancements in a timely manner, or our products could become technologically obsolete over time, which would harm our operating results. To remain competitive, we must continue to make significant investments in research and development, sales and marketing, and customer service and support. We cannot be sure that we will have sufficient resources to continue to make these investments. In developing new products, we may be required to make substantial investments before we can determine their commercial viability. As a result, we may not be successful in developing new products and we may never realize the benefits of our research and development activities.

A prolonged downturn or additional consolidation in the pharmaceutical, food, food retailing and chemicals industries could adversely affect our operating results.

Our products are used extensively in the pharmaceutical, food and beverage and chemical industries. Consolidation in the pharmaceutical and chemicals industries hurt our sales in prior years. A prolonged downturn or additional consolidation in any of these industries could adversely affect our operating results. In addition, the capital spending policies of our customers in these industries are based on a variety of factors we cannot control, including the resources available for purchasing equipment, the spending priorities among various types of equipment and policies regarding capital expenditures generally. Any decrease or delay in capital spending by our customers would cause our revenues to decline and could harm our profitability.

We may face risks associated with future acquisitions.

We plan to pursue acquisitions of complementary product lines, technologies or businesses. Acquisitions involve numerous risks, including:

- difficulties in the assimilation of the acquired operations, technologies and products;
- diversion of management's attention from other business concerns; and
- potential departures of key employees of the acquired company.

If we successfully identify acquisitions in the future, completing such acquisitions may result in:

- new issuances of our stock that may be dilutive to current owners;
- increases in our debt and contingent liabilities; and

- additional amortization expenses related to intangible assets.

Any of these acquisition-related risks could materially adversely affect our profitability.

Larger companies have identified life sciences and instruments as businesses they will consider entering, which could change the competitive dynamics of these markets. In addition, we may not be able to identify, successfully complete or integrate potential acquisitions in the future. However, even if we can do so, we cannot be sure that these acquisitions will have a positive impact on our business or operating results.

If we cannot protect our intellectual property rights, or if we infringe or misappropriate the proprietary rights of others, our operating results could be harmed.

Our success depends on our ability to obtain and enforce patents on our technology and to protect our trade secrets. Our patents may not provide complete protection, and competitors may develop similar products that are not covered by our patents. Our patents may also be challenged by third parties and invalidated or narrowed. Although we take measures to protect confidential information, improper use or disclosure of our trade secrets may still occur.

We may be sued for infringing on the intellectual property rights of others. The cost of any litigation could affect our profitability regardless of the outcome, and management attention could be diverted. If we are unsuccessful in such litigation, we may have to pay damages, stop the infringing activity and/or obtain a license. If we fail to obtain a required license, we may be unable to sell some of our products, which could result in a decline in our revenues.

Departures of key employees could impair our operations.

We have employment contracts with each of our key employees. In addition, our key employees own shares of our common stock and/or have options to purchase additional shares. Nevertheless, such individuals could leave the Company. If any key employees stopped working for us, our operations could be harmed. We have no key man life insurance policies with respect to any of our senior executives.

We may be adversely affected by environmental laws and regulations.

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 U.S. and abroad. We are currently involved in, or have potential liability with respect to, the remediation of past contamination in facilities both in the U.S. 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. These 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.

We may be adversely affected by failure to comply with regulations of governmental agencies.

Our products are subject to regulation by governmental agencies. These regulations govern a wide variety of activities relating to our products, from design and development, to labeling, manufacturing, promotion, sales and distribution. If we fail to comply with these regulations, we may have to recall products and cease their manufacture and distribution. In addition, we could be subject to fines or criminal prosecution.

We may experience impairments of goodwill or other intangible assets.

Starting in 2002, our goodwill amortization charges have ceased. As of December 31, 2005, our consolidated balance sheet included goodwill of $423.0 million and other intangible assets of $105.2 million.

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.

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), our goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation is based on valuation models that estimate fair value based on expected future cash flows and profitability projections. In preparing the valuation models we consider a number of factors, including operating results, business plans, economic conditions, future cash flows, and transactions and market place data. There are inherent uncertainties related to these factors and our judgment in applying them to the impairment analyses. The significant estimates and assumptions within our fair value models include sales growth, controllable cost growth, perpetual growth, effective tax rates and discount rates. Our assessments to date have indicated that there has been no impairment of these assets.

Our drug discovery reporting unit is sensitive to changes in biopharma capital spending. We currently estimate the fair value of the Company's drug discovery reporting unit exceeds its carrying value as of December 31, 2005. In accordance with the provisions of SFAS 142, the Company monitors the fair value of this reporting unit closely to determine if the business plans are being achieved. For example, we monitor whether the forecasted benefits of our drug discovery cost reduction programs are being realized.

Should any of these estimates or assumptions in the preceding paragraphs change, or should we incur lower than expected operating performance or cash flows, we may experience a triggering event that requires a new fair value assessment for our reporting units, possibly prior to the required annual assessment. These types of events and resulting analysis could result in impairment charges for goodwill and other indefinite-lived intangible assets if the fair value estimate declines below the carrying value.

Our amortization expense related to intangible assets with finite lives may materially change should our estimates of their useful lives change.

Unanticipated changes in our tax rates or exposure to additional income tax liabilities could impact our profitability.

We are subject to income taxes in both the United States and various other foreign jurisdictions, and our domestic and international tax liabilities are subject to allocation of expenses among different jurisdictions. Our effective tax rates could be adversely affected by:

- changes in the mix of earnings by jurisdiction;
- changes in tax laws or tax rates;
- changes in the valuation of deferred tax assets and liabilities; and
- material adjustments from tax audits.

In particular, the carrying value of deferred tax assets, which are predominantly in the U.S., is dependent upon our ability to generate future taxable income in the U.S. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions and a material assessment by a governing tax authority could affect our profitability.

We have substantial debt and we may incur substantially more debt, which could affect our ability to meet our debt obligations and may otherwise restrict our activities.

We have substantial debt and we may incur substantial additional debt in the future. As of December 31, 2005, we had total indebtedness of approximately $125.6 million, net of cash of $324.6 million. We are also permitted by the terms of our debt instruments to incur substantial additional indebtedness, subject to the restrictions therein.

Our debt could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations under our debt instruments;
- require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures, product development and other corporate requirements;
- increase our vulnerability to general adverse economic and industry conditions, including changes in raw material costs;
- limit our ability to respond to business opportunities;
- limit our ability to borrow additional funds, which may be necessary; and
- subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our debt.

To service our debt, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on our debt and to fund planned capital expenditures and research and development efforts will depend on our ability to generate cash in the future. This, to an extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, including those described in this section, that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to pay our debt, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our debt, including our credit facility and the senior notes, on commercially reasonable terms or at all.

The agreements governing our debt impose restrictions on our business.

The indenture governing our senior notes and the agreements governing our credit facility contain a number of covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. The restrictions these covenants place on us and our restricted subsidiaries include limitations on our ability and the ability of our restricted subsidiaries to:

- enter into sale and leaseback arrangements;
- incur liens; and
- consolidate, merge, sell or lease all or substantially all of our assets.

Our credit facility also requires us to meet several financial ratios.

Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions, and are subject to the risks in this section. The breach of any of these covenants or restrictions could result in a default under the indenture governing the senior notes or under our credit facility. An event of default under our credit facility would permit our lenders to declare all amounts borrowed from them to be immediately due and payable. Acceleration of our other indebtedness may cause us to be unable to make interest payments on the senior notes and repay the principal amount of the senior notes.

CEO and CFO Certifications

Our CEO submits an annual written affirmation to the New York Stock Exchange (NYSE) certifying the Company's compliance with NYSE listing rules. The most recent annual affirmation was submitted in 2005.

Our CEO and CFO also provide certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 in connection with our quarterly and annual financial statement filings with the Securities and Exchange Commission. The certifications relating to this annual report are attached as Exhibits 31.1 and 31.2.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The following table lists our principal facilities, indicating the location and whether the facility is owned or leased. Our Greifensee, Switzerland facility also serves as our worldwide headquarters and our Columbus, Ohio facility serves as our North American headquarters. We believe our facilities are adequate for our current and reasonably anticipated future needs.

Location	Owned/Leased	Business Segment
Europe:		
Greifensee/Nanikon, Switzerland	Owned	Swiss Operations
Uznach, Switzerland	Owned	Swiss Operations
Urdorf, Switzerland	Owned	Swiss Operations
Schwerzenbach, Switzerland	Leased	Swiss Operations
Albstadt, Germany	Owned	Western European Operations
Giessen, Germany	Owned	Western European Operations
Manchester, England	Leased	Western European Operations
Oslo, Norway	Leased	Western European Operations
Americas:		
Columbus, Ohio	Leased	U.S. Operations
Worthington, Ohio	Owned	U.S. Operations
Oakland, California	Leased	U.S. Operations
Ithaca, New York	Owned	U.S. Operations
Woburn, Massachusetts	Leased	U.S. Operations
Tampa, Florida	Leased	U.S. Operations
Other:		
Shanghai, China	Building Owned; Land Leased	Chinese Operations
Changzhou, China (two facilities)	Buildings Owned; Land Leased	Chinese Operations

Item 3. *Legal Proceedings*

We are not currently involved in any legal proceeding which we believe could have a material adverse effect upon our financial condition, results of operations or cash flows. See the disclosure above under "Environmental Matters".

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

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

Executive Officers of the Registrant

See Part III, Item 10 of this annual report for information about our executive officers.

PART II

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

Market Information for Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol "MTD". The following table sets forth on a per share basis the high and low sales prices for consolidated trading in our common stock as reported on the New York Stock Exchange Composite Tape for the quarters indicated.

	Common Stock Price Range	
	High	Low
2005		
Fourth Quarter	$58.20	$50.88
Third Quarter	$52.50	$46.61
Second Quarter	$49.57	$45.24
First Quarter	$53.00	$47.37
2004		
Fourth Quarter	$51.97	$46.51
Third Quarter	$49.15	$40.50
Second Quarter	$49.58	$43.70
First Quarter	$46.46	$40.67

Holders

At February 1, 2006, there were 127 holders of record of common stock and 41,242,371 shares of common stock outstanding. We estimate we have approximately 15,000 beneficial owners of common stock held in street name.

Dividend Policy

Historically we have not paid dividends on our common stock. However, we will evaluate this policy on a periodic basis taking into account our results of operations, financial condition, capital requirements, including potential acquisitions, our share buyback program, the taxation of dividends to our shareholders, and other factors deemed relevant by our Board of Directors.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information as of December 31, 2005

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,924,372	$37.44	2,942,370
Equity compensation plans not approved by security holders	—	$ —	—
Total	3,924,372	$37.44	2,942,370

We do not have any equity compensation plans that have not been approved by our shareholders that are required to be disclosed in this annual report on Form 10-K or our proxy statement.

Further details in relation to our stock option plan are given in Note 11 to the audited consolidated financial statements included herein.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value in Thousands) of Shares that may yet be Purchased under the Plans or Programs
October 1 to October 31, 2005	231,000	$51.42	231,000	$ 77,585
November 1 to November 30, 2005	273,000	$55.35	273,000	$262,467
December 1 to December 31, 2005	543,400	$56.74	543,400	$231,619
Total	1,047,400	$55.20	1,047,400	$231,619

We have a share repurchase program that was announced in February 2004 and updated in November 2004 and November 2005. Under the program we are authorized to buy back up to $100 million of equity shares over the two-year period ending December 31, 2005, an additional $200 million over the two-year period ending December 31, 2006, and an additional $200 million over the two-year period ending December 31, 2007.

During the years ended December 31, 2005 and 2004, we spent $164.6 million and $103.8 million on the repurchase of 3,229,200 shares and 2,208,500 shares at an average price of $50.94 and $46.97, respectively.

Item 6. *Selected Financial Data*

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

	2005[(a)]	2004[(a)]	2003[(a)]	2002[(a)]	2001[(a)]
Statement of Operations Data:					
Net sales	$ 1,482,472	$ 1,404,454	$ 1,304,431	$ 1,213,707	$ 1,148,022
Cost of sales	752,153	722,047	686,255	645,970	619,140
Gross profit	730,319	682,407	618,176	567,737	528,882
Research and development	81,893	83,217	78,003	70,625	64,627
Selling, general and administrative	441,702	419,780	372,822	331,959	299,191
Amortization[(b)]	11,436	12,256	11,724	9,332	14,114
Interest expense	14,880	12,888	14,153	17,209	17,162
Other charges, net[(c)]	20,224	42	4,563	28,202	15,354
Earnings before taxes and minority interest	160,184	154,224	136,911	110,410	118,434
Provision for taxes[(d)]	51,282	46,267	41,073	9,989	46,170
Net earnings	$ 108,902	$ 107,957	$ 95,838	$ 100,421	$ 72,264
Basic earnings per common share:					
Net earnings	$ 2.58	$ 2.44	$ 2.15	$ 2.27	$ 1.78
Weighted average number of common shares	42,207,777	44,237,214	44,473,913	44,280,605	40,609,716
Diluted earnings per common share:					
Net earnings	$ 2.52	$ 2.37	$ 2.11	$ 2.21	$ 1.68
Weighted average number of common shares	43,285,121	45,483,969	45,508,847	45,370,053	42,978,895
Balance Sheet Data:					
Cash and cash equivalents	$ 324,578	$ 67,176	$ 45,116	$ 31,427	$ 27,721
Working capital[(e)]	128,970	143,848	150,789	127,214	106,689
Total assets	1,669,773	1,480,072	1,387,276	1,303,393	1,189,412
Long-term debt	443,795	196,290	223,239	262,093	309,479
Other non-current liabilities[(f)]	135,160	132,723	135,613	133,600	119,109
Shareholders' equity[(g)]	659,002	720,886	653,996	502,386	388,184

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

(b) *Includes goodwill amortization of $10.0 million in 2001. Beginning in 2002, the Company ceased amortization of goodwill as required by U.S. GAAP.*

(c) *Other charges, net consists primarily of charges related to the Company's restructuring programs, interest income, (gains) losses from foreign currency transactions, (gains) losses from sales of assets and other items. The 2005 amount includes a $21.8 million one-time pipette litigation charge related to a $19.9 million non-cash write-off of an intellectual property license and $1.9 million of related legal costs. The 2003 amount includes a charge of $5.4 million related to the final union settlement on* *the closure of our French manufacturing facility. The 2002 and 2001 amounts also include charges of $28.7 million and $15.2 million, respectively, primarily related to headcount reductions and manufacturing transfers.*

(d) *The provision for taxes for 2005 includes a net tax charge of $5.4 million related to earnings repatriation associated with the American Jobs Creation Act ($13.1 million) offset in part by the favorable resolution of certain tax contingencies ($7.7 million). The provision for taxes for 2002 includes a benefit of $23.1 million related to the completion of a 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 consist of pension and other post-retirement liabilities, plus certain other non-current liabilities. See Note 12 to the audited consolidated financial statements included herein.*

(g) *No dividends were paid during the five-year period ended December 31, 2005.*

Item 7. *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 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 offering of innovative instruments and solutions, and the breadth and quality of our global sales and service network.

Net sales in U.S. dollars increased by 6% and 8% in 2005 and 2004, respectively. Excluding the effect of currency exchange rate fluctuations, or in local currencies, net sales increased 5% and 3% in 2005 and 2004, respectively. We faced an improved world economy in 2005 compared to recent years with market conditions generally strong in Asia and improved in the United States and Europe.

In respect to our end user markets, we experienced improved results during 2005 in our laboratory-related end user markets, such as pharmaceutical and biotech customers as well as the laboratories of chemical companies, food and beverage companies and universities. We believe that the long-term fundamentals of the pharmaceutical and biotech markets are particularly attractive and our solutions assist these companies in enhancing their productivity as they meet the challenges of new drug approval activity, heightened price regulation and industry consolidation.

In our industrial markets, the principal growth driver in recent years has been increased investment in China related to production capacity. Although this provides a significant opportunity for our Chinese operations, this manufacturing shift has a negative impact on certain of our industrial end user markets in the U.S. and Europe. In addition to pharmaceutical, chemical and transportation and logistics companies, food producers and packagers also remain a large part of our industrial customer base. In recent years, we have benefited from the efforts of food producers and packagers to improve product quality and safety. However, this sector continues to experience high levels of competitive pressure which may negatively impact customer spending levels.

In our food retail end markets, we experienced strong results in both the U.S. and Europe relative to weak activity in recent years. Traditionally the spending levels in this sector have experienced more volatility than our other customer sectors. Increased spending in the past has come from events such as Y2K and the introduction of the euro currency. We have not experienced similar triggering events in recent years. Similar to our industrial business, China is also an important driver of growth as the expansion of their local economy is creating a significant number of new retail stores each year.

