



# Capturing Global Opportunities

ANNUAL REPORT 2000

**METTLER TOLEDO**



# Capturing Global Opportunities

## Contents

## METTLER TOLEDO

Mettler-Toledo International Inc. is a leading global manufacturer 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. We also derive a competitive advantage from our application-oriented software, which processes the data captured by our instruments and integrates it into customers' information technology systems.

Headquartered in Greifensee, Switzerland, METTLER TOLEDO has manufacturing operations in Europe, the Americas and Asia, and sales and service operations in 37 countries. Approximately 8,000 people worldwide work for METTLER TOLEDO.

## This Annual Report

We are focusing our efforts on select growth opportunities around the world. For instance, we are targeting fast-growing market segments, such as drug discovery and logistics, with innovative solutions that no other competitor can offer. We are also leveraging our dominant position in dynamic emerging regions, such as China, to bring powerful benefits to our entire organization. Finally, we are pursuing major initiatives in areas such as procurement and product harmonization to ensure we take maximum advantage of our leading size, global breadth and solutions capability.

We believe the best way to share our story of growth is through the words of our employees, who are pursuing those opportunities each day. The employees featured in this annual report epitomize the intense drive, creativity and spirit, as well as diversity of cultures, that characterize our corporate family. Together, our employees have built our vast global distribution and service network, earned our respected brand name and established our technological leadership. We hope you enjoy meeting a few of them and learning more about METTLER TOLEDO's growth plans.

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

2 Letter to Shareholders

6 METTLER TOLEDO  
at a Glance

8 Capturing Global  
Opportunities

Automated Chemistry

Logistics

China

Process Analytics

Service

Procurement

Product Harmonization

Food Retailing

24 Management's Discussion  
and Analysis

32 Consolidated  
Financial Statements

46 Selected Financial Data

48 Corporate Information,  
Board of Directors,  
Executive Officers

## Financial Highlights

(Dollars in thousands, except per share data)

For the Years Ended December 31,	2000	1999	2000 Highlights
Net sales	\$1,095,547	\$1,065,473	9% growth in local currencies
Adjusted operating income <sup>(a)</sup>	\$142,841	\$123,682	15% growth
Adjusted operating margin	13.0%	11.6%	140-basis-point margin improvement
Earnings per share <sup>(b)</sup>	\$1.70	\$1.40	21% increase
Net debt to EBITDA	1.6	1.9	strong financial flexibility

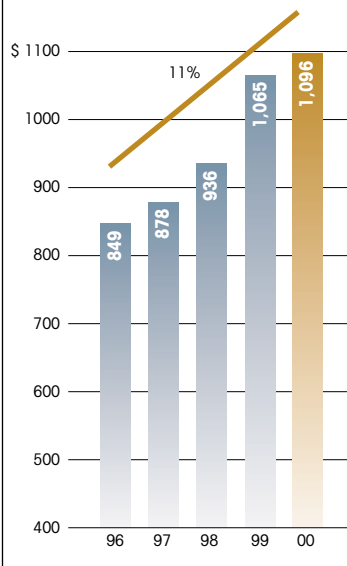
(a) Adjusted operating income represents gross profit less research and development and selling, general and administrative expenses and excludes amortization, other charges (income) and non-recurring costs.

(b) Diluted earnings per common share before non-recurring items such as acquisition charges and restructuring charges.

### Growing Sales

(In millions)

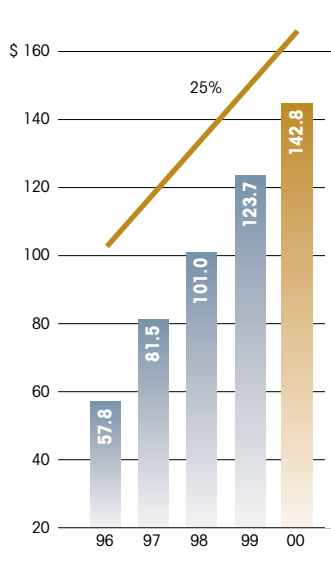
The compound annual growth rate in local currencies is 11%.



### Expanding Profitability

(In millions)

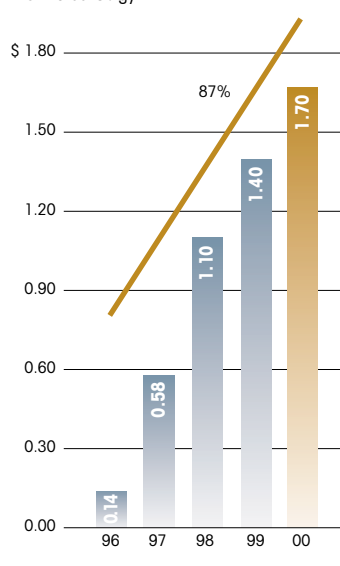
Adjusted operating income<sup>(a)</sup>



### Continuous Growth in Earnings Per Share

(In dollars)

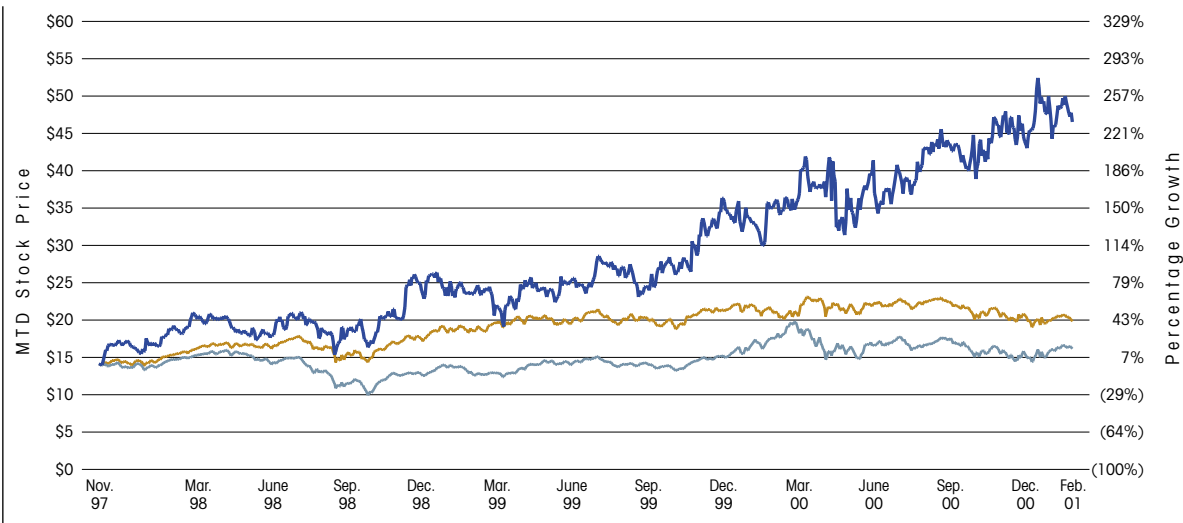
1996 is pro forma for the buy-out from Ciba-Geigy.



### Stock Appreciation

Daily from IPO to Feb. 9, 2001

■ METTLER TOLEDO Stock  
— S&P 500  
— Russell 2000



# Capturing Global Opportunities

Dear Fellow  
Investor



Robert F. Spoerry

We are pleased to report to you that METTLER TOLEDO continued to deliver solid results, build its franchise and create value for its shareholders in 2000.

Since our IPO in 1997, we have achieved significant financial success. We are consistently delivering EPS growth of more than 20 percent per year, while at the same time accelerating our organic sales growth. How are we accomplishing this? First, we are anchoring more and more of our business in higher-growth markets. For example, we are investing R&D and acquisition dollars in drug discovery, process analytics, transportation/logistics and end-of-line inspection systems. Second, we are gaining share in existing markets through sophisticated marketing, outstanding service and innovative solutions for our customers. Finally, we are expanding our presence in emerging markets, largely through building our sales and service network and leveraging the strength of our cost-effective R&D and manufacturing capabilities in China.

We see continued opportunities to deliver strong earnings and sales growth. In this annual report, we highlight strategic growth opportunities we have targeted around the globe. You'll hear directly from the leaders who are driving these initiatives. We are convinced that we have the most talented, experienced and dedicated group of employees in this industry. We further strengthened our team in 2000 by adding a number of highly skilled executives to our Company. We are also investing more than ever in our employees, including devoting increased resources to management development and technical training. We are immensely proud of their accomplishments as they continue to bring value to our customers and help our Company capture its many new growth opportunities.

## A busy year

The many significant actions we took in 2000 not only fulfilled our strategic plans but also readied our franchise for greater growth going forward.

In addition to strengthening our management team, we made key acquisitions to bolster our presence in the areas we are targeting for growth. Most notably, we expanded our leadership position in the rapidly growing drug discovery market. Our strategy is to provide solutions that automate and integrate the drug discovery process.



METTLER TOLEDO offers one of the broadest ranges of solutions for discovery, process development and scale-up and production of new drugs. Our focus areas in the drug discovery process are indicated here in darker blue. Our acquisition of Berger Instruments is highlighted in orange.

The acquisition of Berger Instruments' unique purification technology positions METTLER TOLEDO as an even more complete solution provider to the drug discovery market.

Our union with AVS, a leading provider of x-ray visioning for the inspection of packaged goods, broadens our portfolio of sophisticated end-of-line inspection solutions used by food and pharmaceutical companies. Our acquisition of Thornton, a leader in water purity measurement, broadens our offering to existing pharmaceutical and biotech customers and provides our process analytics business with access to additional high-growth market segments.

Many new product introductions also underscored our commitment to growth. Our product offering is as strong as ever. Our new products are already enjoying success, as they help customers improve their efficiency and productivity – in many cases, dramatically.

For example, our AX line of analytical balances gives scientists a wealth of new capabilities through its embedded software, unique Internet connection for remote monitoring and downloadable applications, and sensors that provide for single-handed operation. JagXtreme, our Internet-enabled industrial terminal, gives production managers the ability to perform monitoring and diagnostics off-site, including predicting equipment problems before they disrupt the manufacturing process. MultiMax, our high-throughput multiple-vessel lab reactor, incorporates FTIR technologies that enable chemists to perform real-time chemical analysis. As you can see, our innovative solutions – incorporating instruments, software and data integration – are redefining the industry and are increasingly distinguishing our Company.

## Capturing Global Opportunities



It is important to note that our efforts to grow are accompanied by our strong dedication to reduce costs and enhance productivity. In 2000, we formalized our global procurement initiative. By working with a smaller group of top-notch suppliers worldwide, we believe we will become more cost effective and further improve the quality of our products and processes. We also successfully completed the transfer of production of certain electronic balances and shipping scales from the United States to China to take advantage of our low-cost manufacturing there. We see continued opportunities to expand our operating margins in the coming years.

Our excellent performance in Asia was another highlight of the year and reflects the effectiveness of our growth strategies in the region. Our success has been driven in part by introducing into our extensive global distribution channel a number of products designed and produced in China.

### A successful year

We have successfully transformed these growth opportunities into excellent financial results.

METTLER TOLEDO achieved record sales and earnings in 2000. Sales of \$1.10 billion represented a 9 percent increase in local currency over 1999. This growth is noteworthy particularly in light of the high level of food retailing sales in 1999 due to Y2K and euro-conversion spending. Earnings per share (EPS), before non-recurring items, increased 21 percent to \$1.70 on a diluted basis, compared with \$1.40 in 1999. Adjusted operating income of \$143 million, or 13.0 percent of sales, represented a 15 percent increase over the prior year. We had set a target in 1996 to achieve a 12 percent margin in 2001; we more than exceeded that this year. Cash flow generation was again strong, with almost \$70 million in free cash flow before acquisitions and restructuring payments.

We believe our financial accomplishments for the year are solid evidence that we are delivering on our promises and confirm that we are moving toward higher-growth opportunities.

### More opportunities ahead

We look forward to building on last year's accomplishments.

We believe that METTLER TOLEDO is a truly great franchise, deriving strength from our powerful brand name, vast global service network and unique solutions capability. Our strong franchise gives us the springboard to pursue new areas of growth.

Our growth opportunities arise from our solutions approach to the principal challenges facing our customer base. Let me highlight a few examples.

Many of our customers are feeling pressure to accelerate time-to-market for new products, especially in the pharmaceutical and biotech industries, and our instruments help them increase throughput. Customers in all industry sectors are striving to comply with stringent regulatory and industry standards, which we can facilitate through specialized software features built into our products and through the service programs we offer. We are helping customers integrate information from our instruments directly into management information systems. Our customers then use this information to improve product quality as well as their own productivity. Our unique global product and service offering helps customers achieve uniform processes and quality anywhere in the world. In short, we aim to convince you that METTLER TOLEDO is in an exceptionally strong position to grow through our innovative solutions consisting of sensor technologies, software and a broad offering of services.

Acquisitions will also remain an integral part of our growth strategy. We have a powerful acquisition platform in the instrument industry. In particular, our acquisitions leverage our global sales and service network, respected brand, extensive distribution channels and technological leadership, which in turn generates significant value for our shareholders.

While we are ready to exploit all these opportunities, we also recognize that the economic environment is more uncertain today than in recent years. Since our principal end markets are pharmaceutical and food, however, we believe we are somewhat less sensitive to economic downturn. We will monitor economic indicators closely and review what actions might become appropriate going forward.

