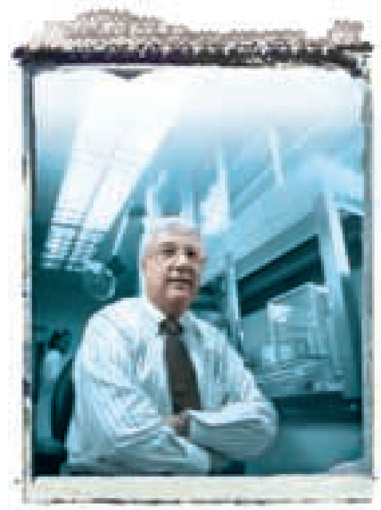




Precise Solutions for Global Customers

1998 Annual Report

METTLER TOLEDO

Corporate Profile

Mettler-Toledo International Inc. is a leading global supplier of precision instruments. We are the world's largest manufacturer and marketer of weighing instruments for use in laboratory, industrial 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 systems used in production and packaging.

What further differentiates our Company is our ability to provide solutions that help our wide range of customers to be more effective by automating processes, increasing yields, controlling product quality and complying with industry standards and regulations. Often this involves dedicated software and technologies that can be integrated directly into our customers' management information systems, so data captured by our instruments can be put to valuable uses.

Headquartered in Greifensee, Switzerland, METTLER TOLEDO has manufacturing operations in Europe, the Americas and Asia, and sales and service operations in 37 countries. More than 7,000 people worldwide work for METTLER TOLEDO.

This Annual Report

At METTLER TOLEDO, we believe our fundamental role is to help customers meet their challenges. Through our innovative instruments and integration capabilities, we provide solutions which give our customers excellent payback. At the same time, we excel in providing those solutions cost effectively. In this way, we are able to deliver superior returns to our shareholders.

The past year provided many examples of our commitment to customers. Specifically, we enhanced our ability to offer comprehensive solutions by acquiring complementary products and technologies, strengthening our global sales and service network, developing and introducing new products, and nurturing a work force that is nothing less than passionate about serving customers.

How successful have we been? We invite you to meet some of our customers and see for yourself.

Contents

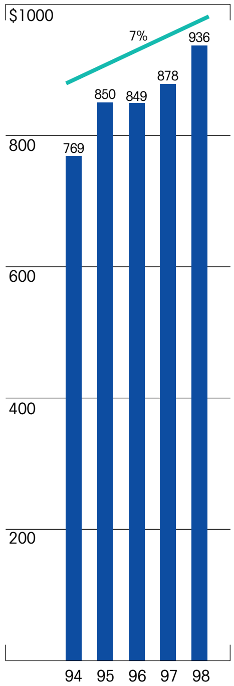
Financial Highlights

(Dollars in thousands)

For the Fiscal Years Ended December 31,	1998	1997	1998 Highlights
Net sales	$935,658	$878,415	8% growth in local currencies
Adjusted operating income (a)	$100,980	$ 81,541	24% growth; 150-basis-point margin improvement
Net debt	$365,487	$373,198	Strong cash flow used to fund $45 million in acquisitions
Interest coverage (b)	5.7	4.8	Solid improvement
Net debt to EBITDA (b)	2.9	3.3	in credit statistics
Earnings per share (b)(c)(d)	$1.19	$0.76	45% increase, excluding one-time tax benefit

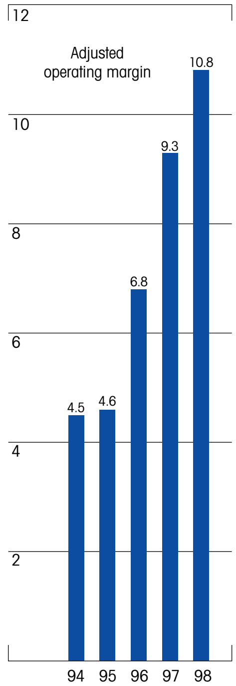
a) Adjusted operating income represents gross profit less research and development and selling, general and administrative expenses before amortization, other charges (income) and non-recurring costs.
b) Amounts in 1997 are presented pro forma for the Safeline acquisition and IPO-related refinancing and exclude non-recurring costs.
c) Diluted earnings per common share before non-recurring items.
d) Excluding one-time tax benefit in 1998, EPS amounted to $1.10.

Growing Sales
(In millions)

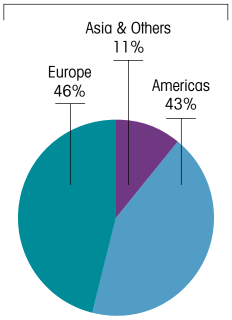


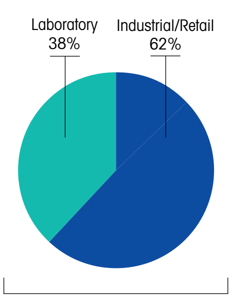
The 7% is the compound annual growth rate in local currencies.

Dramatically Improving Margin
(In percent)



Sales by Customer Destination





Sales by Customer Application

Dear
Fellow Investor:

1998 was exciting and successful for METTLER TOLEDO. Financially, we exceeded our targets despite some tough challenges. Strategically, we stayed true to our game plan, which is paying off with strengthened global leadership in our industry and new opportunities for growth.

During the year, key customers affirmed the unique role we play in being responsive to their needs and solving their most pressing problems. Because we consider our customers' opinions the ultimate measure of our own success, we have invited several customers to share their stories with you in this annual report.

"METTLER TOLEDO achieved record sales and earnings in 1998."

Growing Strategically

Our goal is to grow revenues and earnings. Our strategies drive that growth, and we accomplished much in each of our major strategies in 1998.

We advanced our technology leadership largely by focusing our R&D resources on new products that offer improved benefits for customers. For example, we introduced products with advanced automation capabilities, including an instrument that checks simultaneously for over/under weight and metal contamination in food packaging and a new technology for in-motion weighing/dimensioning for the logistics industry. We also "opened up" our instruments for better data integration, launching the first PC-based scale in the retail industry and a PC-based industrial terminal that offers customers more flexibility and adaptability to their own management information systems. Furthermore, we reduced costs on a series of our products, including a new line of industrial terminals and a new range of titrators.

We continued to capitalize on opportunities in developed markets. In North America, we integrated our principal laboratory and industrial/retail marketing and sales organizations to better leverage our extensive customer relationships. We also made substantial investments in creating a world-class customer support center and in developing a proprietary database for sophisticated marketing efforts that should significantly improve the productivity of our sales force. These enhancements should prepare us for accelerated growth in 1999 and beyond.

To build our franchise in established markets, we expanded our laboratory product offering with pipettes, which are hand-held devices for measuring and dispensing liquids. This new product line will allow us to derive further benefit from our strong brand name and distribution channels and tap a sizable new market for consumables and service. Pipettes are the most frequently used instruments in a lab after balances and pH meters – products where we already have excellent positions.

A particularly exciting area of strategic emphasis in 1998 was acquisitions. We identified automated drug and chemical compound discovery and development as a new high-growth market for us, and began to put together a strong array of solutions that addresses the push by pharmaceutical companies to develop new compounds faster and at less cost. We acquired Bohdan Automation, Applied Systems and Myriad Synthesizer Technology, establishing METTLER TOLEDO as a leading provider of automated chemistry systems for the drug discovery market. Through robotics, data integration and miniaturization, these technologies will help our pharmaceutical customers increase their productivity.

Robert F. Spoerry

In addition, in February 1999, we announced an agreement to acquire the Testut-Lutrana Group, a preeminent manufacturer and marketer of retail and industrial scales in France. This acquisition is an important step in consolidating the fragmented industrial and retail weighing markets. It also moves us into the number-one position in food retail weighing in Europe. We think this move is especially timely given the necessity over the next three years for European retailers to upgrade their scales to display prices in both local currency and the euro. This acquisition is subject to regulatory approval.

Delivering Strong Results

Clearly, the persistent execution of our strategies is producing results. We continue to widen our competitive lead, with steady advances in market share, and we continue to make solid financial gains.

METTLER TOLEDO achieved record sales and earnings in 1998. Sales of $935.7 million represented an 8 percent increase in local currency over 1997, partially offset by unfavorable exchange rates. Earnings per share (EPS), before non-recurring items, increased to $1.19 on a diluted basis, compared with a pro forma amount of $0.76 in 1997. Excluding a one-time tax benefit recognized in 1998, EPS would have been $1.10, an increase of 45 percent over the 1997 pro forma level. Adjusted operating income of $101 million for 1998 represented a 24 percent increase from the prior year. And operating margins improved to 10.8 percent from 9.3 percent, demonstrating the effectiveness of our initiatives to continually enhance profitability.

Our results also reflect the benefit of our diverse customer base by geography and end market. We were able to more than offset weak conditions in Asia with strong performance in Europe and North America, where we continued to experience healthy demand from our food and pharmaceutical customers. Local currency sales in Europe and the Americas were both up 10 percent, while sales in Asia and the rest of the world were down 4 percent, compared with 1997.

Our cash flow generated from operations was very strong during the year. We were able to fund $45 million in acquisitions while at the same time improving our credit statistics. Our financial position is solid and gives us the flexibility to execute our growth and acquisition strategies.

Expanding Our Shareholder Base

Another accomplishment over the past 12 months was the expansion of our shareholder base through the completion of two secondary offerings. Our shareholders represent a well-diversified group of institutions and individuals in North America and Europe. All METTLER TOLEDO shares are now freely tradable, with a sizable stake held by management and employees.

We are particularly pleased with the performance of our shares since our IPO in November 1997. Indeed, our shares have outperformed key indices, as highlighted in the accompanying chart.

Maintaining the Momentum

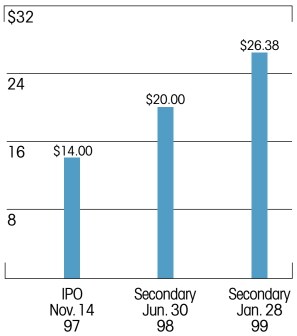
We are enthusiastic about our strategies for growth in 1999, yet at the same time we remain realistic about the effect of external factors. The world economy will likely not be as strong as last year, and we expect to see economic instability in certain regions.

Nonetheless, we are confident we will see solid returns on previous investments. We will keep up our accelerated pace of new product introductions. We will launch major lines of low-cost bench and portable scales, PC-based checkweighers and next-generation sorting technologies. We expect our new North American marketing organization to bring us stronger relationships with existing customers, greater efficiencies and, ultimately, incremental business. We know that assimilating recent acquisitions will be a significant amount of work, but we are determined to reap the full rewards of them. We also will implement multi-million-dollar cost-saving programs during the year.

While Asia and emerging markets were not a source of growth in 1998, we believe these markets will provide growth opportunities for us in the long term. We intend to benefit from our low-cost manufacturing capabilities and R&D investments we've established in China in recent years.

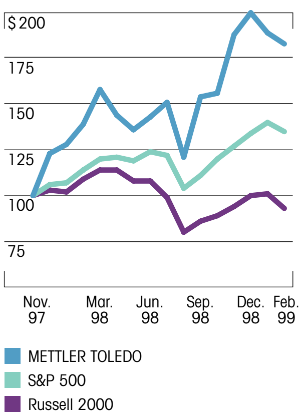
"We are dedicated to maintaining METTLER TOLEDO's momentum."

Stock Price on Key Dates



Stock Appreciation

(Growth of $100 investment*)



*Monthly from IPO to February 26, 1999

For example, this year we will introduce a new laboratory balance with everything from engineering through supply and assembly carried out in China.

Industry trends continue to provide us with tremendous opportunities. In Europe, the conversion to the euro should boost our retail scale business as customers implement the necessary technology to accommodate displays of two currencies. We also continue to benefit as our customers – a strong, diversified group that includes many of the world's largest and best-known companies – pare down the number of their suppliers and turn to us for their global needs.

In short, we are dedicated to maintaining METTLER TOLEDO's momentum. Excluding unforeseen conditions, we anticipate further market share gains and financial improvements in the coming year.

Teaming Up to Serve Customers and Shareholders

There is no question that our success is only possible because of our exceptional team of employees. We simply cannot praise them enough. They give METTLER TOLEDO our proud spirit, our passion for excellence, our innovative style and our customer focus. Moreover, all signs suggest that their commitment to this Company's success is deepening throughout all levels of our organization. For instance, the fact that many employees own shares in METTLER TOLEDO is a powerful demonstration of our dedication and pride, and evidence that our interests are aligned with those of shareholders.

Together, employees and management consider it a privilege to serve as valued partners to our customers. In supporting our customers' success, we have also strengthened our own position as an industry leader and increased our value for shareholders.

We have great pride in our Company's strengths, confidence in our strategies and our ability to execute them, and enthusiasm for our potential.

We thank each of you, our investors, for your support. And we reassert our pledge to always strive to earn *your* pride, confidence and enthusiasm in METTLER TOLEDO.

Sincerely,

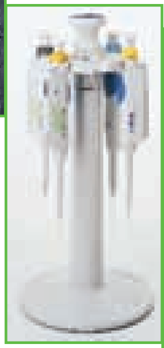
Robert F. Spoerry

Chairman, President and Chief Executive Officer

February 26, 1999

Laboratory
Products & Applications

pH Meters are used
to measure acidity of solutions.



Pipettes are used
for measuring and
dispensing small
volumes of liquid.

Analytical/Precision Balances
are vital to research and development
and quality control in almost any industry.

Moisture Analyzers monitor reliability
of production in the food and other industries.

Titrators provide
accurate measures
of concentration
in various industries.

Thermal Analysis Systems
facilitate consistency of material
characteristics in the plastics and
other industries.

Automated Sample Preparation products
increase productivity
in the laboratory.

Automated Synthesizers facilitate
the synthesis of large numbers
of chemical compounds in parallel.

Automatic Lab Reactors
assist chemical engineers
in optimizing new
production processes.

Markets

- Pharmaceutical
- Food and Beverage
- Supermarkets/Groceries
- Chemicals
- Cosmetics
- Logistics

Industry Trends

Key trends are redefining our customer industries and markets, lifting up the demand for our precision instruments and leading to new growth opportunities for METTLER TOLEDO worldwide.

> Companies are integrating instruments into management information systems to automate processes and/or improve process control.

> Countries are harmonizing their weighing and measuring standards regionally and globally.

Industrial/Retail
Products & Applications

Metals

Electronics

Plastics/Rubber

Jewelry and Precious Metals

Educational Institutions

Government Standards Labs

> Industries are adhering to demanding quality standards such as ISO-9001, Good Laboratory Practices and Good Manufacturing Practices.

> Increasingly global customers are striving to maintain uniform worldwide processes for quality, efficiency and safety.

> Customers are looking for solutions that combine weighing and related technologies into integrated systems.

Truck Scale Systems are utilized in highway enforcement and to check incoming goods.

Integrated Dimensioning and weighing products allow complete and accurate freight tariff calculation for the cargo industry.

Industrial Weighing Terminals are based on open-system architecture that enables interaction with customers' enterprise software packages.

Metal Detectors provide important product safety and quality checks in the food and pharmaceutical industries.

Checkweighers automatically weigh goods and control the packaging process in the pharmaceutical, food and other industries.

Retail Scale Systems are networked with scanners, cash registers and backroom equipment and provide perishable goods information to in-store computers.

Prepacking Systems weigh and label products and can be networked with weighing technology at the counter, check-out and back office.

"As one of our key supply chain allies, METTLER TOLEDO has consistently demonstrated outstanding performance and is continually providing business solutions that help us enhance our competitive position."

Edith Kelly-Green, Vice President, Strategic Sourcing & Supply
Federal Express Corporation
Memphis, Tennessee, USA

Giving Customers the Advantage

Today our customers are striving like never before to improve their performance and remain competitive in global markets. And that's precisely where we come in.