In 2006, we expect to continue to pursue the overall business growth strategies which we have followed in recent years:

Gaining Market Share. Our global sales and marketing initiative, ''Spinnaker'', continues to be an important growth strategy. We aim to reach above market sales growth by improving the productivity and effectiveness of our global sales and marketing processes. While this initiative is broad based, initial efforts to improve these processes include the implementation of more effective pricing strategies and processes, increased activities for leads generation and further automation of field processes. Our comprehensive service offering also helps us further penetrate developed markets. In addition to traditional services, we offer installation, calibration, regulatory compliance services and remote service support.

Expanding Emerging Markets. We have a two-pronged strategy in Asia: first, to capitalize on growth opportunities in these markets and second, to leverage our low-cost manufacturing operations in China. We have a long track record in China, and our sales in Asia have grown more than 10% per year in local currency since 1999. We have broadened our product offering to the Asian markets and are benefiting as multinational customers shift production to China. We are shifting more of our manufacturing to China to reduce costs, where our three facilities manufacture for the local markets as well as for export.

Extending Our Technology Lead. We continue to focus on product innovation. In the last three years, we spent between 5.5% and 6.0% of net sales on research and development. We seek to drive shorter product life cycles, as well as improve our product offerings and their capabilities with additional integrated technologies and software.

Maintaining Cost Leadership. We continue to strive to improve our margins by reducing our cost structure. During the period following our buyout in 1996, we reduced the number of our manufacturing facilities from 29 to 19. Shifting production to China has been an important component of this consolidation. We have also implemented global procurement and supply chain management programs over the last several years aimed at lowering supply costs.

Pursuing Strategic Acquisitions. While we have not completed a significant acquisition since 2001, acquisitions remain part of our growth strategy. We seek to pursue acquisitions that may leverage our global sales and service network, respected brand, extensive distribution channels and technological leadership. We have identified life sciences, product inspection and process analytics as three key areas for acquisitions.

Non-GAAP Financial Measures

We supplement our U.S. GAAP results with certain non-GAAP financial measures. The principal non-GAAP financial measure we use is Adjusted Operating Income, which we define as gross profit less research and development, selling, general and administrative expenses and restructuring charges, before amortization, interest, other charges and taxes. The most directly comparable U.S. GAAP financial measure is earnings before taxes.

We believe that Adjusted Operating Income is important supplemental information for investors. Adjusted Operating Income is used internally as the principal profit measurement by our segments in their reporting to management. We use this measure because it excludes amortization, interest, other charges and taxes, which are not allocated to the segments.

On a consolidated basis, we also believe Adjusted Operating Income is an important supplemental method of measuring profitability. It is used internally by senior management for setting performance targets for managers and has historically been used as one of the means of publicly providing guidance on possible future results. We also believe that Adjusted Operating Income is an important performance measure because it provides a measure of comparability to other companies with different capital or legal structures, which accordingly may be subject to disparate interest rates and effective tax rates, and to companies which may incur different amortization expenses or impairment charges related to intangible assets.

Adjusted Operating Income is used in addition to and in conjunction with results presented in accordance with U.S. GAAP. Adjusted Operating Income is not intended to represent operating income under U.S. GAAP and should not be considered as an alternative to earnings before taxes as an indicator of our performance because of the following limitations.

Limitations of our non-GAAP measure, Adjusted Operating Income

Our non-GAAP measure, Adjusted Operating Income, has certain material limitations as follows:

- It does not include interest expense. Because we have borrowed money to finance some of our operations, interest is a necessary and ongoing part of our costs and has assisted us in generating revenue. Therefore any measure that excludes interest expense has material limitations;

- It excludes amortization expense and other charges. Because these items are recurring, any measure that excludes them has material limitations.

Adjusted Operating Income should not be relied upon to the exclusion of U.S. GAAP financial measures, but reflects an additional measure of comparability and means of viewing aspects of our operations that, when viewed together with our U.S. GAAP results and the accompanying reconciliation to earnings before taxes, provides a more complete understanding of factors and trends affecting our business.

Because Adjusted Operating Income is not standardized, it may not be possible to compare with other companies' non-GAAP financial measures having the same or a similar name. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

Our Adjusted Operating Income increased from $161.9 million in 2003 to $206.7 million in 2005. This performance was achieved while we continued to invest in product development and in our distribution and manufacturing infrastructure. Adjusted Operating Income includes restructuring charges of $5.4 million in 2003. This charge is described more fully below. A reconciliation of Adjusted Operating Income to net earnings for 2003 to 2005 is included in "Results of Operations" below.

Restructuring Activities

During the first quarter of 2003, we recorded a restructuring charge of $5.4 million ($3.8 million after tax) related to the final union settlement on the closure of our French Manufacturing facility. This charge comprised the additional employee-related costs resulting from final settlement of the social plan negotiated with the French workers' council during the first quarter of 2003.

We assess our accrual for restructuring activities on an ongoing basis. During the third quarter of 2003, we recorded a reduction in the restructuring accrual of $1.0 million, included within Other charges, net, as a result of lower employee-related charges than originally anticipated. Also, a restructuring charge of $1.4 million was recorded related to an extension of manufacturing consolidation activities. This charge comprised severance of $1.0 million, included within Other charges, net, and inventory write-downs of $0.4 million, included within Cost of sales.

At December 31, 2003, we had substantially completed the restructuring programs described above.

Results of Operations

The following table sets forth certain items from our consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003 (amounts in thousands).

	2005	2004	2003
Net sales	$1,482,472	$1,404,454	$1,304,431
Cost of sales	752,153	722,047	686,255
Gross profit	730,319	682,407	618,176
Research and development	81,893	83,217	78,003
Selling, general and administrative	441,702	419,780	372,822
Amortization	11,436	12,256	11,724
Interest expense	14,880	12,888	14,153
Other charges, net[(b)]	20,224	42	4,563
Earnings before taxes	$ 160,184	$ 154,224	$ 136,911
Net earnings	$ 108,902	$ 107,957	$ 95,838
Adjusted Operating Income (after restructuring charges)[(a)]	$ 206,724	$ 179,410	$ 161,907

A reconciliation of Adjusted Operating Income to net earnings follows:

	2005	2004	2003
Adjusted Operating Income (after restructuring charges)[(a)]	$ 206,724	$ 179,410	$ 161,907
Amortization	11,436	12,256	11,724
Interest expense	14,880	12,888	14,153
Other (income) charges, net — excluding restructuring charges[(c)]	20,224	42	(881)
Earnings before taxes	$ 160,184	$ 154,224	$ 136,911

(a) *See "Non-GAAP Financial Measures" above. Adjusted Operating Income is defined as gross profit less research and development, selling, general and administrative expenses and restructuring charges, before amortization, interest expense and other charges. Restructuring charges that have been included are the costs set forth in Note (b) below.*

(b) *Other charges, net consists primarily of charges related to our restructuring programs, interest income, (gains) losses from foreign currency transactions, (gains) losses from sales of assets and other items. The 2005 amount includes a $21.8 million one-time pipette litigation charge related to a $19.9 million non-cash write-off of an intellectual property license and $1.9 million of related legal costs. The 2003 amount includes restructuring charges of $5.4 million related primarily to headcount reductions and manufacturing transfers.*

(c) *The 2003 amount excludes restructuring charges of $5.4 million described in Note (b) above.*

Results of Operations — Consolidated

Net sales

Net sales were $1,482.5 million for the year ended December 31, 2005, compared to $1,404.5 million in 2004 and $1,304.4 million in 2003. This represents increases in 2005 and 2004 of 6% and 8% in U.S. dollars and 5% and 3% in local currencies, respectively. Excluding exited product lines, net sales increased 6% and 4% in local currencies for the years ended December 31, 2005 and 2004, respectively.

In 2005, our net sales by geographic destination increased in local currencies by 7% in the Americas, 3% in Europe and 9% in Asia/Rest of World. A discussion of sales by operating segment is included below.

As described in Note 16 to our consolidated financial statements, our net sales comprise product sales of precision instruments and related services. Service revenues are primarily derived from regulatory compliance qualification, calibration, certification and repair services, much of which is provided under contracts, as well as sales of spare parts.

Net sales of products increased in 2005 and 2004 by 6% and 7% in U.S. dollars and by 6% and 2% in local currencies, respectively. Service revenue (including spare parts) increased in 2005 and 2004 by 5% and 11% in U.S. dollars and by 5% and 6% in local currencies, respectively.

Net sales for our laboratory-related products increased 5% in local currencies during 2005 with strong growth across most product lines, particularly process analytics and analytical instruments. Our sales growth of laboratory-related products was also reduced by approximately 1% during 2005 due to the exit of our third party electronic component sales. Excluding the effect of currency exchange rate fluctuations, net sales for our laboratory-related products increased 4% during 2004, due to growth in each major product category, particularly process analytics.

Net sales of our industrial-related products increased 5% in 2005 in local currencies. We experienced increased transportation and logistics project activity, as well as sales growth in our core industrial products. Excluding the effect of currency exchange rate fluctuations, net sales of industrial-related products increased 1% during 2004.

In our food retailing markets, net sales increased 8% in 2005 in local currencies over the previous year due to increased sales across all geographic regions, particularly in the U.S., related to strong project activity. The food retailing markets also continue to experience improved sales growth of our in-store retail item management software solutions and expansion of our core retail products into Asia. Net sales in food retailing increased 8% in 2004 excluding the effect of currency exchange rate fluctuations. This increase was due to improvement of customer spending patterns in the U.S. and Europe relative to weak activity during the prior year.

Gross profit

Gross profit as a percentage of net sales was 49.3% for 2005, compared to 48.6% for 2004 and 47.4% for 2003.

Gross profit as a percentage of net sales for products was 53.2% for 2005, compared to 52.3% for 2004 and 50.9% for 2003. Gross profit as a percentage of net sales for services (including spare parts) was 36.0% for 2005, compared to 36.1% for 2004 and 35.1% for 2003.

The increase in gross profit percentage reflects benefits from our sales volume leveraging our fixed production costs, our cost rationalization initiatives and the impact of increased pricing. These trends were offset in part by unfavorable product mix.

Research and development and selling, general and administrative expenses

Research and development expenses as a percentage of net sales were 5.5% for 2005, compared to 5.9% for 2004 and 6.0% in 2003. Research and development expenses decreased by 2% in 2005 and increased by 1% in 2004 in local currencies. The decrease in 2005 reflects improved productivity, timing of projects and our desire to reallocate research and development resources to marketing.

Selling, general and administrative expenses as a percentage of net sales decreased to 29.8% for 2005, compared to 29.9% for 2004 and 28.6% for 2003. Selling, general and administrative expenses increased 5% in 2005 and 8% in 2004 in local currencies. This increase is due in part to sales and marketing investments in China, promotional activities and higher performance related compensation during 2005 compared to 2004. During 2004, we also incurred $5.0 million related to an investigation into allegations made by an employee with respect to the Company and various Company processes. Our spending during 2004 also includes a significant increase in Sarbanes-Oxley regulatory compliance costs, including approximately $3.5 million of external professional fees during 2004. The increases in 2004 also included spending related to product introductions, as well as higher performance related compensation during 2004 compared to 2003.

Other charges, net

Other charges, net were $20.2 million in 2005, compared to $0.1 million in 2004 and $4.6 million in 2003. Other charges, net consisted primarily of charges related to interest income, (gains) losses from foreign currency transactions, (gains) losses from sales of assets and other items. During 2005, other charges, net also included a $21.8 million charge related to pipette litigation. We wrote off a $19.9 million intangible asset relating to an intellectual property license that was subject to litigation with the grantor in June 2005. This license enabled one of our wholly owned subsidiaries exclusive rights to distribute certain third-party manufactured pipettes in the United States. A judgment entered on June 6, 2005 terminated the license agreement and awarded damages to the other party. We also incurred $1.9 million of related legal costs during 2005, which included damages of $0.6 million. During the third quarter, we appealed the trial court decision. Litigation concerning the license and related issues is ongoing between us and the other party to the license. We do not believe that the litigation will have a material adverse effect on our consolidated financial condition, results of operations or cash flows. In 2004, we had $13.9 million in sales of these third-party manufactured pipettes in the U.S. which had declined 28% since 2001. We expect to minimize any impact to our sales and profitability by increasing the sales of our own higher margin pipettes, including those we already manufacture and sell outside the United States.

The 2003 amount included restructuring charges of $5.4 million ($3.8 million after tax) comprising severance, asset write-downs and other exit costs primarily related to headcount reductions and manufacturing transfers, described more fully in "Restructuring Activities" above.

Interest expense and taxes

Interest expense was $14.9 million for 2005, compared to $12.9 million for 2004 and $14.2 million for 2003. The increase in 2005 was principally due to higher average borrowings. The decrease in 2004 was primarily due to lower average borrowings compared to 2003 which was partially offset by an increase in the weighted average interest rate.

Pursuant to the American Jobs Creation Act of 2004, we repatriated $396 million of cash during 2005 that was generated over time by our foreign operations. As a result of this repatriation, the Company recorded additional income tax expense of $13.1 million. This amount reflects the federal tax impact in the United States (including certain state taxes) of $12.3 million, foreign withholding taxes of $2.0 million and a net decrease of $1.2 million of deferred tax liabilities associated with the reassessment of pre-existing and future dividend repatriations. In addition, the Company recorded tax benefits of $7.7 million related to the favorable resolution of certain tax matters. Our tax rate for 2005 also included a tax benefit associated with the previously described pipette litigation. Excluding the tax effects of the previously described earnings repatriation, tax audit settlements and pipette litigation, our annual effective tax rate would have been 30% for 2005. Including these items, our annual effective tax rate was 32% and 30% for 2005 and 2004, respectively.

Earnings before taxes and net earnings

Earnings before taxes were $160.2 million for 2005, compared to $154.2 million in 2004 and $136.9 million in 2003. Net earnings were $108.9 million for 2005, compared to $108.0 million in 2004 and $95.8 million in 2003.

The 2005 results included a net $5.4 million after tax expense related to the two previously described tax items and a one-time $13.1 million after tax charge related to the pipette litigation described above. The 2004 results included $5.0 million ($3.5 million after tax) related to the previously mentioned investigation and $3.5 million ($2.5 million after tax) of external professional fees related to Sarbanes-Oxley regulatory compliance costs. The 2003 results included the $5.4 million ($3.8 million after tax) restructuring charge as previously described. The increase in net earnings excluding these items reflected improved sales volume in 2005 and the benefits from our cost rationalization initiatives.

Supplemental data: Adjusted Operating Income

See "Non-GAAP Financial Measures" above. Adjusted Operating Income (gross profit less research and development, selling, general and administrative expenses and restructuring charges, before amortization, interest expense and other charges) increased to $206.7 million or 13.9% of net sales in 2005, compared to $179.4 million or 12.8% of net sales for 2004 and $161.9 million or 12.4% of net sales in 2003. Adjusted Operating Income included restructuring charges of $5.4 million in 2003.

Adjusted Operating Income increased in 2005 and 2004 as a result of our increased sales volume and benefits of our cost rationalization initiatives. This performance was achieved while we continued to invest in sales and marketing and our field service infrastructure.

Results of Operations — by Operating Segment

The following is a discussion of the financial results of our operating segments. We currently have five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other. A more detailed description of these segments is outlined in Note 16 to our consolidated financial statements.

U.S. Operations

	2005	2004	2003	Increase in %[1] 2005 vs. 2004	Increase in %[1] 2004 vs. 2003
Net sales	$610,599	$578,450	$561,435	6%	3%
Net sales to external customers	$560,238	$529,020	$510,609	6%	4%
Segment profit	$ 79,448	$ 75,651	$ 72,682	5%	4%

[1] *Represents U.S. dollar growth (decline) for net sales and segment profit.*

The increase in 2005 in total net sales reflected improved sales to external customers across most product lines, including particularly strong results in our food retailing and transportation and logistics products due to significant project activity as well as solid growth in laboratory balances, process analytics and analytical instruments. In 2004, our U.S. Operations segment benefited from improved market conditions, as well as new product introductions. The 2004 increase in net sales to external customers reflected growth in most products, particularly our food retailing end markets primarily due to improved results relative to weak project activity in 2003.