As this year's annual report indicates, we relish the chance to showcase the talent of our employees. Indeed, we wish we could have featured more of them in this report. We thank them for their boundless energy, creativity, enthusiasm and determination. They make it possible for us to identify and seize opportunities for growth around the world.

We have a similar feeling of pride for our customers, who are the world's largest and best-known companies. We remain deeply grateful to them for asking us to be partners as they pursue their own efforts to improve their processes on a global scale.

To you, our investors, please accept our ongoing appreciation for your confidence and support. We invite you to continue the journey with us as we capture exciting new opportunities for global growth.

Sincerely,



Robert F. Spoerry  
Chairman, President and Chief Executive Officer

February 9, 2001





# METTLER TOLEDO At A Glance

## Laboratory

## Industrial / Retail



**Industrial Scales and Balances** provide industry solutions for production and logistics.



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



**Vehicle Weighing Solutions** use heavy-capacity scales with specialized application software for inventory management and highway enforcement.



**End-of-Line Inspection Systems** combine checkweighers, metal detectors, x-ray and other technologies with application-specific software packages to ensure the quality and quantity of packaged goods.



**Application-Specific Software Packages** gather and analyze vital data captured by instruments and integrate that data into customers' information or enterprise resource planning systems.



**Integrated Dimensioning and Weighing Solutions** facilitate logistics and allow complete and accurate freight tariff calculation for the transportation industry.



**Retail Weighing Systems** are integrated systems that combine weighing instruments with scanners, cash registers and backroom equipment to facilitate perishable goods management in food retailing companies.



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

## Markets

PHARMACEUTICAL / BIOTECH

FOOD AND BEVERAGE

FOOD RETAILERS

CHEMICALS

COSMETICS

LOGISTICS

ELECTRONICS

GOVERNMENT STANDARDS LABS

JEWELRY AND PRECIOUS METALS

EDUCATIONAL INSTITUTIONS

PLASTICS / RUBBER

METAL





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



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



**Automated Sample Preparation** products increase productivity in the laboratory by reducing manual work.



**Purification Systems** analyze and purify chemical compounds to improve the accuracy of screening in the drug discovery process.



**Density Meters/Refractometers** measure chemical concentrations in solutions.



**Titration** provides accurate measures of concentrations in liquids.



**Thermal Analysis Systems** facilitate consistency of material characteristics of compounds.

## Key Facts

Our worldwide market share for weighing instruments is estimated at more than twice the level of our next competitor.

More than 80 percent of our instrument sales are from products that are the global leaders in their segment.

In the field of drug discovery, we offer one of the broadest ranges of automated solutions for discovery, process development and scale-up and production of new drugs and compounds.

Our customer base is well diversified in terms of end markets and geography; no one customer accounts for more than 3 percent of sales.

We have one of the most expansive global sales and service organizations among precision instrument companies, with more than 4,000 sales and service employees located in 37 countries.

Our R&D includes more than 700 professionals with more than 60 percent focused on electronic hardware and software.



**Process Analytics Instruments** provide for the in-line measurement of liquid parameters in the production process of pharmaceutical, biotech and other companies.



**pH Meters** are used to measure acidity of solutions.

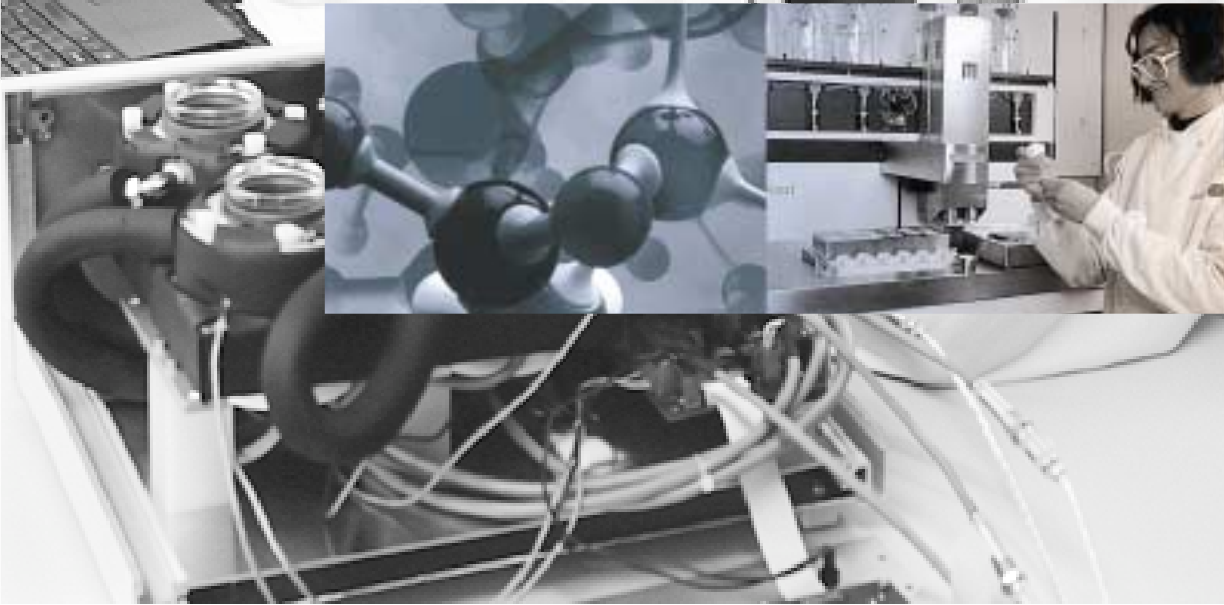


**Analytical/Precision Balances** are vital to research and development and quality control in almost any industry. **Pipettes** are used for measuring and dispensing small volumes of liquids.



Steve Allen recently joined  
METTLER TOLEDO to lead  
our automated chemistry  
group to serve the growing  
drug discovery market.  
Working with Steve are  
(clockwise) Edward Gordon,  
Henry Dubina, Richard Gray  
and Laurence Baron.

Capturing Global Opportunities



# Automated Chemistry: Accelerating Drug Discovery

Thousands of new drug targets will likely be discovered in the next 10 years, compared with only 500 targets to date. Pharmaceutical companies are seeking tools that simplify, automate and accelerate the drug discovery process, so they can bring new drugs to market faster. Automation for drug discovery is an exciting market, growing at 15 to 20 percent annually, and METTLER TOLEDO is positioning itself as a market leader in selected segments.

## What are the key needs of pharmaceutical and biotech companies?

**Steve Allen** Advances in genomics, combinatorial chemistry and high-throughput screening are creating a huge number of potential new drug candidates. The challenge for pharmaceutical companies is mind-boggling: there are more potential drug-like materials to address these targets than there are atoms in the universe! In the race to introduce new drugs, the R&D bottleneck has now shifted from target identification to drug discovery and development.

As a result, pharmaceutical and biotech customers are looking to “industrialize” their labs – to incorporate parallel chemistry, automation, robotics, miniaturization and integrated solutions to improve productivity. METTLER TOLEDO is uniquely positioned to help customers achieve that goal, given our size, global presence, market position and technological

capability. We offer one of the industry’s broadest ranges of solutions for discovery, research, development and production.

## Isn’t breakthrough technology more likely to come from a small company?

Our competitors are often small start-ups or in-house R&D functions. Many of them excel at developing individual technologies, as we saw with Myriad synthesizers, ASI reaction monitors and Berger purification technology. However, what is becoming more important is the ability to integrate various technologies to eliminate steps and make the process more efficient. METTLER TOLEDO has the R&D resources, process know-how and solutions expertise to make this happen. For example, by integrating proprietary FTIR and lab reactor technologies, our MultiMax lab reactor enables scientists to run multiple chemical reactions simultaneously and analyze those reactions in real time, significantly accelerating the process development cycle. In addition, our global presence and credibility enable us to back up our technology offerings in a way that far outdistances us from our competition.

## What is METTLER TOLEDO’s strategy in this area?

We will expand our portfolio through acquisitions, alliances and internal development. Acquiring Berger Instruments was a perfect example of our strategy to further automate and integrate drug discovery. Through Berger, METTLER TOLEDO became the market leader in Supercritical Fluid Chromatography, a high-performance technology used to analyze and purify chemical compounds before screening. By increasing throughput, reducing waste and improving accuracy, this technology helps scientists eliminate the false leads that hinder the screening process. METTLER TOLEDO is already the leader in automated products for sample preparation and synthesis, steps that precede purification in the front end of the drug discovery process. We intend to acquire other technologies and continue to develop integrated solutions to expand our array of offerings.







Tim Haynes runs our logistics business. His leadership team includes (from left) Jeff Adams and Richard Reisbig, pictured here at the hub of a major express carrier. The trio works in partnership with Bob McNaughton of our North American Marketing Organization.

Capturing Global Opportunities



# Logistics:

## Achieving Higher Throughput

METTLER TOLEDO's logistics business has over \$50 million in sales, with superior market growth rates. Exciting new technologies are helping us capture a larger share of this burgeoning market. We are currently the leading supplier of automatic identification and data capture solutions to optimize the shipment and tracking of packages worldwide.

### What is driving the tremendous growth in this market?

**Tim Haynes** Primarily, the globalization of business. Companies are increasingly conducting business across geographic boundaries, and transportation/logistics suppliers are instrumental in supporting those efforts. Also fueling growth is the heightened speed of doing business, as evidenced by the explosion in e-commerce and the emphasis on just-in-time methods.

Customers are seeking solutions to speed throughput, lower costs, increase revenue and ensure first-rate service to their own customers. We are addressing those needs as the leading global supplier of automatic identification and data capture solutions, which integrate in-motion weighing, dimensioning and identification technologies. With these solutions, companies such as FedEx can measure the weight *and* cubic volume of packages for appropriate billing, logistics planning and quality control. Our solutions also

integrate into information systems that allow customers to track the progress of packages via the Internet.

### Why is METTLER TOLEDO the right partner for transportation/logistics companies?

Our solutions provide our customers with greater accuracy and higher throughput than competitors' products. Based on a thorough understanding of customer processes, we can match our solutions precisely to customer needs.

Our global presence gives us the ability to provide world-class service in virtually all major locations around the world. Most of our competitors have limited global capabilities.

What's more, our technical knowledge of local weights and measures regulations and our application know-how result in effective installations and provide ongoing support for customers.

### What will the future bring?

All signs point to the market's continued growth and expansion. Our commitment to this industry was underscored in 2000 when we converted our dimensioning joint venture into a wholly owned subsidiary, giving us greater flexibility to grow this business.

We intend to expand relationships with customers on a global scale and at all levels within their organizations. We will continue to offer them solutions incorporating the latest technologies and features – such as remote diagnostics, higher speed and further accuracy – as well as more tightly integrated solutions. We also will continue to build our software, systems integration and service offerings, and sell our solutions in both developing and established markets.







Ted Xia (on the left in the large photo) manages our lab facility in Shanghai while David Kuo heads up our industrial/retail facility in Changzhou. Other key members of our Chinese team, shown in the photo above, include Yun Liu (second from left), who heads up Industrial/Retail sales, and Maple Xu (far right), who is responsible for production in Shanghai.

Capturing Global Opportunities





# China:

## Gaining Cost Advantages

China has become one of the world's most exciting markets. METTLER TOLEDO is the largest weighing company in China, employing 600 people in its Shanghai and Changzhou facilities, with more than 10 percent dedicated to R&D. As a platform for low-cost products for both local and global markets, China represents an outstanding avenue for increased profitability and growth.

### How are you making the most of China's cost advantages?

**Ted Xia** We are leveraging our Chinese manufacturing and R&D as a platform for low-end products, which are necessary to increase our penetration of emerging markets. At the same time, we are supplying these products to complementary channels in North America and Europe. We are transferring production of many low-end products from Europe and North America to China – the most recent examples being our Ohaus electronic laboratory balances and our shipping scales.

We generally obtain 20 percent cost savings from products manufactured in China – and even more if they are developed here – which gives us a great competitive advantage. For example, we anticipate savings of \$6 million per year from the transfer of Ohaus production.



### What other factors make China so attractive?

China in itself is a great market for us. China is striving to meet stringent global quality standards so it can be a significant exporter. An increasing number of multinationals are investing in China. And the local market is continuing its transformation from mechanical to electronic weighing.

For these reasons, we are working hard to win a larger share of the market. Our sales in China have grown significantly in recent years, and we expect about 15 percent growth in the near future. We have developed and launched more than 50 new products in China in the past two years, and will maintain that momentum in 2001. These results reflect the effectiveness of our growth strategies for the region.



### What are the main drivers of success in this region?

Clearly, our employees. Our strong reputation in the Changzhou and Shanghai areas helps us to attract an excellent workforce. For example, we have one of the market's most effective sales networks, with a force of 120 and growing. We also believe our local R&D resources can rival those of much larger multinational companies in China. A substantial number of our Chinese employees are also shareholders and understand the importance of sustainable growth.

A related success driver is our global culture. Many companies have tried to move the manufacturing of products to China and have failed. Our colleagues in North America and Europe have been important in enabling our Chinese operations to succeed.