METTLER TOLEDO solutions enable customers to be more effective. Our solutions help customers achieve high standards for quality and comply with industry regulations and practices, such as ISO-certification and Good Laboratory and Manufacturing Practices. Our solutions help them increase efficiency and productivity through automation and through the integration of vital weighing

Our Specialty: Solving Problems

data into management information systems. Time and again, customers tell us that our solutions give them tangible paybacks, including better yields, more accurate filling, tighter inventory control, higher-quality products and improved processes.

World-class customers look to us as world-class partners in their success. Many of our largest customers consider us a strategic supplier, in recognition of how vital our precision instruments are in their operations and how important our contributions are to their performance.

Focusing All Resources on Solutions

Our entire culture is dedicated to providing solutions to customers. Our employees consider it a personal responsibility to satisfy customers, and place their role of problem solving above all others. This commitment extends from customer-focused teams on the manufacturing floor to service technicians who provide expert advice on applications in the field.

Our sales people are trained in discerning and meeting customer needs. They routinely draw on other resources, from our research and development specialists to our service experts, to best tackle customer problems.

Federal Express Corporation (FedEx), the pioneer and world leader in express distribution, has a tough goal: to deliver to markets that comprise 90 percent of the world's gross domestic product within 48 hours. To reach this goal, it relies in part on a select group of suppliers it considers to be strategic to its business. A key supplier is METTLER TOLEDO, the only weighing company in the FedEx strategic supplier group and the only vendor honored twice as Supplier of the Year. Working side-by-side, the companies continue to engineer solutions that help FedEx lower costs, speed throughput, increase revenue and maintain exceptional customer service in a competitive industry. For example, the FedEx state-of-the-art scanning and dimensioning equipment, which measures parcels by cubic volume in addition to weight, has helped FedEx account appropriately for large or irregular-sized parcels. FedEx values METTLER TOLEDO's skill in harnessing new technology to work in specialized applications, and providing the size and strength necessary to realize those solutions.

Often those other resources are our customers themselves, who play a central role in shaping our products and solutions. Our development process involves customers from the earliest stages. In addition, all relevant disciplines, from design through marketing, are represented on new-product teams, so the customer gets the best solution in the shortest amount of time. In fact, we've reduced the time from concept to product launch to an average of 18 months. Another powerful advantage is that we invest more in R&D than any of our competitors.

As a result, our R&D pipeline flows with innovative products grounded in market need. In 1998, we introduced products that provide customers with more accurate or reliable forms of measurement. We also introduced solutions that increase automation through applying robotics, integrating technologies, customizing software and adopting open systems that make it easier to link measurement data into customers' systems to manage information and control processes. For example, OPRA, the first PC-based retail scale with open-network applications, helps supermarkets and grocers make optimum use of weight to manage and control their inventory of perishable goods.

Rounding out the team, our service technicians work closely with customers to ensure that our instruments, once in use, continue to deliver the desired solution.

Earning and Keeping Customer Trust

Our success in providing professional solutions to professional challenges has resulted in a base of more than 100,000 customers worldwide – with an enviable level of loyalty to our products.

Customers continue to give us accolades for our quality products and services and for meeting their needs consistently. In 1998, in addition to receiving a second Supplier of the Year award from Federal Express Corporation, we were named a Gold Key Supplier by Fisher Scientific. Furthermore, in a recent survey of top food retailers, METTLER TOLEDO earned "Gallery of Excellence" distinction among equipment suppliers for outstanding overall performance.

Our base of existing customers provides us with a tremendous asset and solid foundation for future growth. Our customers are choosing to rely on fewer suppliers, while demanding the highest technology and quality as well as the ability to serve their needs around the globe. With our combination of market leadership, respected brand name, diverse products and global service network, we are extremely well positioned to provide them with all the advantages they seek.

“Like all food retailers, we want to best manage perishable goods and improve profits. METTLER TOLEDO gives us information for our management system to make that possible.”

Alexander Nahr, Market Manager
Edeka Northern Bavaria
Kronach, Germany

For the opening of its hypermarket in Kronach, Bavaria, the German food retailer Edeka chose METTLER TOLEDO’s advanced networked weighing systems. Indeed, the supermarket represented the first installation of OPRA, METTLER TOLEDO’s new generation of counter scale systems. An innovative PC-based scale, OPRA makes it easy for store managers to connect weighing data to other management information systems. Now managers can access information that lets them react faster than ever to changing customer preferences and to better manage the store’s inventory, pricing and promotions. In short, the system is designed to improve perishable goods management, a key factor in a supermarket’s profitability. The scale’s new display also has proven easy to use for both operators and patrons. Edeka in northern Bavaria calls METTLER TOLEDO a powerful partner in the industry, largely due to the functionality and reliability of METTLER TOLEDO equipment and corresponding applications support.

"With our pilot plants awaiting our results, we have to move quickly. Fast, reliable service is a key reason we chose METTLER TOLEDO."

Dr. Christoph Heuberger, Head, Safety Labs
Novartis Pharma AG
Basel, Switzerland

Serving Global Needs

Global customers need to adhere to increasingly global standards in everything from their manufacturing processes to their laboratory practices. And METTLER TOLEDO is right there alongside them to meet those challenges, with the industry's only global manufacturing and marketing network.

Our global capabilities provide unique value for our customers. We can offer them the same level of quality in our precision instruments and in our on-site service support around the globe.

Our Advantage: Global Service

We can help them design and roll out processes worldwide. And we can provide installation, maintenance and training on our products in virtually any location.

Customers in high-value-added segments often turn to us because of the strength of our brand name – specifically, our reputation for accuracy, reliability and innovation. But often it is our unfailing service that cements the relationship.

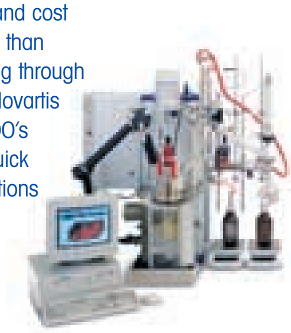
We have the industry's largest sales and service network, with approximately 3,250 professionals, representing almost half of our entire work force. Located in 37 countries, our technicians are often exceptionally close to customer locations and able to provide responsive service and applications support. We continue to actively expand our worldwide network, opening 10 offices in various countries in the past three years. Most recently, we established a presence in India to further capitalize on opportunities in this large market.

What's more, through major acquisitions, we continue to leverage our existing global distribution network and provide our customers with an increasing array of value-added products and services.

Strengthening the Network

In 1998, we took proactive steps to structure our organization to even better serve our customers. By creating an integrated North American organization dedicated to sales, service and

At the global life-sciences giant Novartis, chemists in Pharma safety labs conduct careful risk assessments on each new pharmaceutical substance to detect dangers from thermal runaway and explosion before it goes to the pilot plant or production. Their primary tools are METTLER TOLEDO's sophisticated reaction calorimeters, which provide them with in-depth information about the reactions under study. A reaction calorimeter equipped with Applied Systems' unique infrared technology for in-process molecular analysis enables chemists to analyze reactions in real time, a more efficient method than manually pulling samples. Such targeted solutions, distinguished by precision and backed by dependable service, prompted Novartis' decision to choose METTLER TOLEDO. Novartis uses the precise safety measurements and methods emerging from these labs to optimize its production processes for safety, ecology, yield and cost efficiency. And, with more than 1,000 substances passing through its safety labs annually, Novartis relies on METTLER TOLEDO's technical expertise and quick response time for applications support to facilitate the development and launch of its products worldwide.



applications support, we are building a powerhouse of marketing in that region, similar to our successful structure in Europe.

In conjunction with this, we consolidated our North American customer support functions into state-of-the-art facilities in Columbus, Ohio, USA. We also adopted a coordinated sales approach, offering customers broader solutions to their challenges and leading to more opportunities and efficiencies for METTLER TOLEDO.

Even our communications are customer-centered. We invested in new information technology systems that provide us with the right customer data to better target communications. Our proprietary centralized database and sophisticated marketing techniques enable us to pinpoint customers who will likely benefit from our solutions and to direct corporate resources accordingly.

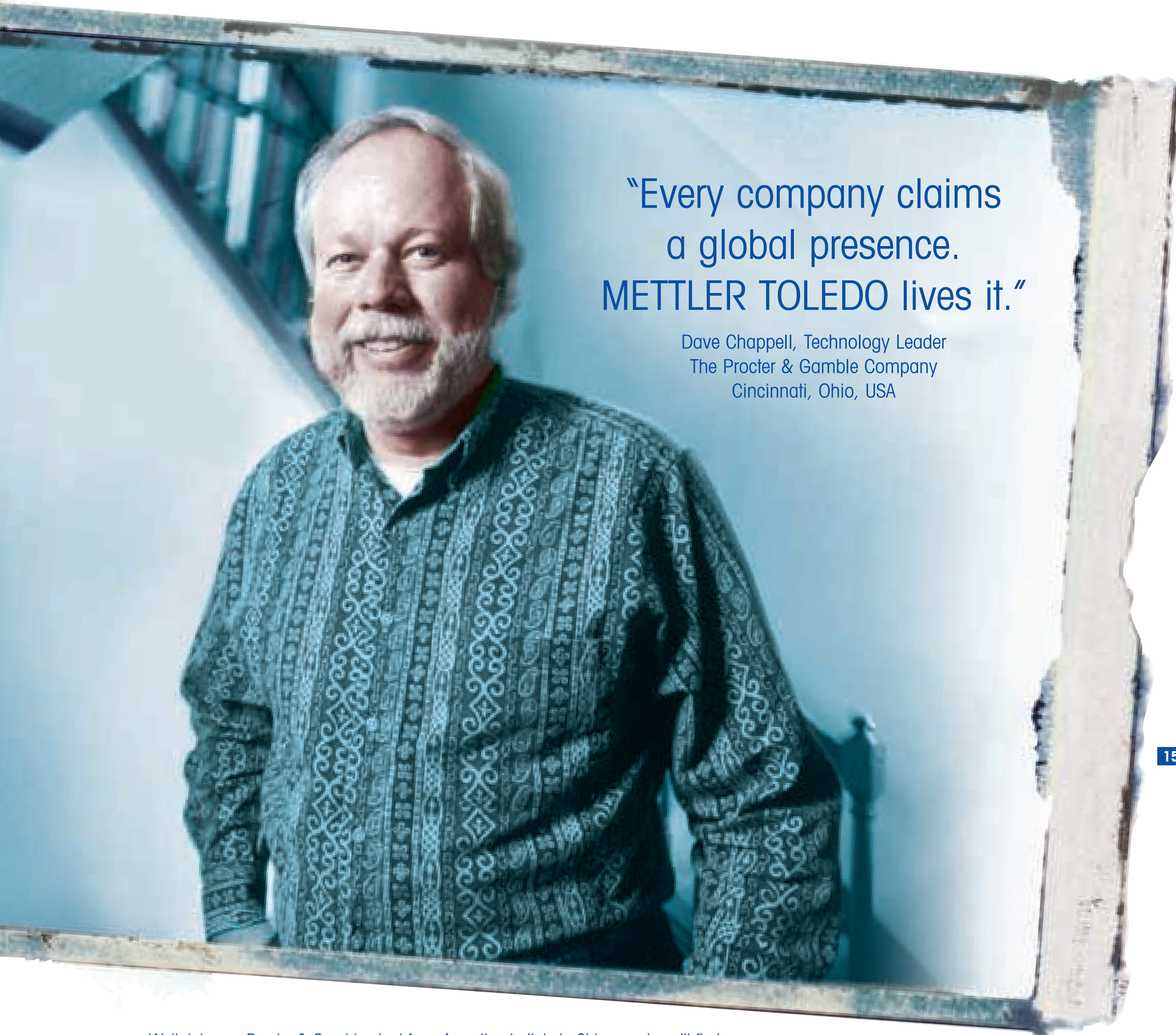
Continuing Support for Customers

Our products are manufactured in facilities located throughout Europe, the Americas and Asia. By standardizing on our products globally or utilizing unique software features of our products, customers can maintain manufacturing and product protocols throughout many operations, substantially enhancing the efficiency and quality of their operations.

Our highly trained service technicians work on-site with customers to ensure products meet their intended applications. Around-the-clock availability, seven days a week, helps keep customer facilities fully operational and profitable. This fast repair service and applications support is crucial in industries such as packaging where 500 items may be quality-checked per minute or in retail settings where customer traffic demands remedies within hours.

We also provide training to assist companies in adhering to global quality standards. In addition to training on specific hardware and software, METTLER TOLEDO seminars help customers and industry representatives enhance their understanding of quality management, compliance issues and related subjects.

Our ability to provide unique global service, together with our broad range of quality products, acts as a significant barrier to entry for other potential suppliers and puts us at a distinct advantage with customers worldwide.



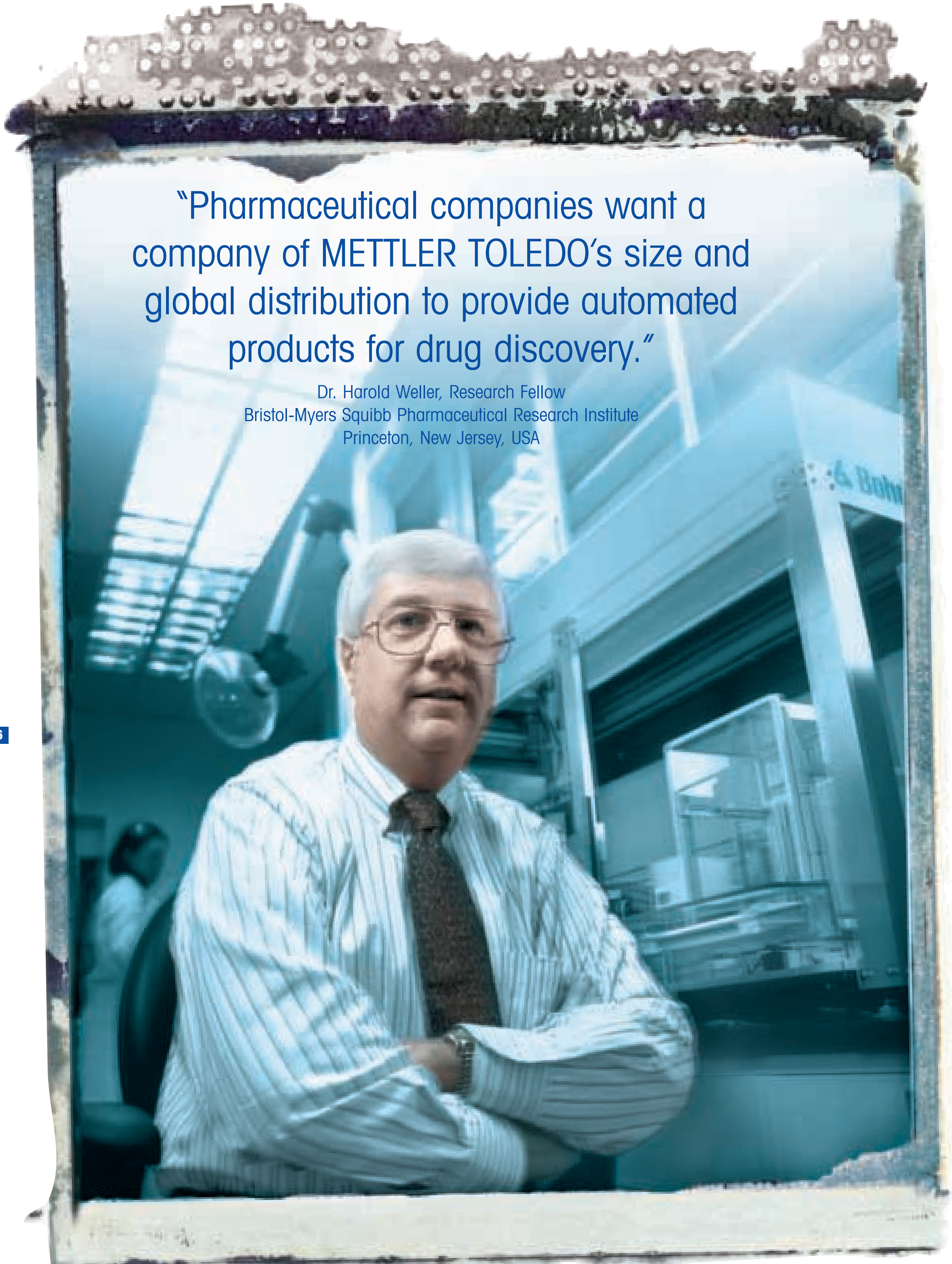
"Every company claims a global presence. METTLER TOLEDO lives it."