Segment profit or Adjusted Operating Income increased $3.8 million in our U.S. Operations segment during 2005, compared to an increase of $3.0 million during 2004. The increase in segment profit or Adjusted Operating Income of our U.S. Operations segment during 2005 is due to an increase in sales volume, partially offset by an unfavorable product mix. The increase in segment profit or Adjusted Operating Income of our U.S. Operations segment during 2004 reflects an increase in sales volume and benefits from our cost rationalization initiatives.

Swiss Operations

	2005	2004	2003	Increase in %[1] 2005 vs. 2004	Increase in %[1] 2004 vs. 2003
Net sales	$324,901	$312,992	$285,223	4%	10%
Net sales to external customers	$ 88,138	$ 92,321	$ 88,048	–5%	5%
Segment profit	$ 65,471	$ 59,576	$ 52,075	10%	14%

[1] *Represents U.S. dollar growth (decline) for net sales and segment profit.*

Total net sales in local currency increased 4% in 2005 and 3% in 2004. Net sales to external customers in local currency decreased 4% in 2005 and 3% in 2004. The exit of our third party electronic component product line reduced total net sales by approximately 1% in 2005 and 4% in 2004. The decrease in sales to external customers during 2005 and 2004 related primarily to the exit of our third party electronic component product line combined with reduced food retailing project activity and reduced direct export sales to emerging markets, partially offset by a strong increase in our industrial-related products. The decrease in 2004 was partially offset by an increase in our food retailing products.

Segment profit or Adjusted Operating Income increased $5.9 million in our Swiss Operations segment during 2005, compared to an increase of $7.5 million during 2004. The increase in segment profit or Adjusted Operating Income primarily related to increased sales to other segments of laboratory-related products as well as benefits from our cost rationalization initiatives. The 2004 increase was impacted by increased sales to other segments.

Western European Operations

	2005	2004	2003	Increase in %[1] 2005 vs. 2004	Increase in %[1] 2004 vs. 2003
Net sales	$577,582	$545,366	$499,583	6%	9%
Net sales to external customers	$508,289	$494,921	$449,322	3%	10%
Segment profit	$ 45,466	$ 40,185	$ 30,274	13%	33%

[1] *Represents U.S. dollar growth (decline) for net sales and segment profit.*

Total net sales in local currency increased 6% in 2005 and 0% in 2004. Net sales to external customers in local currency increased 3% in 2005 and 0% in 2004. The 2005 increase was primarily due to improved market conditions in the major European economies, particularly Germany. We experienced sales growth in 2005 across most product lines, particularly laboratory-related products. Our 2004 local currency net sales to external customers in our Western European segment primarily reflected growth in our laboratory-related products and our food retailing end markets. These trends were offset by a decline in our industrial-related products, which included a decrease in transportation and logistics products relative to strong 2003 project activity.

Segment profit or Adjusted Operating Income increased $5.3 million in our Western European Operations segment during 2005, compared to an increase of $9.9 million in 2004. The increase in segment profit or Adjusted Operating Income in 2005 is principally a result of increased net sales and benefits from our cost rationalization initiatives. The 2004 increase is primarily the result of reduced restructuring charges, as well as benefits from our cost rationalization and product transfer initiatives, improved sales volume and favorable currency translation fluctuations.

Chinese Operations

	2005	2004	2003	Increase in %[1] 2005 vs. 2004	Increase in %[1] 2004 vs. 2003
Net sales	$174,909	$159,784	$125,585	9%	27%
Net sales to external customers	$116,912	$102,867	$ 83,789	14%	23%
Segment profit	$ 40,245	$ 31,705	$ 22,983	27%	38%

[1] *Represents U.S. dollar growth (decline) for net sales and segment profit.*

Total net sales in local currency increased 8% in 2005 and 27% in 2004. Net sales to external customers in local currency increased 12% in 2005 and 23% in 2004. These increases were due to continued sales growth for all product lines, in particular industrial-related products.

Segment profit or Adjusted Operating Income increased $8.5 million in our Chinese Operations segment during 2005, compared to an increase of $8.7 million in 2004. The increase in 2005 segment profit or Adjusted Operating Income is primarily due to the continued improvement in sales volume and leveraging our fixed production costs. The increase in 2004 is principally the result of increased sales volume to external customers and other segments and the benefits of product transfer initiatives from our other segments.

Other

	2005	2004	2003	Increase in %(1) 2005 vs. 2004	Increase in %(1) 2004 vs. 2003
Net sales	$209,454	$185,022	$173,004	13%	7%
Net sales to external customers	$208,895	$185,325	$172,663	13%	7%
Segment profit	$ 14,745	$ 12,882	$ 10,676	14%	21%

(1) *Represents U.S. dollar growth (decline) for net sales and segment profit.*

Total net sales in local currency increased 11% in 2005 and 2% in 2004. Net sales to external customers in local currency increased 11% in 2005 and 2% in 2004. This performance reflected increased sales in our Other Asian Pacific, Eastern European and Other North American markets.

Segment profit or Adjusted Operating Income increased $1.9 million in our Other Operations segment during 2005, compared to an increase of $2.2 million during 2004. Segment profit or Adjusted Operating Income increased during 2005 primarily due to the continued improvement in sales volume. The increase in 2004 was primarily due to the increased sales volume to external customers and other segments.

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. Currently, our liquidity needs arise primarily from working capital requirements, capital expenditures and acquisitions. In 2005, we have also increased our debt balance in Europe and our cash balance in the United States as a result of our foreign earnings repatriation associated with the American Jobs Creation Act of 2004.

Cash provided by operating activities totaled $177.1 million in 2005, compared to $166.0 million in 2004 and $117.2 million in 2003. The increase in 2005 resulted principally from improved operating results offset in part by approximately $15 million of higher payments relating to 2004 performance related compensation incentives (bonus payments). Cash provided by operating activities in 2004 was impacted by voluntary incremental pension contributions of $10.0 million to our U.S. pension plan. Cash provided by operating activities in 2003 reflected voluntary incremental pension contributions of $10.0 million to the U.S. pension plan and $7.1 million to our U.K. pension plan. Similar to previous years, we expect to make normal employer pension contributions of approximately $13 million in 2006. Cash provided by operating activities also includes payments for restructuring and related activities in 2005, 2004 and 2003 of $2.0 million, $4.0 million and $16.8 million, respectively.

The Company spent approximately $4.1 million on acquisitions during 2005. We continue to explore other potential acquisitions. In connection with any acquisition, we may incur additional indebtedness. In addition, the terms of certain of our acquisitions provide for possible additional earn-out payments. However, we do not currently believe we will make any material payments relating to such earn-outs.

Capital expenditures are made primarily for machinery, equipment and the purchase and expansion of facilities. Our capital expenditures totaled $32.5 million in 2005, $27.9 million in 2004 and $27.2 million in 2003. We expect capital expenditures to increase as our business grows and to fluctuate as currency exchange rates change. In 2006, we will be launching a building project for a new plant in China which will cost in the range of $10 million to $15 million over the next two years.

November 2005 Refinancing

On November 7, 2005, we entered into a revised credit agreement (the "Amended Credit Agreement"), which amends and restates the existing Credit Agreement, dated as of November 12, 2003. The Amended

Credit Agreement increases the amount that can be borrowed under the facility from $300 million to $450 million, extends the maturity date to November 2010 and lowers the margin applicable to the interest rate payable thereunder. The remaining terms of the Amended Credit Agreement are substantially the same as under the existing Credit Agreement. The Company incurred fees of approximately $0.9 million in conjunction with amending and restating the Credit Agreement which are amortized to interest expense over five years.

Amended Credit Agreement

The $450 million Amended Credit Agreement is provided by a group of financial institutions and has a maturity date of November 5, 2010. It is not subject to any scheduled principal payments. Borrowings under the Amended Credit Agreement bear interest at current market rates plus a margin based on our senior unsecured credit ratings (currently "BBB" by Standard & Poor's and "Baa3" by Moody's) and is currently set at LIBOR plus 0.375%. We must also pay facility fees that are tied to our credit ratings. The Amended Credit Agreement contains covenants, including maintaining a ratio of debt to earnings before interest, tax, depreciation and amortization of less than 3.25 to 1.0 and an interest coverage ratio of more than 3.5 to 1.0. This also places certain limitations on us, including limiting the ability to grant liens or incur debt at a subsidiary level. In addition, the Amended Credit Agreement has several events of default, including upon a change of control. As of December 31, 2005, approximately $146.2 million was available under the facility. The Amended Credit Agreement is unsecured.

Senior Notes

In November 2003, we issued $150 million of 4.85% unsecured Senior Notes due November 15, 2010. The Senior Notes rank equally with all our unsecured and unsubordinated indebtedness. Interest is payable semi-annually in May and November. Discount and issuance costs approximated $1.2 million and are being amortized to interest expense over the seven-year term of the Senior Notes.

At our option, the Senior Notes may be redeemed in whole or in part at any time at a redemption price equal to the greater of:

- The principal amount of the Senior Notes; or
- The sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at a comparable treasury rate plus a margin of 0.20%.

The Senior Notes contain limitations on our ability to incur liens and enter into sale and leaseback transactions exceeding 10% of our consolidated net worth.

Our short-term borrowings and long-term debt consisted of the following at December 31, 2005.

	U.S. dollar	Other principal trading currencies	Total
$150 million Senior Notes (net of unamortized discount)	$149,468	$ —	$149,468
$450 million Amended Credit Agreement	—	294,327	294,327
Total long-term debt	149,468	294,327	443,795
Other local arrangements	107	6,238	6,345
Total debt	$149,575	$300,565	$450,140

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.

At December 31, 2005, we were in compliance with all covenants set forth in our Amended Credit Agreement and Senior Notes. In addition, we do not have any downgrade triggers relating to ratings from rating agencies that would accelerate the maturity dates of our debt.

We currently believe that cash flow from operating activities, together with liquidity available under our Amended Credit Agreement and local working capital facilities, will be sufficient to fund currently anticipated working capital needs and capital spending requirements for at least the next several years.

Contractual Obligations

The following summarizes certain of our contractual obligations at December 31, 2005 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.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt	$443,795	$ —	$ —	$443,795	$ —
Non-cancelable operating leases	85,436	21,743	30,316	15,269	18,108
Purchase obligations	52,751	43,903	3,260	—	5,588
Total	$581,982	$65,646	$33,576	$459,064	$23,696

We have purchase commitments for materials, supplies, services and fixed assets in the normal course of business. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions. We do not expect potential payments under these provisions to materially affect results of operations or financial condition. This conclusion is based upon reasonably likely outcomes derived by reference to historical experience and current business plans.

Share Repurchase Program

We have a share repurchase program that was announced in February 2004 and updated in November 2004 and November 2005. Under the program, we have been authorized to buy back up to $100 million of equity shares over the two-year period ending December 31, 2005, an additional $200 million over the two-year period ending December 31, 2006 and an additional $200 million over the two-year period ending December 31, 2007. Our share repurchases are expected to be funded from cash generated from operating activities. Repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors.

During the years ended December 31, 2005 and 2004, we spent $164.6 million and $103.8 million on the repurchase of 3,229,200 shares and 2,208,500 shares at an average price of $50.94 and $46.97, respectively. An additional $4.2 million and $1.4 million relating to the settlement of shares repurchased as of December 31, 2005 and 2004 were cash settled during 2006 and 2005, respectively. The Company reissued 1,261,332 shares and 794,428 shares held in treasury for the exercise of stock options during 2005 and 2004, respectively. As of December 31, 2005, there were $231.6 million of remaining equity shares authorized to be repurchased under our plan.

Off-Balance Sheet Arrangements

Currently, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material.

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. Accordingly, the Swiss franc exchange rate to the euro is an important cross-rate monitored by the Company. We estimate that a 1% strengthening of the Swiss franc against the euro would result in a decrease in our earnings before tax of $0.9 million to $1.1 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. Based on our outstanding debt at December 31, 2005, we estimate that a 10% weakening of the U.S. dollar against the currencies in which our debt is denominated would result in an increase of approximately $33.4 million in the reported U.S. dollar value of the debt.

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.

We currently benefit from tax holidays in certain jurisdictions. These holidays expire at various dates in the future and may or may not be renewable. We do not believe that potential changes in tax benefits from existing tax holidays will have a material adverse effect on our financial condition or results of operations.

Environmental Matters

We are subject to environmental laws and regulations in the jurisdictions in which we operate. We own or lease a number of properties and manufacturing facilities around the world. Like many of our competitors, we have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations in both the United States and abroad.

We are currently involved in, or have potential liability with respect to, the remediation of past contamination in certain of our facilities in both the United States and abroad. Our subsidiary Mettler-Toledo Hi-Speed, Inc. (“Hi-Speed”) is one of two private parties ordered to perform certain ground water contamination monitoring under an administrative consent order that the New Jersey Department of Environmental Protection (“NJDEP”) signed on June 13, 1988 with respect to certain property in Landing, New Jersey. GEI International Corporation (“GEI”) is the other ordered party. GEI has failed to fulfill its obligations under the NJDEP order, and NJDEP has agreed with Hi-Speed that the residual ground water contaminants can be monitored through the establishment of a Classification Exception Area and concurrent Well Restriction Area for the site. The NJDEP does not view these vehicles as remedial measures, but rather as ''institutional controls'' that must be adequately maintained and periodically evaluated. We estimate that the costs of compliance associated with monitoring ground water contamination levels at the site will be approximately $0.8 million over the next seven years.

In addition, certain of our present and former facilities have or had been in operation for many decades and, over such time, some of these facilities may have used substances or generated and disposed of wastes which are or may be considered hazardous. It is possible that these sites, as well as disposal sites owned by third parties to which we have sent wastes, may in the future be identified and become the subject of remediation. Accordingly, although we believe that we are in substantial compliance with applicable environmental requirements and to date we have not incurred material expenditures in connection with environmental matters, it is possible that we could become subject to additional environmental liabilities in the future that could result in a material adverse effect on our financial condition or results of operations.

Inflation

Inflation can affect the costs of goods and services that we use, including raw materials to manufacture our products. 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 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 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 international businesses on a monthly basis. Such contracts limit our exposure to both favorable and unfavorable currency fluctuations. A sensitivity analysis to changes on these foreign currency-denominated contracts indicates that if the primary currency (U.S. dollar, Swiss franc and British pound) declined by 10%, the fair value of these instruments would decrease by $4.1 million at December 31, 2005, as compared with a decrease of $5.6 million at December 31, 2004. 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. These contracts are more fully described in Note 5 to our audited consolidated financial statements. The fair value of these contracts was a $0.4 million loss and a $0.4 million gain at December 31, 2005 and 2004, respectively. Based on our agreements outstanding at December 31, 2005, a 100-basis-point increase in interest rates would result in a decrease in the net aggregate market value of these instruments of $1.3 million, as compared with a decrease of $1.6 million at December 31, 2004. Conversely, a 100-basis-point decrease in interest rates would result in a $1.4 million increase in the net aggregate market value of these instruments at December 31, 2005, as compared with a net increase of $1.7 million at December 31, 2004. Any change in fair value would not affect our consolidated statement of operations unless such agreements and the debt they hedge were prematurely settled.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations is based upon our audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated 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 pensions and other post-retirement benefits, inventories, intangible assets, income taxes, revenue and warranty costs. 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 audited consolidated financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 2 to our audited consolidated financial statements.

Employee benefit plans

The net periodic pension cost for 2005 and projected benefit obligation as of December 31, 2005 were $1.5 million and $115.9 million, respectively, for our U.S. pension plans, and $6.6 million and $479.3 million, respectively, for our international pension plans. The net periodic post-retirement cost for 2005 and projected benefit obligation as of December 31, 2005 for our U.S. post-retirement medical benefit plan were $0.7 million and $25.2 million, respectively.

Pension and post-retirement benefit plan expense and obligations are developed from assumptions in actuarial valuations. These assumptions include the discount rate and expected return on plan assets. In accordance with U.S. GAAP, 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.

The expected rates of return on the various defined benefit pension plans' assets are based on the asset allocation of each plan and the long-term projected return of those assets, which represent a diversified mix of U.S. and international corporate equities and government and corporate debt securities. In April 2002, we froze our U.S. defined benefit pension plan and discontinued our retiree medical program for certain current and all future employees. Consequently, no significant future service costs will be incurred on these plans. For 2005, the average return on assets assumption was 8.5% for the U.S. plan and 5.2% for the international plans. A change in the rate of return of 1% would impact annual benefit plan expense by approximately $3.9 million after tax.

The discount rates for defined benefit and post-retirement plans are set by benchmarking against high-quality corporate bonds. For 2005, the average discount rate assumption was 5.5% for the U.S. plans and 3.3% for the international plans, representing a weighted average of local rates in countries where such plans exist. A decrease in the discount rate of 1% would impact annual benefit plan expense by approximately $2.1 million after tax.

