

METTLER TOLEDO INTERNATIONAL INC/

Form 10-Q

July 25, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008, OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_ Commission File Number 1-13595 Mettler-Toledo International Inc. (Exact name of registrant as specified in its charter)**

Delaware

13-3668641

(State or other jurisdiction of incorporation or organization)

(I.R.S Employer Identification No.)

Im Langacher, P.O. Box MT-100  
CH 8606 Greifensee, Switzerland  
and  
1900 Polaris Parkway  
Columbus, OH 43240

(Address of principal executive offices)

(Zip Code)

+41-44-944-22-11

1-614-438-4511

(Registrant's telephone number, including area code)

not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

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

The Registrant had 34,181,415 shares of Common Stock outstanding at June 30, 2008.



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**METTLER-TOLEDO INTERNATIONAL INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Three months ended June 30, 2008 and 2007**  
**(In thousands, except share data)**  
**(unaudited)**

|  | <b>June 30,<br/>2008</b> | <b>June 30,<br/>2007</b> |
|--|--------------------------|--------------------------|
| Net sales  |                          |                          |
| Products   | \$ 400,810               | \$ 331,420               |
| Service  | 114,795                  | 99,124                   |
| Total net sales  | 515,605                  | 430,544                  |
| Cost of sales  |                          |                          |
| Products   | 183,622                  | 152,829                  |
| Service  | 72,972                   | 62,622                   |
| Gross profit   | 259,011                  | 215,093                  |
| Research and development                                       | 26,704                   | 22,455                   |
| Selling, general and administrative                            | 157,097                  | 128,855                  |
| Amortization   | 2,667                    | 2,958                    |
| Interest expense   | 6,028                    | 5,002                    |
| Other charges (income), net                                    | 500                      | (384)                    |
| Earnings before taxes  | 66,015                   | 56,207                   |
| Provision for taxes  | 17,164                   | 15,176                   |
| Net earnings   | \$ 48,851                | \$ 41,031                |
| Basic earnings per common share:                               |                          |                          |
| Net earnings   | \$ 1.42                  | \$ 1.10                  |
| Weighted average number of common shares                       | 34,471,397               | 37,454,360               |
| Diluted earnings per common share:                             |                          |                          |
| Net earnings   | \$ 1.38                  | \$ 1.07                  |
| Weighted average number of common and common equivalent shares | 35,320,765               | 38,409,325               |

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

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Six months ended June 30, 2008 and 2007**  
**(In thousands, except share data)**  
**(unaudited)**

|  | <b>June 30,<br/>2008</b> | <b>June 30,<br/>2007</b> |
|--|--------------------------|--------------------------|
| Net sales  |                          |                          |
| Products   | \$ 736,747               | \$ 625,812               |
| Service  | 217,813                  | 192,495                  |
| Total net sales  | 954,560                  | 818,307                  |
| Cost of sales  |                          |                          |
| Products   | 334,790                  | 287,636                  |
| Service  | 139,607                  | 124,101                  |
| Gross profit   | 480,163                  | 406,570                  |
| Research and development                                       | 50,958                   | 43,790                   |
| Selling, general and administrative                            | 295,699                  | 250,290                  |
| Amortization   | 5,072                    | 5,883                    |
| Interest expense   | 11,877                   | 9,462                    |
| Other charges (income), net                                    | 2,175                    | (746)                    |
| Earnings before taxes  | 114,382                  | 97,891                   |
| Provision for taxes  | 27,252                   | 26,430                   |
| Net earnings   | \$ 87,130                | \$ 71,461                |
| Basic earnings per common share:                               |                          |                          |
| Net earnings   | \$ 2.50                  | \$ 1.89                  |
| Weighted average number of common shares                       | 34,795,360               | 37,759,922               |
| Diluted earnings per common share:                             |                          |                          |
| Net earnings   | \$ 2.44                  | \$ 1.85                  |
| Weighted average number of common and common equivalent shares | 35,648,993               | 38,670,503               |

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

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
**As of June 30, 2008 and December 31, 2007**  
**(In thousands, except share data)**  
**(unaudited)**

|   | <b>June 30,<br/>2008</b> | <b>December<br/>31,<br/>2007</b> |
|---|--------------------------|----------------------------------|
| <b>ASSETS</b>   |                          |                                  |
| Current assets:   |                          |                                  |
| Cash and cash equivalents   | \$ 85,524                | \$ 81,222                        |
| Trade accounts receivable, less allowances of \$9,372 at June 30, 2008 and \$8,804 at December 31, 2007 | 348,274                  | 354,596                          |
| Inventory   | 204,482                  | 173,725                          |
| Current deferred tax assets, net  | 42,645                   | 37,643                           |
| Other current assets and prepaid expenses   | 45,007                   | 36,023                           |
| <b>Total current assets</b>   | <b>725,932</b>           | <b>683,209</b>                   |
| Property, plant and equipment, net  | 271,445                  | 265,665                          |
| Goodwill  | 445,739                  | 440,767                          |
| Other intangible assets, net  | 98,745                   | 100,020                          |
| Non-current deferred tax assets, net  | 67,080                   | 65,129                           |
| Other non-current assets  | 139,631                  | 123,424                          |
| <b>Total assets</b>   | <b>\$ 1,748,572</b>      | <b>\$ 1,678,214</b>              |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                          |                                  |
| Current liabilities:  |                          |                                  |
| Trade accounts payable  | \$ 107,229               | \$ 127,109                       |
| Accrued and other liabilities   | 76,994                   | 73,661                           |
| Accrued compensation and related items  | 106,592                  | 130,140                          |
| Deferred revenue and customer prepayments   | 75,885                   | 52,703                           |
| Taxes payable   | 64,240                   | 42,438                           |
| Current deferred tax liabilities  | 7,791                    | 10,152                           |
| Short-term borrowings   | 14,701                   | 11,570                           |
| <b>Total current liabilities</b>  | <b>453,432</b>           | <b>447,773</b>                   |
| Long-term debt  | 468,511                  | 385,072                          |
| Non-current deferred tax liabilities  | 105,472                  | 101,500                          |
| Other non-current liabilities   | 172,438                  | 162,583                          |
| <b>Total liabilities</b>  | <b>1,199,853</b>         | <b>1,096,928</b>                 |
| Commitments and contingencies (Note 10)   |                          |                                  |
| Shareholders' equity:   |                          |                                  |
| Preferred stock, \$0.01 par value per share; authorized 10,000,000 shares; issued                       |                          |                                  |
| 0   |                          |                                  |



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|   |              |              |
|---|--------------|--------------|
| Common stock, \$0.01 par value per share; authorized 125,000,000 shares; issued 44,786,011 and 44,786,011 shares; outstanding 34,181,415 and 35,638,483 shares at June 30, 2008 and December 31, 2007, respectively | 448          | 448          |
| Additional paid-in capital  | 554,290      | 548,378      |
| Treasury stock at cost (10,604,596 shares at June 30, 2008 and 9,147,528 shares at December 31, 2007)   | (810,590)    | (662,393)    |
| Retained earnings   | 737,619      | 652,236      |
| Accumulated other comprehensive income  | 66,952       | 42,617       |
| Total shareholders' equity  | 548,719      | 581,286      |
| Total liabilities and shareholders' equity  | \$ 1,748,572 | \$ 1,678,214 |

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

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND**  
**COMPREHENSIVE INCOME (LOSS)**