Dave Chappell, Technology Leader
The Procter & Gamble Company
Cincinnati, Ohio, USA

Walk into any Procter & Gamble plant from Argentina to Italy to China, and you'll find METTLER TOLEDO's Jaguar terminals controlling all batch-manufacturing processes. The worldwide consumer products company turned to METTLER TOLEDO for a rare combination deemed vital to P&G: exceptional technology and the service capabilities to support that technology anywhere in the world. The Jaguar weighing instrument, called a "smart" controller, gives P&G very high-speed, accurate control of its batching and mixing processes, many involving dozens of ingredients and a wide range of target weights. What's more, Jaguar communicates with plant-wide control systems, so that information on every weighing process and inventory is documented and retrievable. Jaguar has helped P&G lower manufacturing costs and reduce waste. By standardizing its processes globally on Jaguar, P&G reduces engineering costs, lowers inventory investment and ensures consistent quality worldwide. P&G also benefits from the ability to draw on METTLER TOLEDO's worldwide service resources, thorough understanding of P&G's global operations and track record of always rising to the occasion to address special needs.

"Pharmaceutical companies want a company of METTLER TOLEDO's size and global distribution to provide automated products for drug discovery."

Dr. Harold Weller, Research Fellow
Bristol-Myers Squibb Pharmaceutical Research Institute
Princeton, New Jersey, USA



Creating Our Own Opportunities

Our ability to discern unmet needs, combined with our market leadership positions, enables us to seize new opportunities to provide solutions for our customers and grow our Company. For entire industries, we have pioneered innovative product and service solutions to address common challenges, such as improving productivity and enhancing quality. We continue to strengthen our offerings through targeted new product development, newly acquired businesses and partnerships with other industry leaders.

Our Aim: Leading the Industry

A compelling example is our efforts to build a presence in the fast-growing market for automated drug and chemical compound discovery and development. Our pharmaceutical customers are faced with the critical challenge of bringing drugs to market faster. The answer lies not in hiring more scientists or building more labs, but in increasing the productivity of the R&D process, primarily through high-throughput automation.

Through a series of acquisitions and internal developments, METTLER TOLEDO now offers a comprehensive array of automated solutions for many stages of drug discovery. In 1998, we compiled key building blocks of this product offering, acquiring Bohdan's sample preparation equipment, Myriad's automated parallel synthesizers and Applied Systems' technology for process development which complements our long-established base of automated lab reactors and reaction calorimeters. Pharmaceutical customers are welcoming our expanded presence in the drug discovery market, as our size and global capabilities far exceed those of existing suppliers.

Shaping Information Technology

We also remain at the forefront of information technology, helping customers in many industries use weighing and measuring data as tools to best manage their businesses.

As a worldwide health and personal care company, one of Bristol-Myers Squibb's (BMS) principal focuses is the discovery and development of new drugs. Recent advances in combinatorial chemistry allow the generation of diverse libraries of compounds rapidly and efficiently. One of the latest technologies to facilitate this process is the automation of routine tasks such as weighing and sorting large numbers of samples. BMS labs worldwide rely on Bohdan Automation equipment to efficiently process and handle samples, thereby increasing productivity and freeing up scientists for more challenging tasks. For example, with the Bohdan high-throughput weigher, equipped with a precision METTLER TOLEDO balance, BMS scientists can weigh 3,000 tubes unattended each day, versus 300 previously. BMS scientists credit this automated equipment with effectively removing the bottleneck that had developed around the process and handling of samples in the drug discovery process.

"We expect to see payback of our entire investment in the virtual elimination of false batches."

Dr. Reinhard Lenz, Director, Software and Systems
Döhler GmbH
Darmstadt, Germany

When Döhler, a major European manufacturer of food and beverage ingredients, chose to implement SAP's production planning software for the process industry, it needed a weighing system that could be easily integrated into the whole system. SAP informed Döhler of METTLER TOLEDO's new weighing software. Based on its own experience with METTLER TOLEDO as a competent worldwide partner for industrial weighing solutions, Döhler decided to test the product. Döhler's main liquid flavoring plant now has a system of 15 weighing stations connected to the SAP production system by METTLER TOLEDO's proprietary FormWeigh software. With on-line integration between its weighing and inventory systems, Döhler is confident it can obtain accurate stock levels and perfectly trace all components used in its formulations — leading to improved yields and better quality assurance. For example, since the weighing system warns operators if they try to use the wrong materials, wasted batches due to incorrect formulations are nearly impossible.

We have diligently moved most of our electronics hardware and software concepts for our high-end products from proprietary to open-system architecture, which enables customers to easily connect, integrate and adapt to their own systems based on industry standards. For example, our ID20, a PC-based industrial terminal, provides this advantage.

Furthering our leadership in this area, SAP AG, the world's largest enterprise software company, has chosen METTLER TOLEDO as a certified supplier to its integrated business software – one of only a few equipment suppliers, and the only weighing company, to be so classified. Our specialized weighing products and dedicated formulation software for the pharmaceutical and food industries integrate with the SAP system to help customers manage and control material usage, quality and documentation. Our partnership with SAP, which also involves joint training sessions, underscores our ability to team up with the right industry partners for integrated solutions.

Taking Advantage of Trends

Our solutions mindset helps us identify and capitalize on favorable industry trends.

For example, the fragmentation of industrial and retail weighing markets, combined with the move to global weighing and quality standards, creates prime opportunities for us to act as an industry consolidator. Our pending acquisition of Testut-Lutrana, a leader in the French weighing market, strengthens our leadership position in Europe. Through this combination, we will be even better positioned to meet the rapidly changing demands of our customers in Europe.

Keeping the Competitive Edge

Our focus on successful solutions for customers and entire industries is a foundation of our own success, infusing enthusiasm and creativity into our culture and directing our growth.

Guided by effective strategies and powerful competitive advantages, METTLER TOLEDO is well positioned to maintain and expand our leadership in the global precision instrument industry. We continue to offer the best products to meet customer needs and to support those products with the most reliable and comprehensive service available. We continue to strengthen our unique global sales and distribution network, through sophisticated marketing and customer-focused approaches. And through acquisitions and other industry partnerships, we will continue to enhance our ability to provide precise solutions to our customers and increased value to our shareholders.

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 in conjunction with our audited consolidated financial statements.

Overview

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

Our financial information is presented in accordance with U.S. GAAP. Financial results following the acquisition of Mettler-Toledo from Ciba-Geigy in October 1996, the Safeline acquisition in May 1997 and our initial public offering in November 1997 are not comparable in many respects to the financial results prior to those events.

Net sales in local currency increased 8% in 1998, 11% in 1997 and 3% in 1996 (adjusted for our exit in 1996 from certain systems businesses). The strengthening of the U.S. dollar versus our major trading currencies reduced U.S. dollar reported sales growth in 1998 and 1997. Net sales in U.S. dollars increased by 7% and 3% during 1998 and 1997, respectively. Net sales in U.S. dollars were unchanged in 1996.

In 1998, we had solid local currency sales growth of 10% in both Europe and the Americas. However, economic conditions in emerging markets have deteriorated significantly and some emerging markets are experiencing recessionary trends, severe currency devaluations and inflationary prices. Moreover, economic problems in individual markets are increasingly spreading to other economies, adding to the adverse conditions facing nearly all emerging markets. The effects of these economic conditions can be seen in the 1998 local currency sales decline in Asia and other markets of 4% compared to 1997. We remain committed to emerging markets, particularly those in Asia, Latin America and Eastern Europe. We believe emerging markets will provide opportunities for growth in the long term based upon the movement toward international quality standards, the need to upgrade mechanical scales to electronic versions and the establishment of local production facilities by our multinational client base. However, we expect current economic conditions may affect our financial results in these markets for the foreseeable future.

We believe our sales growth over the next several years will come primarily from (i) the needs of our lab and industrial customers in developed markets to continue to automate their research and development and manufacturing processes, (ii) the needs of our retail customers in Europe to upgrade their scales for the implementation of the Euro, (iii) the needs of our retail customers to implement sophisticated perishable goods management systems using weighing and PC technology in a networked environment, (iv) the needs of customers in emerging markets to continue modernizing research and development and manufacturing processes through the use of increasingly sophisticated instruments, and (v) acquisition opportunities.

We increased our gross profit margin before non-recurring acquisition costs from 41.1% in 1996 to 44.4% in 1998 and increased our Adjusted Operating Income (gross profit less research and development and selling, general and administrative expenses before amortization and non-recurring costs) as a percentage of net sales from 6.8% in 1996 to 10.8% in 1998.

This improved performance was achieved despite our continued investments in product development and in our distribution and manufacturing infrastructure. We believe that a significant portion of the increases in our Adjusted Operating Income resulted from our strategy to reduce costs, re-engineer our operations and focus on the highest value-added segments of the markets in which we compete.

Recent Acquisitions

We are the leading provider of automated lab reactors and reaction calorimeters to the automated drug and chemical compound discovery and development market. We believe that our customers want solutions in this market from a company like Mettler-Toledo, with a reputation for innovation and quality and with a global presence and service network.

In July 1998, we extended our product offerings to the automated drug and chemical compound discovery market with our acquisition of Bohdan Automation Inc. Bohdan is a leading supplier of laboratory automation and automated synthesis products used in research for life science applications for pharmaceutical and agricultural products and in other applications in the food and chemicals industries.

In December 1998, we announced that we had acquired two technologically advanced instrument companies, Applied Systems and Myriad Synthesizer Technology. Although these businesses are not currently significant in size, we believe these acquisitions are key elements in our strategic effort to further build a leading position in the field of automated solutions for drug and chemical compound discovery and development. These acquisitions enable us to offer a strong and comprehensive array of solutions, from sample preparation to compound synthesis to process development.

Applied Systems designs, assembles and markets instruments for in-process molecular analysis, which is primarily used for researching, developing and monitoring chemical processes. Applied Systems' proprietary sensors, together with its innovative Fourier transform infrared technology, enable chemists to analyze chemical reactions as they occur, which is more efficient than pulling samples.

Myriad Synthesizer Technology designs, assembles and markets instruments that facilitate and automate the synthesis of large numbers of chemical compounds in parallel, which is a key step in the chemical compound discovery process. Its products can be used in all stages of synthesis in drug discovery.

In May 1997, we acquired Safeline Limited. Safeline is the world's largest manufacturer and marketer of metal detection systems for companies that produce and package goods in the food processing, pharmaceutical, cosmetics, chemicals and other industries. Safeline's metal detectors can also be combined with our checkweighing products for important quality and safety checks in these industries. The financing of the Safeline acquisition is discussed in "Liquidity and Capital Resources."

Secondary Offering and IPO

In July 1998, certain selling shareholders completed a secondary offering of a total of 11,464,400 shares of our common stock, including the underwriters' over-allotment options. No directors, executive officers or other employees sold shares, and we did not sell shares or receive proceeds in the offering. We incurred a charge of $0.7 million in connection with the offering during the second quarter of 1998.

During the fourth quarter of 1997, we completed our initial public offering of 7,666,667 shares of common stock, including the underwriters' over-allotment options, at a per share price of $14.00 (the "IPO"). The IPO raised net proceeds, after underwriters' commission and expenses, of approximately $97.3 million. Concurrently with the IPO, we refinanced our existing credit facility by entering into a new credit facility, borrowings from which, along with the proceeds from the IPO, were used to repay substantially all of our then-existing debt, including all of our 9¾% senior subordinated notes due 2006 (collectively, the "Refinancing"). In connection with the Refinancing, we recorded an extraordinary charge of $31.6 million, net of tax, principally for prepayment premiums on certain debt repaid and for the write-off of existing deferred financing fees. We also paid a one-time termination fee of $2.5 million in connection with the termination of our management consulting agreement with AEA Investors Inc.

Cost Reduction Programs

In 1997, we recorded restructuring charges totaling approximately $6.3 million in connection with the consolidation of three facilities in North America. The charges related to severance and other related benefits and costs of exiting facilities, including lease termination costs and write-down of existing assets to their expected net realizable value. The facility consolidations are part of our ongoing efforts to reduce costs through re-engineering. When complete, the facility consolidations will result in annual cost savings estimated at approximately $2.5 million. During 1998 most of these actions were completed, including the sale of two of the facilities for over $5.0 million. We continuously implement cost reduction programs.

Results of Operations

The following table sets forth certain items from the consolidated statements of operations for the period from January 1, 1996 to October 14, 1996, for the period from October 15, 1996 to December 31, 1996, pro forma for the year 1996 and actual for the years ended December 31, 1997 and 1998. The pro forma 1996 information gives effect to the Acquisition, the Safeline acquisition, the IPO and the Refinancing as if such transactions had occurred on January 1, 1996, and does not purport to represent our actual results if such transactions had occurred on such date. The pro forma 1996 information reflects the historical results of operations of the Predecessor Business for the period from January 1, 1996 to October 14, 1996 and the historical results of operations of the Company for the period from October 15, 1996 to December 31, 1996, together with certain pro forma adjustments as described below. The consolidated statement of operations data for the year ended December 31, 1997 includes Safeline results from May 31, 1997. The pro forma 1996 information includes Safeline's historical results of operations for all of 1996. The pro forma information is presented in order to facilitate management's discussion and analysis.

	Predecessor Business	Mettler-Toledo International Inc.			
(In thousands)	For the period Jan. 1, 1996 to Oct. 14, 1996	For the period Oct. 15, 1996 to Dec. 31, 1996(a)(b)	Pro forma 1996 (a)(b)(c)(d)	Year ended Dec. 31, 1997(a)(b)	Year ended Dec. 31, 1998(e)
Net sales	$662,221	$ 186,912	$889,567	$878,415	$935,658
Cost of sales	395,239	136,820	523,783	493,480	520,190
Gross profit	266,982	50,092	365,784	384,935	415,468
Research and development	40,244	9,805	50,608	47,551	48,977
Selling, general and administrative	186,898	59,353	252,085	260,397	265,511
Amortization	2,151	1,065	6,526	6,222	7,634
Purchased research and development	—	114,070	—	29,959	9,976
Interest expense	13,868	8,738	30,007	35,924	22,638
Other charges (income), net(f)	(1,332)	17,137	14,036	10,834	1,197
Earnings (loss) before taxes, minority interest and extraordinary items	$ 25,153	$(160,076)	$ 12,522	$ (5,952)	$ 59,535
Adjusted Operating Income(g)	$ 39,840	$ 17,912	$ 67,875	$ 81,541	$100,980

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

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

(Footnotes continued on next page)

(c) Represents the unaudited pro forma consolidated statement of operations for fiscal year 1996, assuming the Acquisition, the Safeline acquisition, the IPO and the refinancing occurred on January 1, 1996. The 1996 pro forma data includes certain adjustments to historical results to reflect: (i) an increase in interest expense resulting from acquisition-related borrowings, which expense has been partially offset by reduced borrowings following application of IPO proceeds and a lower effective interest rate following the Refinancing, (ii) an increase in amortization of goodwill and other intangible assets following the Acquisition and the Safeline acquisition, (iii) a decrease in selling, general and administrative expense to eliminate the AEA Investors Inc. annual management fee of $1,000, payment of which was discontinued upon consummation of the IPO and (iv) changes to the provision for taxes to reflect our estimated effective income tax rate at a stated level of pro forma earnings before tax for the year ended December 31, 1996. Certain other one-time charges incurred during 1996 have not been excluded from the unaudited pro forma consolidated statement of operations for the year ended December 31, 1996.

