Translating Innovation into Customer Value

METTLER TOLEDO

Contents

Translating Innovation into Customer Value

At METTLER TOLEDO, we measure our technological success not just by the power of our innovations to lead the industry, but by the value those innovations bring to our customers. We want our innovations to translate into clear advantages for customers in their marketplaces.

Our high-paced R&D activity of recent years has resulted in a record stream of new offerings that directly address customers' needs. Consider our all-new analytical balance that answers chemists' demands for faster speed and easier cleaning… our unique identification technology that improves express carriers' ability to recover revenue … and our new services that ensure each critical instrument contributes to a customer's goals.

This report tells the story of these and other new offerings that were among the highlights of 2003. We hope you are impressed with their features. Moreover, we hope you will appreciate the tangible value those features are providing to our customers.

Financial Highlights

(Dollars in thousands, except per share data)

For the Years Ended December 31,	2003	2002	2003 Highlights
Net sales	$ 1,304,431	$ 1,213,707	**constant in local currencies**
Adjusted operating income (a)	$ 167,351	$ 165,153	**consistent profitability level**
Adjusted operating margin	12.8%	13.6%	**consistent when adjusted for currency**
Earnings per share (b)	$ 2.19	$ 2.15	**2% growth**
Net debt to EBITDA	1.0	1.5	**strong financial flexibility**
Free cash flow (c)	$ 106,482	$ 95,199	**12% growth**

(a) Adjusted operating income represents gross profit less research and development and selling, general and administrative expenses and excludes amortization, other charges (income) and restructuring charges. Adjusted operating income after restructuring charges was $161,907 in 2003 and $136,492 in 2002.

(b) Diluted earnings per share before non-recurring items. Diluted earnings per share after restructuring charges in both periods and a one-time tax gain in 2002 were $2.11 in 2003 and $2.21 in 2002.

(c) Free cash flow represents cash flow after working capital changes, capital expenditures, pension payments and taxes and before restructuring payments and acquisitions.

METTLER TOLEDO

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

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

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

Headquartered in Greifensee, Switzerland, METTLER TOLEDO has manufacturing and sales and service operations throughout Europe, the Americas and Asia. We have a talented work force of approximately 8,650 people worldwide.

Dear Fellow Investor

Building for the Future

If we had to capture the essence of 2003, it would be our determination to keep building for the future while working to overcome the challenges of the weak global economy. We did not let external factors deter us from focusing on the future and maximizing opportunities to strengthen our Company.

In addition to the economy, we had to deal with certain difficult end markets. Specifically, we were affected by unexpected softness in the biopharma market; although the long-term fundamentals of this market are strong, biopharma firms are facing short-term pressures such as reduced new drug approval activity and heightened price regulation. However, we did begin to see improvement in this market toward the end of the year.

Despite external challenges, we were able to accomplish a great deal in 2003. We held firm to our strategic direction and continued to invest in our future. In particular, we executed new marketing programs to further penetrate our markets and major customers, turned our record R&D investments into striking product launches, grew our Chinese operations, expanded our unique services offering, improved our cost structure and delivered solid results and very strong cash flow.

In all we do, we continually ask ourselves how we can provide even better value to our customers. Our new products epitomize how we are using our edge in innovation to deliver superior customer value. Through our instruments, software and services, customers can streamline processes, improve product quality, increase throughput and comply with regulations. This annual report contains specific examples of how we pinpoint customer needs and develop innovative solutions that make our customers successful. We hope you enjoy this up-close view of some of our new products and services.

Year in Review

In the midst of 2003's many changes, we maintained a laser-like focus on each of our strategic initiatives.

Targeted marketing We made further inroads in our markets with new market management strategies. Here we are identifying and prioritizing target segments for each business and then building a list of target accounts within those segments. We have seen firsthand the power of these programs to increase our role with current customers and to gain access to new customers. In 2003, we started to deploy these strategies in each of our divisions.

We were also encouraged by our progress in expanding RAININ internationally. Our ergonomic pipette technologies are now being distributed directly in Germany, France, Spain, Benelux and the Nordic countries, in addition to North America where we hold a commanding leadership position.

Record R&D Due to our accelerated R&D over the last four years, we are launching a record number of new products, including instruments and software. We are very pleased that our R&D investment is paying off in products that are offering value to customers far beyond what is available on the market today.

Robert F. Spoerry

Our lab business has been particularly busy. Our new analytical balance, XS, has met with great market reception as its groundbreaking design enables faster speed and easier cleaning, which is crucial for users to avoid contamination by toxic substances. Our just-introduced precision balance, XP, also provides greater speed, features a leading-edge user interface and facilitates the automation of regulatory documentation. In conjunction with these new balances, we expanded our LabX instrument control software beyond titration to balances; this software, which allows for comprehensive instrument control and is fully regulatory compliant, further positions us as strategic partners in our customers' business processes.

We launched exciting industrial products as well. Callisto, an identification technology with a patented LED illumination system, offers an unparalleled package read rate and complements our dimensioning equipment to provide a complete solution for our transportation and logistics customers. For applications in food safety, our x-ray equipment assists our customers in maintaining their brand image by helping to ensure that no contaminants – no matter how tiny – enter their products. Finally, in food retail, our UC scale now offers capabilities for combined checkout and weighing for retailers who need efficient point-of-sale systems with connectivity to their network of fresh goods information.

Chinese expansion We continue to aggressively pursue opportunities in China, which is now our third largest market. As our multinational customers increasingly move production to China, we are right there to support their needs. We have broadened our product offering to meet the demands of this growing market. In addition, we are looking to China to significantly reduce our manufacturing costs for the low-end products we sell globally. With the closing of one facility in the United States and one in France last year, we continued to shift production and R&D capabilities to this low-cost destination. By the end of 2004, we expect 15 percent of our sales will be generated from products manufactured in our three facilities in China.

Higher-end services We are in the midst of extending our service business from traditional repair and maintenance to value-added services, including regulatory compliance services. In addition, we now have dedicated teams providing consultative service for our customers. These teams put programs in place to ensure that each of a customer's instruments is performing optimally in the customer's critical processes.

Improved costs In 2003, we substantially completed the cost-restructuring programs we initiated in 2002. We reduced the number of our manufacturing sites by closing our Bethune, France facility in July and our South Carolina facility in November. We also took additional cost-control measures in our lab business due to the weak conditions in the biopharma market. These measures included the consolidation of certain smaller drug discovery operations. We expect to achieve incremental savings from these and other targeted cost-restructuring efforts in 2004.

Solid Results

Our financial results were another indication that we held steady in 2003 and kept on course. Because of the difficult global economy and the pullback in the biopharma market, the business environment remained challenging for us.

Even so, we achieved sales of $1.304 billion. Compared with 2002, this represents an increase of 7 percent in reported sales, and is flat when adjusted for currency. Looking at our worldwide business by geographic area, sales in local currency were down 3 percent in the Americas and 2 percent in Europe and up 17 percent in Asia and the rest of the world.

Our cost-control and other restructuring measures, including product transfers, had a positive impact on our operating profit before amortization and restructuring charges, which we were able to grow modestly to $167.4 million. Operating profit margins when adjusted for currency were consistent with the prior year.

Net earnings per share were $2.19, compared with $2.15 in 2002, which excludes restructuring charges in both periods and a one-time tax gain in 2002. On a reported basis, net earnings per share were $2.11 in 2003 and $2.21 in 2002.

Our cash flow generation remains very strong. At $106.5 million, our free cash flow was up 12 percent over the prior year. Since 2000, our free cash flow has increased by a CAGR of 16 percent.

In another forward-looking move, we refinanced our debt with a seven-year, $150 million bond offering and a new $300 million bank facility of which $73 million was outstanding at the end of the year. We felt it was an opportune time to take advantage of low interest rates for our long-term debt.

Given our strong financial condition and consistently high and growing cash flow, we recently launched a share repurchase program, commencing with an initial buyback of up to $100 million over the next two years. We believe this program reflects confidence in our strength and the future prospects of our franchise. At the same time, with our annual cash flow generation and availability under our new bank facility, we have significant financial resources to pursue our acquisition strategy.

Well Positioned for the Future

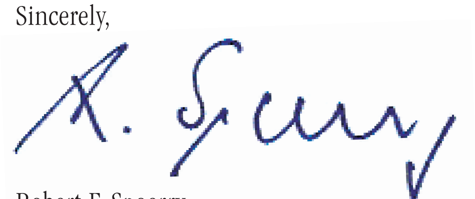
In summary, we believe we have been quite successful given the economic framework we have been operating under. We are convinced that the decisions and investments we've made will help ensure the continued strength of our Company. Our many new products are offering tangible value propositions to our customers. And our steadfast focus on our strategic initiatives will keep us on the right track.

We are cautiously optimistic about 2004. The economy shows signs of improvement; however, the magnitude and permanence of a global recovery are still uncertain. While we anticipate gradual increases in our customers' spending patterns, in certain of our businesses, particularly industrial, we expect to see improvement when customers reach higher levels of capacity utilization in manufacturing.

As always, this annual report gives us a great opportunity to publicly thank our shareholders, our customers and our employees. We appreciate the role that each of you plays in the growth and development of METTLER TOLEDO.

Many of the achievements of the past year were possible only because of our employees, who have continually risen above the challenges presented by this tough climate. They are the reason we are able to come up with innovative offerings that provide excellent value to our customers – a cornerstone of our continued success.

Sincerely,



Robert F. Spoerry
Chairman, President and Chief Executive Officer

March 15, 2004

METTLER TOLEDO has strong worldwide leadership positions. More than 80 percent of our instrument sales are from products that are global leaders in their segment. We have one of the most expansive global sales and service organizations among precision instrument companies, with approximately 4,400 or more than one-half of our employees providing sales and service in 37 countries. In R&D, more than 800 professionals work daily on maintaining our technology lead, with more than 60 percent of them focused on electronic hardware and software.

Our Solutions

Providing Value to Customers Worldwide

Laboratory Solutions

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

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

Our Solutions

Process Analytics

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

Packaging Control Systems

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

Industrial Instruments

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

Retail Solutions

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

Fast and Accurate

Revolutionary technology offers productivity leaps in the lab

XS analytical balance

At METTLER TOLEDO, we intimately understand the issues facing chemists in the lab. Chemists are handling increasing numbers of samples, smaller samples and many toxic substances and hazardous chemicals. What's more, they are under intense pressure to get results faster without sacrificing accuracy.

A world market leader in balances, we recently introduced a revolutionary new weighing technology to help our lab customers deal directly with these and other issues. Another in our long line of lab innovations, our series of XS analytical balances represents a complete rethinking of all aspects of the balance, the lab's most frequently used instrument. Our goal was to give the chemist significant increases in both productivity and accuracy.

A new weighing pan – a "floating" grid – improves precision and speed by reducing outside influences that can interfere with weighing results. The balance's platform and construction also enable quick and easy cleaning, which can prevent major contamination problems for chemists who handle dangerous substances. A special user interface makes the balance simple to use, requiring less training time and accelerating weighing procedures. Adaptable holders for weigh containers facilitate the secure handling of small and irregular sample sizes and improve efficiency. A new weigh cell offers further high performance and precision.

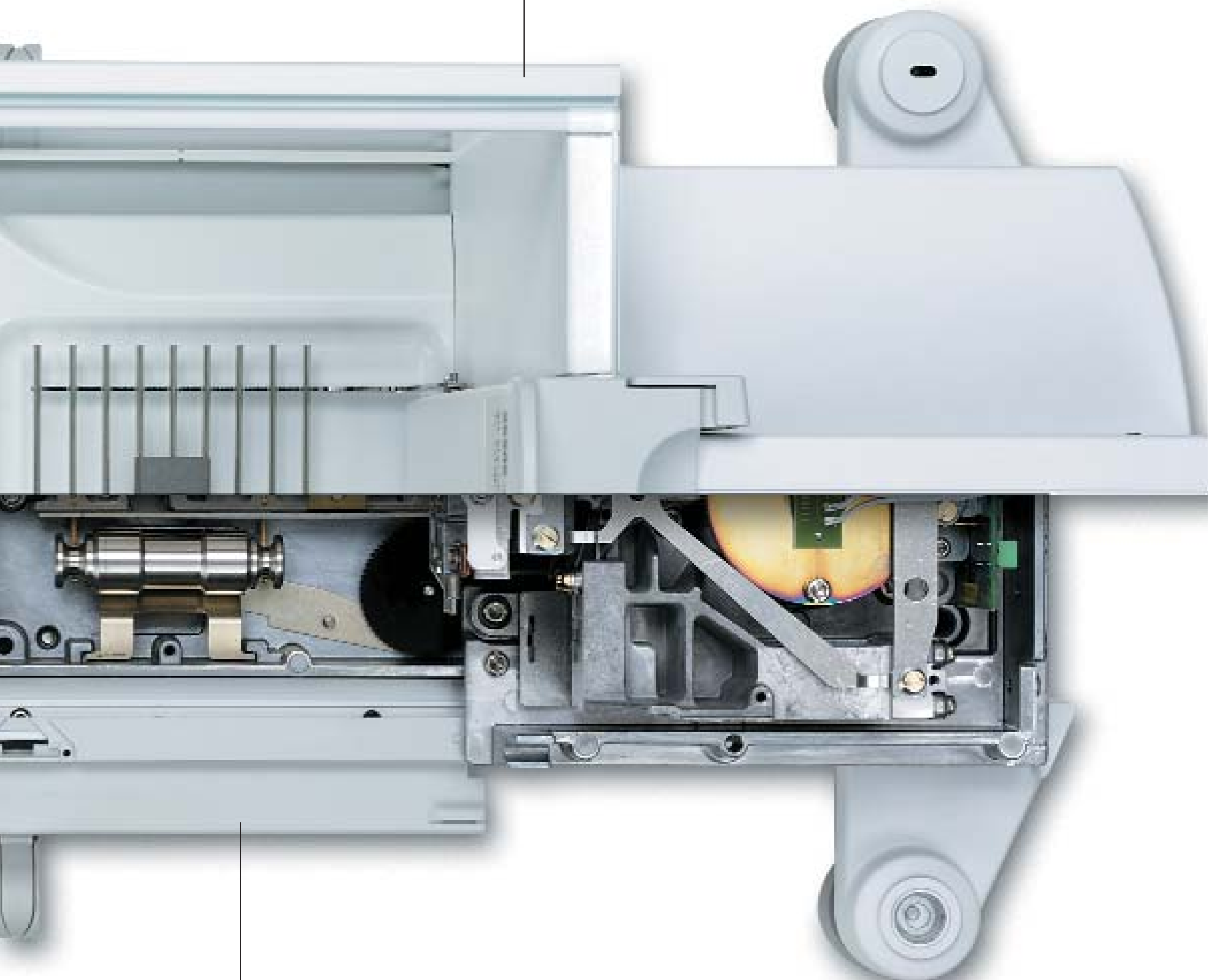
The XS balance is getting an enthusiastic market reception. This balance is the first step in the replacement of our entire balance line over the next two years and one of a record number of new products we are launching to meet the needs of the lab market. In early 2004, we introduced our new precision balance, XP, which is also faster and easier to operate and helps customers automate their regulatory documentation.

Easy operation

Thanks to a user interface with unique touch-screen technology, chemists find it easy to log on to and configure the XS balance to their specific needs. A removable terminal provides further flexibility. This ease of operation improves efficiency and reduces training time.

Greater speed

The XS balance features an entirely new weighing pan – a grid that is suspended in the weighing chamber. The design and construction of the pan make it less sensitive to air turbulences, enabling the chemist to weigh with unprecedented speed and improved accuracy. The bottom line: higher throughput in the lab.



Easy to clean

The ergonomic draft shields of the XS permit fast and easy cleaning, which not only enhances convenience but also safety for chemists who deal with toxic or hazardous chemicals. With the suspended grid pan, spilled samples do not interfere with weighing. The construction also protects the internal weighing mechanism.