Another factor is our distribution channel and its ability to reach the farthest outposts of the market. Much of the growth in weighing comes from emerging markets. Our combination of global distribution and cost-effective R&D and manufacturing positions us to capture this growth.



Olivier Filliol leads our process analytics business, which provides instruments for the in-line measurement of liquid parameters in the production process of pharmaceutical and biotech companies. Here Olivier consults with key team members in a plant of a large biotech customer.

Capturing Global Opportunities





# Process Analytics: Ensuring Total Quality

In the ongoing quest to improve product quality and production efficiency, manufacturers are adopting sensor technologies for in-line process control. Our process analytics business is the leading supplier of pH and oxygen measurement instruments used in bio-pharmaceutical manufacturing, and is well positioned to accelerate its growth in this market. With our acquisition of Thornton and its water monitoring instrumentation, we have expanded our technology offering in process analytics and tapped new fast-growing market segments.

## **What basic customer needs are met by in-line process control?**

**Olivier Filliol** For bio-pharmaceutical companies, the key is speed in getting new products to market, which means they need fast and secure scale-up and production. They also want help in ensuring reproducible product quality, compliance with safety standards and validation of the integrity of their manufacturing process. Our sophisticated in-line measurement systems help them achieve all of these objectives.

## **What is behind the rapid growth in this sector?**

There is a clear trend to in-line measurement in place of manual systems where the samples are pulled off the line and then analyzed in a lab. In-line systems ensure

100 percent quality control without stopping production, and give managers immediate feedback and the ability to pinpoint deviations from desired conditions. These systems can also accommodate special production needs, such as the requirement for ultra-pure water in the pharmaceutical industry.

Customers continue to upgrade older measurement systems, as they attempt to better control their processes, guarantee safety and control costs through automation.

In addition, more manufacturers are choosing to partner with a company that can provide analytics expertise, as well as support and maintenance. An increased focus on life-cycle costs is also benefiting high-quality products with lower maintenance requirements, such as those provided by METTLER TOLEDO.

## **How is METTLER TOLEDO uniquely positioned to serve this market?**

METTLER TOLEDO is the recognized leader in process analytics.

First, we have the right solutions to meet customer needs. For example, our solutions meet the validation processes required for GMP (Good Manufacturing Processes) and a variety of regulatory standards. In addition, our solutions are flexible and meet requirements from small-scale, pilot production to sophisticated, full-scale production.

Second, we have a dedicated, highly trained analytics sales force. No other competitor has “chemical specialists” as we have; our competitors tend to use the same sales force to handle both general measurement and specialized process control instruments.

Finally, we are the only process analytics company with worldwide coverage and deep field competence. This is a critical advantage as our customers increasingly standardize their process control instruments on a global basis. Our customers achieve the same quality service from Shanghai, China, to Basel, Switzerland, to Groton, New York.





Tom Lowery leads our vast global service network.

(From right) Hans Joerg Burkhard and Maureen Koegel are members of our lab service organization in North America. They work closely with our North American Marketing Organization, led by Ken Peters.

Capturing Global Opportunities





# Service:

## Delivering Global Capabilities

METTLER TOLEDO's service business, widely regarded as the best in the precision instrument industry, is growing at double-digit rates, as customers choose to outsource their service requirements to us. Our global presence and reputation for quality make us a logical choice not only to provide service on our instruments but also to manage customer assets.

### What trends in your customer base affect your service opportunities?

Tom Lowery

Customers, particularly pharmaceutical customers, are continuing to outsource non-core activities such as service. In almost all cases, we can provide higher-quality service at lower costs than the customer can. We also can help customers assess the total cost of owning and servicing specific assets. For example, pharmaceutical giant Bayer has contracted us to fully manage its 2,500 laboratory balances of various brands in North America.

As this indicates, our customers are looking far beyond repair to value-added services that give them competitive advantages in their marketplace. Our value-added services encompass maintenance, calibration, traceability, certification, asset management, software upgrades, data integration and training.



### How is METTLER TOLEDO meeting these demands?

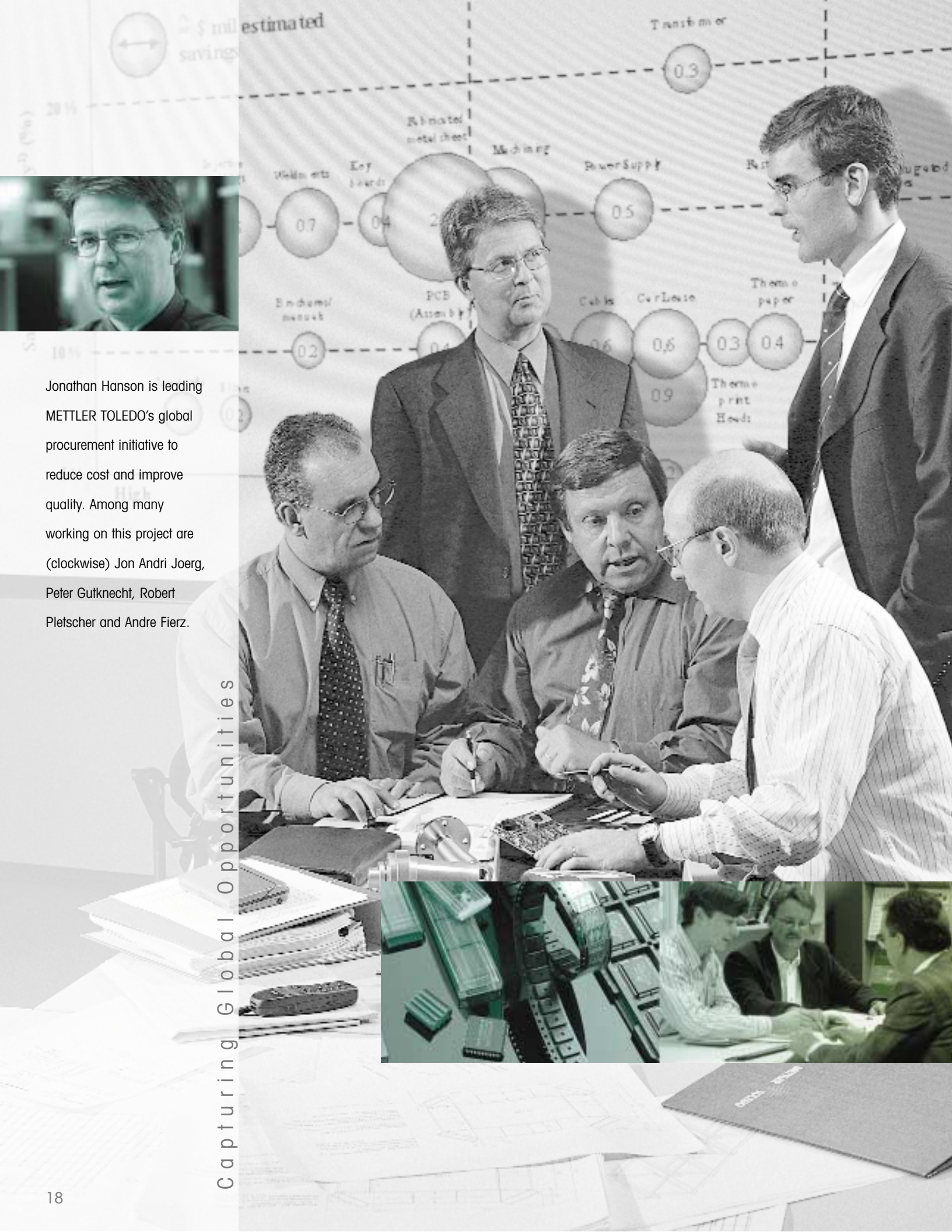
Through our unmatched global presence and competence.

We have the largest, best-trained global service network in the industry. While many other instrument companies rely on third-party service providers for meeting customer service requirements, we have more than 1,500 technicians in 37 countries dedicated to providing service on our instruments and related solutions. Furthermore, our technicians are equipped with personal computers, telecommunications equipment and other proprietary technology to optimize their service to customers. One of the many companies that rely on our service strengths is DHL Worldwide Express; we provide sophisticated know-how and consistent high-quality service in 180 locations in 30 countries to help it meet precise delivery schedules.

### How do you see the service world changing over the next few years?

The move toward outsourcing will continue. With our product and application expertise and our global service capability, we are uniquely positioned to meet this trend.

As customers emphasize improved productivity, equipment uptime will become more critical. Our innovative products combined with our world-class service specifically address this need. Many of our new products feature built-in sensors to predict equipment failure *before* the equipment actually fails, which allows us to maximize the uptime for our instruments. In addition, we can remotely diagnose and resolve many instrument and software problems. We also provide our field technicians with access to real-time information on-site to anticipate and solve problems promptly.



Jonathan Hanson is leading METTLER TOLEDO's global procurement initiative to reduce cost and improve quality. Among many working on this project are (clockwise) Jon Andri Joerg, Peter Gultknecht, Robert Pletscher and Andre Fierz.

Capturing Global Opportunities



# Procurement:

## Maximizing Purchasing Power

Our global procurement initiative aims to reduce our supplier base to a select group of high-quality suppliers from all parts of the world. By doing so, we believe we can ensure maximum cost effectiveness and higher quality products and processes. We also expect to increase operating margins through an improved procurement effort over the next five years.

### What are the objectives of the initiative?

Jonathan Hanson

One of METTLER TOLEDO's major strategies is the continuous effort to improve productivity and reduce cost. At hundreds of millions, our spending with third-party suppliers is our single largest cost bloc. Our procurement processes must be world class if we are to maximize our competitiveness in the marketplace and deliver value to our shareholders.

In 2000, we put together a cross-functional team from more than 20 units in 14 countries – a truly global initiative. The team's objectives: improve product and process quality and drive down our costs. In the initial phase of the project, we attacked nearly 20 percent of our total spending and expect to save more than \$10 million. As we gradually implement this process across future phases, we believe we will achieve significant savings.

It isn't just about price, though. By using the highest-quality suppliers, we ensure our customers have access to the latest technology available in the market.



### How is this initiative coordinated over so many countries and operating units?

We attribute much of METTLER TOLEDO's success in the market to our organizational structure, which pushes decision making and accountability down to the local level. We feel this allows us to be closer to the customer, accelerates decision making and ensures proper accountability. Our procurement initiative requires careful balancing of this philosophy with "collaborative procurement," where teamwork enables us to leverage the power of our global spending as well as the expertise necessary to effectively procure sophisticated components. In other words, we want to leverage our volume and know-how while improving product quality and time-to-market and maintaining accountability.

### When will you complete the initiative?

In a sense, the project will never end. It will only transform from a project state to a way of doing business. We are changing our processes – indeed, we are changing the way we do business. We believe that, through improving our procurement processes, we will make significant strides in cost savings and productivity for the remainder of this decade.





Urs Widmer is coordinating our global product harmonization initiative for our industrial solutions. His global team includes Todd Manifold (standing), Johannes Schmid (left) and Juergen Foell. Here the team is at work in our R&D facility in Albstadt, Germany.

Capturing Global Opportunities





# Product Harmonization: Creating Streamlined Solutions

The globalization of our customer base and the harmonization of regulatory standards worldwide have significantly altered the environment in which we do business. We are using these changes as an opportunity to standardize our product lines on a global basis and streamline our organizational structure. This harmonization process will greatly improve our cost structure and enhance our ability to provide global solutions for customers.

## **What industry changes are making it possible to standardize products?**

Urs Widmer

Historically, regulations for weights and measures have been unique to countries. This required us to have development and manufacturing capabilities in both Europe and the United States to support those differences. As countries have adopted common regulatory standards, many of these local complexities disappear, paving the way for us to realign and consolidate our manufacturing resources over many product lines. As much as possible, we will harmonize our product lines worldwide.

Another sweeping change is that our customers are globalizing their operations and setting up manufacturing and research facilities around the world. As they do so, they are seeking standardized processes to ensure consistent quality and service to their own customers. For example, Procter & Gamble has

standardized its batch-manufacturing processes on our JagXtreme industrial terminal in many plants worldwide. This standardization allows Procter & Gamble to leverage its process control activities and training to ensure the highest-quality products.

## **What are the expected benefits for METTLER TOLEDO?**

Ultimately, further competitive advantage. No one else can approximate our global reach, and thus, our ability to offer harmonized product lines for customers and obtain related benefits for our Company. With streamlined offerings, our sales and service professionals will require less frequent training and reduced parts inventory. R&D resources will be redeployed for new value-added products, allowing us to gain incremental growth. In addition, consolidated operations will produce significant savings and more efficient use of invested capital.

## **So the primary benefit is cost savings?**

Actually this strategy has important offensive benefits, including our ability to provide even better solutions and service to our customers. For example, by freeing resources from duplicative projects, we can invest in new software applications for key markets, which helps customers and increases our growth rate.

In addition, with standardized offerings, we can help customers globalize their processes and become more efficient. For instance, we offer easy-to-use, standardized man-machine interfaces, which mean less training for customers and better compatibility with their systems. Our solutions comply with standard industry network and software protocols, making it easy for customers to use common systems throughout all of their processes worldwide. More and more of our solutions also feature Internet capabilities, which enable customers to achieve dramatic process improvements across operations in diverse locations.