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

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

(f) Other charges (income), net generally includes interest income, foreign currency transactions, gains and losses from sales of assets and other items. For the period January 1, 1996 to October 14, 1996, the amount shown includes employee severance and other exit costs associated with the closing of our Westerville, Ohio facility. For the period October 15, 1996 to December 31, 1996, the amount shown includes employee severance benefits associated with our general headcount reduction programs in Europe and North America and the realignment of the analytical and precision balance business in Switzerland. For the year ended December 31, 1997, the amount shown includes a restructuring charge of $6,300 to consolidate three facilities in North America. The amount for the year ended December 31, 1998 includes $650 of expenses incurred on behalf of certain selling shareholders in connection with the secondary offering completed in July 1998. See Note 14 to the audited consolidated financial statements.

(g) Adjusted Operating Income is defined as operating income (gross profit less research and development and selling, general and administrative expenses) before amortization and non-recurring costs. Non-recurring costs which have been excluded are the costs set forth in Note (a) and for the period from October 15, 1996 to December 31, 1996, and in pro forma 1996, advisory fees associated with the reorganization of our structure of approximately $4,800. Non-recurring costs for the year ended December 31, 1997 include a charge of $2,500 in connection with the termination of our management services agreement with AEA Investors. We believe that Adjusted Operating Income provides important financial information in measuring and comparing our operating performance. Adjusted Operating Income is not intended to represent operating income under U.S. GAAP and should not be considered as an alternative to net earnings (loss) as an indicator of our operating performance.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net sales were $935.7 million for the year ended December 31, 1998, compared to $878.4 million in the prior year. This reflected an increase of 8% in local currency (6% including Safeline for full year 1997) during 1998. Results for 1998 were negatively impacted by the strengthening of the U.S. dollar against other currencies. Net sales in U.S. dollars during 1998 increased 7%.

Net sales in Europe increased 10% in local currencies during 1998, versus the prior year. We have continued to experience favorable sales trends in Europe, which began in the second half of 1997, as a result of the strengthening of the European economy. Net sales in local currencies during 1998 in the Americas also increased 10% due to improved market conditions across most product lines, offset in part by weakness in Latin America. Net sales in local currencies in 1998 in Asia and other markets decreased 4%. The sales decline in Asia during 1998 results in part from a decline in net sales in Southeast Asia and Korea. In addition, during the second half of 1998 we also experienced a decline in net sales in Japan. Our sales and operating results in Asia and other emerging markets deteriorated due to poor economic conditions. These results in U.S. dollar terms have also been affected by severe currency devaluations. We anticipate that market conditions in Asia and other emerging markets may continue to adversely affect sales and that margins in that region may be reduced. We believe that our sales growth on a U.S. dollar basis was reduced by 1 to 2 percentage points during 1998 as a result of these poor economic conditions and devaluations.

The operating results for Safeline (which were included in our results from May 31, 1997) would have had the effect of increasing our net sales by an additional $19.0 million in 1997, if included from January 1, 1997. Additionally, Safeline's operating results during the same period would have increased our Adjusted Operating Income (gross profit less research and development and selling, general and administrative expenses before amortization and non-recurring costs) by $4.4 million.

Gross profit as a percentage of net sales increased to 44.4% for 1998, compared to 44.1% for 1997 before non-recurring acquisition costs. The 1997 period excludes a $2.1 million non-cash charge associated with the excess of fair value over historical cost for inventories acquired in the Safeline acquisition.

Research and development expenses as a percentage of net sales decreased to 5.2% for 1998, compared to 5.4% for the prior year. However, the local currency spending level remained relatively constant for the year.

In July 1998, we acquired Bohdan Automation Inc., a leading supplier of laboratory automation and automated synthesis products. We incurred a charge of $10.0 million immediately following the acquisition based upon an independent valuation for purchased research and development costs for products being developed that have not established technological feasibility as of the date of the acquisition which, if unsuccessful, have no alternative future use. We expect that the projects underlying these research and development efforts will be substantially completed over the next two years.

Selling, general and administrative expenses as a percentage of net sales decreased to 28.4% for 1998, compared to 29.6% for the prior year. This decrease primarily reflects the benefits of ongoing cost efficiency programs.

Adjusted Operating Income was $101.0 million, or 10.8% of sales, for 1998, compared to $81.5 million, or 9.3% of sales, for the prior year, an increase of 23.8%. The 1997 period excludes the previously noted charge of $2.1 million for the revaluation of inventories to fair value in connection with the Safeline acquisition and $2.5 million in connection with the termination of our management services agreement with AEA Investors at the time of our IPO.

Interest expense decreased to $22.6 million for 1998, compared to $35.9 million for the prior year. The decrease was principally due to benefits received from our IPO, Refinancing and cash flow provided by operations.

Other charges, net were $1.2 million for 1998, compared to other charges, net of $10.8 million for the prior year. The 1998 amount includes a one-time charge of $0.7 million relating to the secondary offering completed in July 1998. The 1998 amount also includes gains on asset sales offset by other charges. The 1997 period includes restructuring related charges of $6.3 million and other charges of $3.5 million ($2.9 million after tax) relating to (i) certain derivative financial instruments acquired in 1996 and closed in 1997 and (ii) foreign currency exchange losses resulting from certain unhedged bank debt denominated in foreign currencies. Such derivative financial instruments and such unhedged bank debt are no longer held pursuant to current Company policy.

The tax rate for 1998 includes a benefit of approximately 5 percentage points based upon a one-time change in Swiss tax law which benefited only the 1998 period. The 1998 period also includes efficiencies in our global tax structure, offset by the non-deductibility of purchased research and development charges incurred in connection with the Bohdan acquisition.

The extraordinary loss of $41.2 million in 1997 represents charges for the early repayment premium on our senior subordinated notes and the write-off of capitalized debt issuance fees and related expenses associated with our senior subordinated notes and previous credit facilities.

Net earnings excluding the expenses for purchased research and development and the secondary offering were $48.3 million in 1998, compared with net earnings before non-recurring items of $19.1 million in 1997. Such non-recurring items in 1997 include the previously mentioned charges for purchased research and development, the revaluation of inventories to fair value, the termination fee paid to AEA Investors, restructuring charges, losses relating to derivative financial instruments and unhedged bank debt denominated in foreign currencies, and extraordinary items - debt extinguishment. Including non-recurring items, net earnings for 1998 were $37.6 million, compared with a net loss in 1997 of $65.1 million.

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

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

Net sales in local currencies in 1997 in Europe increased 6% as compared to net sales in local currencies in pro forma 1996 (excluding Safeline results from pro forma 1996). Net sales in local currencies during 1997 in the Americas increased 11%, principally due to improved market conditions for sales to industrial and food retailing customers. Net sales in local currencies in 1997 in Asia and other markets increased 30%, primarily as a result of the establishment of additional direct marketing and distribution in the region. During the six months ended December 31, 1997, sales trends in Europe were more favorable compared to sales trends in the first two quarters of 1997. Overall, our business in Asia and other markets remained solid. However, growth in net sales in Southeast Asia and Korea (which collectively represent approximately 3% of our total net sales for 1997) slowed.

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

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

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

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

Adjusted Operating Income was $81.5 million, or 9.3% of net sales in 1997 compared to $67.9 million, or 7.6% of net sales in pro forma 1996, an increase of 20.1% (28.4% excluding Safeline results from both pro forma 1996 and actual 1997). The 1997 period excludes non-recurring costs of $2.1 million for the revaluation of inventories to fair value in connection with the Safeline acquisition and $2.5 million paid to terminate the management contract with AEA Investors.

As previously noted, in connection with the Safeline acquisition, $30.0 million of the purchase price was attributed to purchased research and development in process. Such amount was expensed immediately following the Safeline acquisition. The technological feasibility of the products being developed had not been established as of the date of the Safeline acquisition.

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

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

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

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

The extraordinary loss of $41.2 million in 1997 represents charges for the early repayment premium on our senior subordinated notes and the write-off of capitalized debt issuance fees associated with our senior subordinated notes and previous credit facilities.

Liquidity and Capital Resources

Prior to the acquisition of the Mettler-Toledo group from Ciba-Geigy, our cash was used primarily for working capital requirements and to fund capital expenditures, service debt and pay dividends to Ciba-Geigy. Our liquidity was affected by the Acquisition from Ciba-Geigy as well as by subsequent acquisitions that we completed. The Acquisition was financed principally through capital contributions of $190.0 million before related expenses, borrowings under a previous credit agreement of $307.0 million and $135.0 million from the issuance of our 9¾% senior subordinated notes due 2006 (the "Notes").

In May 1997, additional leverage was added through the acquisition of Safeline. The purchase price for Safeline was £63.7 million (approximately $104.4 million at May 30, 1997), including a post-closing adjustment of £1.9 million which was paid in October 1997 and an earn-out of £0.8 million which was paid in June 1998.

We continue to explore potential acquisitions. In connection with any acquisition, we may incur additional indebtedness.

Our liquidity was improved as a result of our initial public offering in November 1997 and the refinancing undertaken at that time. In the refinancing, we entered into a new credit agreement and repurchased all of the Notes using proceeds from the IPO and borrowings under the credit agreement.

At December 31, 1998, our consolidated debt, net of cash, was $365.5 million. We had borrowings of $351.3 million under our credit agreement and $35.4 million under various other arrangements as of December 31, 1998. Of our credit agreement borrowings, approximately $184.6 million was borrowed as term loans scheduled to mature in 2004 and $166.7 million was borrowed under a multi-currency revolving credit facility. At December 31, 1998, we had $233.6 million of availability remaining under the revolving credit facility.

At December 31, 1998, approximately $119.1 million of the borrowings under the credit agreement and local working capital facilities were denominated in U.S. dollars. The balance of the borrowings under the credit agreement and local working capital facilities were denominated in certain of our other principal trading currencies amounting to approximately $267.6 million at December 31, 1998. Changes in exchange rates between the currencies in which we generate cash flow and the currencies in which our borrowings are denominated affect our liquidity. In addition, because we borrow in a variety of currencies, our debt balances fluctuate due to changes in exchange rates.

Under the credit agreement, amounts outstanding under the term loans amortize in quarterly installments. In addition, the credit agreement obligates us to make mandatory prepayments in certain circumstances with the proceeds of asset sales or issuance of capital stock or indebtedness and with certain excess cash flow. The credit agreement imposes certain restrictions on us and our subsidiaries, including restrictions and limitations on the ability to pay dividends to our shareholders, incur indebtedness, make investments, grant liens, sell financial assets and engage in certain other activities. We must also comply with certain financial covenants. The credit agreement is secured by certain of our assets.

Cash provided by operating activities continues to significantly exceed our capital expenditure requirements. Our cash provided by operating activities increased to $72.0 million in 1998 from $55.6 million in 1997. The increase resulted principally from improved Adjusted Operating Income and lower interest costs resulting from our IPO and related refinancing and reduced debt levels.

During 1998, we spent approximately $44.9 million on acquisitions and other investing activities including seller financing of $12.0 million and assumed debt of $3.1 million as well as contingent and other payments associated with acquisitions consummated in 1997. These purchases were funded from cash generated from operations and additional borrowings. We may be required to make additional earn-out payments relating to certain of these acquisitions in the future.

Capital expenditures are a significant use of funds and are made primarily for machinery, equipment and the purchase and expansion of facilities, including the purchase of land for, and construction of, our Shanghai, China manufacturing facility. Our capital expenditures totaled $29.4 million in pro forma 1996, $22.3 million in 1997 and $28.6 million in 1998. Capital expenditures for 1999 are expected to be similar to 1998 levels.

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

Effect of Currency on Results of Operations

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 of 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. In recent years, the Swiss franc and other European currencies have generally moved in a consistent manner versus the U.S. dollar. Therefore, because the two effects previously described have offset each other, our operating profits have not been materially affected by movements in the U.S. dollar exchange rate versus European currencies. However, there can be no assurance that these currencies will continue to move in a consistent manner in the future. 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.

Year 2000 Issue

We have in place detailed programs to address Year 2000 readiness internally and with certain suppliers. The Year 2000 issue is the result of computer logic that was written using two digits rather than four to define the applicable year. Any computer logic that processes date-sensitive information may recognize dates using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system or equipment failures.

Pursuant to our readiness programs, all major categories of information technology systems and non-information technology systems (e.g., equipment with embedded microprocessors) in use by the Company, including manufacturing, sales, financial and human resources, are being inventoried and assessed. In addition, plans have been developed for the required systems modifications or replacements. With respect to our information technology systems, we have completed the entire assessment phase and most of the remediation phase. The remediation phase has been completed for most major facilities with the exception of facilities in Spain, Sweden and certain U.S. and German facilities. With respect to our non-information technology systems, we have completed the assessment phase and nearly all of the remediation phase. Selected areas, both internal and external, will be tested to assure the integrity of our remediation programs. The testing is expected to be completed by September 1999. We plan to have all internal mission-critical information technology and non-information technology systems Year 2000 compliant by September 1999.

We have also reviewed our products, including products sold in recent years, to determine if they are Year 2000 compliant. In our current product line we believe that most of our products are Year 2000 compliant. For products currently in use, we are reviewing the risks by product item with many customers and in many instances have suggested that the customer replace the older product.

We are also communicating with our major suppliers to assess the potential impact on our operations if those parties fail to become Year 2000 compliant in a timely manner. While this process is not yet completed, based upon responses to date, it appears that many of those suppliers have only indicated that they have in place Year 2000 readiness programs, without specifically confirming that they will be Year 2000 compliant in a timely manner. Risk assessment, readiness evaluation, action plans and contingency plans related to our significant suppliers are expected to be completed by September 1999.

The costs incurred to date related to our Year 2000 activities have not been material and, based upon current estimates, we do not believe that the total cost of our Year 2000 readiness programs will have a material adverse impact on our results of operations or financial condition. The total costs are not easy to quantify since many of the steps we are taking relate to ongoing systems updating, a small component of which relates to Year 2000 compliance. In certain instances we have accelerated such updates. As a result of our ongoing systems updating, we do not expect to realize a significant reduction in related expenditures once the work on Year 2000 compliance is completed.

Our readiness programs also include the development of contingency plans to protect our business and operations from Year 2000-related interruptions. These plans should be completed by September 1999 and, by way of example, will include back-up procedures, identification of alternate suppliers, where possible, and increases in safety inventory levels. Based upon our current assessment of our non-information technology systems, we do not believe it necessary to develop an extensive contingency plan for those systems. There can be no assurances, however, that any of our contingency plans will be sufficient to handle all problems or issues which may arise.

We believe that we are taking reasonable steps to identify and address those matters that could cause serious interruptions in our business and operations due to Year 2000 issues. However, delays in the implementation of new systems, a failure to fully identify all Year 2000 dependencies in our systems and in the systems of our suppliers, a failure of such third parties to adequately address their respective Year 2000 issues, or a failure of a contingency plan could have a material adverse effect on our business, financial condition and results of operations. For example, we would experience a material adverse impact on our business if significant suppliers of components were unable to deliver on a timely basis, if major utilities failed, such as those providing water, electricity and telephone services, causing us to lose production capabilities or limit other operations, if a significant portion of our billing system was not functioning, causing a working capital deficit, or if costs increased from warranty claims or customer claims of product liability.