Automated and Connected

Software helps customers enhance efficiency and compliance

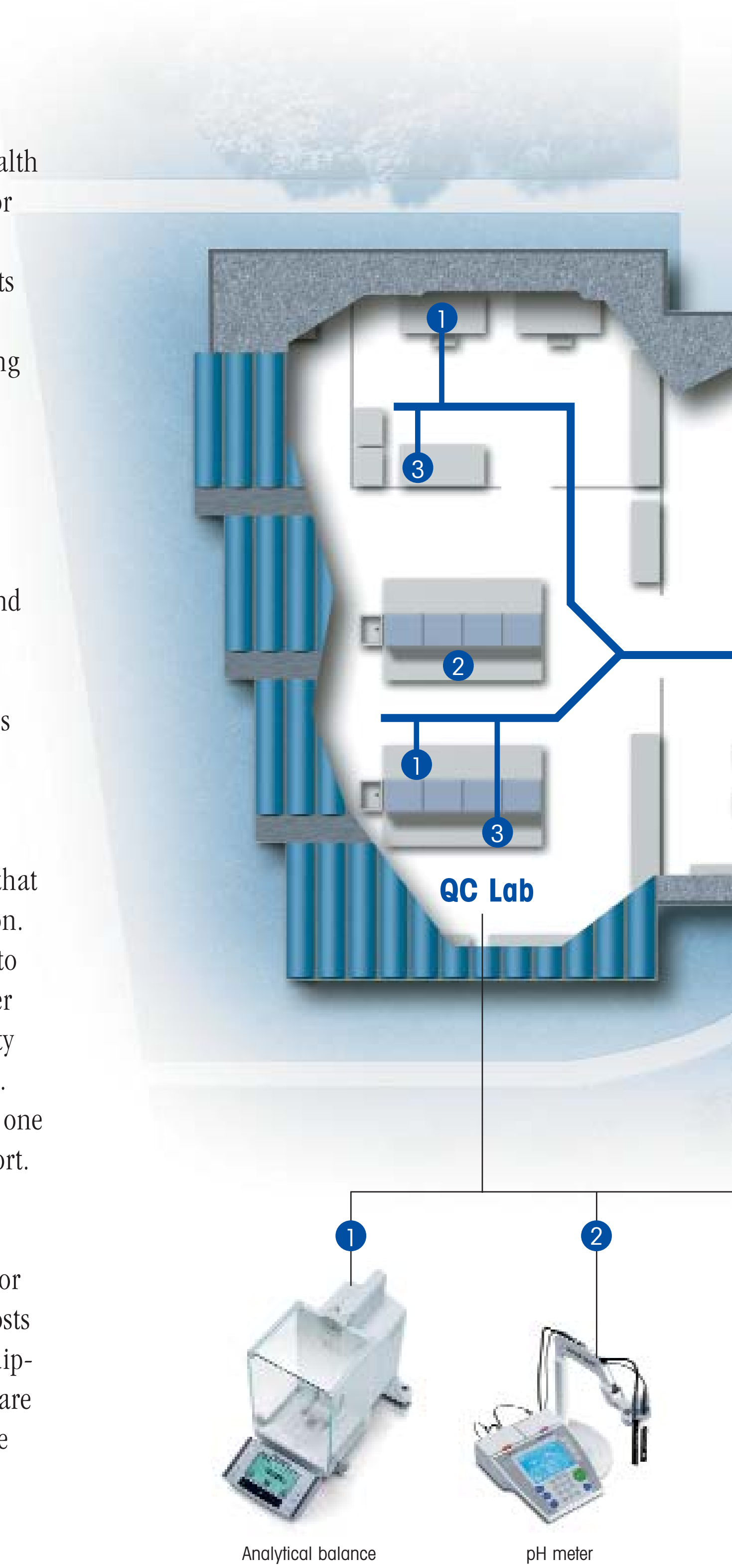
LabX software

Pharmaceutical and other companies are trying to manage a wealth of data from instruments throughout their organization, both for quality control purposes and for regulatory compliance. Tighter regulations continue to complicate and intensify the requirements for data handling and integrity. Meeting these needs currently involves programming individual instruments, manually entering data into lab information systems and maintaining paper-based logbooks.

We improved this scenario significantly two years ago when we introduced our LabX instrument control software for titrators. LabX has been very successful in helping customers automate and improve the efficiency of the titration process.

In 2003, we extended LabX for balances. This software automates data management for balances throughout an organization, enhancing instrument control and electronic data flow. Now lab managers can put standard procedures in place for all balances; schedule maintenance, calibration and other tasks; and ensure that all balances have the necessary regulatory control documentation. The software also provides an electronic logbook that conforms to FDA requirements. LabX makes the handling of data faster, easier and more secure, thereby helping customers increase productivity and achieve a higher level of quality and regulatory compliance. What's more, installation of the software is fast and simple, and one software for multiple instruments means less training and support.

Now able to link balances and titrators, LabX software will ultimately be rolled out to encompass our major lab instruments. For customers, this will result in lower training and maintenance costs because they can use the same software for different types of equipment. Given our extensive product offering in the lab, this software gives us yet another advantage over competitors who do not have such breadth.

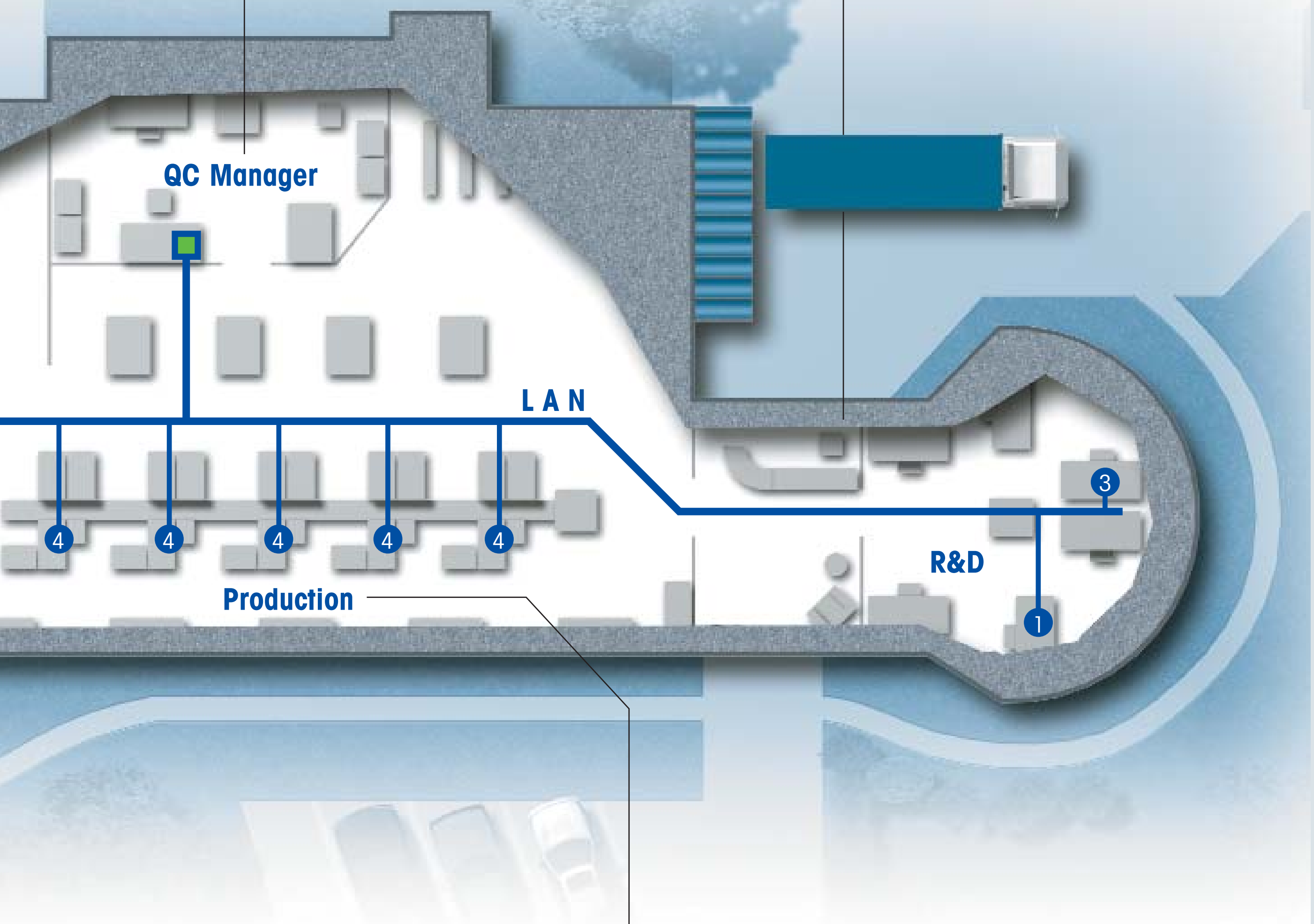


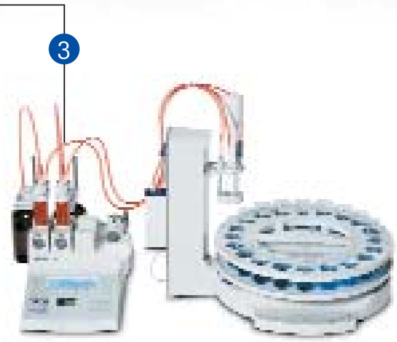
Better productivity

LabX instrument control software for balances and titrators automatically collects and stores key quality information in a secured database, which can be imported directly into a lab's information management system. This speeds up data handling, helps avoid mistakes and, therefore, greatly boosts productivity in the lab.

Easier compliance

LabX software offers secure and fully traceable data management. This helps customers comply with FDA regulations (21 CFR Part 11) and accelerates documentation and review processes.





Titrator

Precision balance

Networked instruments

Networking provides real-time measurement data for all users, enabling faster access to information, and results in better control of instruments. Managers can now configure and track numerous instruments from a central location, replacing many time-consuming and error-prone manual tasks.

Smart and Reliable

Technology captures essential data in transport and logistics

Callisto identification solution

In hot demand in a 24/7 global economy, ground and air carriers and logistics companies must deliver packages to their correct destination efficiently and profitably. Their success largely depends upon their ability to increase productivity, manage space for loading and planning, and recover revenues through appropriate pricing based on the right factors. And they need a system to best manage weighing, dimensioning and identification data.

METTLER TOLEDO has been a pioneer in the development of automatic, accurate dimensioning and data capture technologies for the transportation and logistics industry. Callisto, our new camera-based bar-code reading system – combined with our dimensioning equipment, scales and software – gives these companies the ability to manage all data in one system and, therefore, new opportunities to recover revenues, save operation costs and improve control of their goods flow.

Unique LED illumination within Callisto allows it to operate without the severe external lighting typically needed for camera-based bar-code readers. This internal illumination enables more accurate readings due to reduced glare and eliminates the uncomfortably bright working conditions that are a chief complaint of employees. It also makes possible a compact design, which optimizes space and is easy to install, even in retrofit projects. Callisto's high photo quality and image-lift capabilities for two-dimensional codes mean the capture of more thorough data for more accurate deliveries.

Transportation and logistics companies can now turn to one source – METTLER TOLEDO – for complete systems that help them manage all essential information, with great accuracy and high throughput. And our unmatched global support and service can keep those systems operating at maximum uptimes. Furthermore, an investment in our equipment is normally recouped in only a few months.

Compact size

Callisto's small footprint provides flexibility and makes it easy to install, operate and service. It also facilitates the retrofitting of existing stations without a complete overhaul. The results are wise use of space and increased uptime.

Enhanced working conditions

Unlike the considerable lighting required with traditional systems, no external lighting is needed to operate Callisto because of its built-in illumination. Without harsh lights and the resulting heat, working environments are enhanced, improving employee morale and productivity.

Accurate readings

Callisto's patented LED illumination system greatly increases the accuracy of bar-code readings. Its image-lift capabilities provide more information per parcel, leading to more accurate deliveries. Combined with our weighing and dimensioning equipment, this identification technology enables us to now offer transportation and logistics companies a complete solution for capturing all data essential to their processes. This solution gives companies the ability to recover revenues by charging based on all package parameters.

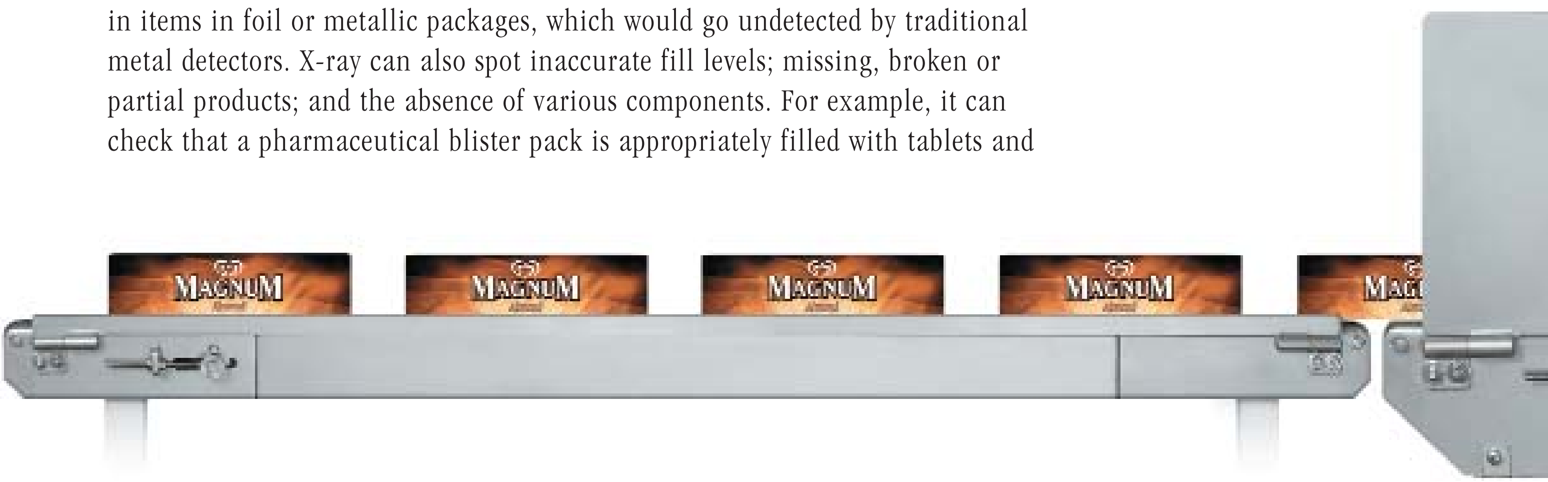
Precise and Productive

X-ray equipment protects brands by ensuring quality

X-ray inspection system

Brand reputation is arguably the greatest asset that a food or pharmaceutical manufacturer has. At the core, preserving that brand reputation involves offering products of consistent quality – so that customers can be assured they'll get what they've been promised. In the manufacturing process, these companies seek the best quality inspections and control possible to ensure their products are safe and complete, without causing unnecessary stops in production.

As the world's largest manufacturer of metal detection systems for production and packaging, we have long assisted food and pharmaceutical manufacturers in protecting their brands. Now we have complemented our offering with highly sensitive x-ray technology, which allows manufacturers to measure a wider range of defects while maintaining high speeds of production. In addition to stone and glass contamination, this technology can find metal contamination in items in foil or metallic packages, which would go undetected by traditional metal detectors. X-ray can also spot inaccurate fill levels; missing, broken or partial products; and the absence of various components. For example, it can check that a pharmaceutical blister pack is appropriately filled with tablets and



is packaged with an instruction leaflet. X-ray inspection is especially appropriate for more expensive foods, items that can break easily or items that are subject to an increased risk of contamination.

With customer satisfaction concerns and mounting FDA requirements, manufacturers of branded foods are increasingly turning to x-ray technology to help them achieve 100 percent quality control. In addition to improving quality and safety and maintaining productivity, some x-ray applications can even reduce costs by optimizing yield.

100% quality assurance

As part of a high-speed production line, our x-ray systems can provide continuous, 100 percent quality control of end products. There is no need to slow down the line for inspections; indeed, this equipment can check up to 700 packages per minute.

Brand protection

Our x-ray systems detect very small contaminants in the production of food and pharmaceuticals, including glass, stone and metal, many of which are impossible to detect in any other way. This equipment gives manufacturers confidence that they are offering customers high-quality and safe products, which is paramount in preserving their brand reputation.

Accurate portion control

Our x-ray systems make sure that food and pharmaceutical packages contain the correct quality and quantity, whether that is number of items or fill level. For example, it can verify that the right number of bars is in a package of ice cream bars and that each is coated with chocolate and has a full stick in place.