**Six months ended June 30, 2008 and twelve months ended December 31, 2007**

**(In thousands, except share data)**

**(unaudited)**

|   | Common Stock |        | Additional         | Treasury    | Retained   | Other                             | Total      |
|---|--------------|--------|--------------------|-------------|------------|-----------------------------------|------------|
|   | Shares       | Amount | Paid-in<br>Capital | Stock       | Earnings   | Comprehensive<br>Income<br>(Loss) |            |
| Balance at<br>December 31, 2006   | 38,430,124   | \$ 448 | \$ 528,863         | \$(374,819) | \$ 493,691 | \$ (17,321)                       | \$ 630,862 |
| Exercise of stock<br>options and<br>restricted stock<br>units                     | 593,090      |        |                    | 37,025      | (15,851)   |                                   | 21,174     |
| Repurchases of<br>common stock  | (3,384,731)  |        |                    | (324,599)   |            |                                   | (324,599)  |
| Tax benefit<br>resulting from<br>exercise of certain<br>employee stock<br>options |              |        | 11,373             |             |            |                                   | 11,373     |
| Share-based<br>compensation   |              |        | 8,142              |             |            |                                   | 8,142      |
| Adoption of FIN 48  |              |        |                    |             | (4,111)    |                                   | (4,111)    |
| Comprehensive<br>income:  |              |        |                    |             |            |                                   |            |
| Net earnings  |              |        |                    |             | 178,507    |                                   | 178,507    |
| Change in currency<br>translation<br>adjustment                                   |              |        |                    |             |            | 27,941                            | 27,941     |
| Pension adjustment,<br>net of tax   |              |        |                    |             |            | 31,997                            | 31,997     |
| Comprehensive<br>income   |              |        |                    |             |            |                                   | 238,445    |
| Balance at<br>December 31, 2007   | 35,638,483   | \$ 448 | \$ 548,378         | \$(662,393) | \$ 652,236 | \$ 42,617                         | \$ 581,286 |
| Balance at<br>December 31, 2007   | 35,638,483   | \$ 448 | \$ 548,378         | \$(662,393) | \$ 652,236 | \$ 42,617                         | \$ 581,286 |
| Exercise of stock<br>options and<br>restricted stock<br>units                     | 65,760       |        |                    | 4,554       | (2,099)    |                                   | 2,455      |
|   | 16,760       |        |                    | 1,149       | 352        |                                   | 1,501      |

|   |             |        |            |             |            |           |  |            |
|---|-------------|--------|------------|-------------|------------|-----------|--|------------|
| Other treasury stock<br>issuances   |             |        |            |             |            |           |  |            |
| Repurchases of<br>common stock  | (1,539,588) |        |            | (153,900)   |            |           |  | (153,900)  |
| Tax benefit<br>resulting from<br>exercise of certain<br>employee stock<br>options |             |        | 839        |             |            |           |  | 839        |
| Share-based<br>compensation   |             |        | 5,073      |             |            |           |  | 5,073      |
| Comprehensive<br>income:  |             |        |            |             |            |           |  |            |
| Net earnings  |             |        |            |             | 87,130     |           |  | 87,130     |
| Change in currency<br>translation<br>adjustment                                   |             |        |            |             |            | 24,153    |  | 24,153     |
| Pension adjustment,<br>net of tax   |             |        |            |             |            | 182       |  | 182        |
| Comprehensive<br>income (a)   |             |        |            |             |            |           |  | 111,465    |
| Balance at June 30,<br>2008   | 34,181,415  | \$ 448 | \$ 554,290 | \$(810,590) | \$ 737,619 | \$ 66,952 |  | \$ 548,719 |

(a) Total comprehensive income for the three months ended June 30, 2008 and 2007 was \$43,592 and \$45,565, respectively and \$79,438 for the six months ended June 30, 2007.

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

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Six months ended June 30, 2008 and 2007**  
(In thousands)  
(unaudited)

|   | <b>June 30,<br/>2008</b> | <b>June 30,<br/>2007</b> |
|---|--------------------------|--------------------------|
| Cash flows from operating activities:   |                          |                          |
| Net earnings  | \$ 87,130                | \$ 71,461                |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                          |                          |
| Depreciation  | 14,994                   | 12,917                   |
| Amortization  | 5,072                    | 5,883                    |
| Deferred taxes  | (6,255)                  | (4,301)                  |
| Excess tax benefits from share-based payment arrangements                           | (679)                    | (4,643)                  |
| (Gain) loss from sale of property, plant and equipment                              | (2,703)                  | 5                        |
| Share-based compensation  | 5,073                    | 4,139                    |
| Other   | (377)                    | 100                      |
| Increase (decrease) in cash resulting from changes in:                              |                          |                          |
| Trade accounts receivable, net  | 19,730                   | 9,710                    |
| Inventory   | (21,175)                 | (12,815)                 |
| Other current assets  | (7,314)                  | (9,235)                  |
| Trade accounts payable  | (24,739)                 | 1,654                    |
| Taxes payable   | 20,035                   | 23,040                   |
| Accruals and other  | (4,003)                  | (5,032)                  |
| Net cash provided by operating activities   | 84,789                   | 92,883                   |
| Cash flows from investing activities:   |                          |                          |
| Proceeds from sale of property, plant and equipment                                 | 12,648                   | 1,146                    |
| Purchase of property, plant and equipment   | (20,210)                 | (16,297)                 |
| Acquisitions  | (304)                    |                          |
| Net cash used in investing activities   | (7,866)                  | (15,151)                 |
| Cash flows from financing activities:   |                          |                          |
| Proceeds from borrowings  | 169,135                  | 18,605                   |
| Repayments of borrowings  | (93,972)                 | (20,181)                 |
| Proceeds from stock option exercises  | 2,455                    | 10,454                   |
| Repurchases of common stock   | (156,225)                | (145,903)                |
| Excess tax benefits from share-based payment arrangements                           | 679                      | 4,643                    |
| Net cash used in financing activities   | (77,928)                 | (132,382)                |
| Effect of exchange rate changes on cash and cash equivalents                        | 5,307                    | 3,088                    |

|  |           |           |
|--|-----------|-----------|
| Net increase (decrease) in cash and cash equivalents | 4,302     | (51,562)  |
| Cash and cash equivalents:                           |           |           |
| Beginning of period                                  | 81,222    | 151,269   |
| End of period  | \$ 85,524 | \$ 99,707 |

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

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**METTLER-TOLEDO INTERNATIONAL INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AT June 30, 2008 Unaudited**

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

**1. BASIS OF PRESENTATION**

Mettler-Toledo International Inc. (Mettler-Toledo or the Company) is a leading global supplier of precision instruments and services. The Company manufactures weighing instruments for use in laboratory, industrial, packaging, logistics and food retailing applications. The Company also manufactures several related analytical instruments and provides automated chemistry solutions used in drug and chemical compound discovery and development. In addition, the Company manufactures metal detection and other end-of-line inspection systems used in production and packaging and provides solutions for use in certain process analytics applications. The Company's primary manufacturing facilities are located in China, Germany, Switzerland, the United Kingdom and the United States. The Company's principal executive offices are located in Greifensee, Switzerland and Columbus, Ohio.

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include all entities in which the Company has control, which are its majority owned subsidiaries. The interim consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements as of June 30, 2008 and for the three and six month periods ended June 30, 2008 and 2007 should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

The accompanying interim consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year ending December 31, 2008.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates. A discussion of the Company's critical accounting policies is included in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

All intercompany transactions and balances have been eliminated.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation, primarily a \$16.1 million reclassification of capitalized software, net from other non-current assets to property, plant and equipment, net as of December 31, 2007.