POISSONNIER



Jochen Wienbeck is working on our retail initiative surrounding the euro currency in Europe. His colleagues in this effort include Roland Schmider (left) and Jacques Fruchet. Here the team is visiting one of our largest retail customers in France.

Capturing Global Opportunities



# Food Retailing:

## Pursuing Euro Opportunity

METTLER TOLEDO is the leading provider of sophisticated network solutions for perishable goods management. Consumers in Europe are demanding that food retailers operate with both euro and local currencies in anticipation of the changeover to the euro in 2002.

This requirement is accelerating the replacement cycle for equipment and represents an excellent opportunity for growth.

### **Besides the transition to euro currency, what forces are shaping the food retail market?**

Jochen Wienbeck

The first significant trend is globalization. Food retail customers, such as WalMart, Safeway and Carrefour, are setting up operations or making acquisitions in countries far from their home base.

Technology is also having a great impact on our customers. Retailers are seeking up-to-the-minute information about customer shopping patterns and preferences, all in an effort to make the most profitable purchasing and merchandising decisions.

### **What distinguishes METTLER TOLEDO in this market?**

Our greatest strength is our information technology solution. Our OPRA retail scale, a key element of our perishable goods management solution, is the first Internet-enabled weighing instrument in the industry.

OPRA enables customers to remotely manage pricing, run promotions, support frequent-shopper programs, download software, manage inventory and more. Our equipment can also accommodate required dual-currency displays and, through its Internet capabilities, can automatically adjust for conversion to the euro.

In addition, we are the only global supplier serving this industry. We are well recognized as the supplier with the broadest geographic reach, with strong service networks throughout the Americas, Europe and Asia. We are present virtually everywhere our customers are and can satisfy their weighing, packaging and labeling needs within all types of sales outlets.

### **How will industry changes translate into growth for METTLER TOLEDO?**

Euro-related business will generate incremental sales in 2001. However, it is only a small piece of the opportunity we see to grow our food retailing business.

We understand the processes and needs of major retailers, who are adopting a global perspective, centralizing their investment goods purchasing and instituting a uniform image for their stores worldwide. As our customers grow and expand, we can offer them consistent, high-quality service in all global locations. The opportunity to be a strategic global supplier to the large chains is a tremendous opportunity for our retail franchise and one which should spur growth in coming years.





## 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 worldwide in many of our markets and attribute this leadership to several factors, including the strength of our brand name and reputation, our comprehensive solution offering, the quality of our global sales and service network, our continued investment in product development, our pursuit of technology leadership and our focus on capitalizing on opportunities in developed and emerging markets. While all of our businesses have significant strategic links in terms of technology or customer base, we have a geographically diverse business which serves customers in relatively healthy and stable end markets, including the pharmaceutical, biotech and food industries.

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

Net sales in local currency increased 9% in 2000, 16% in 1999 and 8% in 1998. The strengthening of the U.S. dollar versus our major trading currencies reduced U.S. dollar-reported sales growth in each year. Net sales in U.S. dollars increased 3% in 2000, 14% in 1999 and 7% in 1998. In 2000, we had local currency sales growth of 11% in Europe, 6% in the Americas and 13% in Asia and other markets.

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

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

We increased our Adjusted Operating Income (gross profit less research and development and selling, general and administrative expenses before amortization and non-recurring costs) as a percentage of net sales from 10.8% in 1998 to 13.0% in 2000. This improved performance was achieved while we continued to invest in product development and in our distribution and manufacturing infrastructure. We believe that a significant portion of the increase in our Adjusted Operating Income resulted from our strategy to reduce costs, re-engineer our operations and focus on the highest value-added segments of the markets in which we compete.

### Recent Acquisitions

In 2000, we acquired Berger Instruments, Thornton Inc. and AVS. We also increased our shareholding in Cargoscan to 100%.

Berger Instruments, based in Delaware, USA, is the market leader in Supercritical Fluid Chromatography (SFC), a high-performance technology used to analyze and purify chemical compounds during drug discovery. Berger Instruments is an excellent complement to our portfolio of automated drug discovery solutions. We already have a leading position in sample preparation and synthesis. Purification is the next process step after synthesis. Berger allows us to further our strategy of providing solutions that automate and integrate the drug discovery process and therefore help our customers improve the efficiency, throughput and accuracy of their processes.

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

AVS, UK-based, is a leader in x-ray visioning solutions used in the inspection of packaged goods. We are the leading global provider of integrated end-of-line inspection solutions. These high throughput solutions incorporate sensor technologies and software to assist customers in fulfilling validation requirements and in improving their quality and yield. Through AVS, we add x-ray-based vision inspection, which is ideal for identifying non-metallic contamination in packages and where metal packaging prevents detection by conventional means. We feel that AVS is an excellent strategic complement to our existing offering of metal detection, checkweighing and related quality control software systems.

Cargoscan is the premier provider of dimensioning technology used by major express carriers, freight forwarders, third-party logistic entities and distribution companies. We believe we are uniquely positioned to serve this industry given our global presence and our technical knowledge of local regulatory requirements. This transaction underscores our commitment to the transportation and logistics sector and will allow us the flexibility and faster decision-making necessary to exploit the substantial growth of this market.

In 1999, we acquired the Testut-Lutrana group, a leading manufacturer and marketer of industrial and retail weighing instruments in France with annual sales of approximately \$50 million. We believe this acquisition is an excellent strategic fit given Testut-Lutrana's extensive sales and service network in France and excellent brand recognition. By virtue of this acquisition, we assumed the leading position in food retail weighing in Europe and are well positioned to meet the rapidly changing demands of our European customer base.



In 1999, we also signed an agreement to convert our 60% joint venture in Changzhou, China, into a legal structure that provides us with full control. Through this change in ownership, we are able to fully leverage this low-cost manufacturing base for international markets. This move underscores our strategic commitment to Asia and our belief in the fundamental growth factors for the region.

In 1998, we acquired three technologically advanced instrument companies in the drug discovery sector: Applied Systems, Bohdan Automation Inc. and Myriad.

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.

Bohdan is a leading supplier of laboratory automation and automated synthesis products to the automated drug and chemical compound discovery market used in research for life science applications. Myriad 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.

## Cost Reduction Programs

As part of our efforts to reduce costs, we evaluate from time to time the cost effectiveness of our global manufacturing strategy. In 2000, we recorded a charge of \$1.4 million related to the close-down and consolidation of operations. Over the next few years, we also intend to continue to develop China as a low-cost manufacturing resource and to seek other manufacturing cost-saving opportunities. In this respect, we recorded a charge of \$8.0 million in 1999 associated with the transfer of production lines from the Americas to China and Europe and the closure of facilities. These charges relate primarily to severance and other related benefits and costs of exiting facilities, including lease termination costs and the write-down of impaired assets. We believe that the future cash benefits of these programs will exceed the costs, although the cash outflows will precede the cash flow benefits. Activities related to the charge recorded in 1999 were significantly completed in 2000.

In 1999, we launched a worldwide procurement project. The project is intended to eliminate price differences between units, leverage potential opportunities to increase buying power, and establish worldwide sourcing arrangements. We envision it will take at least two years to obtain anticipated benefits from this project.

During 1999, we also exited our glass batching business based in Belgium. In this respect, we incurred losses of \$4.1 million during 1999 primarily for severance and other costs of exiting this business. We completed our exit of the glass batching business by the end of 1999.

## Results of Operations

The following table sets forth certain items from our consolidated statements of operations for the years ended December 31, 2000, 1999 and 1998 (amounts in thousands).

	2000	1999 <sup>(a)</sup>	1998 <sup>(b)</sup>
Net sales	\$1,095,547	\$1,065,473	\$935,658
Cost of sales	600,185	585,007	520,190
Gross profit	495,362	480,466	415,468
Research and development	56,334	57,393	48,977
Selling, general and administrative	296,187	300,389	265,511
Amortization	11,564	10,359	7,634
Purchased research and development	—	—	9,976
Interest expense	20,034	21,980	22,638
Other charges, net <sup>(c)</sup>	2,638	10,468	1,197
Earnings before taxes and minority interest	\$ 108,605	\$ 79,877	\$ 59,535
Adjusted Operating Income <sup>(d)</sup>	\$ 142,841	\$ 123,682	\$100,980

- (a) In connection with acquisitions in 1999, including the acquisition of the Testut-Lutrana group, we allocated \$998 of the purchase price to revalue certain inventories (principally work-in-progress and finished goods) to fair value (net realizable value). Substantially all such inventories were sold during the second quarter of 1999.
- (b) In connection with the Bohdan acquisition, we allocated, 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.
- (c) Other charges, net generally includes interest income, foreign currency transactions, (gains) losses from sales of assets and other items. The 2000 amount also includes a charge of \$1,425 related to the close-down and consolidation of operations. The 1999 amount includes a gain on an asset sale of approximately \$3,100, a charge of \$8,007 to transfer production lines from the Americas to China and Europe and the closure of facilities and losses of approximately \$4,100 in connection with the exit from our glass batching business based in Belgium. For the years ended December 31, 1999 and 1998, the amount shown also includes \$825 and \$650, respectively, of expenses incurred on behalf of certain selling shareholders in connection with our secondary offerings in 1999 and 1998, respectively.
- (d) 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) above. 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 as an indicator of our operating performance.

### **Year Ended December 31, 2000 Compared to Year Ended December 31, 1999**

Net sales were \$1,095.5 million for the year ended December 31, 2000, compared to \$1,065.5 million in the prior year. This reflected an increase of 9% in local currencies during 2000. Results for 2000 were negatively impacted by the strengthening of the U.S. dollar against other currencies. Net sales in U.S. dollars during 2000 increased 3%.

Net sales by geographic customer location were as follows: Net sales in Europe increased 11% in local currencies during 2000, versus the prior year. The increase reflected organic growth in our business and the effect of the Testut-Lutrana acquisition. Net sales in local currencies during 2000 in the Americas increased 6%. Net sales in Asia and other markets increased 13% in local currencies during 2000. The results of our business in Asia and other markets during 2000 reflect strong sales performance in China and Japan.

The operating results for Testut-Lutrana (which were included in our results from May 1, 1999) would have had the effect of increasing our net sales by an additional \$16.3 million in 1999.

Gross profit as a percentage of net sales was 45.2% for 2000 and 1999, before non-recurring acquisition costs in 1999. During 2000, we experienced an increase in certain raw material costs, including electronics.

Research and development expenses as a percentage of net sales were 5.1% for 2000, compared to 5.4% for the prior year. This decrease is the result of exchange rate movements.

Selling, general and administrative expenses as a percentage of net sales decreased to 27.1% for 2000, compared to 28.2% for the prior year.

Adjusted Operating Income increased 15% to \$142.8 million, or 13.0% of net sales, for 2000, compared to \$123.7 million, or 11.6% of net sales, for the prior year. The 1999 period excludes the previously noted non-recurring acquisition charge of \$1.0 million for the revaluation of inventories to fair value. The increased operating profit reflected the benefits of higher sales levels and our continuous efforts to improve productivity.

Interest expense decreased to \$20.0 million for 2000, compared to \$22.0 million for the prior year. The decrease was principally due to reduced debt levels.

Other charges, net were \$2.6 million for 2000, compared to other charges, net of \$10.5 million for the prior year. The 2000 amount includes a charge of \$1.4 million related to the close-down and consolidation of operations. The 1999 amount also included a gain on an asset sale of \$3.1 million, charges of \$8.0 million regarding the transfer of production lines from the Americas to China and Europe and the closure of facilities, losses of \$4.1 million to exit our glass batching business based in Belgium and a charge of \$0.8 million relating to the secondary offering completed in 1999.

Our effective tax rate of 35% before non-recurring items in 2000 was consistent with the previous year.

Net earnings were \$71.5 million in 2000, compared to \$57.9 million in 1999, before the \$1.4 million charge to close down and consolidate operations in 2000, and expenses for the secondary offering, acquisition charges and the \$8.0 million charge to transfer production lines from the Americas to China and Europe and the closure of facilities in 1999. This represents an increase of 23%.

### **Year Ended December 31, 1999 Compared to Year Ended December 31, 1998**

Net sales were \$1,065.5 million for the year ended December 31, 1999, compared to \$935.7 million in the prior year. This reflected an increase of 16% in local currencies during 1999. Results for 1999 were negatively impacted by the strengthening of the U.S. dollar against other currencies. Net sales in U.S. dollars during 1999 increased 14%.

Net sales by geographic customer location were as follows: Net sales in Europe increased 19% in local currencies during 1999, versus the prior year. The increase largely reflected the effect of Testut-Lutrana, as well as organic growth in our business. Net sales in local currencies during 1999 in the Americas increased 15% principally due to organic growth in our business, as well as the effect of businesses acquired. Net sales in Asia and other markets increased 11% in local currencies during 1999. The results of our business in Asia and other markets during 1999 primarily represented improved economic conditions throughout the region, which began in the fourth quarter of 1998.

The operating results for Testut-Lutrana (which were included in our results from May 1, 1999) would have had the effect of increasing our net sales by an additional \$38.8 million in 1998, if included from May 1, 1998.

Gross profit as a percentage of net sales increased to 45.2% for 1999, compared to 44.4% for 1998, before non-recurring acquisition costs.