Targeted and Integral

Services optimize customer resources based on business goals

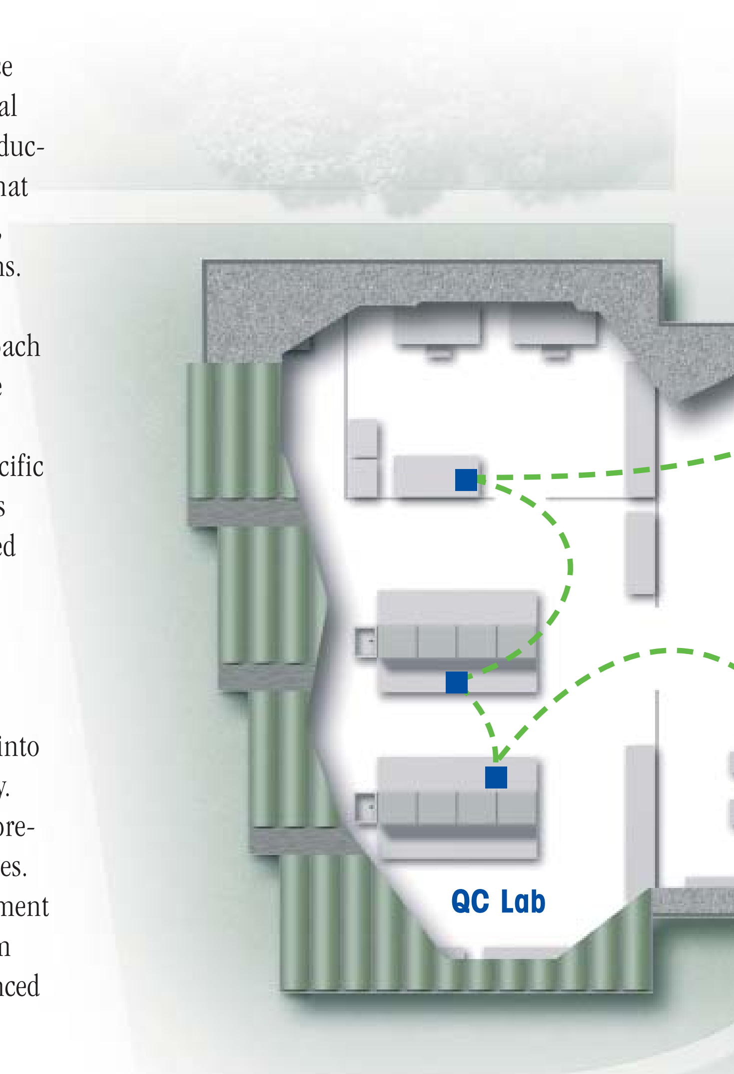
Consultative services

Companies of all types are looking to maximize the performance of their equipment, many despite a shortage of internal technical resources. Not only are they striving to hit high quality and productivity levels, but those in regulated environments must ensure that their instruments are compliant with the latest FDA regulations, as they experience heightened enforcement and more inspections.

METTLER TOLEDO has designed an extraordinary service approach that balances the need to address these universal issues with the awareness that each lab or manufacturing facility – even each department within a facility – is a unique environment with specific business goals. Using a strategic process, our service consultants study how critical each instrument is to those goals, as measured by its impact on quality, downtime, accuracy and regulatory compliance. Then they determine the right service strategies for the instruments that best support those goals.

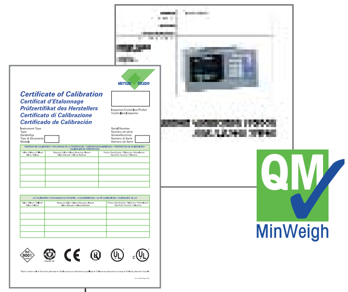
Our full range of services – known as Service XXL – is tailored into a package that aligns closely with a customer's business strategy. That typically includes appropriate calibrations, certifications, preventative maintenance, repair and regulatory compliance services. Increasingly, it means developing comprehensive asset management programs that ensure high-level results such as increased system uptime, better yield, improved compliance and, ultimately, enhanced competitiveness and profitability.

Our consultative approach has been well received by customers, who want services that focus on optimizing the use of their resources based on their business goals. METTLER TOLEDO is in a great position to offer this type of service. We have the industry's most extensive experience in regulated environments and one of the largest service networks, giving us an unsurpassed ability to serve our global customers.



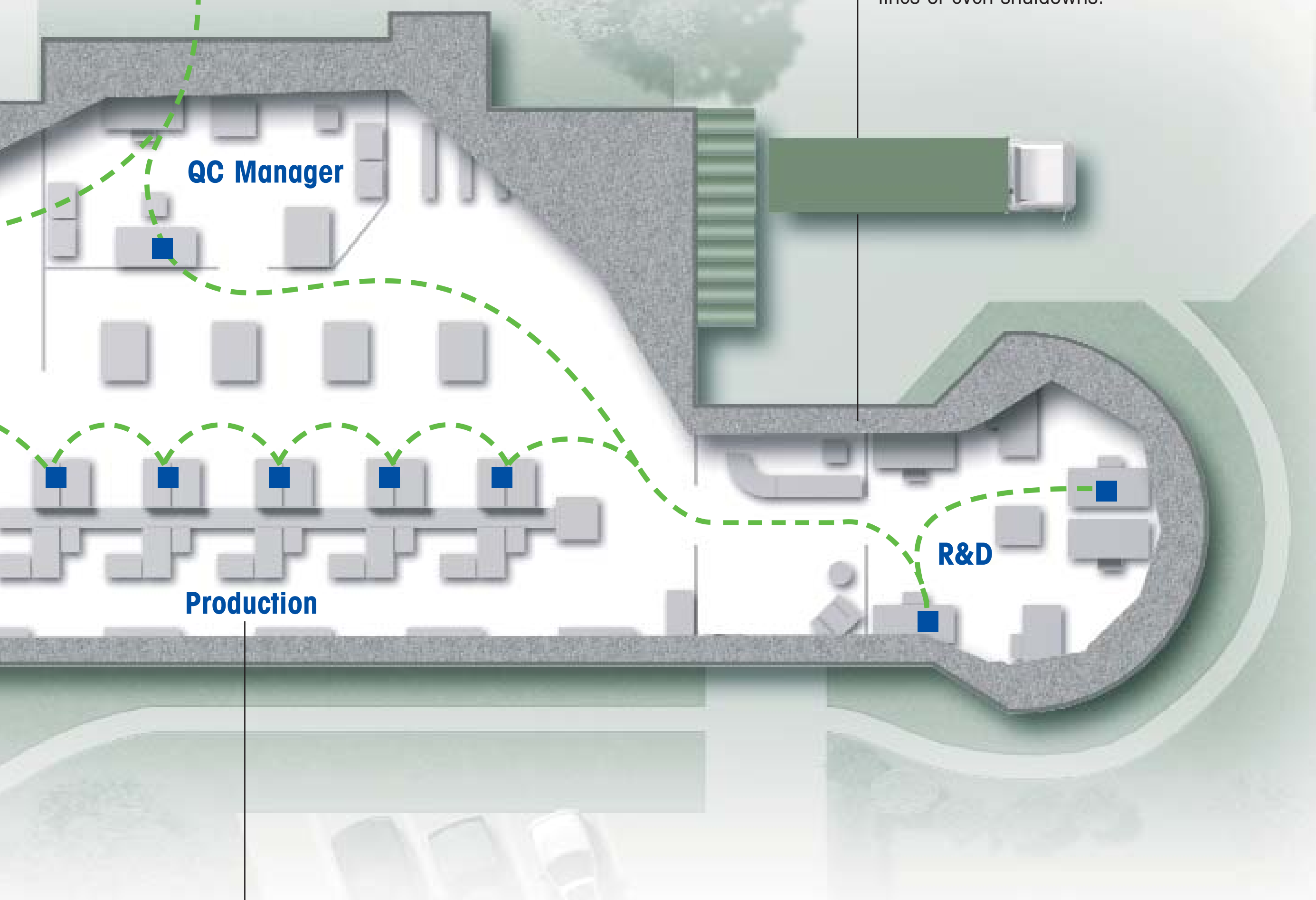
Improved uptime

Frequently, our services are tailored to maximize the time our customers' instruments are productive. With PC notebooks and other tools, we can analyze the needs of our customers on site. Also, we are increasingly using remote services to diagnose and repair an instrument before or within minutes of the instrument's failure.



Regulatory support

Our services help customers meet the extensive requirements of operating in regulated industries. We are experts in the qualification and validation demanded by the FDA for METTLER TOLEDO instruments in use in R&D, manufacturing, packaging, distribution and quality control, and can provide all the necessary support documents. We also help minimize the risk of noncompliance, which can include fines or even shutdowns.



Better yield

If improving yield is a primary goal, then our services can be aimed at eliminating or decreasing bad batches and reducing waste. For example, using our JagXtreme industrial terminal, a plant manager can remotely monitor a process and fix emerging problems before an entire batch is ruined.

Sleek and Powerful

Retail solution aids stores in managing fresh goods

UC retail scale

Fresh goods are critically important to a food retailer's success. Grocers who want to sell the freshest goods at appropriate prices need a system that can manage vast and ever-changing sales, inventory, pricing and promotional data. They also need a solution that is flexible and compatible with their own information technology systems.

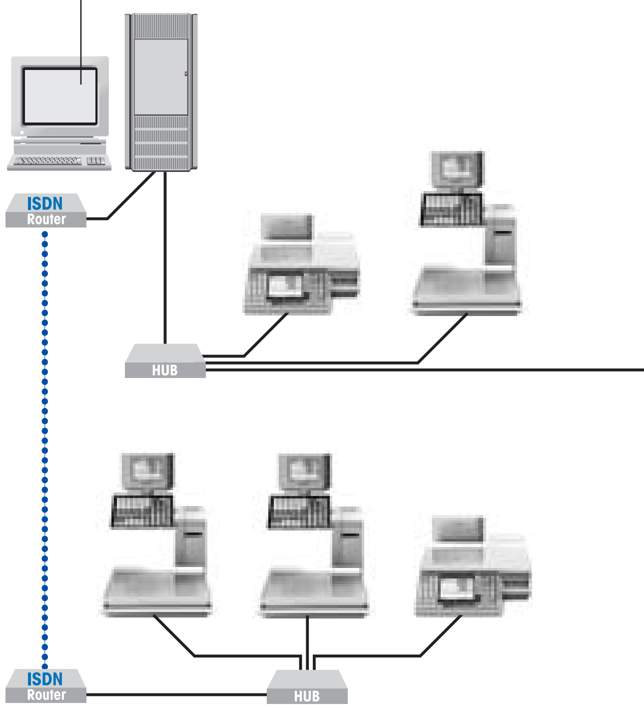
METTLER TOLEDO leads the industry in developing innovative solutions that help food retailers successfully meet these needs. Our UC scale allows easy integration into stores' IT environments, so retailers have all the necessary information to effectively manage their fresh goods. PC-based, the UC has "plug and play" features that make it easy to install and operate. And its sleek chrome design brings a professional look to retail establishments.

We recently expanded the UC's capabilities to boost retailers' efficiency and enhance shoppers' experiences. A UC scale can now function as a combined point-of-sale and weighing system. This gives retailers the ability to set up stations for consumers who are buying only a few items and want a quick checkout. Retailers get more efficient processing, and shoppers get a quicker and more satisfying shopping experience.

The new UC also gives retailers more merchandising opportunities through expanded capabilities for labeling, printing tickets and displaying messages. Such features are increasingly important to retailers who want to provide targeted advertising and reward customers who are frequent shoppers.

Easy integration

Because of its open-system architecture, the UC makes it easy to integrate fresh goods data into a retailer's information technology systems. What's more, retailers have the ability to communicate and combine information among multiple stores, giving them access to all the information needed to improve efficiency and profitability.



Expanded merchandising

With UC's expanded label and ticket printing capabilities, retailers can create targeted promotions and information, such as coupons, frequent-shopper pricing and nutritional information. The UC also offers great flexibility in customizing the user display for ease of use and promotional messages. Since the UC is linked to the retailer's information network, merchandising decisions can be made from a central location.

Fresh goods management

Our UC scale is centered on a software application that allows the comprehensive management of fresh goods. It can automate and manage everything from inventory and item reordering to pricing and promotions, and thus helps retailers grow sales and reduce costs.

Translating Innovation into Customer Value

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

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

Overview

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

Net sales in local currencies were flat in 2003, compared to an increase of 3% in 2002. As discussed in "Acquisition of Rainin Instrument" below, 2002 includes the benefit of the Rainin acquisition. During 2003, we continued to face a challenging world economy and political environment with conditions generally strong in Asia, improving in the United States but remaining weak in Europe.

Specifically, we were affected by the unexpected softness in our biotech and pharmaceutical ("Biopharma") end user markets, particularly in our higher price point drug discovery product line. Biopharma firms are facing short-term pressures such as new drug approval activity, heightened price regulation and industry consolidation. However, we believe that the long-term fundamentals of this market are strong, as demonstrated by 12% compound annual growth rate in research and development spending over the last 30 years. An aging world population with more discretionary healthcare spending capacity drives the need for Biopharma companies to improve both scale and productivity in new drug research and development, which often requires products that mitigate bottlenecks in chemistry-oriented solutions, which Mettler-Toledo can provide.

In our industrial markets, there is an accelerating trend of multinational companies investing in production in China to take advantage of cost savings. Although this provides a significant opportunity for our China operations, this manufacturing shift has a negative impact on our industrial related businesses in the U.S. and Europe.

In our retail end markets, spending patterns continued to be suppressed in Europe after the significant euro conversion related investments by customers in 2001 and weak consumer confidence in major European economies. In our U.S. retail business, results were down relative to strong 2002 project activity.

In spite of these external challenges, we continued to build for the future by investing in strong new marketing programs to further penetrate our markets and leading customers, turning our record R&D investments into new product launches, growing our Chinese operations into our third largest global market, expanding our unique services offering and improving our cost structure.

Looking forward to 2004, we anticipate a gradual improvement in our customers' spending patterns. In Asia we expect further strong economic growth, and in the U.S. we expect the economic improvements experienced over the last several months to continue. We remain concerned however about Europe, where the major economies face low consumer confidence, a strong euro and lack of structural government reforms.

In terms of our key earnings growth drivers for 2004, we expect to benefit from the introduction of new products. This follows our significant investment in research and development over the last few years, particularly in respect of our industrial and laboratory end markets. We also expect continued growth opportunities for most of our product lines in China, as our global customers develop in this region, and as we expand our geographic sales and service coverage. We also anticipate further sales growth in our service business as we continue to extend our regulatory and compliance service offerings. Finally, we expect to generate a further $4 million incremental savings from our cost reduction programs in 2004.

More generally, 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 name, extensive distribution channels and technological leadership. We are particularly attracted to acquisitions that leverage these attributes or increase our solutions capability. In addition, we continue to focus on the following end markets: drug discovery; process analytics; food and drug packaging; and transportation and logistics.

Non-GAAP Financial Measures

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

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

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

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

Limitations of our non-GAAP measure, Adjusted Operating Income

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

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

• It does not include taxes. Because payment of taxes is a necessary and ongoing part of our operations, any measure that excludes taxes has material limitations;

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

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

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

Our Adjusted Operating Income increased from $149.9 million in 2001 to $161.9 million in 2003. This performance was achieved while we continued to invest in product development and in our distribution and manufacturing infrastructure. Adjusted Operating Income includes restructuring charges of $15.2 million in 2001, $28.7 million in 2002 and $5.4 million in 2003. These charges are described more fully below. A reconciliation of Adjusted Operating Income to net earnings for 2001 to 2003 is included in "Results of Operations" below.

Acquisition of Rainin Instrument

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

Cost Reduction Programs

In 2001, we recorded a restructuring charge of $15.2 million ($14.6 million after tax) associated primarily with headcount reductions and manufacturing transfers. This charge comprised primarily severance and other related benefits and costs of exiting facilities, including lease termination costs and the write-down of impaired assets.

As further described in Note 15 to our audited consolidated financial statements, during the three months ended June 30, 2002 we recorded a restructuring charge of $28.7 million ($20.1 million after tax) which comprised severance, asset write-downs and other exit costs, primarily related to headcount reductions and manufacturing transfers. As a result of these actions, we expect to eliminate approximately $18 million of costs from the business. We estimate that approximately $6 million of these savings were realized in 2002, $8 million in 2003, and a further $4 million is expected in 2004.

As noted in previous filings, in accordance with U.S. GAAP, the charge taken in the second quarter of 2002 related to the exit of our French manufacturing facility was limited to the minimum contractual payment required by French law. During the three months ended March 31, 2003, we recorded a restructuring charge of $5.4 million ($3.8 million after tax), related to the final union settlement on the closure of this facility. This charge comprises the additional employee-related costs resulting from final settlement of the social plan negotiated with the French workers' council during the first quarter of 2003.

We assess our accrual for restructuring activities on an ongoing basis. During the three months ended September 30, 2003, we recorded a reduction in the restructuring accrual of $0.96 million, included within Other charges (income), net, as a result of lower employee-related charges than originally anticipated. Also, a restructuring charge of $1.4 million was recorded during the three months ended September 30, 2003, related to an extension of manufacturing consolidation activities. This charge comprised severance of $1.0 million, included within Other charges (income), net, and inventory write-downs of $0.4 million, included within Cost of sales.

The Company's aforementioned restructuring programs and related accruals were substantially completed at December 31, 2003.

Results of Operations

The following table sets forth certain items from our consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001 (amounts in thousands).