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AT June 30, 2008 Unaudited (Continued)**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Trade Accounts Receivable*

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents the Company's best estimate of probable credit losses in its existing trade accounts receivable. The Company determines the allowance based upon a review of both specific accounts for collection and the age of the accounts receivable portfolio.

*Inventory*

Inventory is valued at the lower of cost or net realizable value. Cost, which includes direct materials, labor and overhead, is generally determined using the first in, first out (FIFO) method. The estimated net realizable value is based on assumptions for future demand and related pricing. Adjustments to the cost basis of inventory are made for excess and obsolete items based on forecasted 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.

Inventory consisted of the following:

|                         | June 30,<br>2008 | December<br>31,<br>2007 |
|-------------------------|------------------|-------------------------|
| Raw materials and parts | \$ 88,023        | \$ 86,852               |
| Work-in-progress        | 38,873           | 28,102                  |
| Finished goods          | 77,586           | 58,771                  |
|                         | \$ 204,482       | \$ 173,725              |

*Other Intangible Assets*

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 straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. The Company assesses the initial acquisition of intangible assets and the continued accounting for previously recognized intangible assets and goodwill in accordance with SFAS No. 142 Goodwill and Other Intangible Assets and SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets.

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AT June 30, 2008 Unaudited (Continued)**

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

Other intangible assets consisted of the following:

|                               | June 30, 2008   |                             | December 31, 2007 |                             |
|-------------------------------|-----------------|-----------------------------|-------------------|-----------------------------|
|                               | Gross<br>Amount | Accumulated<br>Amortization | Gross<br>Amount   | Accumulated<br>Amortization |
| Customer relationships        | \$ 74,206       | \$ (12,503)                 | \$ 73,946         | \$ (11,363)                 |
| Proven technology and patents | 32,977          | (19,449)                    | 32,079            | (18,077)                    |
| Tradename (finite life)       | 1,783           | (703)                       | 1,655             | (654)                       |
| Tradename (indefinite life)   | 22,434          |                             | 22,434            |                             |
|                               | \$ 131,400      | \$ (32,655)                 | \$ 130,114        | \$ (30,094)                 |

The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at \$4.6 million for 2008, \$4.7 million for 2009 and 2010, \$4.5 million for 2011 and \$4.1 million for 2012. The Company had amortization expense associated with the above intangible assets of \$2.4 million and \$2.2 million for the six months ended June 30, 2008 and 2007, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of \$2.7 million and \$3.6 million for the six months ended June 30, 2008 and 2007, respectively.

*Revenue Recognition*

Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Standard shipping terms are generally FOB shipping point in most countries and, accordingly, title transfers upon shipment. In countries where title cannot legally transfer before delivery, we defer revenue recognition until delivery has occurred. Other than a few small software applications, we do not sell software products without the related hardware instrument as the software is embedded in the instrument. The Company's products typically require no significant production, modification or customization of the hardware or software that is essential to the functionality of the products. To the extent the Company's solutions have a post shipment obligation, such as customer acceptance, revenue is deferred until the obligation has been completed. In addition, we defer revenue where installation is required, unless such installation is deemed perfunctory. We generally maintain the right to accept or reject a product return in our terms and conditions and we also maintain appropriate accruals for outstanding credits. Further, certain products are also sold through indirect distribution channels whereby the distributor assumes any further obligations to the customer upon title transfer. Revenue is recognized on these products upon title transfer and risk of loss to our distributors. Distributor discounts are offset against revenue at the time such revenue is recognized. Shipping and handling costs charged to customers are included in total net sales and the associated expense is recorded in cost of sales for all periods presented.

Service revenue not under contract is recognized upon the completion of the service performed. Spare parts sold on a stand-alone basis are recognized upon title transfer which is generally at the time of shipment.



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**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AT June 30, 2008 Unaudited (Continued)**

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

Revenues from service contracts are recognized ratably over the contract period. These contracts represent an obligation to perform repair and other services including regulatory compliance qualification, calibration, certification and preventative maintenance on a customer's pre-defined equipment over the contract period. Service contracts are separately priced and payment is typically received from the customer at the beginning of 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, its warranty obligation is affected by product failure rates, material usage and service costs incurred in correcting a product failure.

The Company's accrual for product warranties is included in accrued and other liabilities in the consolidated balance sheets. Changes to the Company's accrual for product warranties are as follows:

|                                | June 30,<br>2008 | June 30,<br>2007 |
|--------------------------------|------------------|------------------|
| Balance at beginning of period | \$ 12,949        | \$ 10,977        |
| Accruals for warranties        | 8,233            | 6,842            |
| Foreign currency translation   | 769              | 317              |
| Payments / utilizations        | (8,490)          | (6,787)          |
| Balance at end of period       | \$ 13,461        | \$ 11,349        |

*Share-Based Compensation*

The Company applies the modified prospective method under SFAS 123R and Staff Accounting Bulletin (SAB) 107, Share-Based Payments. The Company recognizes compensation expense in selling, general and administrative expense in the consolidated statement of operations with a corresponding offset to additional paid-in capital in the consolidated balance sheet. The Company had \$2.6 million and \$5.1 million of share-based compensation expense for the three and six months ended June 30, 2008, respectively, compared to \$2.1 million and \$4.1 million for the corresponding periods in 2007.

During the first quarter 2008, the Company granted 213,850 performance based options, with a grant date fair value of \$32.20. Compensation expense will be recognized over the five year vesting provisions based upon the probability of the performance condition being met.

*Research and Development*

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

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**METTLER-TOLEDO INTERNATIONAL INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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(In thousands, except share data, unless otherwise stated)

*Fair Value Measurements*

On January 1, 2008, the Company adopted the provisions of FASB Statement No. 157, *Fair Value Measurements*, ( SFAS 157 ) except as it relates to nonfinancial assets pursuant to FSP 157-2 as described below. SFAS 157 clarifies how companies are required to use a fair value measure for recognition and disclosure by establishing a common definition of fair value, a framework for measuring fair value, and expanding disclosures about fair value measurements. The adoption of SFAS 157 did not have a material impact on the Company's consolidated results of operations or financial position.

As of June 30, 2008, the Company has derivative assets totaling \$0.7 million and derivative liabilities totaling \$0.1 million. These derivative assets and liabilities consist of foreign currency forward exchange contracts and an interest rate swap agreement. The forward exchange contracts economically hedge short-term intercompany balances with the Company's foreign businesses. The interest rate swap agreement changes the Company's fixed interest obligation associated with \$30 million of Senior Notes into a floating rate, and is accounted for as a fair value hedge. Changes in the fair values of these derivative assets and liabilities were insignificant to the Company's consolidated results of operations and financial position for the three and six month periods ended June 30, 2008.

The fair values of these instruments are estimated based upon inputs from current valuation information obtained from dealer quotes, and priced with observable market assumptions and appropriate valuation adjustments for credit risk. The Company has evaluated the valuation methodologies used to develop the fair values by dealers in order to determine whether such valuations are representative of an exit price in the Company's principal market. The Company has also considered both its own credit risk and counterparty credit risk in determining fair value and determined these adjustments were insignificant for the three and six month periods ended June 30, 2008.

The Company has not yet applied the provisions of SFAS 157 to its nonfinancial assets such as goodwill and other intangible assets, in accordance with FSP 157-2, *Effective Date of FASB Statement No. 157*, which will be adopted on January 1, 2009. The Company does not believe that the adoption of FSP 157-2 will have a material impact on its consolidated results of operations or financial position.