The statements set forth herein concerning Year 2000 issues which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. In particular, the costs associated with our Year 2000 programs and the time-frame in which we plan to complete Year 2000 modifications are based upon management's best estimates. These estimates were derived from internal assessments and assumptions of future events. These estimates may be adversely affected by the continued availability of personnel and system resources, and by the failure of significant third parties to properly address Year 2000 issues. Therefore, there can be no guarantee that any estimates, or other forward-looking statements will be achieved, and actual results could differ significantly from those contemplated.

European Monetary Union

Within Europe, the European Economic and Monetary Union (the "EMU") introduced a new currency, the Euro, on January 1, 1999. The new currency is in response to the EMU's policy of economic convergence to harmonize trade policy, eliminate business costs associated with currency exchange and to promote the free flow of capital, goods and services. Switzerland is not part of the EMU.

On January 1, 1999, the participating countries adopted the Euro as their local currency, initially available for currency trading on currency exchanges and noncash (banking) transactions. The existing local currencies, or legacy currencies, will remain legal tender through January 1, 2002. Beginning on January 1, 2002, Euro-denominated bills and coins will be issued for cash transactions. For a period of six months from this date, both legacy currencies and the Euro will be legal tender. On or before July 1, 2002, the participating countries will withdraw all legacy currency and use exclusively the Euro.

We have recognized the introduction of the Euro as a significant event with potential implications for existing operations. Currently, we operate in all of the participating countries in the EMU. We expect nonparticipating European Union countries, such as Great Britain, where we also have operations, to eventually join the EMU.

We have committed resources to conduct risk assessments and to take corrective actions, where required, to ensure we are prepared for the introduction of the Euro. We have undertaken a review of the Euro implementation and have concentrated on areas such as operations, finance, treasury, legal, information management, procurement and others, both in participating and nonparticipating European Union countries where we operate. Also, existing legacy accounting and business systems and other business assets have been reviewed for Euro compliance, including assessing any risks from third parties. Progress regarding Euro implementation is reported periodically to management.

Because of the staggered introduction of the Euro regarding noncash and cash transactions, we have developed our plans to address our accounting and business systems first and our business assets second. We expect to be Euro compliant within our accounting and business systems by the end of 1999 and compliant within our other business assets prior to the introduction of the Euro bills and coins. Compliance in participating and nonparticipating countries will be achieved primarily through upgraded systems, which were previously planned to be upgraded. Remaining systems will be modified to achieve compliance. We do not currently expect to experience any significant operational disruptions or to incur any significant costs, including any currency risk, which could materially affect our liquidity or capital resources. We are preparing plans to address issues within the transitional period when both legacy and Euro currencies may be used.

We are reviewing our pricing strategy throughout Europe due to the increased price transparency created by the Euro and are attempting to adjust prices in some of our markets. We are also encouraging our suppliers, even in Switzerland, to commence transacting in Euro. We do not believe that the effect of these adjustments will be material.

We have a disproportionate amount of our costs in Swiss francs relative to sales. Historically, the potential currency impact has been muted because currency fluctuations between the Swiss franc and other major European currencies have been minimal and there is greater balance between total European (including Swiss) sales and costs. However, if the introduction of the Euro results in a significant weakening of the Euro against the Swiss franc, our financial performance could be harmed.

The statements set forth herein concerning the introduction of the Euro which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. In particular, the costs associated with our Euro programs and the time-frame in which we plan to complete Euro modifications are based upon management's best estimates. These estimates were derived from internal assessments and assumptions of future events. There can be no guarantee that any estimates or other forward-looking statements will be achieved, and actual results could differ significantly from those contemplated.

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 and repatriate income, and changes in law. Generally, the tax liability for each legal entity is determined either (i) on a non-consolidated/combined basis or (ii) on a consolidated/combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated/combined affiliated entities. As a result, we may pay income taxes to certain jurisdictions even though on an overall basis we incur a net loss for the period.

Environmental Matters

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

We incur capital and operating expenditures in complying with environmental laws and regulations both in the United States and abroad. We are currently involved in, or have potential liability with respect to, the remediation of past contamination in facilities both in the United States and abroad. In addition, some of these facilities have or had been in operation for many decades and may have used substances or generated and disposed of wastes that are hazardous or may be considered hazardous in the future. Such sites and disposal sites owned by others to which we sent waste may in the future be identified as contaminated and require remediation. Accordingly, it is possible that we could become subject to additional environmental liabilities in the future that may harm our results of operations or financial condition. However, we do not anticipate any material adverse effect on our results of operations or financial condition as a result of future costs of environmental compliance.

Inflation

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

Seasonality

Our business has historically experienced a slight amount of seasonal variation, with sales in the first quarter slightly lower than, and sales in the fourth quarter slightly higher than, sales in the second and third quarters. This trend has a somewhat greater effect on income from operations than on net sales because fixed costs are spread evenly across all quarters.

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 hedge short-term intercompany balances with our foreign businesses. Such contracts limit our exposure to both favorable and unfavorable currency fluctuations. A sensitivity analysis to changes in the U.S. dollar on these foreign currency denominated contracts indicates that if the U.S. dollar uniformly weakened by 10% against all of our currency exposures, the fair value of these instruments would decrease by $2.6 million. 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 and cap agreements in order to limit our exposure to increases in interest rates. These contracts are more fully described in Note 5 to our audited consolidated financial statements. Based on our agreements outstanding at December 31, 1998, a 100 basis point increase in interest rates would result in an increase in the net aggregate market value of these instruments of $8.2 million. Conversely, a 100 basis point decrease in interest rates would result in a $8.8 million net reduction in the net aggregate market value of these instruments. Any change in fair value would not effect our Consolidated Statement of Operations unless such agreements and the variable rate debt they hedge were prematurely settled.

We have designated certain of our Swiss franc debt as a hedge of our net investments. A sensitivity analysis to changes in the U.S. dollar on such debt at December 31, 1998 indicates that if the U.S. dollar weakened by 10% against the Swiss franc, the fair value of such debt would increase by $26.2 million. Any changes in fair value of the debt are recorded in comprehensive income and offset the impact on comprehensive income of foreign exchange changes on the net investments which they hedge.

New Accounting Standards

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement provides guidance on accounting for the costs of computer software developed or obtained for internal use. This statement requires entities to capitalize certain internal-use software costs once certain criteria are met, and is effective for financial statements for fiscal years beginning after December 15, 1998. Management estimates the adoption of this statement will not have an adverse effect on our consolidated financial statements.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management has not determined the effect of the adoption of this statement.

Recent SEC Announcements

In September 1998, the SEC raised the concern that U.S. reporting companies were classifying an ever-growing portion of the acquisition price for acquisitions as purchased in-process research and development. We recorded a charge for purchased in-process research and development in 1998 based upon an independent valuation relating to the acquisition of Bohdan Automation Inc. We believe that this charge was calculated in accordance with U.S. GAAP and recent SEC guidance. However, if the SEC were to adopt a different standard on a retroactive basis than that applied by the Company or object to our application of the recent SEC guidance, we could be required to restate our earnings. Moreover, any adjustment could result in earnings in the future being reduced by additional goodwill amortization. We recorded similar charges in our 1996 and 1997 consolidated financial statements relating to prior acquisitions. These consolidated financial statements were audited by our independent accountants.

Forward-Looking Statements and Associated Risks

This annual report includes forward-looking statements based on our current expectations and projections about future events, including: strategic plans; potential growth, including penetration of developed markets and opportunities in emerging markets; planned product introductions; planned operational changes and research and development efforts; Year 2000 issues; Euro conversion issues; future financial performance, including expected capital expenditures; research and development expenditures; estimated proceeds from and the timing of asset sales; potential acquisitions; future cash sources and requirements; and potential cost savings from planned employee reductions and restructuring programs.

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

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Mettler-Toledo International Inc. and subsidiaries (as defined in Note 1 to the consolidated financial statements) as of December 31, 1997 and 1998, and the related consolidated statements of operations, net assets / shareholders' equity and cash flows for the period January 1, 1996 to October 14, 1996, the Predecessor period, for the period October 15, 1996 to December 31, 1996, and for the years ended December 31, 1997 and 1998, the Successor periods. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mettler-Toledo International Inc. and subsidiaries as of December 31, 1997 and 1998, and the consolidated results of their operations and their cash flows for the period January 1, 1996 to October 14, 1996, the Predecessor period, for the period October 15, 1996 to December 31, 1996, and for the years ended December 31, 1997 and 1998, the Successor periods, in conformity with generally accepted accounting principles in the United States of America.

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

KPMG Rides Peat

Zurich, Switzerland

February 5, 1999

Consolidated Balance Sheets

(In thousands, except per share data)	Successor December 31, 1997	Successor December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,566	$ 21,191
Trade accounts receivable, less allowances of $7,669 in 1997 and $9,443 in 1998	153,619	178,525
Inventories, net	101,047	112,059
Other current assets and prepaid expenses	31,650	46,455
Total current assets	309,882	358,230
Property, plant and equipment, net	235,262	230,264
Excess of cost over net assets acquired, net of accumulated amortization of $6,427 in 1997 and $13,911 in 1998	183,318	213,772
Other non-current assets	20,851	18,175
Total assets	$749,313	$820,441
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 39,342	$ 58,740
Accrued and other liabilities	91,330	91,049
Accrued compensation and related items	43,214	45,906
Taxes payable	33,267	51,302
Short-term borrowings and current maturities of long-term debt	56,430	46,432
Total current liabilities	263,583	293,429
Long-term debt	340,334	340,246
Non-current deferred taxes	25,437	25,566
Other non-current liabilities	91,011	103,201
Total liabilities	720,365	762,442
Minority interest	3,549	4,164
Shareholders' equity:		
Preferred stock, $0.01 par value per share; authorized 10,000,000 shares	—	—
Common stock, $0.01 par value per share; authorized 125,000,000 shares; issued 38,336,014 and 38,400,363 (excluding 64,467 shares held in treasury) at December 31, 1997 and 1998	383	384
Additional paid-in capital	284,630	285,161
Accumulated deficit	(224,152)	(186,527)
Accumulated other comprehensive loss	(35,462)	(45,183)
Total shareholders' equity	25,399	53,835
Commitments and contingencies		
Total liabilities and shareholders' equity	$749,313	$820,441

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

Consolidated Statements of Operations

(In thousands, except per share data)	Predecessor: For the period January 1, 1996 to October 14, 1996	Successor: For the period October 15, 1996 to December 31, 1996	Successor: Year ended December 31, 1997	Successor: Year ended December 31, 1998
Net sales	$662,221	$ 186,912	$878,415	$935,658
Cost of sales	395,239	136,820	493,480	520,190
Gross profit	266,982	50,092	384,935	415,468
Research and development	40,244	9,805	47,551	48,977
Selling, general and administrative	186,898	59,353	260,397	265,511
Amortization	2,151	1,065	6,222	7,634
Purchased research and development	—	114,070	29,959	9,976
Interest expense	13,868	8,738	35,924	22,638
Other charges (income), net	(1,332)	17,137	10,834	1,197
Earnings (loss) before taxes, minority interest and extraordinary items	25,153	(160,076)	(5,952)	59,535
Provision for taxes	10,055	(938)	17,489	20,999
Minority interest	637	(92)	468	911
Net earnings (loss) before extraordinary items	14,461	(159,046)	(23,909)	37,625
Extraordinary items-debt extinguishments, net of tax	—	—	(41,197)	—
Net earnings (loss)	$ 14,461	$(159,046)	$ (65,106)	$ 37,625
Basic earnings (loss) per common share:				
Net earnings (loss) before extraordinary items		$ (5.18)	$ (0.76)	$ 0.98
Extraordinary items		—	(1.30)	—
Net earnings (loss)		$ (5.18)	$ (2.06)	$ 0.98
Weighted average number of common shares		30,686,065	31,617,071	38,357,079
Diluted earnings (loss) per common share:				
Net earnings (loss) before extraordinary items		$ (5.18)	$ (0.76)	$ 0.92
Extraordinary items		—	(1.30)	—
Net earnings (loss)		$ (5.18)	$ (2.06)	$ 0.92
Weighted average number of common shares		30,686,065	31,617,071	40,682,211

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

Consolidated Statements of Changes in Net Assets/Shareholders' Equity

(In thousands, except per share data)	Predecessor — For the period January 1, 1996 to October 14, 1996: Capital Employed	Accumulated Other Comprehensive Income	Total
Net assets at December 31, 1995	$162,604	$30,650	$193,254
Capital transactions with Ciba and affiliates	(88,404)	—	(88,404)
Comprehensive income:			
Net earnings	14,461	—	14,461
Change in currency translation adjustment	—	(6,538)	(6,538)
Comprehensive income			7,923
Net assets at October 14, 1996	$ 88,661	$24,112	$112,773

(In thousands, except per share data)	Successor — For the period from October 15, 1996 to December 31, 1996 and for the years ended December 31, 1997 and 1998: Common Stock All Classes					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at October 15, 1996	1,000	$ 1	$ —	$ —	$ —	$ 1
New issuance of Class A and C shares	2,437,514	24	188,084	—	—	188,108
Comprehensive loss:						
Net loss	—	—	—	(159,046)	—	(159,046)
Change in currency translation adjustment	—	—	—	—	(16,637)	(16,637)
Comprehensive loss						(175,683)
Balance at December 31, 1996	2,438,514	25	188,084	(159,046)	(16,637)	12,426
New issuance of Class A and C shares	3,857	—	300	—	—	300
Purchase of Class A and C treasury stock	(5,123)	(1)	(668)	—	—	(669)
Common stock conversion	28,232,099	282	(282)	—	—	—
Proceeds from stock offering	7,666,667	77	97,196	—	—	97,273
Comprehensive loss:						
Net loss	—	—	—	(65,106)	—	(65,106)
Change in currency translation adjustment	—	—	—	—	(18,825)	(18,825)
Comprehensive loss						(83,931)
Balance at December 31, 1997	38,336,014	383	284,630	(224,152)	(35,462)	25,399
Exercise of stock options	64,349	1	531		—	532
Comprehensive income:						
Net earnings	—	—	—	37,625	—	37,625
Change in currency translation adjustment	—	—	—	—	(4,962)	(4,962)
Minimum pension liability	—	—	—	—	(4,759)	(4,759)
Comprehensive income						27,904
Balance at December 31, 1998	**38,400,363**	**$384**	**$285,161**	**$(186,527)**	**$(45,183)**	**$ 53,835**

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

Consolidated Statements of Cash Flows

(In thousands)	Predecessor: For the period January 1, 1996 to October 14, 1996	Successor: For the period October 15, 1996 to December 31, 1996	Successor: Year ended December 31, 1997	Successor: Year ended December 31, 1998
Cash flows from operating activities:				
Net earnings (loss)	$14,461	$(159,046)	$(65,106)	$37,625
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:				
Depreciation	19,512	7,925	25,613	24,592
Amortization	2,151	1,065	6,222	7,634
Write-off of purchased research and development and cost of sales associated with revaluation of inventories	—	146,264	32,013	9,976
Extraordinary items	—	—	41,197	—
Net loss (gain) on disposal of long-term assets	(768)	—	33	(2,868)
Deferred taxes and adjustments to goodwill	(1,934)	(4,563)	4,244	(1,200)
Minority interest	637	(92)	468	911
Increase (decrease) in cash resulting from changes in:				
Trade accounts receivable, net	9,569	(10,159)	(8,113)	(16,391)
Inventories	1,276	3,350	(2,740)	(5,953)
Other current assets	14,748	(10,605)	(7,177)	3,300
Trade accounts payable	(3,065)	3,415	4,936	17,523
Accruals and other liabilities	5,948	32,030	24,059	(3,107)
Net cash provided by operating activities	62,535	9,584	55,649	72,042
Cash flows from investing activities:				
Proceeds from sale of property, plant and equipment	1,606	736	15,913	22,500
Purchase of property, plant and equipment	(16,649)	(11,928)	(22,251)	(28,633)
Acquisition of Mettler-Toledo from Ciba	—	(314,962)	—	—
Acquisitions, net of seller financings	—	—	(80,469)[(a)]	(28,925)[(a)]
Other investing activities	(1,632)	4,857	(9,184)	(885)
Net cash used in investing activities	(16,675)	(321,297)	(95,991)	(35,943)
Cash flows from financing activities:				
Proceeds from borrowings	—	414,170	614,245	23,019
Repayments of borrowings	(13,464)	—	(703,201)	(62,376)
Proceeds from issuance of common stock	—	188,108	97,573	532
Purchase of treasury stock	—	—	(669)	—
Ciba and affiliates repayments	(26,589)	(184,666)	—	—
Capital transactions with Ciba and affiliates	(7,716)	(80,687)	—	—
Net cash provided by (used in) financing activities	(47,769)	336,925	7,948	(38,825)
Effect of exchange rate changes on cash and cash equivalents	(3,394)	(615)	(4,736)	351
Net increase (decrease) in cash and cash equivalents	(5,303)	24,597	(37,130)	(2,375)
Cash and cash equivalents:				
Beginning of period	41,402	36,099	60,696	23,566
End of period	$36,099	$ 60,696	$ 23,566	$21,191
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	$ 6,524	$ 17,874	$ 38,345	$21,109
Taxes	9,385	2,470	6,140	20,285
Non-cash investing activities:				
Seller financings on acquisitions	—	—	$ 22,514	$11,960

(a) Amounts paid for acquisitions including seller financing and assumed debt were $44.0 million and $103.0 million in 1998 and 1997, respectively.