	2003	2002	2001
Net sales	$1,304,431	$1,213,707	$1,148,022
Cost of sales	686,255	645,970	619,140
Gross profit	618,176	567,737	528,882
Research and development	78,003	70,625	64,627
Selling, general and administrative	372,822	331,959	299,191
Amortization	11,724	9,332	14,114
Interest expense	14,153	17,209	17,162
Other charges, net(a)	4,563	28,202	15,354
Earnings before taxes	$ 136,911	$ 110,410	$ 118,434
Net earnings	$ 95,838	$ 100,421	$ 72,264
Adjusted Operating Income (after restructuring charges) (b)	$ 161,907	$ 136,492	$ 149,868

A reconciliation of Adjusted Operating Income to net earnings for the years ended December 31 follows:

	2003	2002	2001
Adjusted Operating Income (after restructuring charges)(b)	$161,907	$136,492	$149,868
Amortization	11,724	9,332	14,114
Interest expense	14,153	17,209	17,162
Other charges, net (excluding restructuring charges)	(881)	(459)	158
Provision for taxes	41,073	9,989	46,170
Net earnings	$ 95,838	$100,421	$ 72,264

(a) Other charges, net consists primarily of charges related to our restructuring programs, interest income, (gains) losses from foreign currency transactions, (gains) losses from sales of assets and other items. The 2003, 2002 and 2001 amounts include restructuring charges of $5,444, $28,661 and $15,196 respectively, related primarily to headcount reductions and manufacturing transfers.

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

Results of Operations – Consolidated

Net sales

Net sales were $1,304.4 million for the year ended December 31, 2003, compared to $1,213.7 million in 2002 and $1,148.0 million in 2001. In local currencies, this represents flat sales for 2003 and an increase of 3% in 2002. The fluctuation of the U.S. dollar versus our major trading currencies increased U.S. dollar-reported sales growth in 2003 and 2002. Net sales in U.S. dollars increased 7% in 2003, and 6% in 2002.

2003 sales were affected by the unexpected softness in our Biopharma end user market, particularly in our higher price point drug discovery product line. Spending patterns in our retail end markets continued to be suppressed in Europe after the significant euro conversion related investments by customers in 2001 and down in the U.S. relative to strong 2002 project activity. These trends were partially mitigated by solid results in our industrial markets, particularly for packaging, and transportation and logistics products.

As discussed in "Acquisition of Rainin Instrument" above, results for 2002 include the benefit of the Rainin acquisition. However, we also experienced a sharp decline in sales of our European retail products in 2002, as a result of the euro conversion related investments by customers in 2001. Excluding the impact of European retail products in both 2002 and 2001, consolidated local currency sales growth would be 9% in 2002. A discussion of sales by operating segment is included below.

As described in Note 17 to our consolidated financial statements, our net sales comprise product sales of precision instruments and related services. Service revenues are primarily derived from regulatory compliance qualification, calibration, certification and repair services, much of which is provided under contracts, as well as sales of spare parts.

Net sales of products declined 1% in local currencies in 2003 and increased 2% in 2002, whereas service revenue (including spare parts) increased 3% and 8% in 2003 and 2002 respectively. The higher service growth was generated by our consultative based value-added services approach, including the provision of instrument qualification and asset management services and training, rather than via increased sales of spare parts.

Gross profit

Gross profit as a percentage of net sales was 47.4% for 2003, compared to 46.8% for 2002 and 46.1% for 2001. Improvements in the margin over the two year period reflect the benefits from our cost rationalization and product transfer initiatives, partially offset by adverse currency impacts. On a constant currency basis relative to the prior year, gross margin as a percentage of net sales was 47.8% for 2003.

Gross profit as a percentage of net sales for products was 50.9% for 2003, compared to 50.8% for 2002 and 49.9% for 2001. These improvements also reflect the benefits from our cost rationalization initiatives, offset by adverse currency impacts. On a constant currency basis relative to the prior year, product gross margin as a percentage of net sales was 51.4% for 2003.

Gross profit as a percentage of net sales for services (including spare parts) was 35.1% for 2003, compared to 32.0% for 2002 and 31.3% for 2001. The increase in the margin over the two years reflects the expansion of higher margin regulatory compliance service sales and improved productivity. On a constant currency basis relative to the prior year, service gross margin as a percentage of net sales was 34.9% for 2003.

Research and development and selling, general and administrative expenses

Research and development expenses as a percentage of net sales was 6.0% for 2003, compared to 5.8% for 2002 and 5.6% in 2001. In local currencies, research and development expenses increased 2% in 2003 and 5% in 2002 compared to the previous year. The increase in 2003 is principally due to investments in our new laboratory and transportation and logistics products.

Selling, general and administrative expenses as a percentage of net sales increased to 28.6% for 2003, compared to 27.4% for 2002 and 26.1% for 2001. In local currencies, and adjusting for acquisitions, selling, general and administrative expenses increased 3% in 2003 and 2% in 2002. The increase in 2003 is principally due to higher medical plan costs in the U.S. and higher marketing costs related to the roll-out of our new laboratory products.

Other charges (income), net

Other charges (income), net were $4.6 million in 2003, compared to $28.2 million in 2002 and $15.4 million in 2001. The 2003, 2002 and 2001 amounts include the restructuring charges of $5.4 million ($3.8 million after tax), $28.7 million ($20.1 million after tax) and $15.2 million ($14.6 million after tax), comprising severance, asset write-downs and other exit costs primarily related to headcount reductions and manufacturing transfers, described more fully in "Cost Reduction Programs" above.

Interest expense and taxes

Interest expense was $14.2 million for 2003, compared to $17.2 million for both 2002 and 2001. The decrease in 2003 is principally due to reduced borrowing rates and lower average borrowings over the year. In 2002, reduced interest rates were offset by higher average borrowings used to fund the Rainin acquisition.

The provision for taxes is based upon our effective tax rate for the related periods. This rate was 30% for 2003, 9% for 2002 and 39% for 2001. The reduction from 39% to 30% reflects the effects of a restructuring of our European operations and other tax initiatives. In addition, during the three months ended June 30, 2002 we recorded a one-time tax gain of $23.1 million related to the completion of a tax reorganization program and related tax audits.

During the fourth quarter of 2002, we began a program of repatriating foreign subsidiary earnings to the United States in a tax efficient manner. This program resulted in a repatriation of $85 million of foreign earnings during 2002 and a further $100 million in 2003. In addition, this program will result in the repatriation of $80 million of foreign earnings over the next few years. The 2002 repatriation of $85 million created additional U.S. taxable income resulting in the utilization of certain historical tax attributes related to our U.S. operations and release of the related U.S. federal deferred tax valuation allowance. The 2003 repatriation of $100 million also utilized certain historical U.S. tax attributes. The tax effects related to the future repatriation of $80 million are also accrued.

Earnings before taxes and net earnings

Earnings before taxes were $136.9 million for 2003, compared to $110.4 million in 2002 and $118.4 million in 2001. Net earnings were $95.8 million for 2003, compared to $100.4 million in 2002 and $72.3 million in 2001.

These results include the restructuring charge of $5.4 million ($3.8 million after tax) in 2003, the restructuring charge of $28.7 million ($20.1 million after tax) and the one-time tax gain of $23.1 million in 2002, and the restructuring charge of $15.2 million ($14.6 million after tax) in 2001.

Supplemental data: Adjusted Operating Income

See "Non-GAAP Financial Measures" above. Adjusted Operating Income (gross profit less research and development, selling, general and administrative expenses and restructuring charges, before amortization, interest expense and other charges) increased to $161.9 million or 12.4% of net sales for 2003, compared to $136.5 million or 11.2% of net sales in 2002 and $149.9 million or 13.1% of net sales in 2001. Adjusted Operating Income includes restructuring charges of $5.4 million in 2003, $28.7 million in 2002 and $15.2 million in 2001.

In 2003, Adjusted Operating Income increased primarily as a result of the lower restructuring charge relative to 2002. The related benefits of our cost rationalization and product transfer initiatives and strong sales and manufacturing productivity improvements in China were offset by higher research and development costs and selling costs principally related to investments in new products, as well as higher medical plan costs in the U.S. In 2002, Adjusted Operating Income decreased primarily due to recording a higher restructuring charge relative to 2001 and the aforementioned volume impact on European retail following the euro conversion related investments by customers in 2001, partially offset by the benefit of the Rainin acquisition. A discussion of Adjusted Operating Income by operating segment is included below.

Results of Operations – by Operating Segment

Principal U.S. Operations

Net sales to external customers in our Principal U.S. Operations segment decreased 3% in 2003, compared to an increase of 22% in 2002.

Although not as significant as in Europe, we experienced slightly lower sales in our laboratory business in the U.S. in 2003, due to reduced spending in our Biopharma end market. In addition, retail sales declined relative to strong project activity in 2002. These trends were partially offset by increased sales of packaging products. The increase in 2002 is principally due to the Rainin acquisition. Approximately 86% of Rainin's operations were based in the Americas in 2002.

Adjusted Operating Income increased $11.5 million in our Principal U.S. Operations in 2003, compared to an increase of $32.0 million in 2002. The increase in 2003 is due primarily to the restructuring charge recorded in 2002, of which $11.8 million relates to this segment. Adjusted Operating Income in 2003 was also impacted by lower sales of laboratory and food retailing products, combined with higher medical plan costs relative to 2002, partially offset by the impact of increased sales of packaging products and improved service profitability. The increase in 2002 is due primarily to the Rainin acquisition and improvements in service profitability partially offset by the impact of restructuring charges of $11.8 million in 2002 and $6.0 million in 2001.

Other Western European Operations (including France, U.K., Italy and Spain)

Net sales in local currencies to external customers in our Other Western European Operations segment decreased 1% in 2003, compared to a decrease of 7% in 2002. The reduced sales in 2003 were principally due to lower spending in our Biopharma and retail end markets. These trends were partially mitigated by solid results for packaging and transportation and logistics products. Our European sales trends in 2002 were primarily the result of the decline in sales of our European retail products following the significant euro conversion related investments by customers in 2001.

Adjusted Operating Income increased $14.8 million in our Other Western European Operations segment in 2003, compared to a decrease of $22.9 million in 2002. The increase in 2003 is principally the result of a lower restructuring charge of $4.4 million recorded in 2003, compared to $11.4 million recorded in 2002. 2003 also benefited from the related benefits of our cost rationalization and product transfer initiatives, partially offset by the impact of declines in sales of laboratory and retail products. The decrease in 2002 was principally due to the aforementioned volume impact on European retail following the euro related investments by customers in 2001, as well as the impact of the restructuring charges of $11.4 million in 2002 and $0.9 million in 2001.

Principal Central European Operations (including Germany)

Net sales in local currencies to external customers in our Principal Central European Operations segment decreased 4% in 2003, compared to a decrease of 20% in 2002. Similar to our Other Western European Operations segment, the decline in 2003 was principally due to weakness in our laboratory and retail end markets, partially offset by solid results for packaging and transportation and logistics products. The decline in 2002 was principally due to a reduction in post-euro conversion retail sales.

Adjusted Operating Income increased $7.1 million in our Principal Central European Operations segment in 2003, compared to a decrease of $16.8 million in 2002. The increase in 2003 is principally the result of the lower restructuring charge recorded in 2002, of which $2.8 million relates to this segment, and the related benefits from our cost rationalization and product transfer initiatives, partially offset by the impact of declines in sales of laboratory and retail products, while 2002 suffered from the aforementioned volume impact on European retail.

Swiss R&D and Manufacturing Operations

Net sales in local currencies to external customers in our Swiss R&D and Manufacturing Operations segment decreased 13% in 2003, compared to a decrease of 11% in 2002. These declines are principally the result of reduced sales in our laboratory markets.

Adjusted Operating Income decreased $7.2 million in our Swiss R&D and Manufacturing Operations segment in 2003, compared to a decrease of $9.8 million in 2002. These declines were principally as a result of lower sales in our laboratory markets, and increased research and development costs in both years, as well as higher marketing costs in 2003 related to our new laboratory product launches.

Asia

As disclosed in Note 17 to the consolidated financial statements, continued growth resulted in the Company's reporting units in Asia exceeding the quantitative threshold for disclosure as a separate operating segment during the three months ended December 31, 2003.

Net sales in local currencies to external customers in Asia increased 21% in 2003, compared to an increase of 11% in 2002. These results reflect strong sales performance in China for most of our product lines, partially offset by declines in Japan. As well as expanding our manufacturing capacity in China, we have also significantly increased our local sales and service resources in Asia. For example, our headcount in Asia increased by 19% to 1,383 in 2003. Selling, general and administrative expenses increased 18% in local currencies in Asia in 2003, reflecting the additional investment in this region and the strong sales performance.

Adjusted Operating Income increased $8.6 million in Asia in 2003, compared to an increase of $4.1 million in 2002, principally due to stronger sales and improved manufacturing productivity in China, partially offset by declines, primarily in Japan.

Other

Net sales in local currencies to external customers in our Other operating segment increased 3% in 2003, compared to an increase of 5% in 2002. These results reflect modest sales growth in countries such as Russia and Australia, and in Eastern Europe, partially offset by a decline in sales of our drug discovery products.

Adjusted Operating Income increased $5.0 million in our Other operating segment in 2003, compared to a decrease of $0.3 million in 2002. These results reflect the impact of restructuring charges, offset by the impact of declines in sales of our drug discovery products. In addition, 2002 was also negatively affected by the economic downturn in Latin America.

Liquidity and Capital Resources

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

Cash provided by operating activities totaled $117.2 million in 2003, compared to $115.4 million in 2002 and $101.6 million in 2001. The increase in 2003 resulted principally from improved management of operating assets and liabilities, partially offset by higher restructuring and tax payments. Included in 2003 cash provided by operating activities are voluntary incremental pension contributions of $10.0 million to the U.S. pension plan and $7.1 million to the U.K. pension plan. Included in 2002 cash provided by operating activities is a voluntary contribution of $19.0 million to the U.S. pension plan. In 2004, similar to previous years, we expect to make normal employer pension contributions of $11.4 million. Cash provided by operating activities also includes payments for restructuring and certain acquisition integration activities. These amounts totaled $16.8 million, $11.1 million and $10.7 million in 2003, 2002 and 2001, respectively.

During 2003, we spent approximately $4.5 million on acquisitions, including additional consideration related to earn-out periods associated with acquisitions consummated in prior years. The cash portions of these purchases were funded from cash generated from operations and additional borrowings. We continue to explore potential acquisitions. In connection with any acquisition, we may incur additional indebtedness. In addition, the terms of certain of our acquisitions in 2003 and earlier years provide for possible additional earn-out payments of up to $1.0 million.

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 $27.2 million in 2003, $33.2 million in 2002 and $33.2 million in 2001. Capital expenditures in 2003 include spending of $2.4 million associated with our new facility in China and in 2002 include spending of $8.3 million associated with Rainin's new facility in California. We expect capital expenditures in 2004 to be slightly above 2003. We also expect capital expenditures to increase as our business grows, and to fluctuate as currency exchange rates change.

November 2003 refinancing

On November 12, 2003, we closed a new five-year $300 million credit facility ("the $300 million Credit Facility" or "the Credit Facility") and completed the issuance of $150 million seven-year Senior Notes. The proceeds from this refinancing were immediately used to repay all of the borrowings under our former credit agreement, which was then terminated.

Credit Facility Agreement

The $300 million Credit Facility is provided by a group of financial institutions and has a bullet maturity in November 2008. It is not subject to any scheduled principal payments. Borrowings under the $300 million Credit Facility bear interest at current market rates plus a margin which is based on our senior unsecured credit ratings (currently "BBB" by Standard & Poor's and "Baa3" by Moody's), and is currently set at LIBOR plus 0.6%. We must also pay utilization and facility fees that are tied to our credit ratings. The $300 million Credit Facility contains covenants including maintaining a ratio of debt to earnings before interest, tax, depreciation and amortization of less than 3.25 to 1.0 and an interest coverage ratio of more than 3.5 to 1.0. The new facility also places certain limitations on us including limiting the ability to grant liens or incur debt at a subsidiary level. In addition, the $300 million Credit Facility has several events of default including upon a change of control. The Credit Facility is unsecured.

Senior Notes

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

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

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

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

At December 31, 2003, our consolidated debt, net of cash of $45.1 million, was $196.4 million. In addition to the Senior Notes, we had borrowings of $73.1 million under our Credit Facility and $18.3 million under various other local arrangements. Also at December 31, 2003, we had $218.6 million of availability remaining under the Credit Facility.

At December 31, 2003, approximately $49.4 million of the borrowings under the Credit Facility and local working capital facilities were denominated in U.S. dollars. The balance of the borrowings under the Credit Facility and local working capital facilities were denominated in certain of our other principal trading currencies amounting to approximately $42.0 million. Changes in exchange rates between the currencies in which we generate cash flow and the currencies in which our borrowings are denominated affect our liquidity. In addition, because we borrow in a variety of currencies, our debt balances fluctuate due to changes in exchange rates.

At December 31, 2003, we are in compliance with all covenants set forth in our Credit Facility and Senior Notes agreements. In addition, we do not have any downgrade triggers that would accelerate the maturity dates of our debt.

We currently believe that cash flow from operating activities, together with liquidity available under our Credit Facility and local working capital facilities, will be sufficient to fund currently anticipated working capital needs and capital spending requirements for at least several years, but there can be no assurance that this will be the case.