Research and development expenses as a percentage of net sales increased to 5.4% for 1999, compared to 5.2% for the prior year. The increase primarily reflected increased research and development activity related to product introductions, as well as the effect of acquired businesses.

Selling, general and administrative expenses as a percentage of net sales decreased to 28.2% for 1999, compared to 28.4% for the prior year.

Adjusted Operating Income increased 22.5% to \$123.7 million, or 11.6% of net sales, for 1999, compared to \$101.0 million, or 10.8% of net sales, for the prior year. The 1999 period excludes the previously noted non-recurring acquisition charge of \$1.0 million for the revaluation of inventories to fair value. The increased operating margin reflected the benefits of higher sales levels and our continuous efforts to improve productivity.

Interest expense decreased to \$22.0 million for 1999, compared to \$22.6 million for the prior year. The decrease was principally due to reduced debt levels.

Other charges, net were \$10.5 million for 1999, compared to other charges, net of \$1.2 million for the prior year. The 1999 and 1998 amounts included charges of \$0.8 million and \$0.7 million relating to the secondary offerings completed in 1999 and 1998, respectively. The 1999 amount also included a gain on an asset sale of \$3.1 million, charges of \$8.0 million regarding the transfer of production lines from the Americas to China and Europe and the closure of facilities and losses of \$4.1 million to exit our glass batching business based in Belgium. The 1998 amount also included gains on asset sales offset by other charges.

Our tax rate in 1999 before non-recurring items was consistent with the prior year, excluding a benefit of approximately 5 percentage points or \$3.6 million based upon a one-time change in Swiss tax law which benefited only the 1998 period. The 1998 period also included non-deductible purchased research and development charges incurred in connection with the Bohdan acquisition.

Net earnings before expenses for the secondary offerings, acquisition charges and the \$8.0 million charge to transfer production lines from the Americas to China and Europe and the closure of facilities were \$57.9 million in 1999, compared to \$48.3 million in 1998. This represents an increase of almost 30%, excluding the one-time tax benefit of \$3.6 million received in 1998.

## Liquidity and Capital Resources

At December 31, 2000, our consolidated debt, net of cash, was \$266.6 million. We had borrowings of \$237.7 million under our credit agreement and \$50.7 million under various other arrangements as of December 31, 2000. Of our credit agreement borrowings, approximately \$127.8 million was borrowed as term loans scheduled to mature in 2004 and \$109.9 million was borrowed under a multi-currency revolving credit facility. At December 31, 2000, we had \$293.5 million of availability remaining under the revolving credit facility.

At December 31, 2000, approximately \$110.2 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 \$178.2 million at December 31, 2000. Changes in exchange rates between the currencies in which we generate cash flow and the currencies in which our borrowings are denominated affect our liquidity. In addition, because we borrow in a variety of currencies, our debt balances fluctuate due to changes in exchange rates.

Under the credit agreement, amounts outstanding under the term loans are payable in quarterly installments. In addition, the credit agreement obligates us to make mandatory prepayments in certain circumstances with the proceeds of asset sales or issuance of capital stock or indebtedness

and with certain excess cash flow. The credit agreement imposes certain restrictions on us and our subsidiaries, including restrictions and limitations on the ability to pay dividends to our shareholders, incur indebtedness, make investments, grant liens, sell financial assets and engage in certain other activities. We must also comply with several financial covenants. The credit agreement is secured by most of our assets.

Cash provided by operating activities totaled \$84.7 million in 2000, compared to \$91.3 million in 1999 and \$72.0 million in 1998. The decrease in 2000 resulted principally from a one-time payment of \$4.2 million associated with an early retirement plan from previous years, as well as an increase in inventory levels associated with product introductions, production transfers and increased safety stocks of electronics. In 1999, we also increased our accounts payable terms with many suppliers to improve our working capital efficiency. This resulted in an increase in cash provided by operating activities of \$16.2 million in 1999. We maintained these payment terms in 2000, and therefore, accounts payables were not a source of cash in 2000.

During 2000, we spent approximately \$55.5 million on acquisitions, including approximately \$10.2 million of additional consideration related to earn-out periods associated with acquisitions consummated in December of 1998, seller financing of \$27.6 million and working capital retained by sellers. These purchases were funded from cash generated from operations and additional borrowings. We continue to explore potential acquisitions. In connection with any acquisition, we may incur additional indebtedness. In addition, we expect 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. Our capital expenditures totaled \$29.3 million in 2000, \$29.2 million in 1999 and \$28.6 million in 1998. We expect capital expenditures to increase as our business grows, and fluctuate as currency exchange rates change.

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.

## European Economic and Monetary Union

Within Europe, the European Economic and Monetary Union (the "EMU") introduced a new currency, the euro, on January 1, 1999. 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 non-cash (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, where we also have operations, may 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 non-cash and cash transactions, we have developed our plans to address our accounting and business systems first and our business assets second. We were euro compliant within our accounting and business systems by the end of 1999 and expect to be 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 continue to assess 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 the 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 taxpayer within the group is determined either (i) on a non-consolidated/non-combined basis or (ii) on a consolidated/combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated/non-combined affiliated legal entities. As a result, we may pay income taxes to certain jurisdictions even though on an overall basis we incur a net loss for the period.

## 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 and Swiss franc on these foreign currency-denominated contracts indicates that if the U.S. dollar and Swiss franc uniformly worsened by 10% against all of our currency exposures, the fair value of these instruments would decrease by \$1.2 million at December 31, 2000, as compared with \$2.7 million at December 31, 1999. Any resulting changes in fair value would be offset by changes in the underlying hedged balance sheet position. The sensitivity analysis assumes a parallel shift in foreign currency exchange rates. The assumption that exchange rates change in parallel fashion may overstate the impact of changing exchange rates on assets and liabilities denominated in a foreign currency. We also have other currency risks as described under "Effect of Currency on Results of Operations."

We have entered into certain interest rate swap agreements in order to limit our exposure to increases in interest rates. These contracts are more fully described in Note 5 to our audited consolidated financial statements. Based on our agreements outstanding at December 31, 2000, a 100 basis point increase in interest rates would result in an increase in the net aggregate market value of these instruments of \$0.8 million, as compared with \$9.4 million at December 31, 1999. Conversely, a 100 basis point decrease in interest rates would result in a \$0.7 million net reduction in the net aggregate market value of these instruments, as compared with \$9.4 million at December 31, 1999. Any change in fair value would not affect our Consolidated Statement of Operations unless such agreements and the variable rate debt they hedge were prematurely settled.

We have designated certain of our Swiss franc debt as a hedge of our net investments. A sensitivity analysis to changes in the U.S. dollar on such debt at December 31, 2000 indicates that if the U.S. dollar weakened by 10% against the Swiss franc, the fair value of such debt would increase by \$9.7 million, as compared with \$5.1 million at December 31, 1999. 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 December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 did not have a material impact on our financial position and results of operations.

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, 2000. The adoption of this statement will not have a material effect on our financial condition or results of operations.

## 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; euro conversion issues; future financial performance, including expected capital expenditures; research and development expenditures; potential acquisitions; impact of completed acquisitions; future cash sources and requirements; liquidity; impact of environmental costs; and potential cost savings.

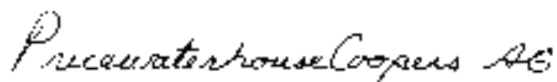
These forward-looking statements are subject to a number of risks and uncertainties, including those identified in Exhibit 99.1 to our Annual Report on Form 10-K, which could cause our actual results to differ materially from historical results or those anticipated and certain of which are beyond our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



## Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheets as of December 31, 2000 and 1999 and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Mettler-Toledo International Inc. and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The financial statements of the Company as of December 31, 1998 and for the year then ended were audited by other independent accountants whose report dated February 5, 1999 expressed an unqualified opinion on those statements.

The image shows a handwritten signature in dark ink that reads "PricewaterhouseCoopers AG". The signature is written in a cursive, flowing style.

Zurich, Switzerland

February 8, 2001

## Consolidated Balance Sheets

As of December 31

(In thousands, except per share data)

2000

1999

### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 21,725	\$ 17,179
Trade accounts receivable, less allowances of \$9,097 in 2000 and \$9,827 in 1999	212,570	203,750
Inventories, net	141,677	123,901
Other current assets and prepaid expenses	47,367	43,115

Total current assets	423,339	387,945
----------------------	---------	---------

#### Property, plant and equipment, net

199,388	199,723
---------	---------

Excess of cost over net assets acquired, net of accumulated amortization  
of \$29,664 in 2000 and \$21,313 in 1999

228,035	204,395
---------	---------

#### Other non-current assets

36,820	28,910
--------	--------

Total assets	\$887,582	\$820,973
--------------	-----------	-----------

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Current liabilities:

Trade accounts payable	\$ 80,513	\$ 81,234
Accrued and other liabilities	97,575	105,783
Accrued compensation and related items	51,968	53,510
Taxes payable	68,537	48,769
Short-term borrowings and current maturities of long-term debt	50,560	46,879

Total current liabilities	349,153	336,175
---------------------------	---------	---------

#### Long-term debt

237,807	249,721
---------	---------

#### Non-current deferred taxes

25,939	22,728
--------	--------

#### Other non-current liabilities

95,843	100,334
--------	---------

Total liabilities	708,742	708,958
-------------------	---------	---------

#### 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 39,372,873 and 38,674,768 (excluding 64,467 shares held in treasury) at

December 31, 2000 and 1999	393	386
----------------------------	-----	-----

Additional paid-in capital	294,558	288,092
----------------------------	---------	---------

Accumulated deficit	(68,307)	(138,426)
---------------------	----------	-----------

Accumulated other comprehensive loss	(47,804)	(38,037)
--------------------------------------	----------	----------

Total shareholders' equity	178,840	112,015
----------------------------	---------	---------

#### Commitments and contingencies

Total liabilities and shareholders' equity	\$887,582	\$820,973
--	-----------	-----------

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

## Consolidated Statements of Operations

For the years ended December 31

(In thousands, except per share data)

	2000	1999	1998
Net sales	\$1,095,547	\$1,065,473	\$935,658
Cost of sales	600,185	585,007	520,190
Gross profit	495,362	480,466	415,468
Research and development	56,334	57,393	48,977
Selling, general and administrative	296,187	300,389	265,511
Amortization	11,564	10,359	7,634
Purchased research and development	—	—	9,976
Interest expense	20,034	21,980	22,638
Other charges, net	2,638	10,468	1,197
Earnings before taxes and minority interest	108,605	79,877	59,535
Provision for taxes	38,510	31,398	20,999
Minority interest	(24)	378	911
Net earnings	\$ 70,119	\$ 48,101	\$ 37,625
Basic earnings per common share:			
Net earnings	\$ 1.80	\$ 1.25	\$ 0.98
Weighted average number of common shares	38,897,879	38,518,084	38,357,079
Diluted earnings per common share:			
Net earnings	\$ 1.66	\$ 1.16	\$ 0.92
Weighted average number of common shares	42,141,548	41,295,757	40,682,211

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



## Consolidated Statements of Shareholders' Equity

(In thousands, except share data)	Common Stock All Classes		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
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
Exercise of stock options	274,405	2	2,931	—	—	2,933
Comprehensive income:						
Net earnings	—	—	—	48,101	—	48,101
Change in currency translation adjustment	—	—	—	—	2,387	2,387
Minimum pension liability	—	—	—	—	4,759	4,759
Comprehensive income						55,247
Balance at December 31, 1999	38,674,768	\$386	\$288,092	\$(138,426)	\$(38,037)	\$112,015
Exercise of stock options	698,105	7	6,466	—	—	6,473
Comprehensive income:						
Net earnings	—	—	—	70,119	—	70,119
Change in currency translation adjustment	—	—	—	—	(9,767)	(9,767)
Comprehensive income						60,352
<b>Balance at December 31, 2000</b>	<b>39,372,873</b>	<b>\$393</b>	<b>\$294,558</b>	<b>\$ (68,307)</b>	<b>\$(47,804)</b>	<b>\$178,840</b>

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

## Consolidated Statements of Cash Flows

For the years ended December 31

(In thousands, except per share data)

	2000	1999	1998
Cash flows from operating activities:			
Net earnings	\$70,119	\$48,101	\$37,625
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	21,690	24,940	24,592
Amortization	11,564	10,359	7,634
Write-off of purchased research and development and cost of sales associated with revaluation of inventories	—	998	9,976
Net (gain) loss on disposal of long-term assets	427	(3,269)	(2,868)
Deferred taxes and adjustments to goodwill	1,487	(1,636)	(1,200)
Minority interest	(24)	378	911
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable, net	(12,437)	(19,437)	(16,391)
Inventories	(17,274)	(9,540)	(5,953)
Other current assets	(1,778)	11,363	3,300
Trade accounts payable	(2,958)	16,239	17,523
Accruals and other liabilities	13,898 <sup>(a)</sup>	12,844 <sup>(a)</sup>	(3,107) <sup>(a)</sup>
Net cash provided by operating activities	84,714	91,340	72,042
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	1,468	10,151	22,500
Purchase of property, plant and equipment	(29,304)	(29,188)	(28,633)
Acquisitions, net of seller financings	(26,377) <sup>(b)</sup>	(18,468) <sup>(b)</sup>	(28,925) <sup>(b)</sup>
Other investing activities	—	—	(885)
Net cash used in investing activities	(54,213)	(37,505)	(35,943)
Cash flows from financing activities:			
Proceeds from borrowings	29,239	20,640	23,019
Repayments of borrowings	(61,617)	(80,393)	(62,376)
Proceeds from issuance of common stock	6,473	2,592	532
Net cash used in financing activities	(25,905)	(57,161)	(38,825)
Effect of exchange rate changes on cash and cash equivalents	(50)	(686)	351
Net increase (decrease) in cash and cash equivalents	4,546	(4,012)	(2,375)
Cash and cash equivalents:			
Beginning of period	17,179	21,191	23,566
End of period	\$21,725	\$17,179	\$21,191
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$20,014	\$21,642	\$21,109
Taxes	16,523	25,952	20,285
Non-cash investing activities:			
Seller financings on acquisitions	\$27,638	—	\$11,960

(a) Accruals and other liabilities include payments for restructuring, certain acquisition integration activities and a one-time payment in 2000 associated with an early retirement plan from previous years. These amounts totalled \$10.3 million, \$5.9 million and \$9.4 million in 2000, 1999 and 1998, respectively.