In 2004, we made voluntary incremental funding payments of $10.0 million to reduce the under funded status of our U.S. and U.K. pension plans. A similar payment was not made during 2005. In the future, we may make additional mandatory or discretionary contributions to our plan or we could be required to make additional cash funding payments or adjust the $50.4 million additional minimum pension liability recorded at December 31, 2005.

We also have employee stock option plans which are accounted for under the intrinsic value recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. As stock options have been issued with exercise prices equal to the market value of the underlying shares on the grant date, no compensation cost has resulted.

Notes 2 and 11 to the audited consolidated financial statements provide supplemental information, including pro forma earnings and earnings per share, as if we had accounted for options based on the fair value method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation." That methodology yields an estimate of fair value based in part on a number of management estimates, including future volatility and estimated option lives. Changes in these assumptions could significantly impact the estimated fair value of stock options. See also Statement No. 123 (revised 2004) issued by the FASB in regards to "Stock-Based Compensation" in Note 2, Summary of Significant Accounting Policies, New Accounting Pronouncement.

Inventory

As of December 31, 2005, inventories were $150.2 million.

We record our inventory 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. The estimated net realizable value is based on assumptions for future demand and related pricing. Adjustments to the cost basis of our inventory are made for excess and obsolete items based on forecast usage, orders and technological obsolescence. If actual market conditions are less favorable than those projected by management, reductions in the value of inventory may be required.

Goodwill and other intangible assets

As of December 31, 2005, our consolidated balance sheet included goodwill of $423.0 million and other intangible assets of $105.2 million.

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.

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), our goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation is based on valuation models that estimate fair value based on expected future cash flows and profitability projections. In preparing the valuation models, we consider a number of factors, including operating results, business plans, economic conditions, future cash flows, and transactions and market place data. There are inherent uncertainties related to these factors and our judgment in applying them to the impairment analyses. The significant estimates and assumptions within our fair value models include sales growth, controllable cost growth, perpetual growth, effective tax rates and discount rates. Our assessments to date have indicated that there has been no impairment of these assets.

Our drug discovery reporting unit is sensitive to changes in biotech and pharmaceutical capital spending. We currently estimate the fair value of the Company's drug discovery reporting unit exceeds its carrying value as of December 31, 2005. In accordance with the provisions of SFAS 142, the Company monitors the fair value of this reporting unit closely to determine if the business plans are being achieved. For example, we monitor whether the forecasted benefits of our drug discovery cost reduction programs are being realized.

As of December 31, 2004, our intangible assets included a $19.9 million indefinite life intangible asset relating to an intellectual property license. This license was previously subject to litigation with the grantor, and on June 6, 2005, we were ordered to pay $0.6 million in damages and the respective intellectual property license was terminated. Due to the cancellation of the license, we concluded that the intangible asset had no future benefit and as such, during the second quarter, we wrote off the total value of the asset, $19.9 million ($12 million after tax). This charge has been included as a component of Other charges, net within the Statement of Operations.

Should any of these estimates or assumptions in the preceding paragraphs change, or should we incur lower than expected operating performance or cash flows, we may experience a triggering event that requires a new fair value assessment for our reporting units, possibly prior to the required annual assessment. These types of events and resulting analysis could result in impairment charges for goodwill and other indefinite-lived intangible assets if the fair value estimate declines below the carrying value.

Our amortization expense related to intangible assets with finite lives may materially change should our estimates of their useful lives change.

Income taxes

Income tax expense and deferred tax assets and liabilities reflect management's assessment of actual future taxes to be paid on items in the consolidated 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, equity or goodwill 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 2005 and 2004, 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. If we decide to repatriate an amount of undistributed earnings in excess of those originally planned, we could be subject to additional income tax.

The significant assumptions and estimates described in the preceding paragraphs are important contributors to our ultimate effective tax rate for each year in addition to our income mix from geographical regions. If any of our assumptions or estimates were to change, or should our income mix from our geographical regions change, our effective tax rate can be materially affected. Based on earnings before taxes of $160.2 million for the year ended December 31, 2005, each increase of $1.6 million in tax expense would increase our effective tax rate by 1%.

Revenue recognition

Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Standard shipping terms are generally FOB shipping point in most countries and, accordingly, title transfers upon shipment. In countries where title cannot legally transfer before delivery, we defer revenue recognition until delivery has occurred. Other than a few small software applications, we do not sell software products without the related hardware instrument as the software is embedded in the instrument. Our typical solution requires no significant production, modification or customization of the hardware or software that is essential to the functionality of the products. To the extent our solutions have a post shipment obligation, such as customer acceptance, revenue is deferred until the obligation has been completed. In addition, we also defer revenue where installation is required, unless such installation is perfunctory. We also generally maintain the right to accept or reject a product return in our terms and conditions and we also maintain accruals for outstanding credits. Distributor discounts are offset against revenue at the time such revenue is recognized. Revenues from service contracts are recognized ratably over the contract period.

Warranty

We generally offer one-year warranties on most of our products. Product warranties are recorded at the time revenue is recognized for certain product shipments. While we engage in extensive product quality programs and processes, our warranty obligation is affected by product failure rates, material usage and service costs incurred in correcting a product failure. If we experience claims or significant cost changes in material, freight and vendor charges, our cost of goods sold could be affected.

New Accounting Pronouncements

See Note 2 to the audited consolidated financial statements.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Discussion of this item is included in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. *Financial Statements and Supplementary Data*

The financial statements required by this item are set forth starting on page F-1 and the related financial schedule is set forth on page S-1.

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

None.

Item 9A. *Controls and Procedures*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

Our management carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report under the supervision and with the participation of our disclosure committee, our CFO and CEO. Based upon that evaluation, our CFO and CEO concluded that our disclosure controls and procedures are effective in permitting us to comply with our disclosure obligations and ensure that the material information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our controls over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on our assessment, we concluded that, as of December 31, 2005, the Company's internal control over financial reporting is effective.

Our management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their report which appears on page F-2.

Item 9B. *Other Information*

None.

PART III

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

The directors and executive officers of the Company are set forth below. All directors hold office until the annual meeting of shareholders following their election or until their successors are duly elected and qualified. Officers are appointed by the Board of Directors and serve at the discretion of the Board.

Name	Age	Position
Robert F. Spoerry	50	President, Chief Executive Officer and Chairman of the Board of Directors
William P. Donnelly	44	Chief Financial Officer
Peter Bürker	60	Head of Human Resources
Olivier A. Filliol	39	Head of Global Sales, Service and Marketing and Head of Process Analytics
Jean-Lucien Gloor	53	Head of Information Systems and Logistics
Timothy P. Haynes	41	Head of Retail
Beat E. Lüthi	44	Head of Laboratory
Urs Widmer	55	Head of Industrial
Francis A. Contino(1)	60	Director
John T. Dickson(2)(3)	60	Director
Philip H. Geier(2)	71	Director
John D. Macomber(1)	78	Director
Hans Ulrich Maerki(3)	59	Director
George M. Milne(3)	62	Director
Thomas P. Salice(1)(2)	46	Director

(1) *Audit Committee member*

(2) *Compensation Committee member*

(3) *Nominating and Corporate Governance Committee member*

Robert F. Spoerry has been a Director since October 1996. Mr. Spoerry has been President and Chief Executive Officer of the Company since 1993. He served as Head of Industrial and Retail (Europe) of the Company from 1987 to 1993. Mr. Spoerry has been Chairman of the Board of Directors since May 1998.

William P. Donnelly has been Chief Financial Officer of the Company from August 2004. From July 2002 to August 2004, he was Head of Product Inspection and the Company's liquid handling business, and he was Chief Financial Officer of the Company from 1997 to July 2002.

Peter Bürker has been Head of Human Resources of the Company since 1995. From 1992 to 1994 he was the Company's General Manager in Spain, and from 1989 to 1991 he headed the Company's operations in Italy.

Olivier A. Filliol has been Head of Global Sales, Service and Marketing of the Company since April 2004, and Head of Process Analytics of the Company since June 1999. From June 1998 to June 1999 he served as General Manager of the Company's U.S. checkweighing operations. Prior to joining the Company, he was a Strategy Consultant with the international consulting firm Bain & Company working in the Geneva, Paris, London and Sydney offices.

Jean-Lucien Gloor has been Head of Information Systems and Chief Information Officer of the Company since March 2001. From 1999 until joining the Company, he served as Head of Central Server Platforms at Credit Suisse Financial Services. Prior to 1999, he held various senior information systems positions during fifteen years with The Dow Chemical Company.

Timothy P. Haynes has been Head of Retail of the Company since October 2001. From 1999 to 2001 he served as Business Unit Leader for the Company's Transport, Shipping, Mail and Components business. Prior to joining the Company, he held various management positions at Emerson Electric in its process control and measurement businesses, including from 1997 to 1999 when he served as Vice President of Marketing and Product Development in its Process Analytic Division.

Beat E. Lüthi has been Head of Laboratory of the Company since March 2003. From 1998 until returning to the Company, he served as Chief Executive Officer of Feintool International Holding, a Swiss public company. Feintool is a global technology and systems provider in fineblanking/forming and assembly/automation as well as a global supplier of metal and plastic components. From 1990 to 1998 he held various management positions with the Company in Switzerland.

Urs Widmer has been Head of Industrial since 1999. From 1984 to 1999 he served in various management functions within the Company, including most recently Head of Standard Industrial (Europe) from 1995 to 1999. Prior to 1984 he held various management positions with Siemens, a global manufacturer of solutions for information and communications, automation and control, power and transportation.

Francis A. Contino has been a Director since October 2004. Mr. Contino is Executive Vice President — Strategic Planning and Chief Financial Officer of McCormick & Company, Inc. He is a member of the Management Committee and has been a member of the Board of Directors and Chief Financial Officer of McCormick since joining the company in 1998. Prior to joining McCormick, Mr. Contino was Managing Partner of the Baltimore office of Ernst & Young.

John T. Dickson has been a Director since March 2000. Mr. Dickson was President and Chief Executive Officer of Agere Systems Inc. from August 2000 to October 2005. Previously, Mr. Dickson had been Executive Vice President and Chief Executive Officer of Lucent Technologies' Microelectronics and Communications Technologies Group since October 1999. He joined AT&T Corp. in 1993 as Vice President of its Integrated Circuit business unit, moved to Lucent following its spin-off in 1996, and was named Chief Operating Officer of Lucent's Microelectronics Group in 1997.

Philip H. Geier has been a Director since July 2001. Mr. Geier was Chairman of the Board and Chief Executive Officer of the Interpublic Group of Companies, Inc. from 1980 to 2000 and was a Director of Interpublic from 1975 to 2000. Mr. Geier is also a Senior Advisor for Lazard Frères & Co. LLC and a Director of AEA Investors LLC, Alcon, Inc., Fiduciary Trust Co. International, Foot Locker, Inc. and IAG Research.

John D. Macomber has been a Director since October 1996. He has been a principal of JDM Investment Group since 1992. He was Chairman and President of the Export-Import Bank of the United States (an agency of the U.S. Government) from 1989 to 1992. From 1973 to 1986 Mr. Macomber was Chairman and Chief Executive Officer of Celanese Corporation. Prior to that, Mr. Macomber was a Senior Partner of McKinsey & Company. Mr. Macomber is also a Director of AEA Investors LLC and Lehman Brothers Holdings Inc.

Hans Ulrich Maerki has been a Director since September 2002. Mr. Maerki has been the Chairman and General Manager of IBM Europe/Middle East/Africa (EMEA) since August 2001. He is also a member of the World Wide Management Council of IBM Corporation. From July 2003 to May 2005, Mr. Maerki was also the General Manager of IBM EMEA. From 1996 to July 2001, Mr. Maerki was General Manager of IBM Global Services, EMEA. Mr. Maerki has been with IBM in various positions since 1973. Mr. Maerki is also a Director of ABB Ltd.

George M. Milne, Jr., Ph.D., has been a Director since September 1999. From 1970 to July 2002, Dr. Milne held various management positions with Pfizer Corporation, including most recently Executive Vice President, Pfizer Global Research and Development and President, Worldwide Strategic and Operations Management. Dr. Milne was also a Senior Vice President of Pfizer Inc. and a member of the Pfizer Management Council. He was President of Central Research from 1993 to July 2002 with global responsibility for Pfizer's Human and Veterinary Medicine Research and Development. Dr. Milne is also a Director of Aspreva Pharmaceuticals, Inc., Charles River Laboratories, Inc. and MedImmune Inc.

Thomas P. Salice has been a Director since October 1996. Mr. Salice is a co-founder and Managing Member of SFW Capital Partners, LLC, a private equity firm. Previously, he was President of AEA Investors LLC, a private equity firm, from January 1999, Chief Executive Officer from January 2000, and Vice Chairman from September 2002 to December 2004. Mr. Salice is also a Director of Agere Systems Inc. and Waters Corporation. He also serves on the Board of Trustees of Fordham University.

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Francis Contino (Chair), John Macomber and Thomas Salice.

Audit Committee Financial Expert

The Board of Directors has determined that each member of the Audit Committee is an audit committee financial expert as defined by Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is independent within the meaning of Item 7(d)(3)(iv) of Schedule 14A of the Exchange Act.

Code of Ethics

The Company has adopted a code of business conduct and ethics for directors, officers (including the principal executive officer, principal financial officer and controller) and employees, known as the Code of Conduct. The Code of Conduct is available on the Company's website at http://www.mt.com under Investor Relations/Corporate Governance. Stockholders may request a free copy of the Code of Conduct from:

Investor Relations
Mettler-Toledo International Inc.
1900 Polaris Parkway
Columbus, OH 43240
U.S.A.
Phone: +1 614 438 4748
Fax: +1 614 438 4646
E-mail: mary.finnegan@mt.com

Corporate Governance Guidelines

The Company has adopted Corporate Governance Guidelines, which are available on the Company's website at http://www.mt.com under Investor Relations/Corporate Governance. Stockholders may request a free copy of the Corporate Governance Guidelines from the address and phone numbers set forth under "Code of Ethics" above.

Section 16(a) Beneficial Ownership Reporting Compliance

Information regarding Section 16(a) beneficial ownership reporting compliance is set forth under "General Information — Compliance with Section 16(a) Beneficial Ownership Reporting Requirements" in the Proxy Statement for the 2006 Annual Meeting of Shareholders (the "2006 Proxy Statement"), which information is incorporated herein by reference.

Item 11. *Executive Compensation*

The information appearing in the sections captioned "Board of Directors — General Information," "Executive Compensation" and "Additional Information — Compensation Committee Interlocks and Insider Participation" in the 2006 Proxy Statement is incorporated by reference herein.

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

The information appearing in the section "Share Ownership" in the 2006 Proxy Statement is incorporated by reference herein.

Item 13. *Certain Relationships and Related Transactions*

None.

Item 14. *Principal Accountant Fees and Services*

Information appearing in the section "Audit Committee Report" in the 2006 Proxy Statement is hereby incorporated by reference.

PART IV

Item 15. *Exhibits, Financial Statement Schedules and Reports on Form 8-K*

(a) Exhibits, Financial Statements and Schedules:

1. *Financial Statements*. See Index to Consolidated Financial Statements included on page F-1.
2. *Financial Statement Schedule*. See Schedule II, which is included on page S-1.
3. *List of Exhibits*. See Index of Exhibits included on page E-1.

(b) Reports on Form 8-K:

Date Filed	Description
February 10, 2006	*Press release announcing financial results for the fourth quarter and full year ended December 31, 2005*
	Press release announcing amendment of the Company's by-laws

SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Mettler-Toledo International Inc.
(Registrant)

Date: February 21, 2006

By: /s/ ROBERT F. SPOERRY

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant as of the date set out above and in the capacities indicated.