**3. INCOME TAXES**

The provision for taxes is based upon the Company's projected annual effective rate of 26% for the three and six months ended June 30, 2008. During the first quarter of 2008, the Company recorded a discrete tax benefit of \$2.5 million related to favorable withholding tax law changes in China. The net impact of this item decreased the effective tax rate to 24% for the six months ended June 30, 2008.

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AT June 30, 2008 Unaudited (Continued)**

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

**4. DEBT**

Our short-term borrowings and long-term debt consisted of the following at June 30, 2008:

|   | U.S.<br>dollar | June 30, 2008<br>Other<br>principal<br>trading<br>currencies | Total      |
|---|----------------|--|------------|
| \$150m Senior notes (net of unamortized discount) | \$ 150,249     | \$   | \$ 150,249 |
| Credit facility                                   | 272,436        | 33,155   | 305,591    |
| Other local arrangements (long-term)              |                | 12,671   | 12,671     |
| Total long-term debt                              | 422,685        | 45,826   | 468,511    |
| Other local arrangements (short-term)             |                | 14,701   | 14,701     |
| Total debt  | \$ 422,685     | \$ 60,527  | \$ 483,212 |

As of June 30, 2008, we had \$134.8 million of availability remaining under our credit facility.

**5. SHARE REPURCHASE PROGRAM AND TREASURY STOCK**

The Company has a share repurchase program. Under the program, the Company has been authorized to buy back up to \$1.5 billion of equity shares. As of June 30, 2008, there were \$487.2 million of remaining equity shares authorized to be repurchased under the plan by December 31, 2010. The share repurchases are expected to be funded from cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors. The Company has purchased 14.5 million shares since the inception of the program through June 30, 2008.

The Company reacquired \$153.9 million (of which \$2.9 million was unsettled at June 30, 2008) and \$140.5 million on the repurchase of 1,539,588 shares and 1,556,000 shares at an average price of \$99.94 and \$90.24 during the six months ended June 30, 2008 and 2007, respectively. An additional \$5.2 million and \$5.4 million were cash settled during the six month periods ended June 30, 2008 and 2007, respectively, relating to the settlement of a liability for shares repurchased as of December 31, 2007 and 2006. The Company reissued 65,760 shares and 305,060 shares held in treasury for the exercise of stock options for the six months ended June 30, 2008 and 2007, respectively.

The Company also reissued 16,760 shares held in treasury pursuant to its 2007 Share Plan, which extends certain eligible employees the option to receive a percentage of their annual bonus in shares of the Company's stock.

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**METTLER-TOLEDO INTERNATIONAL INC.**  
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(In thousands, except share data, unless otherwise stated)

**6. EARNINGS PER COMMON SHARE**

In accordance with the treasury stock method, the Company has included the following common share equivalents in the calculation of diluted weighted average shares outstanding for the three and six month periods ended June 30, relating to outstanding stock options and restricted stock units:

|                    | 2008    | 2007    |
|--------------------|---------|---------|
| Three months ended | 849,368 | 954,965 |
| Six months ended   | 853,633 | 910,581 |

Outstanding options to purchase 452,090 and 3,000 shares of common stock for the three month periods ended June 30, 2008 and 2007, respectively, and options to purchase 451,120 and 177,850 shares of common stock for the six month periods ended June 30, 2008 and 2007, respectively, have been excluded from the calculation of diluted weighted average shares on the grounds that such options and restricted stock units would be anti-dilutive.

**7. NET PERIODIC BENEFIT COST**

Net periodic pension cost for the Company's defined benefit pension plans and U.S. post-retirement medical plan includes the following components for the three months ended June 30:

|  | U.S. Pension Benefits |         | Non-U.S. Pension Benefits |          | Other U.S. Post-retirement Benefits |        |
|--|-----------------------|---------|---------------------------|----------|-------------------------------------|--------|
|  | 2008                  | 2007    | 2008                      | 2007     | 2008                                | 2007   |
| Service cost, net                              | \$ 183                | \$ 170  | \$ 4,446                  | \$ 3,992 | \$ 109                              | \$ 101 |
| Interest cost on projected benefit obligations | 1,634                 | 1,590   | 6,242                     | 4,692    | 323                                 | 331    |
| Expected return on plan assets                 | (2,233)               | (2,072) | (8,437)                   | (6,724)  |                                     |        |
| Net amortization and deferral                  |                       |         |                           |          | (239)                               | (239)  |
| Actuarial losses (gains)                       | 198                   | 515     | 80                        | 209      |                                     |        |
| Net periodic pension cost                      | \$ (218)              | \$ 203  | \$ 2,331                  | \$ 2,169 | \$ 193                              | \$ 193 |

Net periodic pension cost for the Company's defined benefit pension plans and U.S. post-retirement medical plan includes the following components for the six months ended June 30:

|  | U.S. Pension Benefits |         | Non-U.S. Pension Benefits |          | Other U.S. Post-retirement Benefits |        |
|--|-----------------------|---------|---------------------------|----------|-------------------------------------|--------|
|  | 2008                  | 2007    | 2008                      | 2007     | 2008                                | 2007   |
| Service cost, net                              | \$ 366                | \$ 340  | \$ 8,709                  | \$ 7,925 | \$ 218                              | \$ 203 |
| Interest cost on projected benefit obligations | 3,268                 | 3,179   | 12,266                    | 9,302    | 646                                 | 661    |
| Expected return on plan assets                 | (4,466)               | (4,145) | (16,588)                  | (13,363) |                                     |        |
| Net amortization and deferral                  |                       |         |                           |          | (478)                               | (479)  |

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|                           |          |        |          |          |        |        |
|---------------------------|----------|--------|----------|----------|--------|--------|
| Actuarial losses (gains)  | 396      | 1,029  | 161      | 409      |        |        |
| Net periodic pension cost | \$ (436) | \$ 403 | \$ 4,548 | \$ 4,273 | \$ 386 | \$ 385 |

As previously disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2007, the Company expects to make normal employer contributions of approximately \$15.6 million to its non-U.S. pension plans and \$2.2 million to its U.S. post-retirement medical plan during the year ended December 31, 2008.

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**METTLER-TOLEDO INTERNATIONAL INC.**  
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(In thousands, except share data, unless otherwise stated)

**8. OTHER CHARGES (INCOME), NET**

Other changes (income), net consists primarily of interest income, (gains) losses from foreign currency transactions and other items.

**9. SEGMENT REPORTING**

As disclosed in Note 15 to the Company's consolidated financial statements for the year ending December 31, 2007, the Company has determined there are five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other.

The Company evaluates segment performance based on Segment Profit (gross profit less research and development, selling, general and administrative expenses and restructuring, before amortization, interest expense and other income, net and taxes).