(b) Amounts paid for acquisitions including seller financing, assumed debt and working capital retained by sellers were \$55.5 million, \$20.5 million and \$44.0 million in 2000, 1999 and 1998, respectively.

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

## Notes to the Consolidated Financial Statements

(In thousands unless otherwise stated)

### 1. Business Description and Basis of Presentation

Mettler-Toledo International Inc. ("Mettler-Toledo" or the "Company") is a 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 is also a leading provider of automated chemistry solutions used in drug and chemical compound discovery and development. The Company's primary manufacturing facilities are located in Switzerland, the United States, Germany, the United Kingdom, France and China. The Company's principal executive offices are located in Greifensee, Switzerland.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include all entities in which the Company has control, including its majority owned subsidiaries. Certain amounts in the prior period financial statements have been reclassified to conform with current year presentation.

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

The preparation of financial statements 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

The Company reviews its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

#### 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. 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 U.S. 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 Shareholders' Equity.



### Revenue Recognition

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

### Research and Development

Research and development costs are expensed as incurred.

### Earnings per Common Share

As described in Note 10, in accordance with the treasury stock method, the Company has included 3,243,669 and 2,777,673 equivalent shares relating to 5,173,777 outstanding options to purchase shares of common stock in the calculation of diluted weighted average number of common shares for years ending December 31, 2000 and 1999, respectively.

### 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, net.

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

The 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.

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

## 3. Business Combinations

During 2000, the Company spent approximately \$55.5 million on acquisitions, including approximately \$10.2 million of additional consideration related to earn-out periods associated with acquisitions consummated in prior years, seller financing of \$27.6 million and working capital retained by sellers which has been excluded from the purchase price allocation. The Company accounted for the acquisition payments using the purchase method of accounting. The Company may be required to make additional earn-out payments relating to certain of these acquisitions in the future.

In 2000, the Company acquired Berger Instruments, Thornton Inc. and AVS. The Company also increased its shareholding in Cargoscan to 100%. Berger Instruments is the market leader in Supercritical Fluid Chromatography (SFC), a high-performance technology used to analyze and purify chemical compounds during drug discovery. Thornton is the market leader in pure and ultra-pure industrial water monitoring instrumentation used in semi-conductor, micro-electronics, pharmaceutical and biotech applications. AVS is a leader in x-ray visioning solutions used in the inspection of packaged goods. Cargoscan is the leading provider of dimensioning technology used by major express carriers, freight forwarders, third-party logistic entities and distribution companies.

During 1999, the Company spent approximately \$20.5 million on acquisitions including the net assets of the Testut-Lutrana group, a leading manufacturer and marketer of industrial and retail weighing instruments in France. This amount includes approximately \$2.0 million of working capital retained by sellers which has been excluded from the purchase price allocation. The Company accounted for the acquisitions using the purchase method of accounting. Accordingly, the costs of the acquisitions were allocated to the assets acquired and liabilities assumed based upon their respective fair values. In this respect, the Company allocated \$1.0 million of the purchase price to revalue certain finished goods inventories to fair value. Substantially all of such inventories were sold in 1999.

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.

In 1998, the Company acquired Applied Systems, Bohdan Automation Inc. and Myriad. The Company accounted for these acquisitions 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 of Bohdan Automation based upon an independent valuation for purchased research and development costs for products being developed that had not established technological feasibility as of the date of acquisition and, if unsuccessful, had no alternative future use in research and development activities or otherwise.

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. Bohdan Automation Inc. is a leading supplier of laboratory automation and automated synthesis products to the automated drug and chemical compound discovery market used in research for life science applications. Myriad 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.

#### 4. Inventories, Net

Inventories, net consisted of the following at December 31:

	2000	1999
Raw materials and parts	\$ 67,379	\$ 53,685
Work-in-progress	37,289	33,073
Finished goods	38,148	37,769
	142,816	124,527
LIFO reserve	(1,139)	(626)
	<b>\$141,677</b>	<b>\$123,901</b>

#### 5. Financial Instruments

At December 31, 2000, the Company had certain interest rate swap agreements outstanding that fix the variable interest obligation associated with CHF 110 million of Swiss franc-based debt and \$50 million of USD-based debt. Certain of these agreements have forward starting dates commencing in 2001. The agreements have various maturities beginning in 2003 and continuing through 2004. The fixed rates associated with the swap of Swiss franc debt are approximately 3.5%, while the rates associated with the USD debt are approximately 6.0% plus the Company's normal interest margin. The swaps are effective at either one-month or three-month LIBOR rates. At December 31, 2000 and 1999, the fair market value of such financial instruments was approximately \$(0.5) million and \$2.4 million, respectively.

At December 31, 2000, the Company had outstanding foreign currency forward contracts in the amount of \$23.5 million. The purpose of these contracts is to hedge short-term intercompany balances with its foreign businesses. The fair value of these contracts was not materially different than the carrying value at December 31, 2000 and 1999, respectively.

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

The fair values of all derivative financial instruments are estimated based on current settlement prices of comparable contracts obtained from dealer quotes. The values represent the estimated amount the Company would pay or receive to terminate the agreements at the reporting date, taking into account current creditworthiness of the counterparties.

#### 6. Property, Plant and Equipment, Net

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

	2000	1999
Land	\$ 40,580	\$ 41,230
Buildings and leasehold improvements	105,937	101,088
Machinery and equipment	133,072	120,989
Computer software	5,387	5,399
	284,976	268,706
Less accumulated depreciation and amortization	(85,588)	(68,983)
	<b>\$199,388</b>	<b>\$199,723</b>

#### 7. Short-Term Borrowing and Current Maturities of Long-Term Debt

Short-term borrowings and current maturities of long-term debt consisted of the following for the years ended December 31:

	2000	1999
Current maturities of long-term debt	\$31,900	\$23,204
Other short-term borrowings	18,660	23,675
	<b>\$50,560</b>	<b>\$46,879</b>

#### 8. Long-Term Debt

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

	2000	1999
Credit Agreement Borrowings:		
Term A USD Loans, interest at LIBOR plus 0.625% (7.1% at December 31, 2000) payable in quarterly installments due May 19, 2004	\$ 69,420	\$ 81,816
Term A CHF Loans, interest at LIBOR plus 0.625% (4.0% at December 31, 2000) payable in quarterly installments due May 19, 2004	36,245	43,102
Term A GBP Loans, interest at LIBOR plus 0.625% (6.5% at December 31, 2000) payable in quarterly installments due May 19, 2004	22,096	28,221
Revolving credit facilities	109,907	127,283
Other	50,699	16,178
	288,367	296,600
Less current maturities	(50,560)	(46,879)
	<b>\$237,807</b>	<b>\$249,721</b>

The Company has a multi-currency \$400.0 million revolving credit facility and a CDN \$26.3 million Canadian revolving credit facility under its credit agreement. Loans under these revolving credit facilities may be repaid and reborrowed and are due in full on May 19, 2004. At December 31, 2000, the Company had \$293.5 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 \$145 million of the Company's short-term borrowings at December 31, 2000 have been reclassified to long-term.

The aggregate maturities of long-term obligations during each of the years 2002 through 2004 are approximately \$31.9 million, \$36.5 million and \$27.4 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, 2000 was equal to 0.2%. At December 31, 2000, borrowings under the Company's revolving facilities carried an interest rate of LIBOR plus 0.425%. The Company's weighted average interest rate for the year ended December 31, 2000 was approximately 7.0%.

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

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

## 9. Shareholders' Equity

### Common Stock

The number of authorized shares of the Company's common stock is 125,000,000 shares with a par value of \$0.01 per share. Holders of the Company's common stock are entitled to one vote per share. At December 31, 2000, 7,831,586 shares of the Company's common stock were reserved for grant pursuant to the Company's stock option plan.

### Preferred Stock

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

## 10. Stock Option Plan

The Company's stock option plan provides certain key employees and directors of the Company additional incentive to join and/or remain in the service of the Company as well as to maintain and enhance the long-term performance and profitability of the Company.

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

Stock option activity is shown below:

	Number of Options	Weighted Average Exercise Price
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
Granted	647,500	28.56
Exercised	(274,405)	(8.87)
Forfeited	(209,290)	(13.74)
Outstanding at December 31, 1999	5,035,647	\$ 13.45
Granted	887,000	43.72
Exercised	(698,105)	(10.68)
Forfeited	(50,765)	(13.12)
<b>Outstanding at December 31, 2000</b>	<b>5,173,777</b>	<b>\$ 19.02</b>
<b>Options exercisable at December 31, 2000</b>	<b>2,700,697</b>	<b>\$ 11.14</b>

At December 31, 2000, 2,657,809 options were available for grant.



The following table details the weighted average remaining contractual life of options outstanding at December 31, 2000 by range of exercise prices:

Number of Options Outstanding	Weighted Average Exercise Price	Remaining Contractual Life of Options Outstanding	Shares Exercisable
2,456,751	\$ 7.95	5.8	1,965,401
669,726	\$15.91	6.8	400,916
1,162,300	\$25.38	6.8	334,380
167,000	\$32.75	6.7	—
718,000	\$46.30	9.2	—
5,173,777		6.6	2,700,697

As of the date granted, the weighted average grant-date fair value of the options granted during the years ended December 31, 2000, 1999 and 1998 was approximately \$18.31, \$12.31 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:

	2000	1999	1998
Risk-free interest rate	5.0%	6.3%	5.2%
Expected life in years	4	4	4
Expected volatility	46%	45%	39%
Expected dividend yield	—	—	—

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

	2000	1999	1998
Net earnings:			
As reported	\$70,119	\$48,101	\$37,625
Pro forma	66,425	45,847	35,475

Basic earnings per common share:			
As reported	\$ 1.80	\$ 1.25	\$ 0.98
Pro forma	1.71	1.19	0.92

Diluted earnings per common share:			
As reported	\$ 1.66	\$ 1.16	\$ 0.92
Pro forma	1.58	1.11	0.87

## 11. 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 \$2.6 million, \$2.8 million and \$8.2 million for the years ended December 31, 2000, 1999 and 1998, respectively. Based on certain changes in 1999, the Company performed a reevaluation of its Swiss pension plans and determined these plans to be defined benefit plans. Accordingly, commencing in 1999, the Company has accounted for these plans as such. The application of defined benefit accounting to the plans had no material impact on the consolidated financial statements.

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, 2000 and 1999:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year	\$394,250	\$149,930	\$ 35,464	\$ 37,095
Service cost, gross	19,250	20,972	461	624
Interest cost	18,572	18,680	2,460	2,489
Actuarial gains	(12,694)	(2,918)	(2,577)	(2,482)
Plan amendments and other	151	(239)	—	(105)
Benefits paid	(18,013)	(17,429)	(2,426)	(2,161)
Impact of foreign currency	(7,479)	(46,316)	(2)	4
Impact of businesses acquired	—	1,867	—	—
Impact of Swiss pension plans	—	269,703	—	—
Benefit obligation at end of year	394,037	394,250	33,380	35,464
Change in plan assets:				
Fair value of plan assets at beginning of year	368,674	77,375	—	—
Actual return on plan assets	18,244	39,760	—	—
Employer contributions	14,611	11,360	2,426	2,161
Plan participants' contributions	4,236	4,472	—	—
Benefits paid	(18,013)	(17,429)	(2,426)	(2,161)
Impact of foreign currency	(3,667)	(42,738)	—	—
Impact of Swiss pension plans	—	295,874	—	—
Fair value of plan assets at end of year	384,085	368,674	—	—
Funded status	(9,952)	(25,576)	(33,380)	(35,464)
Unrecognized actuarial (gain) loss	(37,826)	(28,712)	594	2,438
Net amount recognized	\$ (47,778)	\$ (54,288)	\$ (32,786)	\$ (33,026)

Amounts recognized in the Consolidated Balance Sheets consist of:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Other non-current assets	\$ 6,881	\$ 6,597	\$ —	\$ —
Other non-current liabilities	(54,659)	(60,885)	(32,786)	(33,026)
Net amount recognized	\$ (47,778)	\$ (54,288)	\$ (32,786)	\$ (33,026)

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

	2000	1999	1998
Discount rate	7.8%	7.8%	7.2%
Compensation increase rate	5.0%	5.0%	5.0%
Expected long-term rate of return on plan assets	9.5%	9.5%	9.5%

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

At December 31, 2000, the fair value of plan assets and the total projected benefit obligation for the Company's non-U.S. defined benefit plans were \$314.2 million and \$319.4 million, respectively. Actuarial assumptions for these plans ranged from 3.75% to 8.5% for the discount rate, 2.0% to 6.5% for the compensation increase rate and 5.0% to 9.5% for the expected long-term rate of return on plan assets for the years ended December 31, 2000, 1999 and 1998.