Signature	Title
/s/ ROBERT F. SPOERRY Robert F. Spoerry	Chairman of the Board, President and Chief Executive Officer
/s/ WILLIAM P. DONNELLY William P. Donnelly	Vice President and Chief Financial Officer (Principal financial and accounting officer)
/s/ FRANCIS A. CONTINO Francis A. Contino	Director
/s/ JOHN T. DICKSON John T. Dickson	Director
Philip H. Geier	Director
/s/ JOHN D. MACOMBER John D. Macomber	Director
/s/ HANS ULRICH MAERKI Hans Ulrich Maerki	Director
/s/ GEORGE M. MILNE George M. Milne	Director
/s/ THOMAS P. SALICE Thomas P. Salice	Director

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the Company[(1)]
3.2	Amended By-laws of the Company, effective as of the 2005 annual meeting (April 27, 2005)[(14)]
4.6	Rights Agreement dated as of August 26, 2002 between the Company and Mellon Investor Services LLC, as Rights Agent, which includes as Exhibit A thereto, the Certificate of Designation, as Exhibit B thereto, the Form of Rights Certificate, and as Exhibit C thereto, the Summary of Rights to Purchase Preferred Shares[(9)]
10.10	Amended and Restated Credit Agreement, dated as of November 7, 2005[(2)]
10.11	Indenture, dated as of November 12, 2003[(12)]
10.20	1997 Amended and Restated Stock Option Plan[(3)]
10.21	Amendment to the 1997 Amended and Restated Stock Option Plan[(4)]
10.22	Mettler-Toledo International Inc. 2004 Equity Incentive Plan[(13)]
10.31	Regulations of the Performance Oriented Bonus System (POBS) — Incentive System for the Management of Mettler Toledo, effective as of November 5, 1998[(5)]
10.32	Regulations of the POBS Plus — Incentive Scheme for Senior Management of Mettler Toledo, effective as of March 14, 2000[(6)]
10.33	Regulations of the POBS PLUS — Incentive Scheme for Members of the Group Management of Mettler Toledo, effective as of March 7, 2000[(6)]
10.41	Employment Agreement between Robert Spoerry and Mettler-Toledo AG, dated as of October 30, 1996[(7)]
10.42	Indemnification Agreement between Robert Spoerry and Mettler-Toledo International Inc., dated June 6, 2002[(10)]
10.43	Employment Agreement between William Donnelly and Mettler-Toledo GmbH, dated as of November 10, 1997[(1)]
10.44	Employment Agreement between Olivier Filliol and Mettler-Toledo GmbH, dated as of May 21, 2001[(8)]
10.45	Indemnification Agreement between Olivier Filliol and Mettler-Toledo International Inc., dated June 6, 2002[(10)]
10.46	Employment Agreement between Beat Luethi and Mettler-Toledo International Inc., dated as of October 31, 2002[(11)]
10.47	Indemnification Agreement between Beat Luethi and Mettler-Toledo International Inc., dated March 31, 2003[(11)]
10.48	Employment Agreement between Urs Widmer and Mettler-Toledo International Inc., dated as of May 11, 2001[(8)]
10.49	Indemnification Agreement between Urs Widmer and Mettler-Toledo International Inc., dated as of June 6, 2002[(15)]
21*	Subsidiaries of the Company
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of PricewaterhouseCoopers AG
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) *Incorporated by reference to the Company's Report on Form 10-K dated March 13, 1998*

(2) *Incorporated by reference to the Company's Report on Form 8-K dated November 8, 2005*

(3) *Incorporated by reference to the Company's Registration Statement on Form S-1 (Reg. No. 333-35597)*

(4) *Incorporated by reference to the Company's Report on Form 10-Q dated August 15, 2000*

[5] *Incorporated by reference to the Company's Report on Form 10-K dated March 18, 1999*

[6] *Incorporated by reference to the Company's Report on Form 10-K dated March 24, 2000*

[7] *Incorporated by reference to the Company's Report on Form 10-K dated March 31, 1997*

[8] *Incorporated by reference to the Company's Report on Form 10-K dated March 4, 2002*

[9] *Incorporated by reference to the Company's Registration Statement on Form 8-K/A filed on August 29, 2002*

[10] *Incorporated by reference to the Company's Report on Form 10-K dated March 14, 2003*

[11] *Incorporated by reference to the Company's Report on Form 10-Q dated August 4, 2003*

[12] *Incorporated by reference to the Company's Report on Form 10-K dated March 15, 2004*

[13] *Incorporated by reference to the Company's Form DEF 14-A filed March 29, 2004*

[14] *Incorporated by reference to the Company's Report on Form 8-K dated February 9, 2005*

[15] *Incorporated by reference to the Company's Report on Form 10-K dated February 25, 2005*

* *Filed herewith*

METTLER-TOLEDO INTERNATIONAL INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have completed an integrated audit of Mettler-Toledo International Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audit, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Mettler-Toledo International Inc. and its subsidiaries at December 31, 2005, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 audit provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control— Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control— Integrated Framework* issued by COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

Columbus, OH
February 20, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the accompanying index appearing under item 15(a)(1) present fairly, in all material respects, the financial position of Mettler-Toledo International Inc. and its subsidiaries at December 31, 2004, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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

/s/ JULIE FITZGERALD
Julie Fitzgerald

/s/ ROLF JOHNER
Rolf Johner

Zurich, Switzerland
February 25, 2005

METTLER-TOLEDO INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31
(In thousands, except share data)

	2005	2004	2003
Net sales			
Products	$ 1,144,309	$ 1,082,097	$ 1,014,722
Service	338,163	322,357	289,709
Total net sales	1,482,472	1,404,454	1,304,431
Cost of sales			
Products	535,626	516,118	498,207
Service	216,527	205,929	188,048
Gross profit	730,319	682,407	618,176
Research and development	81,893	83,217	78,003
Selling, general and administrative	441,702	419,780	372,822
Amortization	11,436	12,256	11,724
Interest expense	14,880	12,888	14,153
Other charges, net	20,224	42	4,563
Earnings before taxes	160,184	154,224	136,911
Provision for taxes	51,282	46,267	41,073
Net earnings	$ 108,902	$ 107,957	$ 95,838
Basic earnings per common share:			
Net earnings	$ 2.58	$ 2.44	$ 2.15
Weighted average number of common shares	42,207,777	44,237,214	44,473,913
Diluted earnings per common share:			
Net earnings	$ 2.52	$ 2.37	$ 2.11
Weighted average number of common and common equivalent shares	43,285,121	45,483,969	45,508,847

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

METTLER-TOLEDO INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS
As of December 31
(In thousands, except share data)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 324,578	$ 67,176
Trade accounts receivable, less allowances of $7,897 in 2005 and $9,759 in 2004	271,915	271,097
Inventories	150,201	156,539
Current deferred tax assets, net	30,210	27,487
Other current assets and prepaid expenses	23,755	30,058
Total current assets	800,659	552,357
Property, plant and equipment, net	218,519	242,709
Goodwill	423,048	433,675
Other intangible assets, net	105,161	126,506
Non-current deferred tax assets, net	73,042	72,847
Other non-current assets	49,344	51,978
Total assets	$1,669,773	$1,480,072
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 88,553	$ 85,129
Accrued and other liabilities	68,277	90,466
Accrued compensation and related items	91,409	74,678
Deferred revenue and customer prepayments	34,803	26,176
Taxes payable	59,015	59,556
Current deferred tax liabilities	5,054	5,328
Short-term borrowings	6,345	6,913
Total current liabilities	353,456	348,246
Long-term debt	443,795	196,290
Non-current deferred tax liabilities	78,360	81,927
Other non-current liabilities	135,160	132,723
Total liabilities	1,010,771	759,186
Commitments and contingencies (Note 15)		
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 44,786,011 and 44,780,211 shares, outstanding 41,404,071 and 43,366,139 shares at December 31, 2005 and 2004, respectively	469	456
Additional paid-in capital	457,108	476,696
Treasury stock at cost (3,381,940 shares in 2005 and 1,414,072 shares in 2004)	(170,325)	(67,404)
Retained earnings	417,075	308,173
Accumulated other comprehensive income (loss)	(45,325)	2,965
Total shareholders' equity	659,002	720,886
Total liabilities and shareholders' equity	$1,669,773	$1,480,072

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

METTLER-TOLEDO INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
For the years ended December 31
(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance at December 31, 2002	44,384,820	$444	$459,213	$ —	$104,378	$(61,649)	$502,386
Exercise of stock options	197,197	2	3,575	—	—	—	3,577
Tax benefit resulting from exercise of certain employee stock options	—	—	8,840	—	—	—	8,840
Comprehensive income:							
Net earnings	—	—	—	—	95,838	—	95,838
Unrealized gain on cash flow hedging arrangements	—	—	—	—	—	3,960	3,960
Change in currency translation adjustment	—	—	—	—	—	34,209	34,209
Minimum pension liability adjustment, net of tax	—	—	—	—	—	5,186	5,186
Total comprehensive income							139,193
Balance at December 31, 2003	44,582,017	$446	$471,628	$ —	$200,216	$(18,294)	$653,996
Exercise of stock options	992,622	10	(10,828)	36,385	—	—	25,567
Repurchases of common stock	(2,208,500)	—	—	(103,789)			(103,789)
Tax benefit resulting from exercise of certain employee stock options	—	—	5,037	—	—	—	5,037
Reversal of deferred tax valuation allowance			10,859				10,859
Comprehensive income:							
Net earnings	—	—	—	—	107,957	—	107,957
Unrealized gain on cash flow hedging arrangements	—	—	—	—	—	436	436
Change in currency translation adjustment	—	—	—	—	—	23,087	23,087
Minimum pension liability adjustment, net of tax	—	—	—	—	—	(2,264)	(2,264)
Total comprehensive income							129,216
Balance at December 31, 2004	43,366,139	$456	$476,696	$ (67,404)	$308,173	$ 2,965	$720,886
Exercise of stock options	1,267,132	13	(34,717)	61,671	—	—	26,967
Repurchases of common stock	(3,229,200)	—	—	(164,592)	—	—	(164,592)
Tax benefit resulting from exercise of certain employee stock options	—	—	15,129	—	—	—	15,129
Comprehensive income:							
Net earnings	—	—	—	—	108,902	—	108,902
Change in currency translation adjustment	—	—	—	—	—	(37,473)	(37,473)
Minimum pension liability adjustment, net of tax	—	—	—	—	—	(10,817)	(10,817)
Total comprehensive income							60,612
Balance at December 31, 2005	41,404,071	$469	$457,108	$(170,325)	$417,075	$(45,325)	$659,002

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

METTLER-TOLEDO INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31
(In thousands)

	2005	2004	2003
Cash flows from operating activities:			
Net earnings	$ 108,902	$ 107,957	$ 95,838
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	25,977	26,668	25,086
Amortization	11,436	12,256	11,724
Deferred taxes	10,962	(107)	953
Other	20,057	676	(940)
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable, net	(18,377)	(11,337)	3,516
Inventories	(5,171)	4,449	8,773
Other current assets	2,790	4,584	1,708
Trade accounts payable	9,409	12,934	(8,452)
Taxes payable	3,056	6,577	(19,440)
Accruals and other[(a)]	8,018	1,336	(1,535)
Net cash provided by operating activities	177,059	165,993	117,231
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	1,423	1,819	2,092
Purchase of property, plant and equipment	(32,498)	(27,882)	(27,152)
Acquisitions	(4,087)	(2,287)	(4,450)
Net cash used in investing activities	(35,162)	(28,350)	(29,510)
Cash flows from financing activities:			
Proceeds from borrowings	667,901	81,027	248,726
Repayments of borrowings	(414,578)	(121,631)	(325,946)
Proceeds from exercise of stock options	27,007	25,567	3,577
Repurchases of common stock	(161,832)	(102,397)	—
Refinancing fees	(760)	—	(3,077)
Net cash provided by (used in) financing activities	117,738	(117,434)	(76,720)
Effect of exchange rate changes on cash and cash equivalents	(2,233)	1,851	2,688
Net increase in cash and cash equivalents	257,402	22,060	13,689
Cash and cash equivalents:			
Beginning of period	67,176	45,116	31,427
End of period	$ 324,578	$ 67,176	$ 45,116
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 13,594	$ 12,426	$ 13,955
Taxes	$ 37,263	$ 39,798	$ 40,451

[(a)] *Accruals and other include payments for restructuring and related activities of $2.0 million, $4.0 million and $16.8 million in 2005, 2004 and 2003, respectively.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data, 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 manufactures weighing instruments for use in laboratory, industrial, packaging, logistics and food retailing applications. The Company also manufactures several related analytical instruments, and provides automated chemistry solutions used in drug and chemical compound discovery and development. In addition, the Company manufactures metal detection and other end-of-line inspection systems used in production and packaging, and provides solutions for use in certain process analytics applications. The Company's primary manufacturing facilities are located in China, Germany, Switzerland, the United Kingdom and the United States. The Company's principal executive offices are located in Greifensee, Switzerland.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (''U.S. GAAP'') and include all entities in which the Company has control, which are its majority owned subsidiaries.

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

The preparation of financial statements in conformity with U.S. GAAP 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.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents the Company's best estimate of probable credit losses in its existing trade accounts receivable. Historically the Company has had very minimal bad debts due to its customer base.

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. The estimated net realizable value is based on assumptions for future demand and related pricing. Adjustments to the cost basis of our inventory are made for excess and obsolete items based on forecast usage, orders and technological obsolescence. If actual market conditions are less favorable than those projected by management, reductions in the value of inventory may be required.

(In thousands, except share data, unless otherwise stated)

Long-Lived Assets

a) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Repair and maintenance costs are charged to expense as incurred. 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" ("SOP 98-1"), 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 No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill, representing the excess of purchase price over the net asset value of companies acquired, and indefinite-lived intangible assets are not amortized, but are reviewed for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The annual evaluation is based on valuation models that estimate fair value based on expected future cash flows and profitability projections.

Other intangible assets also include definite-lived assets which are subject to amortization. Where applicable, amortization is charged on a straight-line basis over the expected period to be benefited. The straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the company in each reporting period. The Company assesses the recoverability of other intangible assets subject to amortization in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

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 with finite lives 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 ability to realize 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 when the Company no longer considers subsidiary earnings to be permanently invested, such as 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. Transaction gains and losses are included as a component of net earnings.

Revenue Recognition

Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Standard shipping terms are generally FOB shipping point in most countries and, accordingly, title transfers upon shipment. In countries where title cannot legally transfer before delivery, we defer revenue recognition until delivery has occurred. Other than a few small software applications, we do not sell 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. To the extent the Company's solutions have a post shipment obligation, such as customer acceptance, revenue is deferred until the obligation has been completed. In addition, we also defer revenue where installation is required, unless such installation is perfunctory. We also generally maintain the right to accept or reject a product return in our terms and conditions and we also maintain accruals for outstanding credits. Distributor discounts are offset against revenue at the time such revenue is recognized. Revenues from service contracts are recognized ratably over the contract period.

Research and Development

Research and development costs primarily consist of salaries, consulting and other costs. The Company expenses these costs as incurred.

Warranty

The Company generally offers one-year warranties on most of its products. Product warranties are recorded at the time revenue is recognized for certain product shipments. While the Company engages in extensive product quality programs and processes, our warranty obligation is affected by product failure rates, material usage and service costs incurred in correcting a product failure.

(In thousands, except share data, unless otherwise stated)

Earnings per Common Share

In accordance with the treasury stock method, the Company has included 1,077,344, 1,246,755 and 1,034,934 equivalent shares in the calculation of diluted weighted average number of common shares for the years ending December 31, 2005, 2004 and 2003, respectively, relating to outstanding stock options.

Outstanding options to purchase 127,125, 748,813 and 1,955,938 shares of common stock for the years ending December 31, 2005, 2004 and 2003, respectively, have been excluded from the calculation of diluted weighted average number of common shares as such options would be anti-dilutive.

Stock-Based Compensation

The Company applies the intrinsic valuation methodology under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for its stock option 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" ("SFAS 123"), 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:

	2005	2004	2003
Net earnings:			
As reported	$ 108,902	$ 107,957	$ 95,838
Compensation expense, net of tax benefit	(6,277)	(7,290)	(6,748)
Pro forma	$ 102,625	$ 100,667	$ 89,090
Basic earnings per common share:			
As reported	$ 2.58	$ 2.44	$ 2.15
Compensation expense	(0.15)	(0.16)	(0.15)
Pro forma	$ 2.43	$ 2.28	$ 2.00
Weighted average number of common shares	42,207,777	44,237,214	44,473,913
Diluted earnings per common share:			
As reported	$ 2.52	$ 2.37	$ 2.11
Compensation expense	(0.14)	(0.15)	(0.15)
Pro forma	$ 2.38	$ 2.22	$ 1.96
Weighted average number of common shares and common equivalents	43,122,131	45,281,189	44,508,847

Derivative Financial Instruments

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 exchange contracts to economically hedge certain short-term intercompany balances involving its international businesses. Such contracts limit the Company's exposure to both favorable and unfavorable currency fluctuations on the items they hedge. These contracts are adjusted to reflect market values as of each balance sheet date, with the resulting changes in fair value being recognized in the appropriate financial statement caption in the income statement consistent with the underlying position.