The following tables show the operations of the Company's operating segments:

| For the three months ended<br>June 30, 2008 | Net Sales<br>to<br>External<br>Customers | Net Sales<br>to<br>Other<br>Segments | Total Net<br>Sales | Segment<br>Profit | Goodwill          |
|---|--|--------------------------------------|--------------------|-------------------|-------------------|
| U.S. Operations                             | \$ 162,769                               | \$ 15,603                            | \$ 178,372         | \$ 30,946         | \$ 248,413        |
| Swiss Operations                            | 31,799                                   | 85,245                               | 117,044            | 20,084            | 531               |
| Western European Operations                 | 183,510                                  | 22,387                               | 205,897            | 18,058            | 121,559           |
| Chinese Operations                          | 57,616                                   | 24,961                               | 82,577             | 15,538            | 811               |
| Other (a)                                   | 79,911                                   | 1,182                                | 81,093             | 6,729             | 8,929             |
| Eliminations and Corporate (b)              |  | (149,378)                            | (149,378)          | (16,145)          | 65,496            |
| <b>Total</b>                                | <b>\$ 515,605</b>                        | <b>\$</b>                            | <b>\$ 515,605</b>  | <b>\$ 75,210</b>  | <b>\$ 445,739</b> |

| For the six months ended<br>June 30, 2008 | Net Sales<br>to<br>External<br>Customers | Net Sales to<br>Other<br>Segments | Total Net<br>Sales | Segment<br>Profit |
|---|--|-----------------------------------|--------------------|-------------------|
| U.S. Operations                           | \$ 302,381                               | \$ 27,911                         | \$ 330,292         | \$ 51,370         |
| Swiss Operations                          | 63,020                                   | 162,817                           | 225,837            | 43,355            |
| Western European Operations               | 340,967                                  | 42,777                            | 383,744            | 27,758            |
| Chinese Operations                        | 99,721                                   | 47,133                            | 146,854            | 28,479            |
| Other (a)                                 | 148,471                                  | 2,007                             | 150,478            | 11,238            |
| Eliminations and Corporate (b)            |  | (282,645)                         | (282,645)          | (28,694)          |
| <b>Total</b>                              | <b>\$ 954,560</b>                        | <b>\$</b>                         | <b>\$ 954,560</b>  | <b>\$ 133,506</b> |

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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(In thousands, except share data, unless otherwise stated)

| For the three months ended<br>June 30, 2007 | Net Sales<br>to<br>External<br>Customers | Net Sales<br>to<br>Other<br>Segments | Total Net<br>Sales | Segment<br>Profit | Goodwill          |
|---|--|--------------------------------------|--------------------|-------------------|-------------------|
| U.S. Operations                             | \$ 153,638                               | \$ 13,644                            | \$ 167,282         | \$ 28,159         | \$ 272,282        |
| Swiss Operations                            | 24,905                                   | 66,341                               | 91,246             | 16,763            | 23,703            |
| Western European Operations                 | 149,618                                  | 19,390                               | 169,008            | 13,656            | 119,004           |
| Chinese Operations                          | 38,912                                   | 22,406                               | 61,318             | 13,526            | 1,896             |
| Other (a)                                   | 63,471                                   | 1,193                                | 64,664             | 4,625             | 18,026            |
| Eliminations and Corporate (b)              |  | (122,974)                            | (122,974)          | (12,946)          |                   |
| <b>Total</b>                                | <b>\$ 430,544</b>                        | <b>\$</b>                            | <b>\$ 430,544</b>  | <b>\$ 63,783</b>  | <b>\$ 434,911</b> |

| For the six months ended<br>June 30, 2007 | Net Sales<br>to<br>External<br>Customers | Net Sales to<br>Other<br>Segments | Total Net<br>Sales | Segment<br>Profit |
|---|--|-----------------------------------|--------------------|-------------------|
| U.S. Operations                           | \$ 294,318                               | \$ 24,634                         | \$ 318,952         | \$ 45,188         |
| Swiss Operations                          | 48,022                                   | 129,513                           | 177,535            | 35,104            |
| Western European Operations               | 283,852                                  | 39,484                            | 323,336            | 26,115            |
| Chinese Operations                        | 70,034                                   | 42,288                            | 112,322            | 24,055            |
| Other (a)                                 | 122,081                                  | 1,727                             | 123,808            | 9,480             |
| Eliminations and Corporate (b)            |  | (237,646)                         | (237,646)          | (27,452)          |
| <b>Total</b>                              | <b>\$ 818,307</b>                        | <b>\$</b>                         | <b>\$ 818,307</b>  | <b>\$ 112,490</b> |

(a) Other includes reporting units that do not meet the quantitative thresholds of SFAS 131 and also do not meet the majority of the SFAS 131 aggregation criteria to be included in the Company's reportable operating segments.

- (b) Eliminations and Corporate includes the elimination of inter-segment transactions and certain corporate expenses, which are not included in the Company's operating segments.

A reconciliation of Earnings before taxes to Segment profit for the three and six month periods ended June 30 follows:

|                             | Three Months Ended |           | Six Months Ended |            |
|-----------------------------|--------------------|-----------|------------------|------------|
|                             | 2008               | 2007      | 2008             | 2007       |
| Earnings before taxes       | \$ 66,015          | \$ 56,207 | \$ 114,382       | \$ 97,891  |
| Amortization                | 2,667              | 2,958     | 5,072            | 5,883      |
| Interest expense            | 6,028              | 5,002     | 11,877           | 9,462      |
| Other charges/(income), net | 500                | (384)     | 2,175            | (746)      |
| Segment profit              | \$ 75,210          | \$ 63,783 | \$ 133,506       | \$ 112,490 |

## 10. CONTINGENCIES

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, results of operations or cash flows.

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**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Unaudited Interim Consolidated Financial Statements included herein.*

**General**

Our interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a basis which reflects the interim consolidated financial statements of Mettler-Toledo International Inc. Operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year ending December 31, 2008.

**Results of Operations – Consolidated**

The following tables set forth certain items from our interim consolidated statements of operations for the three and six month periods ended June 30, 2008 and 2007 (amounts in thousands).

|                                     | Three months ended June 30, |       |             |       | Six months ended June 30, |       |             |       |
|-------------------------------------|-----------------------------|-------|-------------|-------|---------------------------|-------|-------------|-------|
|                                     | 2008                        |       | 2007        |       | 2008                      |       | 2007        |       |
|                                     | (unaudited)                 | %     | (unaudited) | %     | (unaudited)               | %     | (unaudited) | %     |
| Net sales                           | \$ 515,605                  | 100.0 | \$ 430,544  | 100.0 | \$ 954,560                | 100.0 | \$ 818,307  | 100.0 |
| Cost of sales                       | 256,594                     | 49.8  | 215,451     | 50.0  | 474,397                   | 49.7  | 411,737     | 50.3  |
| Gross profit                        | 259,011                     | 50.2  | 215,093     | 50.0  | 480,163                   | 50.3  | 406,570     | 49.7  |
| Research and development            | 26,704                      | 5.2   | 22,455      | 5.2   | 50,958                    | 5.3   | 43,790      | 5.4   |
| Selling, general and administrative | 157,097                     | 30.5  | 128,855     | 29.9  | 295,699                   | 31.0  | 250,290     | 30.6  |
| Amortization                        | 2,667                       | 0.5   | 2,958       | 0.7   | 5,072                     | 0.5   | 5,883       | 0.7   |
| Interest expense                    | 6,028                       | 1.1   | 5,002       | 1.2   | 11,877                    | 1.3   | 9,462       | 1.1   |
| Other charges (income), net         | 500                         | 0.1   | (384)       | (0.1) | 2,175                     | 0.2   | (746)       | (0.1) |
| Earnings before taxes               | 66,015                      | 12.8  | 56,207      | 13.1  | 114,382                   | 12.0  | 97,891      | 12.0  |
| Provision for taxes (a)             | 17,164                      | 3.3   | 15,176      | 3.6   | 27,252                    | 2.9   | 26,430      | 3.3   |
| Net earnings                        | \$ 48,851                   | 9.5   | \$ 41,031   | 9.5   | \$ 87,130                 | 9.1   | \$ 71,461   | 8.7   |

- (a) The six months ended June 30, 2008 includes \$2.5 million of a discrete tax item related to a favorable tax law change.