Contractual obligations

The following summarizes certain of our contractual obligations at December 31, 2003 and the effect such obligations are expected to have on our liquidity and cash flow in future periods. We do not have significant outstanding letters of credit or other financial commitments.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt[(a)]	$223,239	$ —	$ —	$73,080	$150,159
Non-cancelable operating leases[(b)]	92,935	19,437	28,322	17,605	27,571
Purchase obligations[(c)]	8,519	6,109	2,410	—	—
Total	$324,693	$25,546	$30,732	$90,685	$177,730

(a) As described in Note 10 to the audited consolidated financial statements.

(b) As described in Note 16 to the audited consolidated financial statements.

(c) Represents agreements to purchase goods or services that are enforceable and legally binding on the Company.

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

Share repurchase program

On February 5, 2004, we announced a share repurchase program, commencing with an initial buyback of up to $100 million over the two-year period ending December 31, 2005. The repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors. We cannot assure you that we will repurchase shares representing the full value of the program over the two-year period.

Off-Balance Sheet Arrangements

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

Effect of Currency on Results of Operations

Because we conduct operations in many countries, our operating income can be significantly affected by fluctuations in currency exchange rates. Swiss franc denominated expenses represent a much greater percentage of our operating expenses than Swiss franc denominated sales represent of our net sales. In part, this is because most of our manufacturing costs in Switzerland relate to products that are sold outside Switzerland. Moreover, a substantial percentage of our research and development expenses and general and administrative expenses are incurred in Switzerland. Therefore, if the Swiss franc strengthens against all or most of our major trading currencies (e.g., the U.S. dollar, the euro, other major European currencies and the Japanese yen), our operating profit is reduced. We also have significantly more sales in European currencies (other than the Swiss franc) than we have expenses in those currencies. Therefore, when European currencies weaken against the U.S. dollar and the Swiss franc, it also decreases our operating profits. Accordingly, the Swiss franc exchange rate to the euro is an important cross-rate monitored by the Company. We estimate that a 1% strengthening of the Swiss franc against the euro would result in a decrease in our earnings before tax of $0.8 million to $1.2 million on an annual basis. In addition to the effects of exchange rate movements on operating profits, our debt levels can fluctuate due to changes in exchange rates, particularly between the U.S. dollar and the Swiss franc. Based on our outstanding debt at December 31, 2003, we estimate that a 10% weakening of the U.S. dollar against the currencies in which our debt is denominated would result in an increase of approximately $4.7 million in the reported U.S. dollar value of the debt.

Taxes

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

Our effective tax rates for the years ended December 31, 2003, 2002 and 2001 were approximately 30%, 9% and 39% respectively, as described in "Interest expense and taxes" above.

Environmental Matters

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

We are currently involved in, or have potential liability with respect to, the remediation of past contamination in certain of our facilities in both the United States and abroad. Our subsidiary, Hi-Speed Checkweigher, is subject to an administrative consent order from the New Jersey Department of Environmental Protection that provides for the remediation of a former manufacturing site in Landing, New Jersey. Under the terms of the stock purchase agreement between GEI International Corporation and the predecessor to Hi-Speed, GEI assumed all responsibility for the administrative consent order and to date has performed and paid for all action it requires. In addition, certain of our present and former facilities have or had been in operation for many decades and, over such time, some of these facilities may have used substances or generated and disposed of wastes which are or may be considered hazardous. It is possible that these sites, as well as disposal sites owned by third parties to which we have sent wastes, may in the future be identified and become the subject of remediation. Accordingly, although we believe that we are in substantial compliance with applicable environmental requirements and to date we have not incurred material expenditures in connection with environmental matters, it is possible that we could become subject to additional environmental liabilities in the future that could result in a material adverse effect on our financial condition or results of operations.

Inflation

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

Quantitative and Qualitative Disclosures about Market Risk

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

We have entered into foreign currency forward contracts to economically hedge short-term intercompany balances with our international businesses and a portion of our Swiss franc/euro exposure on a monthly basis. 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 $4.5 million at December 31, 2003, as compared with $2.9 million at December 31, 2002. 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" above.

We have entered into certain interest rate swap agreements. These contracts are more fully described in Note 5 to our audited consolidated financial statements. The market value of these contracts as at December 31, 2003 and 2002 was $0.4 million and negative $4.4 million, respectively. Based on our agreements outstanding at December 31, 2003, a 100 basis point increase in interest rates would result in a decrease in the net aggregate market value of these instruments of $1.9 million, as compared with an increase of $1.4 million at December 31, 2002. Conversely, a 100 basis point decrease in interest rates would result in a $1.9 million increase in the net aggregate market value of these instruments, as compared with a net reduction of $1.4 million at December 31, 2002. Any change in fair value would not affect our consolidated statement of operations unless such agreements and the debt they hedge were prematurely settled.

Critical Accounting Policies

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

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

Employee benefit plans

The net periodic pension cost for 2003 and projected benefit obligation as at December 31, 2003 were $3.7 million and $99.8 million respectively for our U.S. pension plans, and $11.1 million and $402.5 million respectively for our international pension plans. The net periodic post-retirement cost for 2003 and projected benefit obligation as at December 31, 2003 for our U.S. post-retirement medical benefit plan were $0.5 million and $29.8 million respectively.

Pension and post-retirement benefit plan expense and obligations are developed from assumptions in actuarial valuations. These assumptions include the discount rate and expected return on plan assets. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods. While management believes the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our plan obligations and future expense.

The expected rates of return on the various defined benefit pension plans' assets are based on the asset allocation of each plan and the long-term projected return of those assets, which represent a diversified mix of U.S. and international corporate equities and government and corporate debt securities. In April 2002, we froze our U.S. defined benefit pension plan and discontinued our retiree medical program for certain current and all future employees. Consequently, no significant future service costs will be incurred on these plans. For 2003, the average return on assets assumption was 8.5% for the U.S. plan and 6.1% for the international plans. A change in the rate of return of 1% would impact annual benefit plan expense by approximately $3.4 million after tax.

The discount rates for defined benefit and post-retirement plans are set by benchmarking against high quality corporate bonds. For 2003, the average discount rate assumption was 6.25% for the U.S. plans and 4.5% for the international plans, representing a weighted average of local rates in countries where such plans exist. A change in the discount rate of 1% would impact annual benefit plan expense by approximately $3.5 million after tax.

In 2003 and 2002, we made voluntary incremental funding payments of $17.1 million and $19.0 million respectively, to reduce the underfunded status of the U.S. and U.K. pension plans. As a result, we do not expect to make any significant required pension funding payments, other than normal employer contributions, during the next two years. However, if the equity markets do not mirror expected rates of return, in the future, we could be required to make additional cash funding payments or adjust the $43.6 million additional minimum pension liability recorded at December 31, 2003.

The Company also has employee stock option plans which are accounted for under the intrinsic value recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. As stock options have been issued with exercise prices equal to the market value of the underlying shares on the grant date, no compensation cost has resulted. Note 12 to the audited consolidated financial statements provides supplemental information, including pro forma earnings and earnings per share, as if the Company had accounted for options based on the fair value method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation." That methodology yields an estimate of fair value based in part on a number of management estimates, including future volatility and estimated option lives. Changes in these assumptions could significantly impact the estimated fair value of stock options.

Inventory

As at December 31, 2003, net inventories were $151.8 million.

We record our inventory at the lower of cost or net realizable value. Cost, which includes direct materials, labor and overhead, is generally determined using the first in, first out (FIFO) method. The estimated market value is based on assumptions for future demand and related pricing. Excess and obsolete reserves are established based on forecast usage, orders and technological obsolescence. If actual market conditions are less favorable than those projected by management, reductions in the value of inventory may be required.

Goodwill and other intangible assets

As at December 31, 2003, our consolidated balance sheet included goodwill of $421.9 million and other intangible assets of $126.9 million.

Our business acquisitions typically result in goodwill and other intangible assets, which affect the amount of future period amortization expense and possible impairment expense that we will incur. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements.

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

Our drug discovery reporting unit is sensitive to changes in Biopharma capital spending. As a result of aforementioned trends in this market, drug discovery experienced a double-digit decline in revenue and profitability during 2003. However, the fair value of the Company's drug discovery reporting unit exceeded its carrying value of $29 million as of September 30, 2003 and December 31, 2003. In accordance with the provisions of SFAS 142, the Company will monitor the fair value of this reporting unit closely to determine if the 2004 business plan is being achieved. For example, we will monitor whether the forecasted benefits of our drug discovery cost reduction programs are being realized, including the program of manufacturing site rationalization currently in progress.

Should any of these estimates or assumptions in the preceding paragraphs not be accurate, or should we incur lower than expected operating performance or cash flows, we may experience a triggering event that requires a new fair value assessment for our reporting units, possibly prior to the required annual assessment. These types of events and resulting analysis could result in impairment charges for goodwill and other indefinite-lived intangible assets if the fair value estimate declines below the carrying value.

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

Income taxes

Income tax expense and deferred tax assets and liabilities reflect management's assessment of actual future taxes to be paid on items reflected in the financial statements. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income, equity or goodwill in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

In 2002 and 2003, provisions were made for U.S. income taxes on certain undistributed earnings of non-U.S. subsidiaries as a decision was made to repatriate these earnings rather than permanently reinvest them. If we decide to repatriate an amount of undistributed earnings in excess of those originally planned, we could be subject to additional income tax.

The significant assumptions and estimates described in the preceding paragraphs are important contributors to our ultimate effective tax rate for each year in addition to our income mix from geographical regions. If any of our assumptions or estimates were to change, or should our income mix from our geographical regions change, our effective tax rate can be materially affected. Based on pre-tax income of $136.9 million for the year ended December 31, 2003, each increase of $1.4 million in tax expense would increase our effective tax rate by 1%.

Revenue recognition

Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Standard shipping terms are generally FOB shipping point in most countries and accordingly, title transfers upon shipment. For those few countries where title cannot legally transfer before delivery, we defer revenue recognition until delivery has occurred. Other than a few small software applications, Mettler-Toledo does not sell its software products without the related hardware instrument as the software is embedded in the instrument. The Company's typical solution requires no significant production, modification or customization of the hardware or software that is essential to the functionality of the products. Revenues from service contracts are recognized ratably over the contract period.

Warranty

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

New Accounting Standards

See Note 2 to the audited consolidated financial statements.

Forward-Looking Statements and Associated Risks

Some of the statements in this annual report and in documents incorporated by reference constitute "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. These statements relate to future events or our future financial performance, including, but not limited to, strategic plans, potential growth opportunities in both developed markets and emerging markets, planned research and development efforts, product introductions and innovation, manufacturing capacity, expected customer demand, meeting customer expectations, planned operational changes and productivity improvements, research and development expenditures, competitors' product development, expected capital expenditures, future cash sources and requirements, liquidity, impact of taxes, expected compliance with laws, impact of environmental costs, expected cost savings and benefits of completed or future acquisitions, which involve known and unknown risks, uncertainties and other factors that may cause our or our businesses' actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or "continue" or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. Moreover, we do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. Unless otherwise required by applicable laws, we disclaim any intention or obligation to publicly update or revise any of the forward-looking statements after the date of this annual report to conform them to actual results, whether as a result of new information, future events, or otherwise. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the caption "Factors affecting our future operating results" in Exhibit 99.1 to our annual report on Form 10-K, which describes risks and factors that could cause results to differ materially from those projected in those forward-looking statements.

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

Report of Independent Accountants

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mettler-Toledo International Inc. and its subsidiaries at December 31, 2003 and December 31, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles, which, as described in Note 1, are 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.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2002, Mettler-Toledo International Inc. adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

As discussed in Note 2 to the consolidated financial statements, on September 30, 2003, Mettler-Toledo International Inc. adopted Emerging Issues Task Force Issue No. 03-4, "Accounting for 'Cash Balance' Pension Plans."

PricewaterhouseCoopers AG

Zurich, Switzerland
March 15, 2004

Consolidated Statements of Operations

For the years ended December 31 (In thousands, except share data)	2003	2002	2001
Net sales			
Products	$1,014,722	$ 954,081	$ 912,664
Service	289,709	259,626	235,358
Total net sales	1,304,431	1,213,707	1,148,022
Cost of sales			
Products	498,207	469,453	457,342
Service	188,048	176,517	161,798
Gross profit	618,176	567,737	528,882
Research and development	78,003	70,625	64,627
Selling, general and administrative	372,822	331,959	299,191
Amortization	11,724	9,332	14,114
Interest expense	14,153	17,209	17,162
Other charges, net	4,563	28,202	15,354
Earnings before taxes	136,911	110,410	118,434
Provision for taxes	41,073	9,989	46,170
Net earnings	$ 95,838	$ 100,421	$ 72,264
Basic earnings per common share:			
Net earnings	$ 2.15	$ 2.27	$ 1.78
Weighted average number of common shares	44,473,913	44,280,605	40,609,716
Diluted earnings per common share:			
Net earnings	$ 2.11	$ 2.21	$ 1.68
Weighted average number of common shares	45,508,847	45,370,053	42,978,895

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

Consolidated Balance Sheets

As of December 31 (In thousands, except share data)	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,116	$ 31,427
Trade accounts receivable, less allowances of $10,489 in 2003 and $10,916 in 2002	249,353	231,673
Inventories, net	151,764	150,441
Current deferred tax assets, net	27,644	33,584
Other current assets and prepaid expenses	31,660	28,602
Total current assets	505,537	475,727
Property, plant and equipment, net	231,512	217,754
Goodwill, net of accumulated amortization of $45,861 in 2003 and $43,337 in 2002	421,940	408,351
Other intangible assets, net	126,874	129,441
Non-current deferred tax assets, net	40,683	24,346
Other non-current assets	60,730	47,774
Total assets	$1,387,276	$1,303,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 68,243	$ 73,072
Accrued and other liabilities	97,966	107,527
Accrued compensation and related items	56,575	47,013
Deferred service revenue	20,759	18,547
Taxes payable	51,347	66,511
Current deferred tax liabilities	14,742	4,416
Short-term borrowings and current maturities of long-term debt	18,277	50,578
Total current liabilities	327,909	367,664
Long-term debt	223,239	262,093
Pension and other post-retirement liabilities	131,448	123,438
Non-current deferred taxes	46,519	37,650
Other non-current liabilities	4,165	10,162
Total liabilities	733,280	801,007
Shareholders' equity:		
Preferred stock, $0.01 par value per share; authorized 10,000,000 shares	—	—
Common stock, $0.01 par value per share; authorized 125,000,000 shares; issued 44,582,017 in 2003 and 44,384,820 in 2002	446	444
Additional paid-in capital	471,628	459,213
Retained earnings	200,216	104,378
Accumulated other comprehensive loss	(18,294)	(61,649)
Total shareholders' equity	653,996	502,386
Commitments and contingencies	—	—
Total liabilities and shareholders' equity	$1,387,276	$1,303,393

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

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)

For the years ended December 31 (In thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2000	39,372,873	$393	$294,558	$ (68,307)	$(47,804)	$178,840
Issuance of shares	3,388,132	34	144,300	—	—	144,334
Exercise of stock options	1,384,737	14	16,826	—	—	16,840
Comprehensive income:						
Net earnings	—	—	—	72,264	—	72,264
Unrealized loss on cash flow hedging arrangements	—	—	—	—	(1,591)	(1,591)
Change in currency translation adjustment	—	—	—	—	(2,494)	(2,494)
Minimum pension liability adjustment	—	—	—	—	(20,009)	(20,009)
Comprehensive income						48,170
Balance at December 31, 2001	44,145,742	$441	$455,684	$ 3,957	$(71,898)	$388,184
Exercise of stock options	239,078	3	3,529	—	—	3,532
Comprehensive income:						
Net earnings	—	—	—	100,421	—	100,421
Unrealized loss on cash flow hedging arrangements	—	—	—	—	(2,805)	(2,805)
Change in currency translation adjustment	—	—	—	—	26,933	26,933
Minimum pension liability adjustment[(a)]	—	—	—	—	(13,879)	(13,879)
Comprehensive income						110,670
Balance at December 31, 2002	44,384,820	$444	$459,213	$104,378	$(61,649)	$502,386
Exercise of stock options	197,197	2	3,575	—	—	3,577
Tax benefit resulting from exercise of certain employee stock options	—	—	8,840	—	—	8,840
Comprehensive income:						
Net earnings	—	—	—	95,838	—	95,838
Unrealized gain on cash flow hedging arrangements	—	—	—	—	3,960	3,960
Change in currency translation adjustment	—	—	—	—	34,209	34,209
Minimum pension liability adjustment[(a)]	—	—	—	—	5,186	5,186
Comprehensive income						139,193
Balance at December 31, 2003	44,582,017	$446	$471,628	$200,216	$(18,294)	$653,996

(a) The minimum pension liability adjustments in 2003 and 2002 are net of deferred tax benefits of $8,215 and $6,650, respectively.