The Company also enters into certain interest rate swap agreements in order to manage 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 Company's floating to fixed interest rate swap agreements are generally cash flow hedges, while the fixed to floating interest rate swap agreements are generally fair value hedges. The change in fair value of outstanding interest rate swap agreements that are effective cash flow hedges is included in the Company's consolidated statement of shareholders' equity. The change in fair value of outstanding interest rate swap agreements that are effective as fair value hedges is recognized in earnings as incurred and is offset by the change in fair value of the hedged item.

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 Pronouncement

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123R, "Share-Based Payment" ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes APB 25. SFAS 123R requires public companies to recognize the cost of employee services received in exchange for an award (with limited exceptions) over the period during which an employee is required to provide service in exchange for the award. Disclosure of the effect of expensing the fair value of equity compensation is currently required under SFAS 123 (see *Stock-Based Compensation* within Note 2) by continuing to apply the guidance in APB 25. On April 15, 2005, the Securities and Exchange Commission issued a release that delayed the implementation of SFAS 123R to annual periods beginning after June 15, 2005. The Company has assessed the impact of adopting SFAS 123R in 2006. Based upon existing information, the Company estimates its share-based compensation arrangements will reduce 2006 net earnings between $5 million and $6 million or approximately $0.13 per share. This includes compensation expense associated with non-qualified stock options as well as restricted stock units. As described in Note 11, the compensation committee of the Board of Directors determined in the fourth quarter of 2005 to grant restricted share units to participating managers who previously received non-qualified stock options in previous years. Executive officers continued to receive non-qualified option grants.

3. *BUSINESS COMBINATIONS*

During the years ended December 31, 2005 and 2004, the Company spent approximately $4.1 million and $2.3 million, respectively, on acquisitions and additional consideration related to earn-out periods associated with acquisitions consummated in prior years. Goodwill recognized in connection with these acquisition payments totaled $3.4 million and $1.5 million, respectively, which is included in the Company's Western European Operations, Swiss Operations and Other segments in 2005 and in the U.S. Operations, Swiss Operations, Chinese Operations and Other segments in 2004. The Company accounted for the acquisition payments and additional consideration using the purchase method of accounting.

A reconciliation of the change in goodwill during the years ended December 31, 2005 and 2004 is provided in Note 7 to these consolidated financial statements.

(In thousands, except share data, unless otherwise stated)

The terms of certain of our acquisitions in 2005 and earlier years provide for possible additional earn-out payments. The Company does not currently believe it will make any material payments relating to such earn-outs. Any additional earn-out payments incurred will be treated as additional purchase price and accounted for using the purchase method of accounting.

4. *INVENTORY*

Inventory consisted of the following at December 31:

	2005	2004
Raw materials and parts	$ 80,201	$ 73,607
Work-in-progress	19,777	32,323
Finished goods	50,223	50,609
	$150,201	$156,539

5. *FINANCIAL INSTRUMENTS*

As described in Note 9, on November 7, 2005, the Company amended and restated its existing $300 million Credit Agreement (the "Amended Credit Agreement"). The Amended Credit Agreement increases the amount that can be borrowed under the facility from $300 million to $450 million, extends the maturity date to November 2010 and lowers the margin applicable to the interest rate payable thereunder. The remaining terms of the Amended Credit Agreement are substantially the same as under the prior Credit Agreement. The Company incurred fees of approximately $0.9 million in conjunction with amending and restating the Credit Agreement which are amortized to interest expense over five years.

In November 2003, the Company issued $150 million of seven-year Senior Notes (the "Senior Notes"). In connection with this issuance, the Company entered into an interest rate swap agreement, designated as a fair value hedge, which changes the fixed interest obligation associated with $30 million of the Senior Notes into a floating rate. This agreement has a maturity date of November 15, 2010. Under the swap, the Company will receive a fixed interest rate of 4.85% (i.e., the same rate as the Senior Notes) and pay interest at a rate of LIBOR plus 0.22%. At December 31, 2005, the fair value of the swap was approximately a $0.4 million loss.

At December 31, 2005, the Company had outstanding foreign currency forward contracts in the amount of $69.6 million, in order to economically hedge short-term intercompany balances with its foreign businesses.

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 does not 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.

(In thousands, except share data, unless otherwise stated)

6. *PROPERTY, PLANT AND EQUIPMENT, NET*

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

	2005	2004
Land	$ 49,837	$ 57,478
Building and leasehold improvements	142,734	156,918
Machinery and equipment	212,327	236,874
Computer software	3,829	5,016
	408,727	456,286
Less accumulated depreciation and amortization	(190,208)	(213,577)
	$ 218,519	$ 242,709

7. *GOODWILL AND OTHER INTANGIBLE ASSETS*

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

	2005	2004
Balance at beginning of year	$ 433,675	$ 421,940
Goodwill acquired	3,401	1,461
Foreign currency translation and other	(14,028)	10,274
Balance at year end	$ 423,048	$ 433,675

In accordance with SFAS 142, goodwill and indefinite-lived assets are reviewed for impairment on an annual basis in the fourth quarter. The Company completed its impairment review under SFAS 142 and determined that, through December 31, 2005, there had been no impairment of these assets.

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

	2005		2004	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	$ 72,339	$ (7,104)	$ 71,329	$ (5,216)
Proven technology and patents	29,918	(13,402)	28,651	(11,655)
Tradename (finite life)	1,427	(451)	1,499	(441)
Tradename (indefinite life)	22,434	—	22,434	—
Intellectual property license (indefinite life)	—	—	19,905	—
	$126,118	$(20,957)	$143,818	$ (17,312)

The annual aggregate amortization expense based on the current balance of other intangible assets for each of the next five years is estimated at $4.5 million. The non-indefinite-lived intangible assets are amortized on a straight-line basis over periods ranging from 7 to 45 years.

The Company had amortization expense associated with the above intangible assets of $4.1 million for both the years ended December 31, 2005 and 2004.

As of December 31, 2004, the Company's intangible assets included a $19.9 million indefinite-life intangible asset relating to an intellectual property license. This license was previously subject to litigation with the grantor and on June 6, 2005 the Company was ordered to pay $0.6 million in damages and the respective intellectual property license was terminated. Due to the cancellation of the license, the Company has concluded that the intangible asset has no future benefit and as such, during the second quarter of 2005, has written off the total value of the asset, $19.9 million ($12 million after tax). This charge has been included as a component of Other charges, net within the Consolidated Statement of Operations.

(In thousands, except share data, unless otherwise stated)

The Company has subsequently appealed the trial court decision. Litigation concerning the license and related issues is ongoing between the Company and the other party to the license. The Company does not believe that the litigation will have a material adverse effect on its consolidated financial condition, results of operations or cash flows. In 2004, the Company had $13.9 million in sales of these third party-manufactured pipettes in the U.S. which had declined 28% since 2001. The Company expects to minimize any impact to its sales and profitability by increasing the sales of its own higher margin pipettes, including those the Company already manufactures and sells outside the United States.

8. *WARRANTY*

The Company's accrual for product warranties is included in accrued and other liabilities in the consolidated balance sheet. Changes to the Company's accrual for product warranties for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Balance at beginning of year	$10,483	$10,121
Accruals for warranties	14,062	12,346
Foreign currency translation	(846)	489
Payments/utilizations	(12,967)	(12,473)
Balance at year end	$10,732	$10,483

9. *LONG-TERM DEBT*

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

	2005	2004
$150 million Senior Notes, interest at 4.85%, due November 15, 2010	$149,640	$150,395
Less: unamortized discount	(172)	(208)
	149,468	150,187
Revolving credit facilities, interest at LIBOR plus 0.375%	294,327	46,103
	$443,795	$196,290

November 2005 Refinancing

On November 7, 2005, the Company amended and restated its Credit Agreement, which amends and restates its prior Credit Agreement, dated as of November 12, 2003. The Amended Credit Agreement increases the amount that can be borrowed under the facility from $300 million to $450 million, extends the maturity date to November 2010 and lowers the margin applicable to the interest rate payable thereunder. The remaining terms of the Amended Credit Agreement are substantially the same as under the prior Credit Agreement. The Company incurred fees of approximately $0.9 million in conjunction with amending and restating the Credit Agreement which are being amortized to interest expense over five years.

Amended Credit Agreement

The $450 million Amended Credit Agreement is provided by a group of financial institutions and has a maturity date of November 5, 2010. It is not subject to any scheduled principal payments. Borrowings under the Amended Credit Agreement bear interest at current market rates plus a margin based on our senior unsecured credit ratings (currently "BBB" by Standard & Poor's and "Baa3" by Moody's) and is currently set at LIBOR plus 0.375%. We must also pay facility fees that are tied to our credit ratings. The Amended Credit Agreement contains covenants, for which the Company was in compliance as of December 31, 2005, including maintaining a ratio of debt to earnings before interest, tax, depreciation and amortization of less than 3.25 to 1.0 and an interest coverage ratio of more than 3.5 to 1.0. This also places certain limitations on us, including limiting the ability to grant liens or incur debt at a subsidiary level. In addition, the Amended Credit Agreement has several events of default, including upon a change of control. As of December 31, 2005, approximately $146.2 million was available under the facility. The Amended Credit Agreement is unsecured.

Senior Notes

In November 2003, the Company issued $150 million of 4.85% unsecured Senior Notes due November 15, 2010. The Senior Notes rank equally with all our unsecured and unsubordinated indebtedness. Interest is payable semi-annually in May and November. Discount and issuance costs approximated $1.2 million and are being amortized to interest expense over the seven-year term of the Senior Notes. At the Company's option, the Senior Notes may be redeemed in whole or in part at any time at a redemption price equal to the greater of:

- The principal amount of the Senior Notes; or
- The sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at a comparable treasury rate plus a margin of 0.20%.

The Senior Notes contain limitations on the ability to incur liens and enter into sale and leaseback transactions exceeding 10% of the Company's consolidated net worth.

The Company's weighted average interest rate for the years ended December 31, 2005 and 2004 was approximately 6%. The carrying value of the Company's debt obligations approximates fair value.

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, 2005, 6,866,742 shares of the Company's common stock were reserved for issuance 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.

Restricted Stock Units

In 2005, the Company made its initial grant of 74,600 restricted stock units to certain employees. The grant-date fair value of the restricted stock unit was $52.37 and the restricted units vest ratably over a five-year period. The intrinsic value of the restricted stock units on the date of grant of $3.9 million will be recorded as compensation expense ratably over the vesting period. Approximately $0.1 million of compensation expense was recognized during the year ended December 31, 2005.

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.

Share Repurchase Program

The Company has a share repurchase program that was announced in February 2004 and updated in November 2004 and November 2005. Under the program, the Company has been authorized to buy back up to $100 million of equity shares over the two-year period ending December 31, 2005, an additional $200 million over the two-year period ending December 31, 2006 and an additional $200 million over the two-year period ending December 31, 2007. The share repurchases are expected to be funded from cash generated from operating activities. Repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors.

During the years ended December 31, 2005 and 2004, the Company spent $164.6 million and $103.8 million on the repurchase of 3,229,200 shares and 2,208,500 shares at an average price of $50.94 and $46.97, respectively. An additional $4.2 million and $1.4 million relating to the settlement of shares repurchased as of December 31, 2005 and 2004 were cash settled during 2006 and 2005, respectively. The Company reissued 1,261,332 shares and 794,428 shares held in treasury for the exercise of stock options during 2005 and 2004, respectively. As of December 31, 2005, there were $231.6 million of remaining equity shares authorized to be repurchased under the plan.

(In thousands, except share data, unless otherwise stated)

Accumulated Other Comprehensive Income (Loss)

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

	2005	2004	2003
Currency translation adjustment	$ (3,542)	$33,931	$ 10,844
Unrealized gain (loss) on cash flow hedging arrangements	—	—	(436)
Additional minimum pension liability	(61,860)	(46,948)	(43,567)
Deferred tax on additional minimum pension liability	20,077	15,982	14,865
Total accumulated other comprehensive income (loss)	$(45,325)	$ 2,965	$(18,294)

11. *EQUITY INCENTIVE PLAN*

The Company's equity incentive plan provides 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. The Company's 2004 equity incentive plan was approved by shareholders on May 6, 2004 and provides that 3.5 million shares of common stock, plus any options outstanding under the Company's prior option plan that terminate without being exercised, and 2.1 million restricted units may be the subject of awards. The plan provides for the grant of options, restricted stock, restricted stock units and other equity-based awards. The exercise price of options granted shall not be less than the fair market value of the common stock on the date of grant. Options generally vest equally over a five-year period from the date of grant and have a maximum term of up to 10 years and six months of the total shares authorized. Restricted units vest equally over a five-year period from the date of grant. During 2005, the compensation committee of the Board of Directors determined to grant restricted share units to participating managers and non-qualified stock options to executive officers.

(In thousands, except share data, unless otherwise stated)

Stock option activity is shown below:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2002	4,799,773	$27.65
Granted	1,088,000	36.88
Exercised	(197,197)	(18.16)
Forfeited	(68,600)	(40.77)
Outstanding at December 31, 2003	5,621,976	$29.61
Granted	588,500	47.53
Exercised	(992,622)	(25.76)
Forfeited	(251,900)	(39.24)
Outstanding at December 31, 2004	4,965,954	$32.02
Granted	496,000	51.70
Exercised	(1,267,132)	(21.28)
Forfeited	(270,450)	(39.67)
Outstanding at December 31, 2005	3,924,372	$37.44
Options exercisable at December 31, 2003	3,005,676	$22.10
Options exercisable at December 31, 2004	2,845,782	$25.38
Options exercisable at December 31, 2005	2,285,472	$32.32

At December 31, 2005, 2,942,370 options to purchase shares of common stock were available for grant. The following table details the weighted average remaining contractual life of options outstanding at December 31, 2005 by range of exercise prices:

Number of Options Outstanding	Weighted Average Exercise Price	Remaining Contractual Life of Options Outstanding	Options Exercisable
436,325	$ 7.95	0.8	436,325
188,752	$15.90	1.8	188,752
168,300	$28.31	5.4	126,100
1,154,595	$35.77	7.5	646,695
1,976,400	$46.14	7.5	887,600
3,924,372		6.1	2,285,472

(In thousands, except share data, unless otherwise stated)

As of the date granted, the weighted average grant-date fair value of the options granted during the years ended December 31, 2005, 2004 and 2003 was approximately $16.15, $13.52 and $7.83, respectively. Such weighted average grant-date fair value was determined using an option pricing model that incorporated the following assumptions:

	2005	2004	2003[(a)]
Risk-free interest rate	4.50%	3.30%	3.00%
Expected life in years	5	5	4
Expected volatility	25%	25%	25%
Expected dividend yield	—	—	—

[(a)] *In 2003, 385,000 options to purchase shares of common stock with a grant-date fair value of $5.40 were granted on a performance-related basis and had an expected life of 1.5 years. The performance criteria were met during 2003 and the options vested during 2005.*

Restricted stock unit activity is shown below:

	Number of Restricted Stock Units
Outstanding at December 31, 2004	—
Granted	74,600
Exercised	—
Forfeited	—
Outstanding at December 31, 2005	74,600
Units exercisable at December 31, 2005	—

At December 31, 2005, 2,025,400 restricted stock units to purchase shares of common stock were available for grant.

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 $9.2 million, $7.5 million and $7.0 million for the years ended December 31, 2005, 2004 and 2003, 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. Prior to 2002, the Company's U.S. operations also provided post-retirement medical benefits to their employees. Contributions for medical benefits are related to employee years of service.

In May 2004, the FASB issued FASB Staff Position No. 106-2 ("FSP 106-2"), "Accounting and Disclosure Requirements related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." FSP 106-2 relates to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") signed into law on December 8, 2003. The Act introduced a prescription drug benefit under Medicare (Medicare Part D), as well as federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. During the third quarter of 2004, the Company adopted the provisions of FSP 106-2. The Company sponsors post-retirement health care plans that provide prescription drug benefits that are deemed actuarially equivalent to the Medicare Part D and elected to recognize the impact of the federal subsidy on its accumulated post-retirement benefit obligation and net post-retirement benefit costs in the third quarter of 2004. Recognition of the Medicare Drug Act decreased the Company's accumulated post-retirement benefit obligation by $3.5 million and reduced its net post-retirement benefit cost by approximately $0.2 million in the year ended December 31, 2004.