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

	2000	1999	1998
Service cost, net	\$15,438	\$16,842	\$5,929
Interest cost on projected benefit obligations	18,572	18,680	8,624
Expected return on plan assets	(22,491)	(22,420)	(6,613)
Recognition of actuarial (gains) losses	19	394	(104)
Net periodic pension cost	\$11,538	\$13,496	\$7,836

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

	2000	1999	1998
Service cost	\$ 461	\$ 624	\$ 507
Interest cost on projected benefit obligations	2,460	2,489	2,360
Recognition of actuarial losses	—	189	—
Net amortization and deferral	—	21	26
Net periodic postretirement benefit cost	\$2,921	\$3,323	\$2,893

The accumulated postretirement benefit obligation and net periodic postretirement benefit cost were principally determined using discount rates of 7.8% in 2000, 7.2% in 1999 and 6.7% in 1998 and health care cost trend rates ranging from 7.0% to 8.0% in 2000, 1999 and 1998, decreasing to 5% 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	\$ 376	\$ (326)
Effect on postretirement benefit obligation	\$3,430	\$(3,102)

## 12. Taxes

The sources of the Company's earnings before taxes and minority interest were as follows for the year ended December 31:

	2000	1999	1998
United States	\$ 13,670	\$ (1,906)	\$ (2,172)
Non-United States	94,935	81,783	61,707
Earnings before taxes and minority interest	\$108,605	\$ 79,877	\$59,535

The provision for taxes consists of:

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

	Current	Deferred	Adjustments to Goodwill	Total
Year ended December 31, 1999:				
United States federal	\$ (17)	\$ —	\$ —	\$ (17)
State and local	494	—	—	494
Non-United States	32,557	(10,260)	8,624	30,921
	\$33,034	\$(10,260)	\$8,624	\$31,398

	Current	Deferred	Adjustments to Goodwill	Total
Year ended December 31, 1998:				
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, 2000, 1999 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 years ended December 31, 2000, 1999 and 1998 differed from the amounts computed by applying the United States federal income tax rate of 35% to the earnings before taxes and minority interest as a result of the following:

	2000	1999	1998
Expected tax	<b>\$38,012</b>	\$27,957	\$20,837
United States state and local income taxes, net of federal income tax benefit	<b>519</b>	494	810
Non-deductible purchased research and development	—	—	3,492
Non-deductible intangible amortization	<b>2,227</b>	2,254	2,459
Change in valuation allowance	<b>(3,065)</b>	(983)	4,964
Other non-United States income taxes at other than a 35% rate	<b>455</b>	1,165	(6,708)
Change in Swiss tax law	—	—	(3,557)
Change in Swiss tax rates	—	—	(1,406)
Other, net	<b>362</b>	511	108
Total provision for taxes	<b>\$38,510</b>	\$31,398	\$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 at December 31:

	2000	1999
Deferred tax assets:		
Inventory	<b>\$ 2,042</b>	\$ 1,363
Accrued and other liabilities	<b>20,466</b>	15,099
Deferred losses	<b>6,524</b>	2,091
Accrued postretirement benefit and pension costs	<b>19,451</b>	21,984
Net operating loss carryforwards	<b>16,499</b>	27,798
Other	<b>1,942</b>	4,075
Total deferred tax assets	<b>66,924</b>	72,410
Less valuation allowance	<b>(49,027)</b>	(53,128)
Total deferred tax assets less valuation allowance	<b>17,897</b>	19,282
Deferred tax liabilities:		
Inventory	<b>1,640</b>	1,787
Property, plant and equipment	<b>16,259</b>	15,531
Other	<b>8,221</b>	9,131
Total deferred tax liabilities	<b>26,120</b>	26,449
Net deferred tax liability	<b>\$ 8,223</b>	\$ 7,167

The Company has established valuation allowances primarily for net operating losses, deferred losses as well as postretirement and pension costs as follows as of December 31:

	2000	1999
Summary of valuation allowances:		
Cumulative net operating losses	<b>\$13,923</b>	\$26,923
Deferred loss	<b>6,524</b>	2,091
Accrued postretirement and pension benefit costs	<b>12,765</b>	14,579
Other	<b>15,815</b>	9,535
Total valuation allowance	<b>\$49,027</b>	\$53,128

The Company has recorded valuation allowances related to its deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets. The 2000 net change in the valuation allowance is primarily attributable to the changes as enumerated above which are related to improved realization potential and/or utilization of associated deferred tax assets.

The potential decrease or increase of the valuation allowance in the near term is dependent on the future realizability of the deferred tax assets which are affected by the future profitability of operations in various worldwide jurisdictions, but primarily in the United States. A valuation allowance has been provided on the Company's net deferred tax assets related to its United States operations because of the uncertainty regarding their realizability due to the expectation that deductions from future employee stock option exercises and related tax deductions will exceed future taxable income. Deferred tax assets of \$1.2 million at December 31, 2000 pertain to net operating loss carryforwards resulting from the exercise of certain employee stock options. When recognized, the tax benefit of these losses will be recorded in shareholders' equity.

The total valuation allowances relating to acquired businesses amount to \$15.5 million and \$16.7 million at December 31, 2000 and 1999, respectively. The reduction for the current year is primarily attributable to the utilization of net operating losses and the expiration of the useful life of various deferred tax assets. Future reductions of these valuation allowances will continue to be credited to goodwill when realized.

At December 31, 2000, for U.S. federal income tax purposes, the Company had net operating loss carryforwards of \$21.3 million which expire in various amounts through 2012 and other tax credits of \$0.6 million which have no expiration. The Company has various U.S. state net operating losses and various foreign operating losses that expire in varying amounts through 2012.

### 13. Other Charges, Net

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

As part of its efforts to reduce costs, the Company evaluates from time to time the cost effectiveness of its global manufacturing strategy. In this respect, the Company recorded charges of approximately \$1.4 million and \$8.0 million in 2000 and 1999, respectively, associated with the close-down and consolidation of operations in 2000, and the transfer of production lines from the Americas to China and Europe and the closure of facilities in 1999. The charges comprised primarily severance and other related benefits and costs of exiting facilities, including lease termination costs and the write-down of impaired assets. In connection with these activities, the Company has involuntarily terminated approximately 180 employees, and expects to further terminate 60 employees in 2001. Activities related to the charge recorded in 1999 were significantly completed in 2000.

The Company also incurred losses of \$4.1 million during 1999 in connection with the exit from its glass batching business based in Belgium. This amount primarily comprised severance and other costs of exiting this business. The Company completed its exit of this business by the end of 1999. These losses were offset by a gain of \$3.1 million recorded in connection with an asset sale.

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

	2000	1999
Beginning of the year	\$ 5,462	\$ 1,831
Restructuring expense	1,972	12,881
Reductions in workforce and other cash outflows	(4,337)	(5,902)
Non-cash write-downs of impaired assets	—	(3,018)
Impact of foreign currency	(117)	(330)
End of the year	\$ 2,980	\$ 5,462

The Company's accrual for restructuring activities at December 31, 2000 primarily consisted of severance, lease termination and other costs of exiting facilities.

## 14. 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, 2000:

2001	\$12,509
2002	11,911
2003	9,994
2004	6,287
2005	5,447
Thereafter	12,356
Total	\$58,504

Rent expense for operating leases amounted to \$21.2 million, \$18.5 million and \$17.7 million for the years ended December 31, 2000, 1999 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.

## 15. Segment Reporting

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

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

For the year ended December 31, 2000	Principal U.S. Operations	Principal Central European Operations	Swiss R&D and Mfg. Operations	Other Western European Operations	Other <sup>(a)</sup>	Eliminations and Corporate <sup>(b)</sup>	Total
Net sales to external customers	\$367,738	\$177,912	\$ 26,974	\$256,257	\$266,666	\$ —	\$1,095,547
Net sales to other segments	33,528	53,563	148,158	41,896	120,730	(397,875)	—
Total net sales	\$401,266	\$231,475	\$175,132	\$298,153	\$387,396	\$(397,875)	\$1,095,547
Adjusted operating income	\$ 38,414	\$ 22,881	\$ 38,313	\$ 21,979	\$ 32,231	\$ (10,977)	\$ 142,841
Depreciation	6,692	2,364	1,962	2,803	7,488	381	21,690
Total assets	242,878	138,957	199,067	152,816	661,740	(507,876)	887,582
Purchase of property, plant and equipment	6,289	3,123	3,068	4,226	10,798	1,800	29,304

For the year ended December 31, 1999	Principal U.S. Operations	Principal Central European Operations	Swiss R&D and Mfg. Operations	Other Western European Operations	Other <sup>(a)</sup>	Eliminations and Corporate <sup>(b)</sup>	Total
Net sales to external customers	\$356,400	\$184,021	\$ 23,832	\$267,426	\$233,794	\$ —	\$1,065,473
Net sales to other segments	46,310	58,094	154,931	20,229	111,284	(390,848)	—
Total net sales	\$402,710	\$242,115	\$178,763	\$287,655	\$345,078	\$(390,848)	\$1,065,473
Adjusted operating income	\$ 37,255	\$ 23,070	\$ 32,992	\$ 25,024	\$ 30,138	\$ (24,797)	\$ 123,682
Depreciation	7,807	2,912	2,748	3,176	7,903	394	24,940
Total assets	217,202	139,726	158,160	146,955	624,528	(465,598)	820,973
Purchase of property, plant and equipment	7,588	2,051	2,322	4,140	10,548	2,539	29,188

For the year ended December 31, 1998	Principal U.S. Operations	Principal Central European Operations	Swiss R&D and Mfg. Operations	Other Western European Operations	Other <sup>(a)</sup>	Eliminations and Corporate <sup>(b)</sup>	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 before taxes and minority interest for the year ended December 31 follows:

	2000	1999	1998
Adjusted operating income	<b>\$142,841</b>	\$123,682	\$100,980
Amortization	<b>11,564</b>	10,359	7,634
Interest expense	<b>20,034</b>	21,980	22,638
Other charges, net	<b>2,638</b>	10,468	1,197
Revaluation of acquisition inventories	—	998	—
Purchased research and development	—	—	9,976
Earnings before taxes and minority interest	<b>\$108,605</b>	\$ 79,877	\$ 59,535

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 3% 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 for the years ended December 31 follows:

	2000	1999	1998
Weighing-related instruments	<b>\$ 663,598</b>	\$ 659,785	\$600,450
Non-weighing instruments	<b>237,501</b>	226,434	183,259
After-market	<b>194,448</b>	179,254	151,949
Total net sales	<b>\$1,095,547</b>	\$1,065,473	\$935,658

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

	Net sales			Property, plant and equipment, net	
	2000	1999	1998	2000	1999
United States	<b>\$ 411,484</b>	\$ 386,452	\$328,448	<b>\$ 41,050</b>	\$ 41,604
Other Americas	<b>76,522</b>	74,701	74,951	<b>2,222</b>	1,887
Total Americas	<b>488,006</b>	461,153	403,399	<b>43,272</b>	43,491
Germany	<b>122,570</b>	132,302	129,464	<b>22,504</b>	23,086
France	<b>97,345</b>	94,557	58,081	<b>5,863</b>	5,438
United Kingdom	<b>44,927</b>	44,105	41,265	<b>6,037</b>	5,828
Switzerland	<b>45,308</b>	42,530	40,158	<b>99,627</b>	99,324
Other Europe	<b>168,040</b>	174,497	161,314	<b>5,985</b>	6,515
Total Europe	<b>478,190</b>	487,991	430,282	<b>140,016</b>	140,191
Rest of World	<b>129,351</b>	116,329	101,977	<b>16,100</b>	16,041
Totals	<b>\$1,095,547</b>	\$1,065,473	\$935,658	<b>\$199,388</b>	\$199,723



## 16. Quarterly Financial Data (Unaudited)

Quarterly financial data for the years ended December 31, 2000 and 1999 are as follows:

	First Quarter	Second Quarter <sup>(a)</sup>	Third Quarter	Fourth Quarter <sup>(b)</sup>
<b>2000</b>				
Net sales	\$259,116	\$268,558	\$270,003	\$297,870
Gross profit	114,241	119,586	120,684	140,851
Net earnings	\$ 11,754	\$ 17,931	\$ 17,134	\$ 23,300
Basic earnings per common share	\$ 0.30	\$ 0.46	\$ 0.44	\$ 0.59
Diluted earnings per common share	\$ 0.28	\$ 0.43	\$ 0.41	\$ 0.55
Market price per share:				
High	\$ 44.50	\$ 45.75	\$ 48.81	\$ 56.00
Low	\$ 31.81	\$ 30.00	\$ 37.75	\$ 39.50
<b>1999</b>				
Net sales	\$235,715	\$257,465	\$268,006	\$304,287
Gross profit	105,227	113,755	119,728	141,756
Net earnings	\$ 8,065	\$ 13,467	\$ 13,658	\$ 12,911
Basic earnings per common share	\$ 0.21	\$ 0.35	\$ 0.35	\$ 0.33
Diluted earnings per common share	\$ 0.20	\$ 0.33	\$ 0.33	\$ 0.31
Market price per share:				
High	\$ 27.94	\$ 29.00	\$ 30.44	\$ 39.50
Low	\$ 19.63	\$ 22.63	\$ 23.81	\$ 27.63

(a) The financial data for the second quarter of 1999 includes acquisition charges of \$1.0 million regarding the revaluation of certain inventories to fair value (Note 3).