*Net sales*

Net sales were \$515.6 million and \$954.6 million for the three and six months ended June 30, 2008, compared to \$430.5 million and \$818.3 million for the corresponding periods in 2007. This represents an increase in U.S. dollars of 20% and 17%, respectively, for the three and six months ended June 30, 2008. Excluding the effect of currency exchange rate fluctuations, or in local currencies, net sales increased 11% and 8%, respectively, for the three and six

months ended June 30, 2008.

During the three and six months ended June 30, 2008, our net sales by geographic destination in local currencies increased by 6% and 3% in the Americas, by 10% and 7% in Europe and by 22% and 20% in Asia/Rest of World. A discussion of sales by operating segment is included below.

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As described in Note 15 to our consolidated financial statements for the year ending December 31, 2007, our net sales comprise product sales of precision instruments and related services. Service revenues are primarily derived from repair and other services, including regulatory compliance qualification, calibration, certification, preventative maintenance and spare parts.

Net sales of products increased in U.S. dollars by 21% and 18% during the three and six months ended June 30, 2008, respectively, compared to the corresponding period and by 12% and 9% respectively in local currencies. Service revenue (including spare parts) increased in U.S. dollars by 16% and 13% during the three and six months ended June 30, 2008, respectively, compared to the corresponding periods and by 7% and 5%, respectively, in local currencies.

Net sales for our laboratory-related products increased 10% and 9% in local currencies during the three and six months ended June 30, 2008, respectively, principally driven by strong growth across most product categories, especially process analytics, analytical instruments and laboratory balances. Our laboratory-related product sales were also reduced by 1% during 2008 due to product line exits.

Net sales of our industrial-related products increased 10% and 8% in local currencies for the three and six months ended June 30, 2008, respectively. We experienced strong sales growth in our core industrial products throughout most geographies, particularly China, as well as solid sales growth in our product inspection products. We also experienced strong sales growth in transportation and logistics products for the three month period ended June 30, 2008 related to increased project activity.

In our food retailing markets, net sales increased 16% and 3% in local currencies during the three and six months ended June 30, 2008, respectively. We experienced particularly strong project activity in Europe and the Americas, as well as continued solid growth in Asia/Rest of World, during the three months ended June 30, 2008. Net sales for the six months ended June 30, 2008 reflect growth in Europe and Asia/Rest of World while sales decreased in the U.S. primarily related to difficult comparisons resulting from strong project activity and benefits associated with products announced for phase-out in the prior year.

*Gross profit*

Gross profit as a percentage of net sales was 50.2% and 50.3% for the three and six months ended June 30, 2008, respectively, compared to 50.0% and 49.7% for the corresponding periods in 2007.

Gross profit as a percentage of net sales for products was 54.0% and 54.6% for the three and six months ended June 30, 2008, respectively, compared to 53.9% and 54.0% for the corresponding periods in 2007.

Gross profit as a percentage of net sales for services (including spare parts) was 37.2% and 35.9% for the three and six months ended June 30, 2008, respectively, compared to 36.8% and 35.5% for the corresponding periods in 2007.

The increase in gross profit as a percentage of net sales reflects benefits from our sales volume leveraging our fixed production costs, partially offset by increased material costs, most notably steel prices and a dilution in the gross profit margin from the weakening U.S. dollar. However, it should be noted that the weakening U.S. dollar did not have a material impact on our earnings before taxes.

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*Research and development and selling, general and administrative expenses*

Research and development expenses as a percentage of net sales were 5% for the three and six months ended June 30, 2008, respectively, as well as in the corresponding periods during 2007. Research and development expenses increased 7% and 5%, in local currencies, during the three and six months ended June 30, 2008, respectively, compared to the corresponding period in 2007.

Selling, general and administrative expenses as a percentage of net sales were 31% for both the three and six months ended June 30, 2008, compared to 30% and 31%, respectively, in the corresponding periods during 2007. Selling, general and administrative expenses increased 11% and 8%, in local currencies, during the three and six months ended June 30, 2008, respectively, compared to the corresponding periods in 2007. This is primarily due to continued sales and marketing investments, especially in China and other emerging market countries and higher performance-related compensation costs, as well as expenses associated with upcoming product launches. Selling, general and administrative expenses during the six months ended June 30, 2008 also included severance expense related to our cost-reduction activities and a gain associated with an asset sale.

*Interest expense, other income, net and taxes*

Interest expense was \$6.0 million and \$11.9 million for the three and six months ended June 30, 2008, respectively, and \$5.0 million and \$9.5 million for the corresponding periods in 2007. The increase is due primarily to increased borrowings versus the comparable period in 2007.

Other charges (income), net consists primarily of interest income, as well as (gains) losses from foreign currency transactions, and other items. The decrease in other charges (income), net of \$0.5 million and \$2.2 million for the three and six months ended June 30, 2008, respectively, compared to the prior year periods includes the impact of unfavorable foreign currency fluctuations and reduced interest income associated with lower cash balances.

The provision for taxes is based upon our projected annual effective tax rate of 26% for the three and six months ended June 30, 2008 and 27% and 30% for the three and six months ended June 30, 2007, respectively.

The Company recorded a discrete tax benefit of \$2.5 million related to a favorable withholding tax law change in China during the first quarter of 2008. The impact of this item decreased the effective tax rate to 24% for the six months ended June 30, 2008.

**Results of Operations by Operating Segment**

The following is a discussion of the financial results of our operating segments. We currently have five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other. A more detailed description of these segments is outlined in Note 15 to our consolidated financial statements for the year ending December 31, 2007.

**Table of Contents***U.S. Operations (amounts in thousands)*

|                                 | Three months ended June 30 |            |                 | Six months ended June 30 |            |                 |
|---------------------------------|----------------------------|------------|-----------------|--------------------------|------------|-----------------|
|                                 | 2008                       | 2007       | % <sup>1)</sup> | 2008                     | 2007       | % <sup>1)</sup> |
| Total net sales                 | \$ 178,372                 | \$ 167,282 | 7%              | \$ 330,292               | \$ 318,952 | 4%              |
| Net sales to external customers | \$ 162,769                 | \$ 153,638 | 6%              | \$ 302,381               | \$ 294,318 | 3%              |
| Segment profit                  | \$ 30,946                  | \$ 28,159  | 10%             | \$ 51,370                | \$ 45,188  | 14%             |

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

Total net sales increased 7% and 4% for the three and six months ended June 30, 2008, respectively, and net sales to external customers increased 6% and 3% for the three and six months ended June 30, 2008, respectively, compared with the corresponding period in 2007. The increase for the three months ended June 30, 2008 reflects solid growth in our laboratory-related, retail and product inspection products as well as increased transportation and logistics project activity. The increase in net sales for the six months ended June 30, 2008 was offset in part by reduced sales in retail products related to strong project activity during the previous year. Our U.S. retail business also benefited during the prior year period from sales of products announced for phase-out. Net sales to external customers were also reduced during 2008 by 1% due to product line exits.

Segment profit increased \$2.8 million and \$6.2 million for the three and six month periods ended June 30, 2008, respectively, compared to the corresponding periods in 2007. The increase in segment profit for the three months ended June 30, 2008 was primarily due to increased sales volume leveraging our fixed production costs, offset in part by investments in sales and marketing. The segment profit increase for the six months ended June 30, 2008 was primarily due to improved variable contribution margins, in part due to favorable product mix.