In accordance with Emerging Issues Task Force Issue No. 03-4, "Accounting for Cash Balance Pension Plans" ("EITF 03-4"), the Company determined in 2003 that its Swiss cash balance pension plan met the requirements necessitating a change in the method of expense attribution used in its actuarial calculations from the "projected unit credit" method to the "traditional unit credit" method. Unlike the projected unit credit method, the traditional unit credit method does not assume compensation increases in calculating the benefit obligation, because the pension benefit is based on a guaranteed return on pension contributions, rather than employees' compensation for certain periods during the last years of employment. Accordingly, this required change in methodology resulted in a reduction in the projected benefit obligation of approximately $53.3 million, which is subject to amortization over the expected future service life of Switzerland-based employees.

The Company uses a measurement date of September 30 for its defined benefit pension and other benefit plans. 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, 2005 and 2004:

(In thousands, except share data, unless otherwise stated)

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2005	2004	2005	2004	2005	2004
Change in benefit obligation:						
Benefit obligation at beginning of year	$107,445	$ 99,795	$465,347	$402,480	$ 26,348	$ 29,778
Service cost, gross	635	506	18,494	19,469	211	226
Interest cost	6,030	6,062	17,241	16,980	1,431	1,617
Actuarial (gains) losses	7,145	6,139	68,549	8,923	(332)	(2,813)
Plan amendments and other	—	—	(8,983)	(1,682)	—	—
Benefits paid	(5,351)	(5,057)	(16,289)	(20,819)	(2,426)	(2,460)
Impact of foreign currency	—	—	(65,105)	39,996	—	—
Benefit obligation at end of year	$115,904	$107,445	$479,254	$465,347	$ 25,232	$ 26,348
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 83,625	$ 70,466	$460,698	$403,651	$ —	$ —
Actual return on plan assets	9,665	8,188	40,637	12,918	—	—
Employer contributions	10,041	10,028	11,666	18,740	2,426	2,460
Plan participants' contributions	—	—	6,193	6,388	146	163
Benefits paid	(5,351)	(5,057)	(16,289)	(20,819)	(2,572)	(2,623)
Impact of foreign currency	—	—	(63,868)	39,820	—	—
Fair value of plan assets at end of year	$ 97,980	$ 83,625	$439,037	$460,698	$ —	$ —
Funded status	$(17,924)	$(23,820)	$(40,217)	$ (4,649)	$(25,232)	$(26,348)
Unrecognized net actuarial (gain) loss	40,651	37,970	1,537	(45,940)	(3,331)	(3,957)
Post-measurement date contributions	10	10,006	—	—	504	670
Net amount recognized	$ 22,737	$ 24,156	$(38,680)	$(50,589)	$(28,059)	$(29,635)

Amounts recognized in the consolidated balance sheets consist of:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2005	2004	2005	2004	2005	2004
Other non-current assets	$ —	$ —	$ 23,110	$ 21,419	$ —	$ —
Pension and other post-retirement liabilities	(17,914)	(13,813)	(82,999)	(80,987)	(28,059)	(29,635)
Accumulated other comprehensive loss	40,651	37,969	21,209	8,979	—	—
Net amount recognized	$ 22,737	$ 24,156	$(38,680)	$(50,589)	$(28,059)	$(29,635)

The accumulated benefit obligations at December 31, 2005 and 2004 were $115.9 million and $107.4 million, respectively, for the U.S. defined benefit pension plan and $429.4 million and $447.9 million, respectively, for all non-U.S. plans. Certain of the plans included within non-U.S. Pension Benefits have benefit obligations which exceed the fair value of plan assets. The projected benefit obligation, the accumulated benefit obligation and fair value of assets of these plans as of December 31, 2005 were $141.0 million, $131.6 million and $50.3 million, respectively.

(In thousands, except share data, unless otherwise stated)

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.		
	2005	2004	2003	2005	2004	2003
Discount rate	5.50%	5.75%	6.25%	3.30%	4.20%	4.50%
Compensation increase rate	n/a	n/a	n/a	2.30%	2.20%	2.50%

The assumed discount rates, rates of increase in future compensation levels and the long-term rate of return used in calculating the net periodic pension cost 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.		
	2005	2004	2003	2005	2004	2003
Discount rate	5.75%	6.25%	7.00%	3.30%	4.20%	4.50%
Compensation increase rate	n/a	n/a	n/a	2.30%	2.20%	2.50%
Expected long-term rate of return on plan assets	8.50%	8.50%	8.50%	5.20%	5.20%	6.10%

Net periodic pension cost for the defined benefit plans includes the following components for the years ended December 31:

	U.S.			Non-U.S.		
	2005	2004	2003	2005	2004	2003
Service cost, net	$ 635	$ 506	$ 431	$12,607	$13,081	$13,934
Interest cost on projected benefit obligations	6,030	6,062	6,129	17,241	16,980	18,807
Expected return on plan assets	(7,612)	(6,390)	(5,033)	(22,216)	(21,304)	(22,281)
Impact of early retirement	—	—	428	—	—	—
Recognition of actuarial losses (gains)	2,407	2,279	1,714	(1,035)	(1,620)	642
Net periodic pension cost	$ 1,460	$ 2,457	$ 3,669	$ 6,597	$ 7,137	$11,102

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

	2005	2004	2003
Service cost	$ 211	$ 226	$ 132
Interest cost on projected benefit obligations	1,431	1,617	1,856
Curtailment gain on plan freeze	—	—	(929)
Net amortization and deferral	(958)	(841)	(576)
Net periodic post-retirement benefit cost	$ 684	$1,002	$ 483

(In thousands, except share data, unless otherwise stated)

The accumulated post-retirement benefit obligation and net periodic post-retirement benefit cost were principally determined using discount rates of 5.50% in 2005, 5.75% in 2004 and 6.25% in 2003 and health care cost trend rates ranging from 9% to 12% in 2005, 9% to 13.5% in 2004 and 9% to 14% in 2003, decreasing to 4.5% in 2009.

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	$ 145	$ (142)
Effect on post-retirement benefit obligation	$1,964	$(1,747)

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. Actual and target asset allocations in the Company's pension plans at December 31, 2005 and 2004 were as follows:

	U.S.			Non-U.S.		
	Target	2005	2004	Target	2005	2004
Debt securities	30-40%	33%	32%	50-70%	51%	66%
Equity securities	60-70%	67%	66%	20-40%	38%	24%
Real estate and other	0-5%	0%	2%	5-15%	11%	10%
Total	100%	100%	100%	100%	100%	100%

Investment policies and strategies for each of the Company's pension plans are determined periodically by pension trustees for each plan, having regard for the potential risks and returns offered by investment in the various assets available. Target asset allocation and investment return criteria are established by the trustees with the overriding objective of stable earnings growth. Actual results are monitored against those targets and the trustees are required to report to the members of each plan, including an analysis of investment performance on an annual basis at a minimum. Day-to-day asset management is typically performed by a third party asset management company, reporting to the pension trustees. The long-term rate of return on plan asset assumptions used to determine pension expense under U.S. GAAP are generally based on historical investment performance and the target investment return criteria for the future determined by the trustees.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Benefits Gross	Other Benefits Net of Subsidy
2006	$ 5,322	$12,079	$ 2,460	$ 2,268
2007	5,381	13,336	2,520	2,314
2008	5,531	14,337	2,538	2,321
2009	5,706	15,398	2,586	2,361
2010	5,833	16,274	2,590	2,359
2011 - 2015	33,105	97,955	11,972	10,838

(In thousands, except share data, unless otherwise stated)

As a result of the voluntary incremental pension payments made to the Company's underfunded pension plans of $10.0 million in 2004 and $17.1 million in 2003, the Company is not required to make pension funding payments to its U.S. and U.K. pension plans during the next two years. Similar to 2004 and 2003, voluntary contributions to the Company's pension plans may be made.

In 2006, the Company expects to make normal employer pension contributions of approximately $11 million to its non-U.S. pension plans and normal employer contributions of approximately $2 million to its U.S. post-retirement medical plan.

13. *TAXES*

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

	2005	2004	2003
United States	$ (1,955)	$ 11,964	$ 29,208
Non-United States	162,139	142,260	107,703
Earnings before taxes	$160,184	$154,224	$136,911

The provisions for taxes consist of:

	Current	Deferred	Total
Year ended December 31, 2005:			
United States federal	$ 4,442	$17,511	$21,953
State and local	1,473	(2,137)	(664)
Non-United States	33,040	(3,047)	29,993
Total	$38,955	$12,327	$51,282
Year ended December 31, 2004:			
United States federal	$ 643	$ 4,606	$ 5,249
State and local	594	1,571	2,165
Non-United States	45,137	(6,284)	38,853
Total	$46,374	$ (107)	$46,267
Year ended December 31, 2003:			
United States federal	$ 3,470	$10,356	$13,826
State and local	585	700	1,285
Non-United States	26,885	(923)	25,962
Total	$30,940	$10,133	$41,073

(In thousands, except share data, unless otherwise stated)

The provisions for tax expense for the years ending December 31, 2005, 2004 and 2003 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:

	2005	2004	2003
Expected tax	$56,064	$53,978	$47,919
United States state and local income taxes, net of federal income tax benefit	(1,574)	2,165	1,285
Change in valuation allowance	160	2,375	(2,728)
Special foreign earnings repatriations and audit settlements	5,411	—	—
Other non-United States income taxes at other than a 35% rate	(9,428)	(12,646)	(8,695)
Other, net	649	395	3,292
Total provision for taxes	$51,282	$46,267	$41,073

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:

	2005	2004
Deferred tax assets:		
Inventory	$ 6,138	$ 5,727
Accrued and other liabilities	25,345	23,634
Accrued post-retirement benefit and pension costs	36,317	34,382
Net operating loss and tax credit carryforwards	46,097	56,309
Other	14,515	5,282
Total deferred tax assets	128,412	125,334
Less valuation allowance	(25,160)	(25,000)
Total deferred tax assets less valuation allowance	103,252	100,334
Deferred tax liabilities:		
Inventory	2,866	903
Property, plant and equipment	30,047	36,514
Rainin intangibles amortization	13,695	16,851
Prepaid post-retirement benefit and pension costs	9,364	9,686
Other	14,815	14,525
International earnings	12,627	8,776
Total deferred tax liabilities	83,414	87,255
Net deferred tax asset	$ 19,838	$ 13,079

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 ability of the Company to realize the deferred tax assets that are affected by the future profitability of operations in various worldwide jurisdictions. The Company did not realize a significant change in its valuation allowance for 2005.

$5.3 million and $1.4 million of the valuation allowance will be credited to shareholders' equity and goodwill, respectively, if and when realized.

At December 31, 2005, for U.S. federal income tax purposes, the Company had net operating loss carryforwards of $2.1 million that expire in various amounts through 2021 and foreign tax credits of $8.4 million that expire in various amounts through 2014. The Company has various U.S. state net operating losses and various foreign net operating losses that have various expiration periods.

The Company plans to repatriate in future years $75 million of previously unremitted earnings of foreign subsidiaries. Accordingly, a deferred tax liability of $12.6 million has been established to account for the incremental tax costs associated with the planned repatriation. No deferred tax liability has been recognized on the residual unremitted earnings approximating $2 million, as such earnings have been permanently reinvested in the business.

As a result of the American Jobs Creation Act of 2004, the Company repatriated $396 million of cash during 2005 that has been generated over time by its foreign operations. As a result of this repatriation, the Company recorded additional income tax expense of $13.1 million. This amount reflects the federal tax impact in the United States (including certain state taxes) of $12.3 million, foreign withholding taxes of $2.0 million and a net decrease of $1.2 million of deferred tax liabilities associated with the reassessment of pre-existing and future dividend repatriations. In addition, the Company recorded tax benefits of $7.7 million related to the favorable resolution of certain tax matters.

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 a material impact on the Company's consolidated results of operations or financial position.

The Company currently benefits from tax holidays in certain jurisdictions. These holidays expire at various dates in the future and may or may not be renewable. Management does not believe that potential changes in tax benefits from existing tax holidays will have a material adverse effect on the Company's financial condition or results of operations.

14. *OTHER CHARGES, NET*

Other charges, net consists primarily of charges related to the Company's restructuring programs, interest income, (gains) losses from foreign currency transactions, (gains) losses from sales of assets and other items.

Other charges, net includes a $21.8 million charge related to pipette litigation. In June of 2005, the Company wrote off a non-cash $19.9 million ($12 million after tax) intangible asset relating to an intellectual property license that was subject to litigation with the grantor which is included as a component of Other and Deferred taxes in the interim consolidated statements of cash flows. This license enabled a wholly owned subsidiary of the Company exclusive rights to distribute certain third-party manufactured pipettes in the United States. A judgment entered on June 6, 2005 terminated the license agreement and awarded damages to the other party. The Company also incurred $1.9 million of related legal costs during the three months ended June 30, 2005, which includes damages of $0.6 million due to the grantor.

During the first quarter of 2003, we recorded a restructuring charge of $5.4 million ($3.8 million after tax) related to the final union settlement on the closure of our French manufacturing facility. This charge comprised the additional employee-related costs resulting from final settlement of the social plan negotiated with the French workers' council during the first quarter of 2003.

(In thousands, except share data, unless otherwise stated)

We assess our accrual for restructuring activities on an ongoing basis. During the third quarter of 2003, we recorded a reduction in the restructuring accrual of $1.0 million, included within Other charges, net, as a result of lower employee-related charges than originally anticipated. Also, a restructuring charge of $1.4 million was recorded related to an extension of manufacturing consolidation activities. This charge comprised severance of $1.0 million, included within Other charges, net, and inventory write-downs of $0.4 million, included within Cost of sales.

At December 31, 2003, we had substantially completed the restructuring programs described above.

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, 2005:

2006	$21,743
2007	17,549
2008	12,767
2009	7,985
2010	7,284
Thereafter	18,108
Total	$85,436

Rent expense for operating leases amounted to $30.7 million, $29.4 million and $28.2 million for the years ended December 31, 2005, 2004 and 2003, 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 No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). The Company has updated the geographic aggregation of its segments as of March 31, 2005 and has determined there are five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations, and Other. Prior year segment information has been restated to conform with current period presentation.

U.S. Operations represent certain of the Company's marketing and producing organizations located in the United States. Western European Operations include the Company's marketing and producing organizations in Western Europe, excluding operations located in Switzerland. Swiss Operations include marketing and producing organizations located in Switzerland as well as extensive R&D operations 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. Chinese Operations represents the Company's marketing and producing organizations located in China. 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.