(b) The financial data for the fourth quarter of 2000 includes a charge of \$1.4 million related to the close-down and consolidation of operations. The financial data for the fourth quarter of 1999 includes a charge of approximately \$8.0 million associated with the transfer of production lines from the Americas to China and Europe and the closure of facilities (Note 13).

## Selected Financial Data

The selected historical financial information set forth below at December 31, 2000, 1999, 1998, 1997 and 1996, for the years ended December 31, 2000, 1999, 1998 and 1997, for the period from October 15, 1996 to December 31, 1996 and for the period from January 1, 1996 to October 14, 1996 is derived from our consolidated financial statements. The financial information for the period prior to October 15, 1996, the date of our acquisition from Ciba-Geigy (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 our consolidated financial statements and accompanying notes. The financial information presented below, in thousands except per share data, was prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

	Mettler-Toledo International Inc.				Predecessor Business	
	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	October 15 to December 31, 1996	January 1 to October 14, 1996
(In thousands, except per share data)						
Statement of Operations Data:						
Net sales	\$1,095,547	\$1,065,473	\$935,658	\$878,415	\$ 186,912	\$662,221
Cost of sales	600,185	585,007 <sup>(a)</sup>	520,190	493,480 <sup>(c)</sup>	136,820 <sup>(f)</sup>	395,239
Gross profit	495,362	480,466	415,468	384,935	50,092	266,982
Research and development	56,334	57,393	48,977	47,551	9,805	40,244
Selling, general and administrative	296,187	300,389	265,511	260,397	59,353	186,898
Amortization	11,564	10,359	7,634	6,222	1,065	2,151
Purchased research and development	—	—	9,976 <sup>(b)</sup>	29,959 <sup>(d)</sup>	114,070 <sup>(g)</sup>	—
Interest expense	20,034	21,980	22,638	35,924	8,738	13,868
Other charges (income), net <sup>(h)</sup>	2,638	10,468	1,197	10,834	17,137	(1,332)
Earnings (loss) before taxes, minority interest and extraordinary items	108,605	79,877	59,535	(5,952)	(160,076)	25,153
Provision for taxes	38,510	31,398	20,999	17,489	(938)	10,055
Minority interest	(24)	378	911	468	(92)	637
Earnings (loss) before extraordinary items	70,119	48,101	37,625	(23,909)	(159,046)	14,461
Extraordinary items – debt extinguishments	—	—	—	(41,197) <sup>(e)</sup>	—	—
Net earnings (loss)	\$ 70,119	\$ 48,101	\$ 37,625	\$ (65,106)	\$ (159,046)	\$ 14,461
Basic earnings (loss) per common share:						
Net earnings (loss) before extraordinary items	\$ 1.80	\$ 1.25	\$ 0.98	\$ (0.76)	\$ (5.18)	
Extraordinary items	—	—	—	(1.30)	—	
Net earnings (loss)	\$ 1.80	\$ 1.25	\$ 0.98	\$ (2.06)	\$ (5.18)	
Weighted average number of common shares	38,897,879	38,518,084	38,357,079	31,617,071	30,686,065	
Diluted earnings (loss) per common share:						
Net earnings (loss) before extraordinary items	\$ 1.66	\$ 1.16	\$ 0.92	\$ (0.76)	\$ (5.18)	
Extraordinary items	—	—	—	(1.30)	—	
Net earnings (loss)	\$ 1.66	\$ 1.16	\$ 0.92	\$ (2.06)	\$ (5.18)	
Weighted average number of common shares	42,141,548	41,295,757	40,682,211	31,617,071	30,686,065	
Balance Sheet Data (at end of period):						
Cash and cash equivalents	\$ 21,725	\$ 17,179	\$ 21,191	\$ 23,566	\$ 60,696	
Working capital	103,021	81,470	90,042	79,163	103,697	
Total assets	887,582	820,973	820,441	749,313	771,888	
Long-term debt	237,807	249,721	340,246	340,334	373,758	
Other non-current liabilities <sup>(i)</sup>	95,843	100,334	103,201	91,011	96,810	
Shareholders' equity	178,840	112,015	53,835	25,399	12,426	

- (a) In connection with acquisitions in 1999, including the acquisition of the Testut-Lutrana group, we allocated \$998 of the purchase price to revalue certain inventories (principally work-in-progress and finished goods) to fair value (net realizable value). Substantially all such inventories were sold during the second quarter of 1999.
- (b) In connection with the Bohdan acquisition, we allocated, 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.
- (c) 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.
- (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) Represents charges for the write-off of capitalized debt issuance fees and related expenses associated with our previous credit facilities. The amount also includes the prepayment premium on the senior subordinated notes which were repurchased and the write-off of the related capitalized debt issuance fees.
- (f) 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.
- (g) 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.
- (h) Other charges (income), net generally includes interest income, foreign currency transactions, (gains) losses from sales of assets and other items. The 2000 amount also includes a charge of \$1,425 related to the close-down and consolidation of operations. The 1999 amount includes a gain on an asset sale of approximately \$3,100, a charge of \$8,007 to transfer production lines from the Americas to China and Europe and the closure of facilities and losses of approximately \$4,100 in connection with the exit from our glass batching business based in Belgium. For the years ended December 31, 1999 and 1998, the amount shown also includes \$825 and \$650, respectively, of expenses incurred on behalf of certain selling shareholders in connection with the secondary offerings. For the year ended December 31, 1997, the amount shown includes a restructuring charge of \$6,300 to consolidate three facilities in North America.
- (i) Consists primarily of obligations under various pension plans and plans that provide postretirement medical benefits. See Note 11 to the audited consolidated financial statements included herein.

## 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 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

Mellon Investor 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:

Mellon Investor Services  
85 Challenger Road  
Overpeck Centre  
Ridgefield Park, New Jersey 07660  
800-526-0801  
201-329-8660  
[www.mellon-investor.com](http://www.mellon-investor.com)

### Annual Meeting

The annual meeting of shareholders will be held at 10:00 a.m. on Friday, May 11, 2001 at Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, 29th Floor, New York, New York 10004. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about March 31, 2001.

### Internet

Company and product information is available at our World Wide Web site at the following address: [www.mt.com](http://www.mt.com)

### Trademarks

The following registered and unregistered trademarks, found in this annual report, are among those used by METTLER TOLEDO: BERGER, BERGER INSTRUMENTS, OHAUS, AVS, THORNTON, MULTIMAX, FTIR, OPRA, JAGXTREME, AX, MYRIAD, TESTUT, LUTRANA, TESTUT-LUTRANA, APPLIED SYSTEMS, BOHDAN, SAFELINE, METTLER, METTLER TOLEDO.

### Form 10-K

Mettler-Toledo International Inc.'s Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2000 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](mailto:mary.finnegan@mt.com)

■ Sales and Service

● Manufacturing Locations



## Board of Directors

### Robert F. Spoerry

Chairman of the Board,  
President and Chief Executive Officer  
Director since 1996

### Philip Caldwell<sup>1</sup>

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

### John T. Dickson

Executive Vice President,  
Lucent Technologies;  
CEO designate and President,  
Agere Systems Inc. (formerly the  
Microelectronics Group of Lucent)  
Director since 2000

### Reginald H. Jones<sup>2</sup>

Retired Chairman of the Board and  
Chief Executive Officer,  
General Electric Company  
Director since 1996

### John D. Macomber<sup>1</sup>

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

### George M. Milne, Jr.

President, Central Research Division,  
and Senior Vice President,  
Pfizer Inc.  
Director since 1999

### Laurence Z.Y. Moh<sup>2</sup>

Chairman and Chief Executive Officer,  
Plantation Timber Production Limited;  
Chairman Emeritus,  
Universal Furniture Limited  
Director since 1996

### Thomas P. Salice<sup>1, 2</sup>

President and Chief Executive Officer,  
AEA Investors Inc.  
Director since 1996

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Compensation Committee

## Executive Officers

### Lukas Braunschweiler

Head of Industrial and Retail

### Peter Bürker

Head of Human Resources

### William P. Donnelly

Chief Financial Officer

### Jean-Lucien Gloor

Head of Information Systems and Logistics

### Karl M. Lang

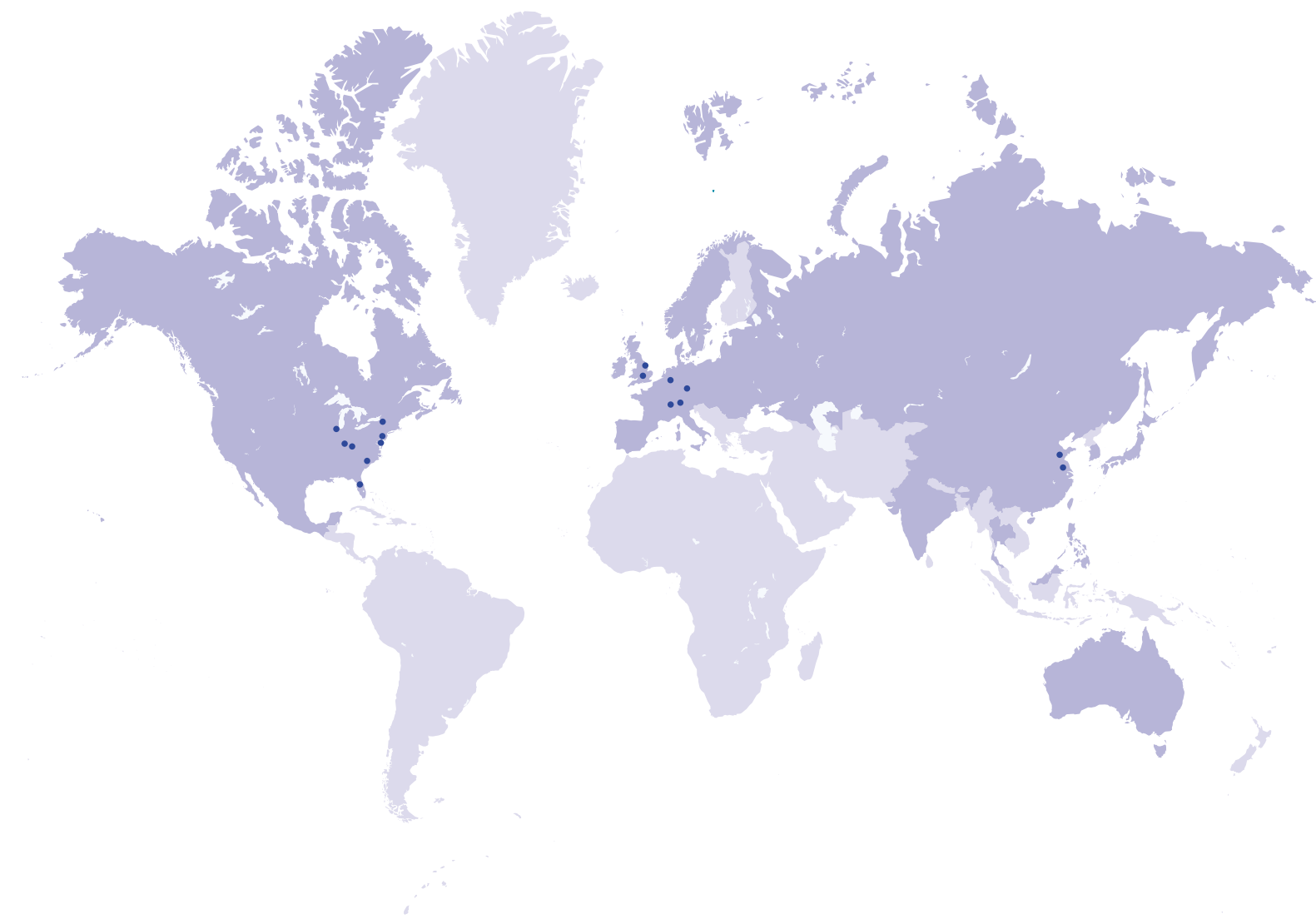
Head of Asia/Pacific

### Daniel G. Schillinger

Head of Laboratory

### Robert F. Spoerry

Chairman of the Board,  
President and Chief Executive Officer





CH-8606 Greifensee, Switzerland  
Tel. +41-1-944 22 11

[www.mt.com](http://www.mt.com)