*Swiss Operations (amounts in thousands)*

|                                 | Three months ended June 30 |           |                 | Six months ended June 30 |            |                 |
|---------------------------------|----------------------------|-----------|-----------------|--------------------------|------------|-----------------|
|                                 | 2008                       | 2007      | % <sup>1)</sup> | 2008                     | 2007       | % <sup>1)</sup> |
| Total net sales                 | \$ 117,044                 | \$ 91,246 | 28%             | \$ 225,837               | \$ 177,535 | 27%             |
| Net sales to external customers | \$ 31,799                  | \$ 24,905 | 28%             | \$ 63,020                | \$ 48,022  | 31%             |
| Segment profit                  | \$ 20,084                  | \$ 16,763 | 20%             | \$ 43,355                | \$ 35,104  | 24%             |

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

Total net sales in local currency increased 8% and 9% for the three and six month periods ended June 30, 2008. Net sales to external customers in local currency increased 8% and 12% for the same periods versus the prior year comparable period. The increase in sales to external customers related primarily to strong growth in our laboratory-related products, particularly in process analytics, as well as improved project activity in retail. We also continued to experience strong export sales growth to emerging markets.

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Segment profit increased \$3.3 million and \$8.3 million for the three and six month periods ended June 30, 2008, respectively, compared to the corresponding periods in 2007. The increase in segment profit in 2008 is primarily due to increased sales volume leveraging our fixed production costs, partially offset by unfavorable currency fluctuations, increased research and development project activity and increases in our sales and marketing investments relating to upcoming product launches.

*Western European Operations (amounts in thousands)*

|                                 | Three months ended June 30 |            |                 | Six months ended June 30 |            |                 |
|---------------------------------|----------------------------|------------|-----------------|--------------------------|------------|-----------------|
|                                 | 2008                       | 2007       | % <sup>1)</sup> | 2008                     | 2007       | % <sup>1)</sup> |
| Total net sales                 | \$ 205,897                 | \$ 169,008 | 22%             | \$ 383,744               | \$ 323,336 | 19%             |
| Net sales to external customers | \$ 183,510                 | \$ 149,618 | 23%             | \$ 340,967               | \$ 283,852 | 20%             |
| Segment profit                  | \$ 18,058                  | \$ 13,656  | 32%             | \$ 27,758                | \$ 26,115  | 6%              |

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

Total net sales in local currency increased 7% and 5% for the three and six month periods ended June 30, 2008. Net sales to external customers in local currency increased 7% and 6% for the same periods. The increase is primarily due to strong sales growth in our laboratory-related products, especially laboratory balances, analytical instruments and pipettes. We also experienced strong European retail project activity.

Segment profit increased \$4.4 million and \$1.6 million for the three and six month periods ended June 30, 2008, respectively, compared to the corresponding periods in 2007. The increase in segment profit is principally a result of increased sales volume leveraging our fixed production costs and favorable currency translation fluctuations, partially offset by increased sales and marketing investments. We also recorded severance charges of \$2.4 million associated with our cost reduction initiatives during Q1 2008.

*Chinese Operations (amounts in thousands)*

|                                 | Three months ended June 30 |           |                 | Six months ended June 30 |            |                 |
|---------------------------------|----------------------------|-----------|-----------------|--------------------------|------------|-----------------|
|                                 | 2008                       | 2007      | % <sup>1)</sup> | 2008                     | 2007       | % <sup>1)</sup> |
| Total net sales                 | \$ 82,577                  | \$ 61,318 | 35%             | \$ 146,854               | \$ 112,322 | 31%             |
| Net sales to external customers | \$ 57,616                  | \$ 38,912 | 48%             | \$ 99,721                | \$ 70,034  | 42%             |
| Segment profit                  | \$ 15,538                  | \$ 13,526 | 15%             | \$ 28,479                | \$ 24,055  | 18%             |

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

Total net sales in local currency increased 22% and 19% and net sales to external customers increased 34% and 30% for the three and six months ended June 30, 2008 as compared to the corresponding periods in 2007. These increases were due to continued sales growth for most product lines, in particular industrial products.

Segment profit increased \$2.0 million and \$4.4 million for the three and six month periods ended June 30, 2008, respectively, compared to the corresponding periods in 2007. The increase in segment profit is primarily due to increased sales volume, partially offset by increased costs to expand our manufacturing capabilities and investments in our Chinese sales and marketing organization.



**Table of Contents***Other (amounts in thousands)*

|                                 | Three months ended June 30 |          |                 | Six months ended June 30 |           |                 |
|---------------------------------|----------------------------|----------|-----------------|--------------------------|-----------|-----------------|
|                                 | 2008                       | 2007     | % <sup>1)</sup> | 2008                     | 2007      | % <sup>1)</sup> |
| Total net sales                 | \$81,093                   | \$64,664 | 25%             | \$150,478                | \$123,808 | 22%             |
| Net sales to external customers | \$79,911                   | \$63,471 | 26%             | \$148,471                | \$122,081 | 22%             |
| Segment profit                  | \$ 6,729                   | \$ 4,625 | 45%             | \$ 11,238                | \$ 9,480  | 19%             |

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

Total net sales in local currency increased 16% and 12% for the three and six month periods ended June 30, 2008. Net sales to external customers in local currency increased 17% and 12% for the same periods versus the prior year comparable period. This performance reflects increased sales in our Other Asian Pacific, Eastern European and Other North American markets.

Segment profit increased \$2.1 million and \$1.8 million for the three and six months ended June 30, 2008 compared to the corresponding period in 2007. The increase primarily was due to increased profitability in our Other Asian Pacific and Other Eastern European markets, partially offset by decreases in our profitability in Canadian operations.

**Liquidity and Capital Resources**

Liquidity is our ability to generate sufficient cash flows from operating activities to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate financing. Currently, our liquidity needs arise primarily from working capital requirements, capital expenditures, share repurchases and acquisitions.

Cash provided by operating activities totaled \$84.8 million in the six months ended June 30, 2008, compared to \$92.9 million in the corresponding period in 2007. The decrease in 2008 resulted principally from higher payments of approximately \$11.5 million related to 2007 performance-related compensation incentives (bonus payments), reduced accounts payable balances of \$26.4 million and the timing of tax disbursements of \$6.8 million, offset in part by higher net earnings of \$15.7 million.

Cash flows used in investing activities during the six months ended June 30, 2008 included \$12.5 million of proceeds from the sale of a Swiss property.

Capital expenditures are a significant use of funds and are made primarily for investments in information systems and technology, machinery, equipment and the purchase and expansion of facilities. Our capital expenditures totaled \$20.2 million for the six months ended June 30, 2008 compared to \$16.3 million in the corresponding period in 2007. We expect capital expenditures to increase as our business grows, and to fluctuate as currency exchange rates change.

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**Table of Contents***Senior Notes and Credit Facility Agreement*

Our short-term borrowings and long-term debt consisted of the following at June 30, 2008.

|   | U.S.<br>dollar | June 30, 2008<br>Other<br>principal<br>trading<br>currencies | Total      |
|---|----------------|--|------------|
| \$150m Senior notes (net of unamortized discount) | \$ 150,249     | \$   | \$ 150,249 |
| Credit facility                                   | 272,436        | 33,155   | 305,591    |
| Other local arrangements (long-term)              |                | 12,671   | 12,671     |
| Total long-term debt                              | 422,685        | 45,826   | 468,511    |
| Other local arrangements (short-term)             |                | 14,701   | 14,701     |
| Total debt  | \$ 422,685     | \$ 60,527  | \$ 483,212 |

As of June 30, 2008, we had \$134.8 million of availability remaining under our credit facility. Changes in exchange rates between the currencies in which we generate cash flows 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.