(In thousands, except share data, unless otherwise stated)

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 which is referred to as segment profit for segment reporting (gross profit less research and development, selling, general and administrative expenses and restructuring charges, before amortization, interest, other charges and taxes). Inter-segment 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, 2005	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Depreciation	Total Assets	Purchase of Property, Plant and Equipment	Goodwill
U.S. Operations	$ 560,238	$ 50,361	$ 610,599	$ 79,448	$ 7,058	$ 904,758	$(12,056)	$272,683
Swiss Operations	88,138	236,763	324,901	65,471	7,777	348,799	(4,739)	22,666
Western European Operations	508,289	69,293	577,582	45,466	5,548	801,900	(5,192)	107,306
Chinese Operations	116,912	57,997	174,909	40,245	3,110	114,481	(3,326)	1,833
Other[(a)]	208,895	559	209,454	14,745	1,646	118,793	(2,369)	18,560
Eliminations and Corporate[(b)]	—	(414,973)	(414,973)	(38,651)	838	(618,958)	(4,816)	—
Total	$1,482,472	$ —	$1,482,472	$206,724	$25,977	$1,669,773	$(32,498)	$423,048

For the Year Ended December 31, 2004	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Depreciation	Total Assets	Purchase of Property, Plant and Equipment	Goodwill
U.S. Operations	$ 529,020	$ 49,430	$ 578,450	$ 75,651	$ 7,193	$ 888,844	$ (6,763)	$271,060
Swiss Operations	92,321	220,671	312,992	59,576	7,845	427,411	(6,175)	24,938
Western European Operations	494,921	50,445	545,366	40,185	6,324	408,008	(6,776)	117,770
Chinese Operations	102,867	56,917	159,784	31,705	2,857	117,806	(2,476)	1,792
Other[(a)]	185,325	(303)	185,022	12,882	1,440	122,563	(2,245)	18,115
Eliminations and Corporate[(b)]	—	(377,160)	(377,160)	(40,589)	1,009	(484,560)	(3,447)	—
Total	$1,404,454	$ —	$1,404,454	$179,410	$26,668	$1,480,072	$(27,882)	$433,675

(In thousands, except share data, unless otherwise stated)

For the Year Ended December 31, 2003	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit[c]	Depreciation	Total Assets	Purchase of Property, Plant and Equipment	Goodwill
U.S. Operations	$ 510,609	$ 50,826	$ 561,435	$ 72,682	$ 8,009	$ 827,179	$ (7,720)	$268,839
Swiss Operations	88,048	197,175	285,223	52,075	6,995	343,551	(6,436)	23,091
Western European Operations	449,322	50,261	499,583	30,274	6,030	435,284	(5,169)	110,871
Chinese Operations	83,789	41,796	125,585	22,983	1,971	99,099	(3,696)	1,689
Other[a]	172,663	341	173,004	10,676	1,390	105,019	(1,666)	17,450
Eliminations and Corporate[b]	—	(340,399)	(340,399)	(26,783)	691	(422,856)	(2,465)	—
Total	$1,304,431	$ —	$1,304,431	$161,907	$25,086	$1,387,276	$(27,152)	$421,940

[a] *Other includes reporting units in Eastern Europe, Latin America and segments from other countries.*

[b] *Eliminations and Corporate includes the elimination of inter-segment transactions as well as certain corporate expenses, intercompany investments and certain goodwill, which are not included in the Company's operating segments.*

[c] *The results for the year ended December 31, 2003 include a restructuring charge of $5.4 million recorded in the Western European Operations segment ($4.4 million) and Other segment ($1.0 million).*

Reconciliation of adjusted operating income (segment profit) to earnings before tax:

	2005	2004	2003
Adjusted Operating Income (after restructuring charges)	$206,724	$179,410	$161,907
Amortization	11,436	12,256	11,724
Interest expense	14,880	12,888	14,153
Other (income) charges, net — excluding restructuring charges	20,224	42	(881)
Earnings before taxes	$160,184	$154,224	$136,911

The Company sells precision instruments, including weighing instruments and certain analytical and measurement technologies, and related services to a variety of customers and industries. None of these customers account for more than 2% of net sales. Service revenues are primarily derived from sales of spare parts and services such as calibration, certification and repair, much of which is provided under contracts. A breakdown of the Company's sales by category for the years ended December 31 follows:

	2005	2004	2003
Weighing-related instruments	$ 703,581	$ 670,011	$ 629,797
Non-weighing instruments	440,728	412,086	384,925
Service	338,163	322,357	289,709
Total net sales	$1,482,472	$1,404,454	$1,304,431

(In thousands, except share data, unless otherwise stated)

In certain circumstances, our operating segments sell directly into other geographies. A breakdown of net sales to external customers 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	
	2005	2004	2003	2005	2004
United States	$ 513,102	$ 486,660	$ 480,418	$ 41,846	$ 38,699
Other Americas	94,240	79,316	73,750	2,124	1,197
Total Americas	607,342	565,976	554,168	43,970	39,896
Germany	140,877	131,862	122,706	27,406	32,524
France	108,352	112,669	99,303	4,858	5,659
United Kingdom	59,210	58,734	55,215	7,923	8,534
Switzerland	52,431	56,669	51,750	105,352	126,385
Other Europe	256,909	245,323	224,790	6,072	6,913
Total Europe	617,779	605,257	553,764	151,611	180,015
China	114,782	101,298	82,308	20,868	20,449
Rest of World	142,569	131,923	114,191	2,070	2,349
Total Asia/Rest of World	257,351	233,221	196,499	22,938	22,798
Total	$1,482,472	$1,404,454	$1,304,431	$218,519	$242,709

17. *RELATED PARTY TRANSACTIONS*

As part of the Rainin acquisition, the Company entered into an agreement to lease certain property from the former owner and current General Manager of Rainin. During the years ended December 31, 2005, 2004 and 2003, the Company made lease payments with respect to this agreement of $2.5 million, $2.3 million and $2.2 million, respectively. In addition, Rainin continued to purchase certain products from its former owner. During the years ended December 31, 2005, 2004 and 2003, the volume of these purchases was $0.1 million, $0.8 million and $1.1 million, respectively. The formal agreement to purchase these products was terminated during the third quarter of 2004. This termination did not have a material impact on the Company's consolidated financial statements. All of the Company's transactions with the former owner of Rainin were in the normal course of business.

(In thousands, except share data, unless otherwise stated)

18. *QUARTERLY FINANCIAL DATA (UNAUDITED)*

Quarterly financial data for the years ended December 31, 2005 and 2004 are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2005				
Net sales	$ 337,160	$ 368,637	$ 365,428	$ 411,247
Gross profit	162,795	180,425	179,006	208,093
Net earnings	$ 20,781	$ 18,311	$ 25,618	$ 44,192
Basic earnings per common share:				
Net earnings	$ 0.48	$ 0.43	$ 0.61	$ 1.06
Weighted average number of common shares	43,139,233	42,356,672	41,786,186	41,549,018
Diluted earnings per common share:				
Net earnings	$ 0.47	$ 0.42	$ 0.60	$ 1.04
Weighted average number of common shares	44,388,971	43,438,961	42,893,530	42,419,020
Market price per share:				
High	$ 53.00	$ 49.57	$ 52.50	$ 58.20
Low	$ 47.37	$ 45.24	$ 46.61	$ 50.88
2004				
Net sales	$ 318,709	$ 344,492	$ 342,048	$ 399,205
Gross profit	150,276	167,919	165,755	198,457
Net earnings	$ 18,622	$ 28,418	$ 24,628	$ 36,289
Basic earnings per common share:				
Net earnings	$ 0.42	$ 0.64	$ 0.56	$ 0.83
Weighted average number of common shares	44,557,443	44,469,648	44,320,477	43,601,286
Diluted earnings per common share:				
Net earnings	$ 0.41	$ 0.62	$ 0.54	$ 0.81
Weighted average number of common shares	45,836,934	45,750,652	45,520,086	44,828,205
Market price per share:				
High	$ 46.46	$ 49.58	$ 49.15	$ 51.97
Low	$ 40.67	$ 43.70	$ 40.50	$ 46.51

Schedule II — Valuation and Qualifying Accounts (in thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at the Beginning of Period	Charged to Other Accounts	Charged to Other Accounts	-Deductions-	Balance at End of Period
			Note (A)	Note (B)	
Accounts Receivable-allowance for doubtful accounts:					
Year ended December 31, 2005	9,759	1,034	(498)	2,398	7,897
Year ended December 31, 2004	10,489	731	443	1,904	9,759
Year ended December 31, 2003	10,916	765	742	1,934	10,489
Deferred tax valuation allowance:					
Year ended December 31, 2005	25,000	160	—	—	25,160
Year ended December 31, 2004	36,238	2,375	—	13,613	25,000
Year ended December 31, 2003	68,344	(2,728)	—	29,378	36,238

Note (A)

For accounts receivable, primarily comprised of currency translation adjustments.

Note (B)

For accounts receivable, represents excess of uncollectible balances written off over recoveries of accounts previously written off.

For deferred tax valuation allowance, 2004 represents a reduction in the deferred tax assets related to tax credit and tax loss carryforwards.

EXHIBIT 21

Mettler-Toledo International Inc.
Subsidiaries

Country	Legal Name
Australia	Mettler-Toledo Limited
Australia	Ohaus Australia Pty. Ltd.
Austria	Mettler-Toledo Ges.m.b.H.
Belgium	Mettler-Toledo N.V./S.A.
Bermuda	Mettler-Toledo Finance Ltd.
Brazil	Mettler-Toledo Indústria e Comércio Ltd.
Canada	Mettler-Toledo Inc.
Canada	2869-1632 Québec Inc.
Canada	Balances Experts, Inc.
China	Mettler-Toledo (Changzhou) Precision Instruments Ltd.
China	Mettler-Toledo (Changzhou) Scale & System Ltd.
China	Mettler-Toledo (Changzhou) Measurement Technology Ltd.
China	Mettler-Toledo Instruments (Shanghai) Co., Ltd.
China	Mettler-Toledo International Trading (Shanghai) Co., Ltd.
China	Ohaus International Trading (Shanghai) Ltd.
China	Ohaus Instruments (Shanghai) Co. Ltd.
China	Panzhihua Toledo Electronic Scale Ltd. (Panzhihua)
China	Xinjiang Toledo Electronic Scale Ltd. (Urumgi)
Croatia	Mettler-Toledo d.o.o.
Czech Republik	Mettler-Toledo spol. s.r.o.
Denmark	Mettler-Toledo A/S
France	Mettler-Toledo EPEC SAS
France	Mettler-Toledo Analyse Industrielle S.a.r.l
France	Mettler-Toledo Flexilab SAS
France	Mettler-Toledo Holding (France) SAS
France	Mettler-Toledo SA
France	Ohaus S.a.r.l.
France	Mettler-Toledo Product Inspection SA
Germany	Mettler-Toledo Garvens GmbH
Germany	Getmore Ges. für Marketing & Media Service mbH
Germany	Mesoma Verwaltungs GmbH
Germany	Mettler-Toledo (Albstadt) GmbH
Germany	Mettler-Toledo GmbH
Germany	Mettler-Toledo Management Holding Deutschland GmbH
Germany	Ohaus Waagen Vertriebsgesellschaft mbH
Germany	Mettler-Toledo Safeline GmbH
Hong Kong	Mettler-Toledo (HK) Ltd.
Hungary	Mettler-Toledo Kereskedelmi Kft.
India	Mettler-Toledo India Private Limited

Country	Legal Name
India	Turing Softwares Private Limited
Italy	Mettler-Toledo S.p.A.
Japan	Mettler-Toledo K.K.
Japan	Branch of Rainin Instrument, LLC [Delaware]
Kazakhstan	Mettler-Toledo Central Asia (Branch of MTIAG)
Korea	Mettler-Toledo (Korea) Ltd.
Malaysia	Mettler-Toledo (M) Sdn. Bhd.
Malaysia	Ohaus (SEA) Sdn. Bhd.
Mexico	Mettler-Toledo S.A. de C.V.
Mexico	Ohaus de México S.A. de C.V.
Netherlands	Gelan Detectiesystemen B.V.
Netherlands	Gelan Holding B.V.
Netherlands	Mettler-Toledo B.V.
Netherlands	Mettler-Toledo Investment C.V.
Netherlands	Mettler-Toledo Product Inspection B.V.
Norway	Cargoscan A/S
Norway	Mettler-Toledo A/S
Poland	Mettler-Toledo Sp.z.o.o.
Russian Federation	ZAO Mettler-Toledo Vostok
Singapore	Mettler-Toledo (S) Pte. Ltd.
Slovak Republic	Mettler-Toledo spol.s.r.o.
Slovenia	Mettler-Toledo d.o.o.
Spain	Mettler-Toledo S.A.E.
Sweden	Mettler-Toledo AB
Switzerland	Mettler-Toledo (Schweiz) AG
Switzerland	Mettler-Toledo GmbH
Switzerland	Mettler-Toledo Holding AG
Switzerland	Mettler-Toledo Instrumente AG
Switzerland	Mettler-Toledo International Inc., Greifensee Branch
Switzerland	Mettler-Toledo Logistik AG
Switzerland	Mettler-Toledo Pac Rim AG
Switzerland	Microwa AG
Switzerland	Ohaus Europe GmbH
Taiwan	Mettler-Toledo Pac Rim AG — Taiwan Branch
Thailand	Mettler-Toledo (Thailand) Ltd.
Ukraine	Mettler-Toledo Ukraine Ltd.
United Kingdom	Mettler-Toledo Ltd.
United Kingdom	Mettler-Toledo UK Holding Company
United Kingdom	Mettler-Toledo UK Holdings Limited
United Kingdom	Ohaus UK Ltd.
United Kingdom	Mettler-Toledo Safeline X-Ray Limited
United Kingdom	Mettler-Toledo Safeline Limited
United States	Exact Equipment Corporation [Pennsylvania]
United States	Mettler-Toledo Hi-Speed Inc. [New York]

Country	Legal Name
United States	Mettler-Toledo AutoChem, Inc. [Delaware]
United States	Mettler-Toledo Inc. [Delaware]
United States	Mettler-Toledo Netherlands Investment I, LLC [Delaware]
United States	Mettler-Toledo Netherlands Investment II, LLC [Delaware]
United States	Mettler-Toledo Northwest LLC [Delaware]
United States	Mettler-Toledo Ingold, Inc. [Massachusetts]
United States	Ohaus Corporation [New Jersey]
United States	Rainin Instrument, LLC [Delaware]
United States	Mettler-Toledo Safeline, Inc. [Florida]
United States	Softechnics, Inc. [Texas]
United States	Mettler-Toledo Thornton Inc. [Massachusetts]
United States	Mettler-Toledo International Inc., Wilmington Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-118260, 333-104083, 333-55820, 333-31636 and 333-52661) of Mettler-Toledo International Inc. of our report dated February 20, 2006 relating to the financial statements and financial statement schedules as of December 31, 2005 and for the year then ended and management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2005, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

Columbus, OH
February 20, 2006

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-118260, 333-104083, 333-55820, 333-31636 and 333-52661) of Mettler-Toledo International Inc. of our report dated February 25, 2005 relating to the financial statements and financial statement schedules, which appear in this Form 10-K.

PricewaterhouseCoopers AG

/s/ JULIE FITZGERALD	/s/ ROLF JOHNER
Julie Fitzgerald	Rolf Johner

Zurich, Switzerland
February 20, 2006

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert F. Spoerry, certify that:

1. I have reviewed this annual report on Form 10-K of Mettler-Toledo International Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT F. SPOERRY

Robert F. Spoerry
Chief Executive Officer

Date: February 21, 2006

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William P. Donnelly, certify that:

1. I have reviewed this annual report on Form 10-K of Mettler-Toledo International Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ WILLIAM P. DONNELLY

William P. Donnelly
Chief Financial Officer

Date: February 21, 2006

EXHIBIT 32

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Mettler-Toledo International Inc. (the ''Company'') does hereby certify, to such officer's knowledge, that:

This annual report on Form 10-K for the period ending December 31, 2005 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT F. SPOERRY

Robert F. Spoerry
Chief Executive Officer

/s/ WILLIAM P. DONNELLY

William P. Donnelly
Chief Financial Officer

Date: February 21, 2006

Corporate Information

Corporate Offices

Mettler-Toledo International Inc.
Im Langacher
P.O. Box MT-100
CH-8606 Greifensee, Switzerland
Phone +41-44-944 22 11
Fax +41-44-944 24 70
www.mt.com

Transfer Agent and Registrar

Mellon Investor Services LLC acts as primary Transfer Agent and Registrar for the Company. Questions should be sent to:

Mellon Investor Services LLC
480 Washington Boulevard
Jersey City, New Jersey 07310
Phone 800-526-0801
www.melloninvestor.com

Shareholders

The Company estimates it has approximately 15,000 shareholders.

Annual Meeting

The annual meeting of shareholders will be held at 9:00 a.m. on Wednesday, May 3, 2006 at the offices of Fried, Frank, Harris, Shriver & Jacobson LLP at 375 Park Avenue, New York, NY. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about March 15, 2006.

Investor Relations

Direct requests for information to:

Mary T. Finnegan
Treasurer / Investor Relations
1900 Polaris Parkway
Columbus, Ohio 43240
Phone 614-438-4748
Fax 614-438-4646
mary.finnegan@mt.com

Officers

Peter Bürker
Human Resources

William P. Donnelly
Chief Financial Officer

Olivier A. Filliol
Global Sales, Service and Marketing, Process Analytics

Jean-Lucien Gloor
Information Systems & Logistics

Timothy P. Haynes
Retail

Karl M. Lang
Asia / Pacific

Beat E. Lüthi
Laboratory

Kenneth A. Peters
North America

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

Joakim Weidemanis
Product Inspection

Urs Widmer
Industrial

Board of Directors

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

Francis A. Contino
Executive Vice President - Strategic Planning and Chief Financial Officer, McCormick & Company, Inc.
Director since 2004

John T. Dickson
Retired Chief Executive Officer and President, Agere Systems Inc.
Director since 2000

Philip H. Geier, Jr.
Retired Chairman of the Board and Chief Executive Officer, The Interpublic Group of Companies
Director since 2001

John D. Macomber
Principal, JDM Investment Group;
Former Chairman and President, Export-Import Bank of the United States
Director since 1996

Hans-Ulrich Märki
Chairman, IBM Europe / Middle East / Africa
Director since 2002

George M. Milne, Jr.
Retired Executive Vice President, Pfizer Global R&D,
Retired President, Worldwide Strategic and Operations Management, Pfizer Inc.
Director since 1999

Thomas P. Salice
Co-Founder and Managing Member, SFW Capital Partners, LLC
Director since 1996

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