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

Notes to Consolidated Financial Statements

(In thousands unless otherwise stated)

1. Business Description and Basis of Presentation

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

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include all entities in which the Company has control, including its majority owned subsidiaries. Financial results following the acquisition of Mettler-Toledo from Ciba-Geigy on October 15, 1996, the Safeline acquisition on May 30, 1997 and the initial public offering in November 1997 are not comparable in many respects to the financial results prior to those events. These events are further described in Notes 3, 9 and 10. Certain amounts in the prior period financial statements have been reclassified to conform with current year presentation.

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

The combined financial statements of the Predecessor (see Note 3) include the combined historical assets and liabilities and combined results of operations of the Mettler-Toledo group. All intergroup transactions have been eliminated as part of the combination process.

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

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Inventories

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

Property, Plant and Equipment

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

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

Excess of Cost over Net Assets Acquired

The excess of purchase price over the fair value of net assets acquired is amortized on a straight-line basis over the expected period to be benefited. The Company assesses the recoverability of such amounts by determining whether the amortization of the balance over its remaining life can be recovered from the undiscounted future operating cash flows of the acquired operations.

Taxation

The Company files tax returns in each jurisdiction in which it operates. Prior to the Acquisition discussed in Note 3, in certain jurisdictions the Company filed its tax returns jointly with other Ciba-Geigy subsidiaries. The Company had a tax sharing arrangement with Ciba-Geigy in these countries to share the tax burden or benefits. Such arrangement resulted in each company's tax burden or benefit equating to that which it would have incurred or received if it had been filing a separate tax return.

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

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

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 Changes in Net Assets/Shareholders' Equity.

Revenue Recognition

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

Research and Development

Research and development costs are expensed as incurred.

Derivative Financial Instruments

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

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

The Company has entered into certain foreign currency forward contracts in order to convert certain U.S. dollar based debt into Swiss franc based debt. The Company has also designated certain of its Swiss franc debt as a hedge of its net investments. Any changes in fair value of the forward contracts and the debt are recorded in comprehensive income/(loss) and offset the net investments which they hedge.

Earnings (Loss) per Common Share

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." Accordingly, basic and diluted earnings (loss) per common share data for each period presented have been determined in accordance with the provisions of SFAS 128. In accordance with the treasury stock method, the Company has included 2,325,132 equivalent shares related to 4,871,842 outstanding options to purchase shares of common stock, as described in Note 11, in the calculation of diluted weighted average number of common shares for 1998. Such common stock equivalents were not included in the computation of diluted loss per common share for 1996 and 1997, as the effect is antidilutive. The Company retroactively adjusted its weighted average common shares for the purpose of the basic and diluted loss per common share computations for the 1996 and 1997 periods pursuant to SFAS 128 and Securities and Exchange Commission Staff Accounting Bulletin No. 98 issued in February 1998.

Reporting Comprehensive Income

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income." SFAS 130 requires that changes in the amounts of certain items, including foreign currency translation adjustments, be shown in the financial statements. The Company has displayed comprehensive income/(loss) and its components in the Consolidated Statements of Changes in Net Assets/Shareholders' Equity. Prior year financial statements have been restated to reflect the application of SFAS 130 as required by the standard. The adoption of SFAS 130 did not have a material effect on the Company's consolidated financial statements.

Stock Based Compensation

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

Concentration of Credit Risk

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

3. Business Combinations

During 1998, the Company spent approximately $44.9 million on acquisitions and other investing activities including seller financing of $12.0 million and assumed debt of $3.1 million as well as contingent and other payments associated with acquisitions consummated in 1997. The Company may be required to make additional earn-out payments relating to certain of these acquisitions in the future.

In July 1998, the Company acquired Bohdan Automation Inc., a leading supplier of laboratory automation and automated synthesis products. The Company accounted for the acquisition using the purchase method of accounting. Accordingly, the costs of the acquisition were allocated to the assets acquired and liabilities assumed based upon their respective fair values. The Company incurred a charge of $10.0 million immediately following the acquisition based upon an independent valuation for purchased research and development costs for products being developed that have not established technological feasibility as of the date of acquisition which, if unsuccessful, have no alternative future use in research and development activities or otherwise. The Company expects that the projects underlying these research and development efforts will be substantially completed over the next two years.

In December 1998, the Company announced that it had acquired Applied Systems and Myriad Synthesizer Technology. The Company accounted for these acquisitions using the purchase method of accounting.

Applied Systems designs, assembles and markets instruments for in-process molecular analysis, which is primarily used for researching, developing and monitoring chemical processes. Applied Systems' proprietary sensors, together with its innovative Fourier transform infrared technology, enable chemists to analyze chemical reactions as they occur, which is more efficient than pulling samples.

Myriad Synthesizer Technology designs, assembles and markets instruments that facilitate and automate the synthesis of large numbers of chemical compounds in parallel, which is a key step in the chemical compound discovery process. Its products can be used in all stages of synthesis in drug discovery.

In May 1997, the Company purchased the entire issued share capital of Safeline Limited ("Safeline"), a manufacturer of metal detection systems based in Manchester in the United Kingdom, for approximately £63.7 million (approximately $104.4 million at May 30, 1997), including a post-closing adjustment of £1.9 million which was paid in October 1997 and an earn-out of £0.8 million which was paid in June 1998. Under the terms of the agreement, the Company paid approximately £13.7 million (approximately $22.4 million) in the form of seller loan notes which mature May 30, 1999.

The Company accounted for the Safeline acquisition using the purchase method of accounting. The Company incurred a charge of $30.0 million immediately following the acquisition based upon an independent valuation for purchased research and development costs. The technological feasibility of the products being developed had not been established as of the date of the acquisition and, if unsuccessful, had no alternative future use in research and development activities or otherwise. In addition, the Company allocated $2.1 million of the purchase price to revalue certain finished goods inventories to fair value. Substantially all of such inventories were sold in the second quarter of 1997. The excess of the cost of the acquisition over the fair value of the net assets acquired is being amortized over 30 years.

On October 15, 1996, the Company acquired the Mettler-Toledo group ("Predecessor") from Ciba-Geigy for cash consideration of CHF 505.0 million (approximately $402.0 million) including dividends of CHF 109.4 million (approximately $87.1 million) which were paid to Ciba-Geigy by the Company ("Acquisition"). The Company accounted for the Acquisition using the purchase method of accounting.

In connection with the Acquisition, the Company allocated, based upon independent valuations, $114.1 million of the purchase price to purchased research and development in process for products being developed that had not established technological feasibility as of the date of acquisition which, if unsuccessful, had no alternative future use in research and development activities or otherwise. Such amount was recorded as an expense in the period from October 15, 1996 to December 31, 1996. Additionally, the Company allocated approximately $32.2 million of the purchase price to revalue certain inventories (principally work-in-process and finished goods) to fair value. Substantially all of such inventories were sold during the period from October 15, 1996 to December 31, 1996. The excess of the cost of the Acquisition over the fair value of the net assets is being amortized over 32 years.

4. Inventories, Net

Inventories, net consisted of the following:

	Successor	
	December 31, 1997	December 31, 1998
Raw materials and parts	$ 42,435	$ 48,718
Work-in-progress	29,746	32,416
Finished goods	28,968	30,956
	101,149	112,090
LIFO reserve	(102)	(31)
	$101,047	$112,059

5. Financial Instruments with Off-Balance Sheet Risks

In 1998, the Company entered into certain five-year interest rate swap agreements that fix the interest obligation associated with $50 million of U.S. dollar based debt and CHF 207.5 million of Swiss franc based debt from variable to fixed. Certain of these agreements have forward starting dates commencing in 2000, expiring in 2003. The fixed rate associated with the swap on the U.S. dollar based debt is 5.93% plus the Company's normal interest margin. The fixed rates on the swaps of Swiss franc debt vary between 2.84% and 3.35% plus the Company's normal interest margin. The swaps are effective at either one-month or three-month LIBOR rates.

In 1997, the Company entered into three-year interest rate cap agreements to limit the impact of increases in interest rates on its U.S. dollar based debt. These agreements "cap" the effects of an increase in three month LIBOR above 8.5%. In addition, the Company has entered into three-year interest rate swap agreements which swap the interest obligation associated with $100.0 million of U.S. dollar based debt from variable to fixed. The fixed rate associated with the swap is 6.09% plus the Company's normal interest margin. The swap is effective at three-month LIBOR rates up to 7.00%. During 1997, the Company also entered into certain three-year interest rate swap agreements that fix the interest obligation associated with CHF 112.5 million of Swiss franc based debt at rates varying between 2.17% and 2.49% plus the Company's normal interest margin. The swaps are effective at one-month LIBOR of which a certain portion are at rates up to 3.5%.

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

At December 31, 1997 and 1998, the fair value of such financial instruments was approximately $(1.1) million and $(6.6) million, respectively. The fair values of all derivative financial instruments are estimated based on current settlement prices of comparable contracts obtained from dealer quotes. The values represent the estimated amount the Company would pay to terminate the agreements at the reporting date, taking into account current creditworthiness of the counterparties.

6. Property, Plant and Equipment, Net

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

	Successor	
	December 31, 1997	December 31, 1998
Land	$ 58,226	$ 48,080
Buildings and leasehold improvements	111,065	113,473
Machinery and equipment	93,418	117,032
Computer software	3,948	6,942
	266,657	285,527
Less accumulated depreciation and amortization	(31,395)	(55,263)
	$235,262	$230,264

7. Other Non-Current Assets

Other assets include deferred financing fees of $3.8 million and $3.1 million, net of accumulated amortization of $0.1 million and $0.6 million at December 31, 1997 and 1998, respectively. Also included in other assets are restricted bank deposits of $1.8 million and $1.6 million at December 31, 1997 and 1998, respectively. Other assets at December 31, 1997 and 1998 also included a loan due from the Company's Chief Executive Officer of approximately $0.7 million. This loan bears an interest rate of 5% and is payable upon demand, which may not be made until 2003.

8. Short-Term Borrowings and Current Maturities of Long-Term Debt

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

	Successor	
	December 31, 1997	December 31, 1998
Current maturities of long-term debt	$14,915	$19,955
Borrowings under revolving credit facility	33,320	—
Other short-term borrowings	8,195	26,477
	$56,430	$46,432

9. Long-Term Debt

Long-term debt consisted of the following:

	Successor	
	December 31, 1997	December 31, 1998
Credit Agreement Term Loans:		
Term A USD Loans, interest at LIBOR plus 0.75% (6.07% at December 31, 1998) payable in quarterly installments due May 19, 2004	$101,573	$ 93,953
Term A CHF Loans, interest at LIBOR plus 0.75% (2.41% at December 31, 1998) payable in quarterly installments due May 19, 2004	58,991	57,330
Term A GBP Loans, interest at LIBOR plus 0.75% (7.66% at December 31, 1998) payable in quarterly installments due May 19, 2004	36,198	33,279
Safeline Seller Notes, interest at LIBOR plus 0.26% (7.2% at December 31, 1998) due May 30, 1999	22,946	7,433
Revolving credit facilities	160,862	166,723
Other	16,194	27,960
	396,764	386,678
Less current maturities	(56,430)	(46,432)
	$340,334	$340,246

The Acquisition from Ciba-Geigy was financed in part from borrowings under a previous credit agreement of $307.0 million and $135.0 million from the issuance of 9¾% senior subordinated notes due 2006 (the "Notes").

At the time of the Safeline acquisition in May 1997, the Company refinanced its previous credit facility and entered into a new credit facility. The Company recorded an extraordinary loss of approximately $9.6 million representing a charge for the write-off of capitalized debt issuance fees and related expenses associated with the Company's previous credit facility.

In connection with the Company's initial public offering in November 1997, the Company refinanced its existing credit facility by entering into a new credit facility (the "Credit Agreement"). Concurrent with the initial public offering and refinancing, the Company consummated a tender offer to repurchase the Notes. In connection with the refinancing and the Notes repurchase, the Company recorded an extraordinary loss of $31.6 million primarily representing the premium paid in connection with the early extinguishment of the Notes of $17.9 million and the write-off of capitalized debt issuance fees associated with the Notes and the Company's previous credit facility.

The Company has a multi-currency $400.0 million revolving credit facility and a CDN $26.3 million Canadian revolving credit facility under the Credit Agreement. Loans under these revolving credit facilities may be repaid and reborrowed and are due in full on May 19, 2004. At December 31, 1998, the Company had approximately $233.6 million of additional borrowing capacity under its Credit Agreement. The Company has the ability to refinance its short-term borrowings through its revolving facilities for an uninterrupted period extending beyond one year. Accordingly, approximately $166.7 million of the Company's short-term borrowings at December 31, 1998 have been reclassified to long-term.

The aggregate maturities of long-term obligations during each of the years 2000 through 2003 are approximately $24.9 million, $34.9 million, $34.9 million and $39.9 million, respectively.

The Company is required to pay a facility fee based upon certain financial ratios per annum on the amount of its revolving facilities. The facility fee at December 31, 1998 was equal to 0.25%. At December 31, 1998, borrowings under the Company's revolving facilities carried an interest rate of LIBOR plus 0.50%. The Company's weighted average interest rate for the year ended December 31, 1998 was approximately 6.0%.

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

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

10. Shareholders' Equity

Common Stock

In November 1997, pursuant to a merger with its wholly owned subsidiary Mettler-Toledo Holding Inc., each share of the Company's existing Class A, Class B and Class C common stock was converted into 12.58392 shares of common stock and the number of authorized shares was increased to 125,000,000 shares with a par value of $0.01 per share. Concurrently therewith, the Company completed an underwritten initial public offering of 7,666,667 shares at a public offering price of $14.00 per share. The net proceeds from the offering of approximately $97.3 million were used to repay a portion of the Company's 9¾% senior subordinated notes (see Note 9). As part of the offering the Company sold approximately 287,000 shares of its common stock to Company sponsored benefit funds at the public offering price. Holders of the Company's common stock are entitled to one vote per share.