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

*Share repurchase program*

We have a share repurchase program. Under the program, we are authorized to buy back up to \$1.5 billion of equity shares. As of June 30, 2008, there were \$487.2 million of remaining equity shares authorized to be repurchased under the plan by December 31, 2010. The share repurchases are expected to be funded from cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors. We have purchased 14.5 million shares since the inception of the program through June 30, 2008.

We reacquired \$153.9 million (of which \$2.9 million was unsettled at June 30, 2008) and \$140.5 million on the repurchase of 1,539,588 shares and 1,556,000 shares at an average price of \$99.94 and \$90.24 during the six months ended June 30, 2008 and 2007, respectively, as well as an additional \$5.2 million and \$5.4 million during the six month periods ended June 30, 2008 and 2007, respectively, relating to the settlement of the liability for shares repurchased as of December 31, 2007 and 2006. See Part II Item 2 regarding details of the share repurchase program for the three months ended June 30, 2008. The Company reissued 65,760 shares and 305,060 shares held in treasury for the exercise of stock options for the six months ended June 30, 2008 and 2007, respectively. The Company also reissued 16,760 shares held in treasury pursuant to its 2007 Share Plan which extends certain eligible employees the option to receive a percentage of their annual bonus in shares of the Company's stock.

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**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 approximately \$1.1 million to \$1.3 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 June 30, 2008, 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 \$6.7 million in the reported U.S. dollar value of the debt.

**New Accounting Pronouncements**

See Fair Value Measurements under Note 2 to the interim consolidated financial statements.

**Forward-Looking Statements and Associated Risks**

Some of the statements in this quarterly report 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, annual amortization expense, outcome of litigation, effect of potential loss of licensed rights, 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, source of funding, method and timing of share repurchases, timing and effect of potential exercises of options, future cash sources and requirements, liquidity, impact of taxes, impact of changes in tax laws, expected compliance with laws, impact of environmental costs and environmental proceedings, expected pension contribution, expected cost savings and benefits of completed or future acquisitions, which involve known and unknown risks, impact of currency fluctuations, 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 neg or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of

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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 quarterly 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 Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, 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 quarterly report and other documents incorporated by reference may describe additional risks or factors that could adversely impact our business and financial performance. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict these new risk factors, nor can it assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As of June 30, 2008, there was no material change in the information provided under Item 7A in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

**Item 4. Controls and Procedures**

Our management carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report under the supervision and with the participation of our disclosure committee, our CFO and CEO. Based upon that valuation, our CFO and CEO concluded that our disclosure controls and procedures are effective in permitting us to comply with our disclosure obligations and ensure that the material information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. There were no changes in our internal controls over financial reporting during the six months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our controls over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION**Item 1. **Legal Proceedings.** NoneItem 1A. **Risk Factors.**

For the six months ended June 30, 2008 there were no material changes from risk factors as disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. **Unregistered Sales of Equity Securities and Use of Proceeds.***Issuer Purchases of Equity Securities*

|                           | (a)       | (b)        | (c)          | (d)              |
|---------------------------|-----------|------------|--------------|------------------|
|                           | Total     | Average    | Total Number | Maximum          |
|                           | Number    | Price Paid | of           | Number           |
|                           | of Shares | per        | Shares       | (or Approximate  |
|                           | Purchased | Share      | Purchased as | Dollar Value) of |
|                           |           |            | Part of      | Shares that May  |
|                           |           |            | Publicly     | Yet              |
|                           |           |            | Announced    | Be Purchased     |
|                           |           |            | Plans or     | Under            |
|                           |           |            | Programs     | the Plans or     |
|                           |           |            |              | Programs         |
| April 1 to April 30, 2008 | 145,000   | \$ 98.85   | 145,000      | \$ 531,150       |
| May 1 to May 31, 2008     | 230,400   | \$ 99.48   | 230,400      | \$ 508,225       |
| June 1 to June 30, 2008   | 210,000   | \$ 100.17  | 210,000      | \$ 487,185       |
| Total                     | 585,400   | \$ 99.57   | 585,400      | \$ 487,185       |

The Company has a share repurchase program. Under the program the Company has been authorized to buy back up to \$1.5 billion of equity shares. As of June 30, 2008, there were \$487.2 million of remaining equity shares authorized to be repurchased under the plan by December 31, 2010. The Company has purchased 14.5 million shares since the inception of the program, announced February 2004, through June 30, 2008.

The Company reacquired \$153.9 million (of which \$2.9 million was unsettled at June 30, 2008) and \$140.5 million on the repurchase of 1,539,588 shares and 1,556,000 shares at an average price of \$99.94 and \$90.24 during the six months ended June 30, 2008 and 2007, respectively, as well as an additional \$5.2 million and \$5.4 million during the six month periods ended June 30, 2008 and 2007, respectively, relating to the settlement of the liability for shares repurchased as of December 31, 2007 and 2006. The Company reissued 65,760 shares and 305,600 shares held in treasury for the exercise of stock options for the six months ended June 30, 2008 and 2007, respectively. The Company also reissued 16,760 shares held in treasury pursuant to its 2007 Share Plan which extends certain eligible employees the option to receive a percentage of their annual bonus in shares of the Company's stock.

**Table of Contents**Item 3. **Defaults Upon Senior Securities.** NoneItem 4. **Submission of Matters to a Vote of Security Holders.**

The Mettler-Toledo International Inc. annual meeting of stockholders was held on April 24, 2008. At the meeting, the following matters were submitted to a vote of stockholders: the election of directors and the ratification of the appointment of the company's independent auditors.

As of the record date of February 25, 2008 there were 35,125,563 shares of common stock entitled to vote at the meeting. The holders of 32,380,662 shares were represented in person or in proxy at the meeting, constituting a quorum. The vote with respect to the matters submitted to stockholders was as follows:

| Matter                                 | For        | Withheld<br>or Against | Abstained |
|--|------------|------------------------|-----------|
| Election of Directors                  |            |                        |           |
| Robert F. Spoerry                      | 32,237,698 | 131,115                | 11,849    |
| Wah-Hui Chu                            | 32,311,013 | 57,557                 | 12,092    |
| Francis A. Contino                     | 32,315,986 | 53,242                 | 11,434    |
| John T. Dickson                        | 32,310,722 | 59,145                 | 10,795    |
| Philip H. Geier                        | 32,297,615 | 60,227                 | 22,820    |
| Hans Ulrich Maerki                     | 32,305,876 | 61,232                 | 13,554    |
| George M. Milne                        | 32,305,926 | 59,032                 | 15,704    |
| Thomas P. Salice                       | 32,203,062 | 165,757                | 11,843    |
| Appointment of Independent Auditors    | 32,242,537 | 126,408                | 11,717    |
| Item 5. <b>Other information.</b> None |            |                        |           |

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Item 6. **Exhibits.**

- 31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 32 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Mettler-Toledo International Inc.

Date: July 25, 2008

By: /s/ William P. Donnelly  
William P. Donnelly  
Group Vice President and  
Chief Financial Officer

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