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)	2003	2002	2001
Cash flows from operating activities:			
Net earnings	$ 95,838	$ 100,421	$ 72,264
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	25,086	25,392	22,858
Amortization	11,724	9,332	14,114
Other	13	2,950	1,055
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable, net	3,516	13,663	(11,502)
Inventories	8,773	7,378	3,531
Other current assets	1,708	6,061	570
Trade accounts payable	(8,452)	919	(14,825)
Taxes payable	(19,440)	(13,340)	15,937
Accruals and other liabilities	(1,535) (a)	(37,366) (a)	(2,430) (a)
Net cash provided by operating activities	117,231	115,410	101,572
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	2,092	1,995	3,518
Purchase of property, plant and equipment	(27,152)	(33,157)	(33,228)
Acquisitions	(4,450) (b)	(21,305) (b)	(165,471) (b)
Net cash used in investing activities	(29,510)	(52,467)	(195,181)
Cash flows from financing activities:			
Proceeds from borrowings	248,726	81,425	188,448
Repayments of borrowings	(325,946)	(142,609)	(105,062)
Proceeds from options exercised	3,577	3,532	16,840
Refinancing fees	(3,077)	—	—
Net cash provided by (used in) financing activities	(76,720)	(57,652)	100,226
Effect of exchange rate changes on cash and cash equivalents	2,688	(1,585)	(621)
Net increase in cash and cash equivalents	13,689	3,706	5,996
Cash and cash equivalents:			
Beginning of period	31,427	27,721	21,725
End of period	$ 45,116	$ 31,427	$ 27,721
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 13,955	$ 16,249	$ 15,504
Taxes	$ 40,451	$ 31,387	$ 26,838
Non-cash financing and investing activities:			
Issuance of common stock on acquisitions	$ —	$ —	$ 144,334

(a) Accruals and other liabilities include payments for restructuring and certain acquisition integration activities of $16.8 million, $11.1 million and $10.7 million in 2003, 2002 and 2001, respectively.

(b) Amounts paid for acquisitions including cash and the issuance of common stock were $4.5 million, $21.3 million and $309.8 million in 2003, 2002 and 2001, 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 supplier of precision instruments and services. The Company manufactures weighing instruments for use in laboratory, industrial, packaging, logistics and food retailing applications. The Company also manufactures several related analytical instruments, and provides automated chemistry solutions used in drug and chemical compound discovery and development. In addition, the Company manufactures metal detection and other end-of-line inspection systems used in production and packaging, and provides solutions for use in certain process analytics applications. The Company's primary manufacturing facilities are located in Switzerland, the United States, Germany, the United Kingdom and China. The Company's principal executive offices are located in Greifensee, Switzerland.

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

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

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

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

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost, which includes direct materials, labor and overhead, is generally determined using the first in, first out (FIFO) method. The estimated market value is based on assumptions for future demand and related pricing. Excess and obsolete reserves are established based on forecast usage, orders and technological obsolescence.

Long-Lived Assets

a) Property, Plant and Equipment

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

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

b) Capitalized Software

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

c) Goodwill and Other Intangible Assets

Effective January 1, 2002, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets"("SFAS 142"), goodwill, representing the excess of purchase price over the net asset value of companies acquired, and indefinite lived intangible assets are not amortized, but are reviewed for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The annual evaluation is based on valuation models that estimate fair value based on expected future cash flows and profitability projections.

Other intangible assets include indefinite lived assets and assets subject to amortization. Where applicable amortization is charged on a straight-line basis over the expected period to be benefited. The Company assesses the recoverability of other intangible assets subject to amortization in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), as discussed below.

Prior to January 1, 2002, goodwill and other intangible assets were amortized on a straight-line basis over the expected period to be benefited.

Accounting for Impairment of Long-Lived Assets

Effective January 1, 2002, in accordance with SFAS 144, the Company assesses the need to record impairment losses on long-lived assets with finite lives when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. An impairment loss would be recognized when future estimated undiscounted cash flows expected to result from use of the asset are less than the asset's carrying value, with the loss measured at fair value based on discounted expected cash flows.

Taxation

The Company files tax returns in each jurisdiction in which it operates. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which the Company operates. In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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

Currency Translation and Transactions

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

Revenue Recognition

Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Standard shipping terms are generally FOB shipping point in most countries and accordingly, title transfers upon shipment. For those few countries where title cannot legally transfer before delivery, we defer revenue recognition until delivery has occurred. Other than a few small software applications, Mettler-Toledo does not sell its software products without the related hardware instrument as the software is embedded in the instrument. The Company's typical solution requires no significant production, modification or customization of the hardware or software that is essential to the functionality of the products. Revenues from service contracts are recognized ratably over the contract period.

Research and Development

Research and development costs are expensed as incurred.

Warranty

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

Earnings per Common Share

In accordance with the treasury stock method, the Company has included 1,034,934, 1,089,448 and 2,369,179 equivalent shares in the calculation of diluted weighted average number of common shares for the years ending December 31, 2003, 2002 and 2001, respectively, relating to outstanding stock options.

Outstanding options to purchase 1,955,938, 1,360,600 and 354,250 shares of common stock for the years ending December 31, 2003, 2002 and 2001, respectively, have been excluded from the calculation of diluted weighted average number of common shares on the grounds that such options would be anti-dilutive.

Stock-Based Compensation

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

Derivative Financial Instruments

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

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. As described more fully in Note 5, the Company enters into foreign currency forward contracts to economically hedge short-term intercompany transactions with its international businesses and a portion of its Swiss franc/euro exposure. 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 the appropriate financial statement caption in the income statement consistent with the underlying position.

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

Concentration of Credit Risk

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

New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of SFAS 143 are effective for annual financial statements for fiscal years beginning on or after June 15, 2002. The adoption of SFAS 143 did not have a material impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)". The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 did not have a material impact on the Company's consolidated financial statements.

In November 2002, the Emerging Issues Task Force reached a consensus on Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). EITF 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets and applies to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 did not have a material impact on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123" ("SFAS 148"). Effective for annual financial statements after December 15, 2002, SFAS 148 amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure provisions of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company applied the disclosure provisions of SFAS 148. See Note 12 to the consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 expands upon existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity and provides additional disclosure guidance. The implementation of FIN 46 did not have a material impact on the Company's consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 149, which is to be applied prospectively, is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 did not have a material impact on the Company's consolidated financial statements.

In 2003, the Emerging Issues Task Force reached a consensus on Issue No. 03-4, "Accounting for Cash Balance Pension Plans" ("EITF 03-4"). The Company determined that its Swiss cash balance pension plan met the requirements necessitating a change in the method of expense attribution used in its actuarial calculations from the 'projected unit credit' method to the 'traditional unit credit' method. This required change in methodology resulted in a reduction in the projected benefit obligation of our Swiss cash balance pension plan of $53.3 million, which will be amortized over the expected future service life of Switzerland-based employees, beginning in 2004. See Note 13 to the consolidated financial statements.

In December 2003, the FASB issued a revision to SFAS No. 132, "Employers' Disclosures about Pensions and Other Post-retirement Benefits" ("SFAS 132"). SFAS 132 revises employers' disclosures about pension plans and other post-retirement benefit plans. It requires additional disclosures related to the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit post-retirement plans. It does not change the measurement or recognition of those plans. The Company has adopted the provisions of this statement. See Note 13 to the consolidated financial statements.

In December 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduces a prescription drug benefit under Medicare and also provides that a nontaxable federal subsidy will be paid to sponsors of post-retirement benefit plans that provide retirees with a drug benefit that is at least "actuarially equivalent" to the Medicare benefit. Although the Company sponsors a post-retirement medical benefit plan that provides prescription drugs, as described in Note 15 to the consolidated financial statements, the Company's U.S. retiree medical program was discontinued in 2002 for certain current and all future active employees. As permitted by the FASB Staff Position document issued in January 2004, which acknowledged the issues associated with measuring and recognizing the effects of the Act and federal subsidy at this point in time, the Company elected to defer the accounting for such effects until authoritative guidance is issued.

3. Business Combinations

During the year ended December 31, 2003, the Company spent approximately $4.5 million on acquisitions and additional consideration related to earn-out periods associated with acquisitions consummated in prior years. Goodwill recognized in connection with these acquisition payments totaled $4.4 million, which is primarily included in the Company's Principal U.S. Operations segment. The Company accounted for the acquisition payments and additional consideration using the purchase method of accounting.

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

Rainin Acquisition

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

The aggregate purchase price for Rainin was $294.2 million, including $149.9 million of cash and the issuance of common stock valued at $144.3 million.

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

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

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

The following summarized unaudited pro forma information assumes the acquisition of Rainin occurred on January 1, 2001. The pro forma data reflects adjustments directly related to the acquisition, and does not include adjustments that may arise as a consequence of the acquisition. Accordingly, the unaudited pro forma information does not purport to be indicative of what the Company's combined results of operations would actually have been had the acquisition occurred on January 1, 2001 or to project the Company's combined results of operations for any future periods.

Year ended December 31:	2001
Net sales:	
As reported	$1,148,022
Pro forma	1,212,587
Net earnings:	
As reported	$ 72,264
Pro forma	76,561
Basic earnings per common share:	
As reported	$ 1.78
Pro forma	1.76
Diluted earnings per common share:	
As reported	$ 1.68
Pro forma	1.67

Other Acquisitions

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

A reconciliation of the change in goodwill during the years ended December 31, 2003 and 2002 is provided in Note 7 to these consolidated financial statements.

The terms of certain of our acquisitions in 2003 and earlier years provide for possible additional earn-out payments. Although we do not currently believe we will make any material payments relating to such earn-outs, the maximum amount potentially payable in cash is approximately $1.0 million. Any additional earn-out payments incurred will be treated as additional purchase price and accounted for using the purchase method of accounting.

4. Inventories, Net

Inventories, net consisted of the following at December 31:

	2003	2002
Raw materials and parts	$ 71,950	$ 73,667
Work-in-progress	32,432	33,683
Finished goods	47,382	43,091
	$151,764	$150,441

5. Financial Instruments

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

As described in Note 10, on November 12, 2003 the Company closed a new five-year $300 million credit facility and completed the issuance of $150 million seven-year Senior Notes. The proceeds from this refinancing were immediately used to repay all of the Company's borrowings under its former credit agreement, which was then terminated. In connection with this refinancing, on November 4, 2003 the Company unwound the outstanding swap agreements referred to in the preceding paragraph. The resulting loss of $1.0 million was settled in cash and, in accordance with U.S. GAAP, is being charged to interest expense over the original life of the agreements up to May 2004.

Also in connection with the refinancing, the Company entered into a new interest rate swap agreement, designated as a fair value hedge, which changes the fixed interest obligation associated with $30 million of the Senior Notes into a floating rate. This agreement has a maturity date of November 15, 2010. Under the swap the Company will receive a fixed interest rate of 4.85% (i.e. the same rate as the Senior Notes) and pay interest at a rate of LIBOR plus 0.22%. At December 31, 2003, the fair value of the swap was approximately $0.4 million.

At December 31, 2003, the Company had outstanding foreign currency forward contracts in the amount of $69.5 million, in order to economically hedge short-term intercompany balances with its foreign businesses and $13.2 million in order to economically hedge a portion of its Swiss franc/euro exposure. These agreements had various maturities through March 2004. The fair value of these contracts was not materially different from the carrying value at December 31, 2003.

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:

	2003	2002
Land	$ 52,119	$ 45,421
Buildings and leasehold improvements	143,755	128,711
Machinery and equipment	225,307	193,802
Computer software	5,414	4,934
	426,595	372,868
Less accumulated depreciation and amortization	(195,083)	(155,114)
	$ 231,512	$ 217,754

7. Goodwill and Other Intangible Assets

As of January 1, 2002, the Company adopted SFAS 142, effective for fiscal years beginning after December 15, 2001. This statement requires that goodwill and indefinite lived intangible assets no longer be amortized to earnings, but instead be reviewed for impairment upon initial adoption of SFAS 142 and on an annual basis going forward. Other intangible assets with finite lives will continue to be amortized over their useful lives. Under the transition provisions of SFAS 142, we concluded that there was no impairment of goodwill and indefinite lived intangible assets at January 1, 2002.

We estimate that application of the non-amortization provisions of SFAS 142 would have increased our net earnings for 2001 by $6.5 million, our basic earnings per share by $0.15 and our diluted earnings per share by $0.14, adjusting for additional shares issued in connection with our acquisition of Rainin. The reconciliations of reported net earnings to adjusted net earnings before amortization of goodwill for the years ended December 31 are as follows:

	2003	2002	2001
Net earnings:			
Reported	$95,838	$100,421	$72,264
Goodwill amortization	—	—	6,535
Adjusted	$95,838	$100,421	$78,799
Basic earnings per share:			
Reported	$ 2.15	$ 2.27	$ 1.78
Goodwill amortization(a)	—	—	0.15
Adjusted	$ 2.15	$ 2.27	$ 1.93
Diluted earnings per share:			
Reported	$ 2.11	$ 2.21	$ 1.68
Goodwill amortization (a)	—	—	0.14
Adjusted	$ 2.11	$ 2.21	$ 1.82

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

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

	2003	2002
Balance at beginning of year	$408,351	$384,947
Goodwill acquired – Principal U.S. Operations	4,363	18,762
Acquisition related tax assets realized	—	(9,488)
Other (principally the effect of changes in foreign currency exchange rates)	9,226	14,130
Balance at end of year	$421,940	$408,351

In accordance with SFAS 142, goodwill and indefinite lived assets are reviewed for impairment on an annual basis in the fourth quarter. The Company completed its impairment review under SFAS 142 and determined that, through December 31, 2003, there had been no impairment of these assets.

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

	2003		2002	
	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Customer relationships	$ 70,955	$(3,424)	$ 70,955	$(1,839)
Proven technology and patents	19,999	(3,809)	19,138	(2,008)
Tradename (finite life)	893	(79)	893	(37)
Tradename (indefinite life)	22,434	—	22,434	—
Intellectual property license (indefinite life)	19,905	—	19,905	—
	$134,186	$(7,312)	$133,325	$(3,884)

Other intangible assets substantially relate to the acquisition of Rainin. The annual aggregate amortization expense based on the current balance of other intangible assets for each of the next five years is estimated at $3.5 million.

8. Warranty

Changes to the Company's accrual for product warranties for the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Balance at beginning of period	$ 8,850	$ 7,740
Accruals for warranties	12,429	11,073
Payments / utilizations	(11,158)	(9,963)
Balance at end of period	$ 10,121	$ 8,850

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

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

	2003	2002
Current maturities of long-term debt	$ —	$38,646
Other short-term borrowings	18,277	11,932
	$18,277	$50,578

10. Long-Term Debt

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

	2003	2002
$150 million Senior Notes, interest at 4.85%, due November 15, 2010	$150,402	$ —
Less: unamortized discount	(243)	—
	150,159	—
Credit Agreement/Credit Facility Borrowings:		
Term A USD Loans, interest at LIBOR plus 0.45% payable in quarterly installments due May 19, 2004	—	34,709
Term A CHF Loans, interest at LIBOR plus 0.45% payable in quarterly installments due May 19, 2004	—	21,050
Term A GBP Loans, interest at LIBOR plus 0.45% payable in quarterly installments due May 19, 2004	—	11,865
Revolving credit facilities, interest at LIBOR plus 0.6% (LIBOR plus 0.3% at December 31, 2002)	73,080	224,467
Other	—	20,580
	73,080	312,671
Less: current maturities	—	(50,578)
	$223,239	$262,093

November 2003 Refinancing

On November 12, 2003, the Company closed a new five-year $300 million credit facility ("the $300 million Credit Facility" or "the Credit Facility") and completed the issuance of $150 million seven-year Senior Notes. The proceeds from this refinancing were immediately used to repay all of the Company's borrowings under its former credit agreement, which was then terminated.

Credit Facility Agreement

The $300 million Credit Facility is provided by a group of financial institutions and has a bullet maturity in November 2008. It is not subject to any scheduled principal payments. Borrowings under the $300 million Credit Facility bear interest at current market rates plus a margin which is based on the Company's senior unsecured credit ratings (currently "BBB" by Standard & Poor's and "Baa3" by Moody's), and is currently set at LIBOR plus 0.6%. The Company must also pay utilization and facility fees that are tied to the Company's credit ratings. The $300 million Credit Facility contains covenants including maintaining a ratio of debt to earnings before interest, tax, depreciation and amortization of less than 3.25 to 1.0 and an interest coverage ratio of more than 3.5 to 1.0. The new facility also places certain limitations on the Company including limiting the ability to grant liens or incur debt at a subsidiary level. In addition, the $300 million Credit Facility has several events of default including upon a change of control. As at December 31, 2003, approximately $218.6 million was available under the facility. The Credit Facility is unsecured.

Senior Notes

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

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

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

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

The Company's weighted average interest rate for both of the years ended December 31, 2003 and 2002 was approximately 5.0%. The carrying value of the Company's debt obligations approximates fair value.

11. 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, 2003, 6,010,574 shares of the Company's common stock were reserved for issuance pursuant to the Company's stock option plan.