At December 31, 1998, 6,327,573 shares of the Company's common stock were reserved for the Company's stock option plan.

Preferred Stock

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

11. Stock Option Plan

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

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

Stock option activity is shown below:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 1996	3,510,747	$ 7.95
Granted	1,028,992	14.68
Forfeited	(130,999)	(7.95)
Outstanding at December 31, 1997	4,408,740	$ 9.75
Granted	670,000	21.48
Exercised	(64,349)	(8.26)
Forfeited	(142,549)	(7.95)
Outstanding at December 31, 1998	**4,871,842**	**$11.30**
Shares exercisable at December 31, 1998	1,507,399	$ 8.87

At December 31, 1998, the weighted average remaining contractual life of outstanding options was approximately 8.0 years. These options have exercise prices ranging from $7.95 to $21.50.

As of the date granted, the weighted average grant-date fair value of the options granted during the period from October 15, 1996 to December 31, 1996 and for the years ended December 31, 1997 and 1998 was approximately $1.99, $3.37 and $8.11 per share, respectively. Such weighted average grant-date fair value was determined using an option pricing model which incorporated the following assumptions:

	Successor		
	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998
Risk-free interest rate	4.0%	5.4%	5.2%
Expected life in years	7	4	4
Expected volatility	—	26%	39%
Expected dividend yield	—	—	—

The Company applies Accounting Standards Board Opinion No. 25 and related interpretations in accounting for its plans. Had compensation cost for the Company's stock option plan been determined based upon the fair value of such awards at the grant date, consistent with the methods of Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation," the Company's net earnings (loss) and basic and diluted net earnings (loss) per common share for the years ended December 31, 1997 and 1998 would have been as follows:

	Successor	
	Year ended December 31, 1997	Year ended December 31, 1998
Net earnings (loss):		
As reported	$(65,106)	$37,625
Pro forma	(66,417)	35,475
Basic earnings (loss) per common share:		
As reported	$ (2.06)	$ 0.98
Pro forma	(2.10)	0.92
Diluted earnings (loss) per common share:		
As reported	$ (2.06)	$ 0.92
Pro forma	(2.10)	0.87

12. Benefit Plans

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

Certain companies sponsor defined contribution plans. Benefits are determined and funded annually based upon the terms of the plans. Amounts recognized as cost under these plans amounted to $9.5 million, $2.5 million, $8.9 million and $8.2 million for the period January 1, 1996 to October 14, 1996, for the period October 15, 1996 to December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively.

Certain companies sponsor defined benefit plans. Benefits are provided to employees primarily based upon years of service and employees' compensation for certain periods during the last years of employment. The Company's U.S. operations also provide postretirement medical benefits to their employees. Contributions for medical benefits are related to employee years of service.

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 principal defined benefit plans and postretirement plans at December 31, 1997 and 1998:

	Successor			
	Pension Benefits		Other Benefits	
	1997	1998	1997	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	$120,962	$124,958	$ 32,025	$ 36,112
Service cost	5,655	5,929	440	507
Interest cost	8,020	8,624	2,296	2,360
Actuarial (gains) losses	4,316	7,977	3,549	821
Plan amendments and other	(35)	4,584	10	(184)
Benefits paid	(5,435)	(5,541)	(2,204)	(2,515)
Impact of foreign currency	(8,525)	3,399	(4)	(6)
Benefit obligation at end of year	124,958	149,930	36,112	37,095
Change in plan assets:				
Fair value of plan assets at beginning of year	63,945	73,075	—	—
Actual return on plan assets	9,316	4,921	—	—
Employer contributions	6,064	4,759	2,204	2,515
Plan participants' contributions	277	281	—	—
Benefits paid	(5,435)	(5,541)	(2,204)	(2,515)
Impact of foreign currency	(1,092)	(120)	—	—
Fair value of plan assets at end of year	73,075	77,375	—	—
Funded status	(51,883)	(72,555)	(36,112)	(37,095)
Unrecognized actuarial (gain) loss	(1,105)	9,855	4,465	5,110
Net amount recognized	$ (52,988)	$ (62,700)	$ (31,647)	$ (31,985)

Amounts recognized in the Consolidated Balance Sheets consist of:

	Successor			
	Pension Benefits		Other Benefits	
	1997	1998	1997	1998
Other non-current assets	$ 1,005	$ 1,294	$ —	$ —
Other non-current liabilities	(53,993)	(68,753)	(31,647)	(31,985)
Accumulated other comprehensive income	—	4,759	—	—
Net amount recognized	$(52,988)	$(62,700)	$(31,647)	$(31,985)

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

	1997	1998
Discount rate	6.0% to 8.5%	5.0% to 8.5%
Compensation increase rate	2.0% to 6.5%	2.0% to 6.5%

The expected long term rates of return on plan assets ranged between 7.0% and 10.0% for 1996, 6.0% and 9.5% for 1997 and 5.0% and 9.5% in 1998.

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

Net periodic pension cost for the defined benefit plans includes the following components:

	Predecessor	Successor		
	For the period January 1, 1996 to October 14, 1996	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998
Service cost	$ 3,850	$ 1,013	$ 5,655	$ 5,929
Interest cost on projected benefit obligations	6,540	1,721	8,020	8,624
Expected gain on plan assets	(3,562)	(1,600)	(5,976)	(6,613)
Recognition of actuarial (gains) losses	(32)	-	(51)	(104)
Net periodic pension cost	$ 6,796	$ 1,134	$ 7,648	$ 7,836

Net periodic postretirement benefit cost for the U.S. postretirement plans includes the following components:

	Predecessor	Successor		
	For the period January 1, 1996 to October 14, 1996	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998
Service cost	$ 431	$114	$ 440	$ 507
Interest cost on projected benefit obligations	1,795	472	2,296	2,360
Net amortization and deferral	343	-	33	26
Net periodic postretirement benefit cost	$2,569	$586	$2,769	$2,893

The accumulated postretirement benefit obligation and net periodic postretirement benefit cost were principally determined using discount rates of 7.6% in 1996, 7.0% in 1997 and 6.7% in 1998 and health care cost trend rates ranging from 8.0% to 9.5% in 1996, 1997 and 1998, decreasing to 5.0% in 2005.

The health care cost trend rate assumption has a significant effect on the accumulated postretirement benefit obligation and net periodic postretirement 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	$ 486	$ (278)
Effect on postretirement benefit obligation	$4,044	$ (3,627)

13. Taxes

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

	Predecessor
	For the period January 1, 1996 to October 14, 1996
Switzerland	$21,241
Non-Switzerland	3,912
Earnings before taxes, minority interest and extraordinary items	$25,153

	Successor		
	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998
United States	$ (37,293)	$(14,178)	$ (2,172)
Non-United States	(122,783)	8,226	61,707
Earnings (loss) before taxes, minority interest and extraordinary items	$(160,076)	$ (5,952)	$59,535

The provision (benefit) for taxes consists of:

Predecessor

For the period January 1, 1996 to October 14, 1996:

	Current	Deferred	Total
Switzerland federal	$ 2,152	$ (172)	$ 1,980
Switzerland canton (state) and local	4,305	(344)	3,961
Non-Switzerland	5,532	(1,418)	4,114
	$11,989	$(1,934)	$10,055

Successor

For the period October 15, 1996 to December 31, 1996:

	Current	Deferred	Total
United States federal	$ 475	$(1,556)	$(1,081)
United States state and local	696	(183)	513
Non-United States	2,454	(2,824)	(370)
	$3,625	$(4,563)	$ (938)

Successor

Year ended December 31, 1997:

	Current	Deferred	Adjustments to Goodwill	Total
United States federal	$ —	$ (351)	$ —	$ (351)
State and local	466	(41)	107	532
Non-United States	12,779	2,600	1,929	17,308
	$13,245	$2,208	$2,036	$17,489

Successor

Year ended December 31, 1998:

	Current	Deferred	Adjustments to Goodwill	Total
United States federal	$ 517	$ (700)	$ 591	$ 408
State and local	561	(102)	351	810
Non-United States	21,121	(2,642)	1,302	19,781
	$22,199	$(3,444)	$2,244	$20,999

The adjustments to goodwill during the years ending December 31, 1997 and 1998 relate to tax benefits utilized which were not previously recognized in the purchase price allocation pertaining to previous acquisitions.

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

	Predecessor
	For the period January 1, 1996 to October 14, 1996
Expected tax	$ 2,465
Switzerland canton (state) and local income taxes, net of federal income tax benefit	3,573
Non-deductible intangible amortization	205
Change in valuation allowance	1,235
Non-Switzerland income taxes in excess of 9.8%	2,291
Other, net	286
Total provision for taxes	$10,055

The provision for tax expense (benefit) for the period October 15, 1996 to December 31, 1996 and for the years ended December 31, 1997 and 1998, subsequent to the Acquisition described in Note 3, differed from the amounts computed by applying the United States federal income tax rate of 35% to the earnings/(loss) before taxes, minority interest and extraordinary items as a result of the following:

	Successor		
	For the period October 15, 1996 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998
Expected tax	$(56,027)	$ (2,083)	$20,837
United States state and local income taxes, net of federal income tax benefit	333	276	810
Non-deductible purchased research and development	39,925	10,486	3,492
Non-deductible intangible amortization	336	2,073	2,459
Change in valuation allowance	4,662	263	4,964
Non-United States income taxes at other than a 35% rate	10,037	5,545	(6,708)
Changes in Swiss tax law/rates	—	—	(4,963)
Other, net	(204)	929	108
Total provision (benefit) for taxes	$ (938)	$17,489	$20,999

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

	Successor	
	December 31, 1997	December 31, 1998
Deferred tax assets:		
Inventory	$ 7,552	$ 6,055
Accrued and other liabilities	9,278	12,601
Deferred loss on sale of subsidiaries	7,907	7,907
Accrued postretirement benefit and pension costs	19,161	24,983
Net operating loss carryforwards	27,345	20,856
Other	678	2,743
Total deferred tax assets	71,921	75,145
Less valuation allowance	(59,292)	(64,640)
Total deferred tax assets less valuation allowance	12,629	10,505
Deferred tax liabilities:		
Inventory	6,177	2,302
Property, plant and equipment	24,081	24,534
Other	5,665	3,565
Total deferred tax liabilities	35,923	30,401
Net deferred tax liability	$23,294	$19,896

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

	Successor	
	December 31, 1997	December 31, 1998
Summary of valuation allowances:		
Cumulative net operating losses	$27,345	$20,856
Deferred loss	7,907	7,907
Accrued postretirement and pension benefit costs	17,104	23,300
Other	6,936	12,577
Total valuation allowance	$59,292	$64,640

The total valuation allowances relating to acquired businesses amount to $35.5 million and $35.0 million at December 31, 1997 and 1998, respectively. Future reductions of these valuation allowances will be credited to goodwill.

At December 31, 1998, the Company had net operating loss carryforwards for U.S. federal income tax purposes of $27.4 million, all of which expire in 2012. The Company has various U.S. state net operating losses and various foreign operating losses which expire in varying amounts through 2012.

14. Other Charges (Income), Net

Other charges (income), net consists primarily of foreign currency transactions, interest income, charges related to the Company's restructuring programs and gains on the sale of property, plant and equipment.

The Company recorded restructuring charges of $6.3 million during 1997. These charges were incurred in connection with the closure of three facilities in North America and comprised primarily severance and other related benefits and costs of exiting facilities, including lease termination costs and the write-down of existing assets to their expected net realizable value. In connection with the closure of these facilities, the Company involuntarily terminated approximately 70 employees. The Company had also recorded restructuring charges of $2.6 million in 1998 primarily for workforce reductions and other cash outflows. The Company undertook these actions as part of its efforts to reduce costs through re-engineering.

The period October 15, 1996 to December 31, 1996 included employee severance benefits associated with the Company's general headcount reduction programs in Europe and North America of $4.6 million and the realignment of the analytical and precision balance business in Switzerland of $6.2 million. Severance and other exit costs of $1.9 million for the period January 1, 1996 to October 14, 1996 represented employee severance of $1.6 million and other exit costs of $0.3 million associated with the closing of the Company's Westerville, Ohio facility. In connection with such programs the Company reduced its workforce by 168 employees in 1996.

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

	Successor	
	1997	1998
Beginning of the year	$10,762	$8,758
Restructuring accrual for North American operations and other	6,300	2,611
Reductions in workforce and other cash outflows	(7,182)	(9,441)
Non-cash write-downs of property, plant and equipment	(540)	(188)
Impact of foreign currency	(582)	91
End of the year	$8,758	$1,831

The Company's accrual for restructuring activities at December 31, 1998 primarily consisted of lease termination, other costs of exiting facilities and severance.

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, 1998:

1999	$14,702
2000	11,141
2001	7,986
2002	6,375
2003	4,895
Thereafter	8,088
Total	$53,187

Rent expense for operating leases amounted to $13.0 million, $3.4 million, $16.4 million and $17.7 million for the period January 1, 1996 to October 14, 1996, for the period October 15, 1996 to December 31, 1996 and for the years ended December 31, 1997 and 1998, 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

In fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information." SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-maker directs the allocation of resources to operating segments based on the profitability and cash flows of each respective segment. 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 geographical regions that have similar economic characteristics and meet the aggregation criteria of SFAS 131. The Company has determined that there are five reportable segments: Principal U.S. Operations, Principal Central European Operations, Swiss R&D and Manufacturing Operations, Other Western Europe Operations and Other. Principal U.S. Operations represent certain of the Company's marketing and producing organizations located in the United States. Principal Central European Operations primarily include the Company's German marketing and producing organizations that primarily serve the German market and, to a lesser extent, Europe. Swiss R&D and Manufacturing Operations consist of the organizations located in Switzerland that are responsible for the development, production and marketing of precision instruments, including weighing, analytical and measurement technologies for use in a variety of industrial and laboratory applications. Other Western European Operations include the Company's market organizations in Western Europe that are not included in Principal Central European Operations. The Company's market organizations are geographically focused and are responsible for all aspects of the Company's sales and service. Operating segments that exist outside these reportable segments are included in Other.