Preferred Stock

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

Shareholder Rights Plan

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

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

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

Share Repurchase Program

On February 5, 2004, the Company announced a share repurchase program, commencing with an initial buyback of up to $100 million over the two-year period ending December 31, 2005. The repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors.

The Company cannot assure that it will repurchase shares representing the full value of the program over the two-year period.

Comprehensive Income

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

	2003	2002	2001
Currency translation adjustment	$ 10,844	$(23,365)	$(50,298)
Unrealized gain (loss) on cash flow hedging arrangements	(436)	(4,396)	(1,591)
Additional minimum pension liability	(43,567)	(40,538)	(20,009)
Deferred tax on additional minimum pension liability	14,865	6,650	—
Total accumulated other comprehensive loss	$(18,294)	$(61,649)	$(71,898)

12. 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 generally vest equally over a five-year period from the date of grant and have a maximum term of up to 10 years and 6 months.

Stock option activity is shown below:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2000	5,173,777	$19.02
Granted	901,000	45.09
Exercised	(1,384,737)	(12.02)
Forfeited	(310,465)	(30.44)
Outstanding at December 31, 2001	4,379,575	$25.79
Granted	912,250	35.21
Exercised	(239,078)	(14.77)
Forfeited	(252,974)	(34.97)
Outstanding at December 31, 2002	4,799,773	$27.65
Granted	1,088,000	36.88
Exercised	(197,197)	(18.16)
Forfeited	(68,600)	(40.77)
Outstanding at December 31, 2003	5,621,976	$29.61
Options exercisable at December 31, 2001	2,112,471	$14.29
Options exercisable at December 31, 2002	2,620,713	$18.34
Options exercisable at December 31, 2003	3,005,676	$22.10

At December 31, 2003, 388,598 options to purchase shares of common stock were available for grant.

The following table details the weighted average remaining contractual life of options outstanding at December 31, 2003 by range of exercise prices:

Number of Options Outstanding	Weighted Average Exercise Price	Remaining Contractual Life of Options Outstanding	Options Exercisable
1,270,090	$ 7.95	2.8	1,270,090
299,391	$15.92	3.7	299,391
790,100	$24.73	4.3	607,600
1,848,045	$35.81	9.3	183,245
1,414,350	$45.80	7.3	645,350
5,621,976		6.3	3,005,676

As of the date granted, the weighted average grant-date fair value of the options granted during the years ended December 31, 2003, 2002 and 2001 was approximately $7.83, $11.20 and $16.72 per share, respectively. Such weighted average grant-date fair value was determined using an option pricing model that incorporated the following assumptions:

	2003	2002	2001
Risk-free interest rate	3.0%	3.0%	4.3%
Expected life in years[(a)]	4	4	4
Expected volatility	25%	35%	40%
Expected dividend yield	—	—	—

(a) 385,000 options to purchase shares of common stock with a grant-date fair value of $5.40 were granted on a performance-related basis and have an expected life of 1.5 years. The performance criteria were met during 2003 and the options will vest over a 2-year period.

The Company applies the intrinsic valuation methodology under Accounting Principles 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:

	2003	2002	2001
Net earnings:			
As reported	$95,838	$100,421	$72,264
Compensation expense	(6,748)	(5,809)	(4,916)
Pro forma	$89,090	$ 94,612	$67,348
Basic earnings per common share:			
As reported	$ 2.15	$ 2.27	$ 1.78
Compensation expense	(0.15)	(0.13)	(0.12)
Pro forma	$ 2.00	$ 2.14	$ 1.66
Diluted earnings per common share:			
As reported	$ 2.11	$ 2.21	$ 1.68
Compensation expense	(0.15)	(0.12)	(0.11)
Pro forma	$ 1.96	$ 2.09	$ 1.57

13. Benefit Plans

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

Certain subsidiaries sponsor defined contribution plans. Benefits are determined and funded annually based upon the terms of the plans. Amounts recognized as cost under these plans amounted to $7.0 million, $3.3 million and $2.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

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

As described in Note 15, during the year ended December 31, 2002 the Company revised its U.S. defined benefit pension plan to freeze the benefits for current participants and to discontinue the plan for all future employees, resulting in an expense of $1.1 million. In addition, the Company's U.S. retiree medical program was also discontinued during 2002 for certain current and all future active employees, resulting in a curtailment gain of $1.3 million.

In accordance with Emerging Issues Task Force Issue No. 03-4, "Accounting for Cash Balance Pension Plans" ("EITF 03-4"), the Company determined that its Swiss cash balance pension plan met the requirements necessitating a change in the method of expense attribution used in its actuarial calculations from the 'projected unit credit' method to the 'traditional unit credit' method. Unlike the projected unit credit method, the traditional unit credit method does not assume compensation increases in calculating the benefit obligation, because the pension benefit is based on a guaranteed return on pension contributions, rather than employees' compensation for certain periods during the last years of employment. Accordingly, this required change in methodology resulted in a reduction in the projected benefit obligation of approximately $53.3 million, which will be amortized over the expected future service life of Switzerland-based employees, beginning in 2004.

The Company uses a measurement date of September 30 for its defined benefit pension and other benefit plans. The following table sets forth the change in benefit obligation, the change in plan assets, the funded status and amounts recognized in the consolidated financial statements for the Company's defined benefit plans and post-retirement plans at December 31, 2003 and 2002:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2003	2002	2003	2002	2003	2002
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 89,249	$ 83,164	$404,057	$335,323	$ 33,303	$ 36,839
Service cost, gross	431	2,033	19,807	19,539	132	324
Interest cost	6,129	6,167	18,807	17,386	1,856	2,551
Actuarial (gains) losses	9,339	4,540	(73,647)	(18,385)	3,956	(3,601)
Plan amendments and other	—	(2,051)	238	682	(6,984)	—
Benefits paid	(5,353)	(4,604)	(15,823)	(15,034)	(2,485)	(2,810)
Impact of foreign currency	—	—	49,041	64,546	—	—
Benefit obligation at end of year	$ 99,795	$ 89,249	$402,480	$404,057	$ 29,778	$ 33,303
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 47,167	$ 54,555	$355,081	$302,617	$ —	$ —
Actual return on plan assets	9,624	(5,397)	3,721	(8,256)	—	—
Employer contributions	19,028	2,613	11,306	10,882	2,485	2,810
Plan participants' contributions	—	—	5,873	5,557	—	—
Benefits paid	(5,353)	(4,604)	(15,823)	(15,034)	(2,485)	(2,810)
Impact of foreign currency	—	—	43,493	59,314	—	—
Fair value of plan assets at end of year	$ 70,466	$ 47,167	$403,651	$355,080	$ —	$ —
Funded status	$(29,329)	$(42,082)	$ 1,171	$ (48,977)	$(29,778)	$(33,303)
Unrecognized net actuarial (gain) loss	35,914	33,302	(60,665)	806	(1,324)	77
Post-measurement date contributions	10,000	19,007	7,111	—	—	—
Net amount recognized	$ 16,585	$ 10,227	$ (52,383)	$ (48,171)	$(31,102)	$(33,226)

Amounts recognized in the consolidated balance sheets consist of:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2003	2002	2003	2002	2003	2002
Other non-current assets	$ —	$ —	$ 20,981	$ 11,730	$ —	$ —
Pension and other post-retirement liabilities	(19,323)	(23,078)	(81,023)	(67,134)	(31,102)	(33,226)
Accumulated other comprehensive loss	35,908	33,305	7,659	7,233	—	—
Net amount recognized	$ 16,585	$ 10,227	$(52,383)	$(48,171)	$(31,102)	$(33,226)

The accumulated benefit obligations at December 31, 2003 and 2002 were $99.8 million and $89.2 million respectively for the U.S. defined benefit pension plan, and $397.9 million and $397.1 million respectively for all non-U.S. plans.

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

	U.S.			Non-U.S.		
	2003	2002	2001	2003	2002	2001
Discount rate	6.25%	7.0%	7.5%	4.5%	4.5%	4.7%
Compensation increase rate	n/a	n/a	4.0%	2.5%	2.5%	2.9%
Expected long-term rate of return on plan assets	8.5%	8.5%	9.5%	6.1%	6.1%	6.1%

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

	U.S.			Non-U.S.		
	2003	2002	2001	2003	2002	2001
Service cost, net	$ 431	$ 897	$ 3,487	$ 13,934	$ 13,982	$ 10,789
Interest cost on projected benefit obligations	6,129	6,167	5,596	18,807	17,386	14,399
Expected return on plan assets	(5,033)	(5,196)	(6,484)	(22,281)	(21,662)	(17,373)
Impact of plan freeze	—	1,136	—	—	—	—
Impact of early retirement	428	1,615	1,013	—	—	—
Recognition of actuarial losses (gains)	1,714	791	5	642	333	(731)
Net periodic pension cost	$ 3,669	$ 5,410	$ 3,617	$ 11,102	$ 10,039	$ 7,084

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

	2003	2002	2001
Service cost	$ 132	$ 324	$ 495
Interest cost on projected benefit obligations	1,856	2,551	2,480
Curtailment gain on plan freeze	(929)	(1,334)	—
Impact of early retirement	—	365	—
Net amortization and deferral	(576)	(209)	—
Net periodic post-retirement benefit cost	$ 483	$ 1,697	$2,975

The accumulated post-retirement benefit obligation and net periodic post-retirement benefit cost were principally determined using discount rates of 6.25% in 2003, 7.0% in 2002 and 7.5% in 2001 and health care cost trend rates ranging from 9% to 14% in 2003 and 2002, and from 10% to 15% in 2001, decreasing to 4.5% in 2008.

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

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 142	$ (132)
Effect on post-retirement benefit obligation	$2,461	$(2,273)

Plan assets relate principally to the Company's U.S. and Swiss subsidiaries and consist of equity investments, obligations of the U.S. Treasury or other governmental agencies, and other interest-bearing investments. Actual and target asset allocations in the Company's pension plans at December 31, 2003 and 2002 were as follows:

	U.S.			Non-U.S.		
	Target	2003	2002	Target	2003	2002
Debt securities	33%	31%	38%	50%	52%	63%
Equity securities	65%	67%	58%	25%	23%	20%
Real estate and other	2%	2%	4%	25%	25%	17%
Total	100%	100%	100%	100%	100%	100%

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

As a result of the voluntary incremental pension payments made to the Company's underfunded pension plans of $17.1 million in 2003 and $19.0 million in 2002, the Company does not expect to make any significant required pension funding payments during the next two years. However, similar to 2003 and 2002, voluntary contributions to the Company's pension plans may be made, for example if the funded status of the plans deteriorate significantly, and if cash flow generation is sufficient.

In 2004, the Company expects to make normal employer pension contributions of approximately $11.4 million to its non-U.S. pension plans and normal employer contributions of approximately $2.4 million to its U.S. post-retirement medical plan.

14. Taxes

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

	2003	2002	2001
United States	$ 29,208	$ 29,669	$ (3,202)
Non-United States	107,703	80,741	121,636
Earnings before taxes	$136,911	$110,410	$118,434

The provisions for taxes consist of:

	Current	Deferred	Adjustments to Goodwill	Total
Year ended December 31, 2003:				
United States federal	$ 3,470	$ 10,356	$ —	$13,826
State and local	585	700	—	1,285
Non-United States	26,885	(923)	—	25,962
	$30,940	$ 10,133	$ —	$41,073
Year ended December 31, 2002:				
United States federal	$14,291	$(12,517)	$9,488	$11,262
State and local	539	—	—	539
Non-United States	120	(1,932)	—	(1,812)
	$14,950	$(14,449)	$9,488	$ 9,989
Year ended December 31, 2001:				
United States federal	$ 129	$ 214	$ —	$ 343
State and local	553	—	—	553
Non-United States	42,564	1,749	961	45,274
	$43,246	$ 1,963	$ 961	$46,170

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

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

The provisions for tax expense for the years ending December 31, 2003, 2002 and 2001 differed from the amounts computed by applying the United States federal income tax rate of 35% to the earnings before taxes as a result of the following:

	2003	2002	2001
Expected tax	$47,919	$ 38,643	$41,453
United States state and local income taxes, net of federal income tax benefit	1,285	350	553
Non-deductible intangible amortization	—	—	2,222
Change in valuation allowance	(2,728)	6,751	1,288
Tax restructuring program and audit settlements	—	(23,135)	—
Other non-United States income taxes at other than a 35% rate	(8,695)	(13,499)	373
Other, net	3,292	879	281
Total provision for taxes	$41,073	$ 9,989	$46,170

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:

	2003	2002
Deferred tax assets:		
Inventory	$ 522	$ 497
Accrued and other liabilities	21,364	29,931
Deferred losses	2,099	2,099
Accrued post-retirement benefit and pension costs	29,265	28,304
Net operating loss and tax credit carryforwards	51,315	60,935
Other	—	4,508
Total deferred tax assets	$104,565	$126,274
Less valuation allowance	(36,238)	(68,344)
Total deferred tax assets less valuation allowance	68,327	57,930
Deferred tax liabilities:		
Inventory	3,455	1,510
Property, plant and equipment	18,465	16,976
Rainin intangibles amortization	13,103	6,283
Other	15,379	13,482
International earnings	10,859	3,815
Total deferred tax liabilities	61,261	42,066
Net deferred tax asset	$ 7,066	$ 15,864

The Company has recorded valuation allowances related to its deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets. The potential decrease or increase of the valuation allowance in the near term is dependent on the future ability of the Company to realize the deferred tax assets that are affected by the future profitability of operations in various worldwide jurisdictions. The 2003 net change in the valuation allowance includes a $2.7 million release of the valuation allowance attributable to deferred tax assets associated with temporary differences and tax credit carryforwards and a $29.4 million reduction in deferred tax assets and the related valuation allowance primarily related to tax credit carryforwards. $2.6 million and $4.9 million of the valuation allowance will be credited to shareholders' equity and goodwill if and when realized.

At December 31, 2003, for U.S. federal income tax purposes, the Company had net operating loss carryforwards of $4.6 million that expire in various amounts through 2018 and foreign tax credits of $10.9 million that will expire in various amounts through 2007. The Company has various U.S. state net operating losses and various foreign net operating losses that expire in varying amounts through 2023.

The Company plans to repatriate in future years $80 million of previously unremitted earnings of foreign subsidiaries. Accordingly, a deferred tax liability of $10.9 million was established to account for the incremental tax costs associated with the planned repatriation. No deferred tax liability has been recognized on the residual unremitted earnings approximating $219 million, as such earnings have been permanently reinvested in the business.

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

15. Other Charges (Income), Net

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

As part of its efforts to reduce costs, the Company recorded a charge of approximately $15.2 million ($14.6 million after tax) in 2001, associated primarily with headcount reductions and manufacturing transfers. This charge comprised primarily severance and other related benefits and costs of exiting facilities, including lease termination costs and the write-down of impaired assets.

During the three months ended June 30, 2002, the Company recorded a restructuring charge of $28.7 million ($20.1 million after tax), primarily related to the exit of manufacturing facilities in France and the United States, and in order to further reduce the Company's expense structure. This charge comprised restructuring liabilities of $24.3 million and related asset impairments of $4.4 million. In total, the Company expects this restructuring plan to result in cash outlays of approximately $20.2 million and non-cash items of $8.5 million. The charge comprised involuntary employee separation benefits, write-downs of impaired assets to be disposed and other exit costs. The Company involuntarily terminated approximately net 300 employees in targeted manufacturing and administrative areas. The asset impairments of $4.4 million primarily relate to plant and equipment disposals resulting from the exit of certain manufacturing facilities. Fair value of these assets was determined on the basis of their net realizable value on disposal.

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

As noted in previous filings, in accordance with U.S. GAAP, the charge taken in the second quarter of 2002 related to the exit of our French manufacturing facility was limited to the minimum contractual payment required by French law. During the three months ended March 31, 2003, the Company recorded a restructuring charge of $5.4 million ($3.8 million after tax), related to the final union settlement on the closure of this facility. This charge comprises the additional employee-related costs resulting from final settlement of the social plan negotiated with the French workers' council during the first quarter of 2003.

The Company assesses its accrual for restructuring activities on an ongoing basis. During the three months ended September 30, 2003, the Company recorded a reduction in the restructuring accrual of $0.96 million, included within Other charges (income), net, as a result of lower employee-related charges than originally anticipated. Also, a restructuring charge of $1.4 million was recorded during the three months ended September 30, 2003, related to an extension of manufacturing consolidation activities. This charge comprised severance of $1.0 million, included within Other charges (income), net, and inventory write-downs of $0.4 million, included within Cost of sales.

The Company's aforementioned restructuring programs and related accruals were substantially completed at December 31, 2003.