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

For the period January 1, 1996 to October 14, 1996	Principal U.S. Operations	Principal Central Europe Operations	Swiss R&D and Mfg. Operations	Other Western Europe Operations	Other[a]	Eliminations and Corporate[b]	Total
Net sales to external customers	$232,866	$148,782	$ 33,336	$162,694	$ 84,543	$ —	$ 662,221
Net sales to other segments	23,860	36,413	88,484	3,750	84,361	(236,868)	—
Total net sales	$256,726	$185,195	$121,820	$166,444	$168,904	$(236,868)	$ 662,221
Adjusted operating income	$ 11,998	$ 10,258	$ 14,373	$ 4,522	$ 8,200	$ (9,511)	$ 39,840
Depreciation	5,294	2,633	2,786	2,032	6,641	126	19,512
Purchase of property, plant and equipment	5,273	1,500	1,148	1,478	6,455	795	16,649

For the period October 15, 1996 to December 31, 1996	Principal U.S. Operations	Principal Central Europe Operations	Swiss R&D and Mfg. Operations	Other Western Europe Operations	Other[a]	Eliminations and Corporate[b]	Total
Net sales to external customers	$ 65,727	$ 41,994	$ 9,409	$ 45,920	$ 23,862	$ —	$ 186,912
Net sales to other segments	6,734	10,277	24,975	1,059	23,811	(66,856)	—
Total net sales	$ 72,461	$ 52,271	$ 34,384	$ 46,979	$ 47,673	$ (66,856)	$ 186,912
Adjusted operating income	$ 5,394	$ 4,612	$ 6,462	$ 2,033	$ 3,687	$ (4,276)	$ 17,912
Depreciation	2,150	1,069	1,131	825	2,698	52	7,925
Purchase of property, plant and equipment	3,777	1,075	822	1,059	4,625	570	11,928

For the year ended December 31, 1997	Principal U.S. Operations	Principal Central Europe Operations	Swiss R&D and Mfg. Operations	Other Western Europe Operations	Other[a]	Eliminations and Corporate[b]	Total
Net sales to external customers	$311,760	$163,976	$ 27,174	$209,995	$165,510	$ —	$ 878,415
Net sales to other segments	39,138	51,692	137,797	14,458	105,113	(348,198)	—
Total net sales	$350,898	$215,668	$164,971	$224,453	$270,623	$(348,198)	$ 878,415
Adjusted operating income	$ 18,973	$ 17,479	$ 33,708	$ 15,242	$ 22,350	$ (26,211)	$ 81,541
Depreciation	9,273	3,316	2,420	2,583	7,789	232	25,613
Total assets	150,753	131,309	107,007	110,983	539,237	(289,976)	749,313
Purchase of property, plant and equipment	6,882	2,390	2,455	2,612	7,147	765	22,251

(Footnotes on next page)

For the year ended December 31, 1998	Principal U.S. Operations	Principal Central Europe Operations	Swiss R&D and Mfg. Operations	Other Western Europe Operations	Other[(a)]	Eliminations and Corporate[(b)]	Total
Net sales to external customers	$324,455	$181,377	$ 23,554	$220,543	$185,729	$ —	$935,658
Net sales to other segments	39,634	58,035	148,062	22,848	104,585	(373,164)	—
Total net sales	$364,089	$239,412	$171,616	$243,391	$290,314	$(373,164)	$935,658
Adjusted operating income	$ 26,283	$ 20,314	$ 30,155	$ 17,795	$ 23,576	$ (17,143)	$100,980
Depreciation	8,132	3,081	2,506	2,748	7,770	355	24,592
Total assets	166,934	146,754	142,717	125,621	597,175	(358,760)	820,441
Purchase of property, plant and equipment	8,296	2,957	2,922	3,562	8,886	2,010	28,633

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

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

A reconciliation of adjusted operating income to earnings (loss) before taxes, minority interest and extraordinary items follows:

	Predecessor	Successor		
	For the period January 1 to October 14, 1996	For the period October 15 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998
Adjusted operating income	$39,840	$ 17,912	$81,541	$100,980
Revaluation of inventories	—	32,194	2,054	—
Purchased research and development	—	114,070	29,959	9,976
Reorganization advisory fees[(a)]	—	4,784	—	—
Termination fee at IPO[(b)]	—	—	2,500	—
Amortization	2,151	1,065	6,222	7,634
Interest expense	13,868	8,738	35,924	22,638
Other charges (income), net	(1,332)	17,137	10,834	1,197
Earnings (loss) before taxes, minority interest and extraordinary items	$25,153	$(160,076)	$ (5,952)	$ 59,535

(a) This charge represents advisory fees associated with the reorganization of the Company's structure.

(b) At the time of the IPO, the Company incurred fees associated with the termination of its management consulting agreement with AEA Investors.

The Company sells precision instruments, including weighing instruments and certain analytical and measurement technologies, and related after-market support to a variety of customers and industries. None of these customers account for more than 2.6% of net sales. After-market support revenues are primarily derived from parts and services such as calibration, certification and repair, much of which is provided under contracts. A breakdown of the Company's sales by product category follows:

	Predecessor	Successor		
	January 1 to October 14, 1996	October 15 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998
Weighing-related instruments	$453,489	$127,998	$587,067	$600,450
Non-weighing instruments	94,332	26,625	147,281	183,259
After-market	114,400	32,289	144,067	151,949
Total net sales	$662,221	$186,912	$878,415	$935,658

The breakdown of net sales by geographic customer destination and property, plant and equipment, net are as follows:

	Predecessor	Successor			Successor	
	Net sales				Property, plant and equipment, net	
	January 1 to October 14, 1996	October 15 to December 31, 1996	Year ended December 31, 1997	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1998
United States	$217,636	$ 56,405	$297,688	$328,448	$ 50,651	$ 47,771
Other Americas	47,473	13,436	71,403	74,951	3,317	1,511
Total Americas	265,109	69,841	369,091	403,399	53,968	49,282
Germany	104,961	29,688	115,665	129,464	28,094	27,812
Switzerland	32,282	8,415	34,555	40,158	120,647	119,093
Other Europe	186,823	58,598	245,945	260,660	15,957	17,265
Total Europe	324,066	96,701	396,165	430,282	164,698	164,170
Rest of World	73,046	20,370	113,159	101,977	16,596	16,812
Totals	$662,221	$186,912	$878,415	$935,658	$235,262	$230,264

17. Quarterly Financial Data (Unaudited)

Quarterly financial data for the years 1997 and 1998 are as follows:

	First Quarter	Second Quarter (a)(b)	Third Quarter (c)	Fourth Quarter (b)
1997				
Net sales	$197,402	$220,412	$215,929	$244,672
Gross profit	83,282	97,016	94,365	110,272
Net earnings (loss) before extraordinary items	(1,122)	(25,613)	(284)	3,110
Extraordinary items (b)	—	(9,552)	—	(31,645)
Net earnings (loss)	$ (1,122)	$ (35,165)	$ (284)	$ (28,535)
Basic earnings per common share:				
Earnings (loss) before extraordinary items	$ (0.04)	$ (0.84)	$ (0.01)	$ 0.09
Extraordinary items	—	(0.31)	—	(0.92)
Net loss	$ (0.04)	$ (1.15)	$ (0.01)	$ (0.83)
Diluted earnings (loss) per common share:				
Earnings (loss) before extraordinary items	$ (0.04)	$ (0.84)	$ (0.01)	$ 0.09
Extraordinary items	—	(0.31)	—	(0.88)
Net loss	$ (0.04)	$ (1.15)	$ (0.01)	$ (0.79)
Market price per share: (d)				
High	—	—	—	$ 18 3/4
Low	—	—	—	$ 14 1/16
1998				
Net sales	$215,655	$228,446	$225,646	$265,911
Gross profit	94,607	101,667	98,879	120,315
Net earnings (loss)	$ 6,838	$ 11,397	$ 2,530	$ 16,860
Basic earnings per common share	$ 0.18	$ 0.30	$ 0.07	$ 0.44
Diluted earnings per common share	$ 0.17	$ 0.28	$ 0.06	$ 0.41
Market price per share:				
High	$ 22 3/8	$ 22 1/4	$ 22 11/16	$ 28 15/16
Low	$ 16 9/16	$ 18	$ 16 1/4	$ 16 3/4

(a) The financial data for the second quarter of 1997 includes charges in connection with the Safeline acquisition, as discussed in Note 3, for the sale of inventories revalued to fair value of $2.1 million and in-process research and development of $30.0 million.

(b) The second and fourth quarters of 1997 include extraordinary charges for prepayment premiums on the Company's senior subordinated notes and for the write-off of capitalized debt issuance fees as discussed in Note 9.

(c) The financial data for the third quarter of 1998 includes a charge of $10.0 million for in-process research and development in connection with the Bohdan acquisition.

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

Selected Financial Data

The selected historical financial information set forth below at December 31, 1994, 1995, 1996, 1997 and 1998, for the years ended December 31, 1994 and 1995, for the period from January 1, 1996 to October 14, 1996, for the period from October 15, 1996 to December 31, 1996 and for the years ended December 31, 1997 and 1998 is derived from our consolidated financial statements, which were audited by KPMG Fides Peat, independent auditors. The financial information for all periods prior to October 15, 1996, the date of the Acquisition, is combined financial information of the Mettler-Toledo group of companies (the "Predecessor Business"). The combined historical data of the Predecessor Business and the consolidated historical data of the Company are not comparable in many respects due to the Acquisition and the Safeline acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes included in this annual report. The following financial information was prepared in accordance with U.S. GAAP.

Selected Financial Data continued

(In thousands, except per share data)	Predecessor Business Year Ended December 31, 1994	Predecessor Business Year Ended December 31, 1995	Predecessor Business January 1 to October 14, 1996	Mettler-Toledo International Inc. October 15 to December 31, 1996	Mettler-Toledo International Inc. Year Ended December 31, 1997	Mettler-Toledo International Inc. Year Ended December 31, 1998
Statement of Operations Data:						
Net sales	$769,136	$850,415	$662,221	$ 186,912	$878,415	$935,658
Cost of sales	461,629	508,089	395,239	136,820 (a)	493,480 (b)	520,190
Gross profit	307,507	342,326	266,982	50,092	384,935	415,468
Research and development	47,994	54,542	40,244	9,805	47,551	48,977
Selling, general and administrative	224,978	248,327	186,898	59,353	260,397	265,511
Amortization	6,437	2,765	2,151	1,065	6,222	7,634
Purchased research and development	—	—	—	114,070 (c)	29,959 (d)	9,976 (e)
Interest expense	13,307	18,219	13,868	8,738	35,924	22,638
Other charges (income), net (f)	(7,716)	(9,331)	(1,332)	17,137	10,834	1,197
Earnings (loss) before taxes, minority interest and extraordinary items	22,507	27,804	25,153	(160,076)	(5,952)	59,535
Provision for taxes	8,676	8,782	10,055	(938)	17,489	20,999
Minority interest	347	768	637	(92)	468	911
Earnings (loss) before extraordinary items	13,484	18,254	14,461	(159,046)	(23,909)	37,625
Extraordinary items – debt extinguishments	—	—	—	—	(41,197) (g)	—
Net earnings (loss)	$ 13,484	$ 18,254	$ 14,461	$(159,046)	$ (65,106)	$ 37,625
Basic earnings (loss) per common share (h):						
Net earnings (loss) before extraordinary items				$ (5.18)	$ (0.76)	$ 0.98
Extraordinary items				—	(1.30)	—
Net earnings (loss)				$ (5.18)	$ (2.06)	$ 0.98
Weighted average number of common shares				30,686,065	31,617,071	38,357,079
Diluted earnings (loss) per common share (h):						
Net earnings (loss) before extraordinary items				$ (5.18)	$ (0.76)	$ 0.92
Extraordinary items				—	(1.30)	—
Net earnings (loss)				$ (5.18)	$ (2.06)	$ 0.92
Weighted average number of common shares				30,686,065	31,617,071	40,682,211
Balance Sheet Data (at end of period):						
Cash and cash equivalents	$ 63,802	$ 41,402		$ 60,696	$ 23,566	$ 21,191
Working capital	132,586	136,911		103,697	79,163	90,042
Total assets	683,198	724,094		771,888	749,313	820,441
Long-term third party debt	862	3,621		373,758	340,334	340,246
Net borrowing from Ciba and affiliates (i)	177,651	203,157		—	—	—
Other non-current liabilities (j)	83,964	84,303		96,810	91,011	103,201
Shareholders' equity (k)	228,194	193,254		12,426	25,399	53,835

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

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

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

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

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

(f) Other charges (income), net generally includes interest income, foreign currency transactions, (gains) losses from sales of assets and other items. For the period January 1, 1996 to October 14, 1996, the amount shown includes employee severance and other exit costs associated with the closing of our Westerville, Ohio facility. For the period October 15, 1996 to December 31, 1996, the amount shown includes employee severance benefits associated with our general headcount reduction programs in Europe and North America and the realignment of the analytical and precision balance business in Switzerland. For the year ended December 31, 1997, the amount shown includes a restructuring charge of $6,300 to consolidate three facilities in North America. For the year ended December 31, 1998, the amount shown includes $650 of expenses incurred on behalf of certain selling shareholders in connection with the secondary offering completed in July 1998. See Note 14 to the audited consolidated financial statements included herein.

(g) Represents charges for the write-off of capitalized debt issuance fees and related expenses associated with our previous credit facilities. The amount for the year ended December 31, 1997 also includes the prepayment premium on the senior subordinated notes which were repurchased and the write-off of the related capitalized debt issuance fees.

(h) Effective December 31, 1997, we adopted the Statement of Financial Accounting Standards No. 128, "Earnings per Share." Accordingly, basic and diluted loss per common share data for each period presented have been determined in accordance with the provisions of this Statement.

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

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

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

Corporate Information

Corporate Offices

Mettler-Toledo International Inc.
Im Langacher
P.O. Box MT-100
CH-8606 Greifensee, Switzerland
+41-1-944 22 11
Fax +41-1-944 24 70

Stock Exchange

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

Dividend Policy

The Company does not have a dividend policy. To date, the Company has never paid any dividends on its common stock. The Company has used its cash flow to reduce debt and make acquisitions.

Transfer Agent and Registrar

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

ChaseMellon Shareholder Services
85 Challenger Road
Ridgefield Park, New Jersey 07660
800-526-0801
201-329-8660
www.chasemellon.com

Annual Meeting

The annual meeting of shareholders will be held at 10:00 a.m. on Tuesday, May 18, 1999 at Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, 27th Floor, New York, New York 10004. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about March 31, 1999.

Internet

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

Trademarks

The following registered and unregistered trademarks, found in this annual report, are among those used by METTLER TOLEDO: Mettler-Toledo, Mettler, Jaguar, FormWeigh, ID20, OPRA, Bohdan, Safeline, Myriad Synthesizer Technology, Testut and Lutrana.

Form 10-K

Mettler-Toledo International Inc.'s Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 1998 is available to shareholders upon written request to the Investor Relations Department.

Investor Relations

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

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

Worldwide Facilities

Europe

Vienna, Austria
Lot, Belgium
Zagreb, Croatia
Prague, Czech Republic
Glostrup, Denmark
Leicester, England
London, England
Royston, England
Salford (Manchester), England
Evry, France
Paris, France
Viroflay, France
Albstadt, Germany
Giesen, Germany
Giessen, Germany
Herzogenrath, Germany
Budapest, Hungary
Novate Milanese, Italy
Sint-Michielsgestel, Netherlands
Tiel, Netherlands
Oslo, Norway
Warsaw, Poland
Moscow, Russia
Bratislava, Slovakia
Ljubljana, Slovenia
Barcelona, Spain
Stockholm, Sweden
Greifensee, Switzerland
Nänikon, Switzerland
Schwerzenbach, Switzerland
Urdorf, Switzerland
Uznach, Switzerland

Americas

San Paolo, Brazil
Burlington, Canada
Tampa, Florida
Vernon Hills, Illinois
Millersville, Maryland
Wilmington, Massachusetts
Mexico City, Mexico
Florham Park, New Jersey
Ithaca, New York
Columbus, Ohio
Worthington, Ohio
Spartanburg, South Carolina
Franksville, Wisconsin

Asia and Others

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

Board of Directors

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

Philip Caldwell*[1]
Retired Chairman of the Board and
Chief Executive Officer,
Ford Motor Company
Director since 1996

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

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

Laurence Z.Y. Moh[2]
Chairman, Chief Executive Officer,
Plantation Timber Production Limited;
Chairman Emeritus,
Universal Furniture Limited
Director since 1996

Thomas P. Salice[1, 2]
President,
AEA Investors Inc.
Director since 1996

1 Member of the Audit Committee

2 Member of the Compensation Committee

* Since May 18, 1998, Robert F. Spoerry has been Chairman of the Board. Prior to that time, Philip Caldwell was Chairman.

Corporate Officers

Lukas Braunschweiler
Head, Industrial and Retail, Europe

Peter Bürker
Head, Human Resources

William P. Donnelly
Chief Financial Officer

Karl M. Lang
Head, Laboratory

John D. Robechek
Head, Industrial and Retail, Americas

Thomas Rubbe
Head, Logistics and Information Systems

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