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

	Employee related(a)	Lease termination(b)	Other(c)	Total
Balance at December 31, 2001	$ 2,001	$ 279	$ 324	$ 2,604
Restructuring expense(d)	21,967	2,051	283	24,301
Cash payments	(9,660)	(433)	(238)	(10,331)
Increase in retirement benefit obligation	(3,850)	—	—	(3,850)
Impact of foreign currency	1,345	135	51	1,531
Balance at December 31, 2002	$11,803	$2,032	$ 420	$14,255
Restructuring expense(d)	6,404	—	—	6,404
Adjustment to previous accrual	(960)	—	—	(960)
Cash payments	(16,492)	(293)	(7)	(16,792)
Other utilizations and transfers to operating liabilities	(2,398)	(1,866)	(460)	(4,724)
Impact of foreign currency	1,643	127	47	1,817
Balance at December 31, 2003	$ —	$ —	$ —	$ —

(a) Employee related costs include severance, medical and early retirement costs for approximately net 300 employees, substantially all of which had been terminated as of December 31, 2003. These employees include positions primarily in manufacturing, as well as administrative and other personnel, primarily at the Company's Principal U.S. and Other Western European Operations.

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

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

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

(d) Excludes the charges in respect of inventory and other asset write-downs of $4.4 million in 2002 and $0.4 million in 2003, recorded as reductions in the book values of the related assets.

16. 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, 2003:

2004	$19,437
2005	15,745
2006	12,577
2007	9,550
2008	8,055
Thereafter	27,571
Total	$92,935

Rent expense for operating leases amounted to $28.2 million, $24.7 million and $20.0 million for the years ended December 31, 2003, 2002 and 2001, 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.

17. Segment Reporting

Operating segments are the individual reporting units within the Company. These units are managed separately, and it is at this level where the determination of resource allocation is made. The units have been aggregated based on operating segments in geographic regions that have similar economic characteristics and meet the aggregation criteria of SFAS 131. The Company has determined that as of December 31, 2003 there are six reportable segments: Principal U.S. Operations, Other Western European Operations, Principal Central European Operations, Swiss R&D and Manufacturing Operations, Asia and Other. In previous reporting periods, results from Asia were included within the Other operating segment. During the three months ended December 31, 2003, the Company's reporting units in Asia exceeded the quantitative threshold for disclosure as a separate operating segment. Segment disclosure for 2002 and 2001 has been reclassified accordingly.

Principal U.S. Operations represent certain of the Company's marketing and producing organizations located in the United States. Other Western European Operations include the Company's market organizations in Western Europe that are not included in Principal Central European Operations. 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. Asia represents the Company's marketing and producing organizations located in Asia.

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 Segment Profit (gross profit less research and development, selling, general and administrative expenses and restructuring charges before amortization, interest expense and other charges). 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, 2003	Net sales to external customers	Net sales to other segments	Total net sales	Segment Profit[c]	Depreciation	Total assets	Purchase of property, plant and equipment	Goodwill
Principal U.S. Operations	$ 426,680	$ 39,259	$ 465,939	$ 68,516	$ 6,936	$ 687,875	$ 7,689	$200,294
Other Western European Operations	306,644	22,954	329,598	18,491	3,370	270,416	3,927	83,939
Principal Central European Operations	180,272	59,048	239,320	20,453	2,810	186,754	2,049	26,931
Swiss R&D and Mfg. Operations	49,897	185,798	235,695	39,970	6,595	196,012	6,239	23,091
Asia	147,537	37,320	184,857	29,575	2,505	141,504	4,352	10,234
Other[a]	193,401	38,984	232,385	12,330	2,179	675,292	2,754	77,451
Eliminations and Corporate[b]	—	(383,363)	(383,363)	(27,428)	691	(770,577)	142	—
Total	$1,304,431	$ —	$1,304,431	$161,907	$25,086	$1,387,276	$27,152	$421,940

For the year ended December 31, 2002	Net sales to external customers	Net sales to other segments	Total net sales	Segment Profit[d]	Depreciation	Total assets	Purchase of property, plant and equipment	Goodwill
Principal U.S. Operations	$ 441,898	$ 33,380	$ 475,278	$ 57,008	$ 8,457	$ 678,797	$14,480	$201,663
Other Western European Operations	264,683	22,359	287,042	3,709	3,195	184,044	2,156	76,184
Principal Central European Operations	158,232	49,052	207,284	13,360	2,607	149,198	2,908	23,607
Swiss R&D and Mfg. Operations	49,632	176,496	226,128	47,193	5,916	495,442	4,905	21,512
Asia	118,936	23,349	142,285	20,966	2,143	108,027	4,121	8,728
Other[a]	180,326	37,162	217,488	7,357	2,479	632,746	1,853	76,657
Eliminations and Corporate[b]	—	(341,798)	(341,798)	(13,101)	595	(944,861)	2,734	—
Total	$1,213,707	$ —	$1,213,707	$136,492	$25,392	$1,303,393	$33,157	$408,351

For the year ended December 31, 2001	Net sales to external customers	Net sales to other segments	Total net sales	Segment Profit[e]	Depreciation	Total assets	Purchase of property, plant and equipment	Goodwill
Principal U.S. Operations	$ 362,855	$ 32,507	$ 395,362	$ 25,036	$ 6,762	$ 585,357	$ 7,007	$187,565
Other Western European Operations	269,733	44,616	314,349	26,566	2,962	183,120	3,498	77,982
Principal Central European Operations	185,606	60,886	246,492	30,145	2,283	144,967	4,386	21,100
Swiss R&D and Mfg. Operations	51,300	190,485	241,785	56,999	5,769	381,873	5,980	19,205
Asia	107,642	24,307	131,949	16,909	1,950	91,398	2,689	6,827
Other[a]	170,886	55,242	226,128	7,684	2,681	466,370	3,292	72,268
Eliminations and Corporate[b]	—	(408,043)	(408,043)	(13,471)	451	(663,673)	6,376	—
Total	$1,148,022	$ —	$1,148,022	$149,868	$22,858	$1,189,412	$33,228	$384,947

(a) Other includes reporting units in Eastern Europe, Latin America and segments from other countries that do not meet the quantitative thresholds but meet the majority of 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.

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

(d) The results for the year ended December 31, 2002 include a restructuring charge of $28.7 million, recorded in the second quarter, in the Principal U.S. Operations ($11.8 million), Principal Central European Operations ($2.8 million), Swiss R&D and Manufacturing Operations ($0.1 million), Other Western European Operations ($11.4 million), Asia ($0.1 million) and Other ($2.5 million) segments.

(e) The results for the year ended December 31, 2001 include a restructuring charge of $15.2 million, recorded in the second quarter, in the Principal U.S. Operations ($6.0 million), Principal Central European Operations ($0.3 million), Other Western European Operations ($0.9 million), Asia ($0.3 million), Other ($5.5 million) and Corporate ($2.2 million) segments.

Non-GAAP Financial Measures

The Company supplements U.S. GAAP results with non-GAAP financial measures. The principal non-GAAP financial measure used is Adjusted Operating Income. Adjusted Operating Income is defined as gross profit less research and development, selling, general and administrative expenses and restructuring charges, before amortization, interest, other charges and taxes. The most directly comparable U.S. GAAP financial measure is net earnings.

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

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

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

Limitations of the Non-GAAP Measure, Adjusted Operating Income

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

• It does not include interest expense. Because the Company has borrowed money to finance some of its operations, interest is a necessary and ongoing part of the Company's costs and has assisted the Company in generating revenue. Therefore any measure that excludes interest expense has material limitations;

• It does not include taxes. Because payment of taxes is a necessary and ongoing part of the Company's operations, any measure that excludes taxes has material limitations;

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

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

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

A reconciliation of Adjusted Operating Income, or Segment Profit to earnings before taxes for the years ended December 31 follows:

	2003	2002	2001
Adjusted Operating Income (after restructuring charges)[a]	$161,907	$136,492	$149,868
Amortization	11,724	9,332	14,114
Interest expense	14,153	17,209	17,162
Other charges, net (excluding restructuring charges)	(881)	(459)	158
Provision for taxes	41,073	9,989	46,170
Net earnings	$ 95,838	$100,421	$ 72,264

(a) Adjusted Operating Income for 2003, 2002 and 2001 includes the restructuring charges of $5,444, $28,661 and $15,196 respectively, primarily related to headcount reductions and manufacturing transfers. See Note 15 to the consolidated financial statements.

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

	2003	2002	2001
Weighing-related instruments	$ 629,797	$ 594,465	$ 639,308
Non-weighing instruments	384,925	359,616	273,356
Service	289,709	259,626	235,358
Total net sales	$1,304,431	$1,213,707	$1,148,022

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

	Net sales			Property, plant and equipment, net	
	2003	2002	2001	2003	2002
United States	$ 480,418	$ 494,913	$ 417,886	$ 41,398	$ 46,650
Other Americas	73,750	72,754	74,020	614	1,859
Total Americas	554,168	567,667	491,906	42,012	48,509
Germany	122,706	104,311	130,641	30,781	26,842
France	99,303	90,046	104,206	5,196	5,497
United Kingdom	55,215	47,228	44,689	7,074	5,156
Switzerland	51,750	46,274	45,437	118,402	108,249
Other Europe	224,790	197,225	185,961	6,154	5,930
Total Europe	553,764	485,084	510,934	167,607	151,674
Rest of World	196,499	160,956	145,182	21,893	17,571
Totals	$1,304,431	$1,213,707	$1,148,022	$231,512	$217,754

18. Related Party Transactions

As part of the Rainin acquisition (see Note 3 to the consolidated financial statements), the Company entered into an agreement to lease certain property from the former owner and current General Manager of Rainin. During the years ended December 31, 2003, 2002 and 2001, the Company made lease payments in respect of this agreement of $2.2 million, $1.9 million and $0.2 million respectively. In addition, Rainin continued to purchase certain products from its former owner. During the years ended December 31, 2003, 2002 and 2001, the volume of these purchases was $1.1 million, $1.5 million and $0.3 million respectively. All of the Company's transactions with the former owner of Rainin are in the normal course of business.

19. Quarterly Financial Data (Unaudited)

Quarterly financial data for the years ended December 31, 2003 and 2002 are as follows:

	First Quarter(a)	Second Quarter(b)	Third Quarter	Fourth Quarter
2003				
Net sales	$291,808	$321,363	$320,814	$370,446
Gross profit	133,658	156,411	151,864	176,243
Net earnings	$ 12,935	$ 25,780	$ 24,182	$ 32,941
Basic earnings per common share:				
Net earnings	$ 0.29	$ 0.58	$ 0.54	$ 0.74
Weighted average number of common shares	44,393,312	44,434,612	44,485,712	44,582,017
Diluted earnings per common share:				
Net earnings	$ 0.29	$ 0.57	$ 0.53	$ 0.72
Weighted average number of common shares	45,288,823	45,467,106	45,568,383	45,711,078
Market price per share:				
High	$ 34.12	$ 38.00	$ 39.75	$ 42.73
Low	$ 28.90	$ 29.82	$ 34.60	$ 36.06
2002				
Net sales	$272,957	$296,454	$306,990	$337,306
Gross profit	125,137	141,082	142,923	158,595
Net earnings	$ 18,674	$ 27,478	$ 22,977	$ 31,292
Basic earnings per common share:				
Net earnings	$ 0.42	$ 0.62	$ 0.52	$ 0.71
Weighted average number of common shares	44,173,850	44,208,274	44,355,475	44,384,820
Diluted earnings per common share:				
Net earnings	$ 0.41	$ 0.61	$ 0.51	$ 0.69
Weighted average number of common shares	45,517,058	45,409,690	45,235,544	45,317,919
Market price per share:				
High	$ 51.85	$ 45.74	$ 36.87	$ 37.04
Low	$ 42.80	$ 35.65	$ 24.85	$ 25.41

(a) The financial data for the first quarter of 2003 includes a charge of $5.4 million ($3.8 million after tax) primarily related to headcount reductions and manufacturing transfers (Note 15).

(b) The financial data for the second quarter of 2002 includes a charge of $28.7 million ($20.1 million after tax) primarily related to headcount reductions and manufacturing transfers (Note 15). The financial data for the second quarter of 2002 also includes a benefit of $23.1 million related to tax restructuring activities and the completion of related tax audits (Note 14).

Selected Financial Data

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

(In thousands, except share data)	2003[(a)]	2002[(a)]	2001[(a)]	2000	1999
Statement of Operations Data:					
Net sales	$1,304,431	$1,213,707	$1,148,022	$1,095,547	$1,065,473
Cost of sales	686,255	645,970	619,140	600,185	585,007[(b)]
Gross profit	618,176	567,737	528,882	495,362	480,466
Research and development	78,003	70,625	64,627	56,334	57,393
Selling, general and administrative	372,822	331,959	299,191	296,187	300,389
Amortization[(c)]	11,724	9,332	14,114	11,564	10,359
Interest expense	14,153	17,209	17,162	20,034	21,980
Other charges, net[(d)]	4,563	28,202	15,354	2,614	10,468
Earnings before taxes and minority interest	136,911	110,410	118,434	108,629	79,877
Provision for taxes	41,073	9,989[(e)]	46,170	38,510	31,398
Minority interest	—	—	—	—	378
Net earnings[(f)]	$ 95,838	$ 100,421	$ 72,264	$ 70,119	$ 48,101
Basic earnings per common share:					
Net earnings	$ 2.15	$ 2.27	$ 1.78	$ 1.80	$ 1.25
Weighted average number of common shares	44,473,913	44,280,605	40,609,716	38,897,879	38,518,084
Diluted earnings per common share:					
Net earnings	$ 2.11	$ 2.21	$ 1.68	$ 1.66	$ 1.16
Weighted average number of common shares	45,508,847	45,370,053	42,978,895	42,141,548	41,295,757
Balance Sheet Data:					
Cash and cash equivalents	$ 45,116	$ 31,427	$ 27,721	$ 21,725	$ 17,179
Working capital[(g)]	150,789	127,214	106,689	103,021	81,470
Total assets	1,387,276	1,303,393	1,189,412	887,582	820,973
Long-term debt	223,239	262,093	309,479	237,807	249,721
Other non-current liabilities[(h)]	135,613	133,600	119,109	95,843	100,334
Shareholders' equity	653,996	502,386	388,184	178,840	112,015

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

(b) 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.

(c) Includes goodwill amortization of $10,054, $8,844 and $8,640 in 2001, 2000 and 1999 respectively. Beginning in 2002, the Company ceased amortization of goodwill as required by U.S. GAAP.

(d) Other charges, net consists primarily of charges related to the Company's restructuring programs, interest income, (gains) losses from foreign currency transactions, (gains) losses from sales of assets and other items. The 2003 amount includes a charge of $5,444 related to the final union settlement on the closure of our French manufacturing facility. The 2002 and 2001 amounts also include charges of $28,661 and $15,196 respectively, primarily related to headcount reductions and manufacturing transfers. The 2000 amount includes a charge of $1,425 related to the close-down and consolidation of operations. The 1999 amount includes a gain on an asset sale of approximately $3,100, a charge of $8,007 to transfer production lines from the Americas to China and Europe and the closure of facilities and losses of approximately $4,100 in connection with the exit from our glass batching business based in Belgium. For the year ended December 31, 1999, the amount shown also includes $825 of expenses incurred on behalf of certain selling shareholders in connection with secondary offerings.

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

(f) No dividends were paid during the five-year period ended December 31, 2003.

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

(h) Other non-current liabilities consists of pension and other post-retirement liabilities, plus certain other non-current liabilities. See Note 13 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
Phone +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
Historically, we have not paid dividends on our common stock. However, the Company will evaluate this policy on a periodic basis, taking into account our results of operations, financial condition, capital requirements, the taxation of dividends to our shareholders, and other factors deemed relevant by our Board of Directors.

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

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

Shareholders
As of March 8, 2004, the Company estimates there were approximately 15,000 shareholders.

Annual Meeting
The annual meeting of shareholders will be held at 10:00 a.m. on Thursday, May 6, 2004 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, 2004.

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

Trademarks
The following registered and unregistered trademarks, found in this annual report, are among those used by METTLER TOLEDO: CALLISTO, JAGXTREME, LABX, METTLER TOLEDO, RAININ, SOFTECHNICS, TESTUT-LUTRANA, XP, XS.

Form 10-K
Mettler-Toledo International Inc.'s Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2003 is available at www.mt.com as well as upon written request to the Investor Relations Department.

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

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

Executive Officers / Board of Directors

Executive Officers

Dennis W. Braun
Chief Financial Officer

Peter Bürker
Human Resources

William P. Donnelly
Packaging

Olivier A. Filliol
Process Analytics

Jean-Lucien Gloor
Information Technology

Timothy P. Haynes
Retail

Karl M. Lang
Asia/Pacific

Beat E. Lüthi
Laboratory

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

Urs Widmer
Industrial

Board of Directors

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

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

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

Philip H. Geier, Jr.
Retired Chairman of the Board
and Chief Executive Officer,
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Former Chairman and President,
Export-Import Bank of the United States
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General Manager,
IBM Europe/Middle East/Africa
Director since 2002

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

Thomas P. Salice
Vice Chairman,
AEA Investors
Director since 1996

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