

METTLER TOLEDO INTERNATIONAL INC/  
Form 10-Q  
November 07, 2008

**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 OR**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 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 and 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 definition 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  
o No p

The Registrant had 33,522,365 shares of Common Stock outstanding at September 30, 2008.

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**METTLER-TOLEDO INTERNATIONAL INC.  
INDEX TO QUARTERLY REPORT ON FORM 10-Q**

	<b>PAGE</b>
<b>PART I. FINANCIAL INFORMATION</b>	
<b>Item 1. Financial Statements</b>	
<b>Unaudited Interim Consolidated Financial Statements:</b>	
<b>Interim Consolidated Statements of Operations for the three months ended September 30, 2008 and 2007</b>	<b>3</b>
<b>Interim Consolidated Statements of Operations for the nine months ended September 30, 2008 and 2007</b>	<b>4</b>
<b>Interim Consolidated Balance Sheets as of September 30, 2008 and December 31, 2007</b>	<b>5</b>
<b>Interim Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss) for the nine months ended September 30, 2008 and twelve months ended December 31, 2007</b>	<b>6</b>
<b>Interim Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007</b>	<b>7</b>
<b>Notes to the Interim Consolidated Financial Statements at September 30, 2008</b>	<b>8</b>
<b>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</b>	<b>19</b>
<b>Item 3. Quantitative and Qualitative Disclosures About Market Risk</b>	<b>28</b>
<b>Item 4. Controls and Procedures</b>	<b>28</b>
<b>PART II. OTHER INFORMATION</b>	
<b>Item 1. Legal Proceedings</b>	<b>29</b>
<b>Item 1A. Risk Factors</b>	<b>29</b>
<b>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</b>	<b>29</b>
<b>Item 3. Defaults upon Senior Securities</b>	<b>30</b>
<b>Item 4. Submission of Matters to a Vote of Security Holders</b>	<b>30</b>
<b>Item 5. Other Information</b>	<b>30</b>
<b>Item 6. Exhibits</b>	<b>30</b>

**SIGNATURE**

31

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

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

	<b>September 30, 2008</b>	<b>September 30, 2007</b>
Net sales		
Products	\$ 396,876	\$ 341,436
Service	112,221	101,164
Total net sales	509,097	442,600
Cost of sales		
Products	187,632	159,176
Service	72,785	64,415
Gross profit	248,680	219,009
Research and development	26,553	22,699
Selling, general and administrative	145,612	129,520
Amortization	2,728	2,825
Interest expense	6,846	5,515
Other charges (income), net	445	58
Earnings before taxes	66,496	58,392
Provision for taxes	13,772	14,620
Net earnings	\$ 52,724	\$ 43,772
Basic earnings per common share:		
Net earnings	\$ 1.56	\$ 1.19
Weighted average number of common shares	33,856,574	36,650,215
Diluted earnings per common share:		
Net earnings	\$ 1.52	\$ 1.16
Weighted average number of common and common equivalent shares	34,727,806	37,597,020

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

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

	<b>September 30, 2008</b>	<b>September 30, 2007</b>
Net sales		
Products	\$ 1,133,623	\$ 967,248
Service	330,034	293,659
Total net sales	1,463,657	1,260,907
Cost of sales		
Products	522,422	446,812
Service	212,392	188,516
Gross profit	728,843	625,579
Research and development	77,511	66,489
Selling, general and administrative	441,311	379,810
Amortization	7,800	8,708
Interest expense	18,723	14,977
Other charges (income), net	2,620	(688)
Earnings before taxes	180,878	156,283
Provision for taxes	41,024	41,050
Net earnings	\$ 139,854	\$ 115,233
Basic earnings per common share:		
Net earnings	\$ 4.06	\$ 3.08
Weighted average number of common shares	34,482,431	37,390,019
Diluted earnings per common share:		
Net earnings	\$ 3.96	\$ 3.01
Weighted average number of common and common equivalent shares	35,347,440	38,312,676

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

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

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 111,039	\$ 81,222
Trade accounts receivable, less allowances of \$9,631 at September 30, 2008 and \$8,804 at December 31, 2007	340,481	354,596
Inventory	194,271	173,725
Current deferred tax assets, net	43,004	37,643
Other current assets and prepaid expenses	43,359	36,023
 Total current assets	 732,154	 683,209
Property, plant and equipment, net	267,636	265,665
Goodwill	437,558	440,767
Other intangible assets, net	97,310	100,020
Non-current deferred tax assets, net	68,016	65,129
Other non-current assets	141,092	123,424
 Total assets	 \$ 1,743,766	 \$ 1,678,214

**LIABILITIES AND SHAREHOLDERS EQUITY**

Current liabilities:		
Trade accounts payable	\$ 107,059	\$ 127,109
Accrued and other liabilities	81,447	73,661
Accrued compensation and related items	117,573	130,140
Deferred revenue and customer prepayments	65,318	52,703
Taxes payable	69,332	42,438
Current deferred tax liabilities	7,537	10,152
Short-term borrowings	24,048	11,570
 Total current liabilities	 472,314	 447,773
Long-term debt	495,632	385,072
Non-current deferred tax liabilities	102,695	101,500
Other non-current liabilities	162,528	162,583
 Total liabilities	 1,233,169	 1,096,928

Commitments and contingencies (Note 10)

Shareholders equity:

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Preferred stock, \$0.01 par value per share; authorized 10,000,000 shares;  
issued 0

Common stock, \$0.01 par value per share; authorized 125,000,000 shares;  
issued 44,786,011 and 44,786,011 shares; outstanding 33,522,365 and  
35,638,483 shares at September 30, 2008 and December 31, 2007,  
respectively

Additional paid-in capital

Treasury stock at cost (11,263,646 shares at September 30, 2008 and  
9,147,528 shares at December 31, 2007)

Retained earnings

Accumulated other comprehensive income

Total shareholders' equity

Total liabilities and shareholders' equity

448	448
557,559	548,378
(878,507)	(662,393)
789,605	652,236
41,492	42,617
510,597	581,286
\$ 1,743,766	\$ 1,678,214

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

- 5 -



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

**Nine months ended September 30, 2008 and twelve months ended December 31, 2007**

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

**(unaudited)**

	Common Stock		Additional Paid-in	Treasury	Retained	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Capital	Stock	Earnings		
Balance at December 31, 2006	38,430,124	\$ 448	\$ 528,863	\$ (374,819)	\$ 493,691	\$ (17,321)	\$ 630,862
Exercise of stock options and restricted stock units	593,090			37,025	(15,851)		21,174
Repurchases of common stock	(3,384,731)			(324,599)			(324,599)
Tax benefit resulting from exercise of certain employee stock options			11,373				11,373
Share-based compensation			8,142				8,142
Adoption of FIN 48					(4,111)		(4,111)
Comprehensive income:							
Net earnings					178,507		178,507
Change in currency translation adjustment						27,941	27,941
Pension adjustment, net of tax						31,997	31,997
Comprehensive income							238,445
Balance at December 31, 2007	35,638,483	\$ 448	\$ 548,378	\$ (662,393)	\$ 652,236	\$ 42,617	\$ 581,286
Balance at December 31, 2007	35,638,483	\$ 448	\$ 548,378	\$ (662,393)	\$ 652,236	\$ 42,617	\$ 581,286
Exercise of stock options and	88,310			6,156	(2,837)		3,319

restricted stock units								
Other treasury stock issuances	16,760			1,149	352			1,501
Repurchases of common stock	(2,221,188)			(223,419)				(223,419)
Tax benefit resulting from exercise of certain employee stock options				1,803				1,803
Share-based compensation				7,378				7,378
Comprehensive income:								
Net earnings					139,854			139,854
Change in currency translation adjustment							(1,706)	(1,706)
Pension adjustment, net of tax							581	581
Comprehensive income (a)								138,729
Balance at September 30, 2008	33,522,365	\$ 448	\$ 557,559	\$ (878,507)	\$ 789,605	\$ 41,492	\$ 510,597	

(a) Total comprehensive income for the three months ended September 30, 2008 and 2007 was \$27,264 and \$53,047, respectively and \$132,485 for the nine months ended September 30, 2007.

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

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

	<b>September 30, 2008</b>	<b>September 30, 2007</b>
Cash flows from operating activities:		
Net earnings	\$ 139,854	\$ 115,233
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	22,194	19,501
Amortization	7,800	8,708
Deferred taxes	(7,957)	(6,654)
Excess tax benefits from share-based payment arrangements	(999)	(5,223)
Gain from sale of property, plant and equipment	(3,271)	(656)
Share-based compensation	7,378	6,186
Increase (decrease) in cash resulting from changes in:		
Trade accounts receivable, net	14,463	19,301
Inventory	(19,523)	(15,654)
Other current assets	(7,710)	(8,981)
Trade accounts payable	(21,975)	2,413
Taxes payable	28,456	30,953
Accruals and other	2,158	3,959
Net cash provided by operating activities	160,868	169,086
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	13,184	3,398
Purchase of property, plant and equipment	(37,460)	(24,826)
Acquisitions	(607)	(106)
Net cash used in investing activities	(24,883)	(21,534)
Cash flows from financing activities:		
Proceeds from borrowings	235,710	104,312
Repayments of borrowings	(121,123)	(95,014)
Proceeds from stock option exercises	3,319	11,530
Repurchases of common stock	(225,296)	(254,506)
Excess tax benefits from share-based payment arrangements	999	5,223
Refinancing fees	(3,085)	
Net cash used in financing activities	(109,476)	(228,455)

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Effect of exchange rate changes on cash and cash equivalents	3,308	5,019
Net increase (decrease) in cash and cash equivalents	29,817	(75,884)
Cash and cash equivalents:		
Beginning of period	81,222	151,269
End of period	\$ 111,039	\$ 75,385

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

- 7 -

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**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 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 September 30, 2008 and for the three and nine month periods ended September 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 nine months ended September 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.

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 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:

	September 30, 2008	December 31, 2007
Raw materials and parts	\$ 84,814	\$ 86,852
Work-in-progress	37,695	28,102
Finished goods	71,762	58,771
	\$ 194,271	\$ 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 in accordance with SFAS No. 141 Business Combinations 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.

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

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

Other intangible assets consisted of the following:

	September 30, 2008		December 31, 2007	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	\$ 74,066	\$ (12,937)	\$ 73,946	\$ (11,363)
Proven technology and patents	32,570	(19,829)	32,079	(18,077)
Tradename (finite life)	1,752	(746)	1,655	(654)
Tradename (indefinite life)	22,434		22,434	
	\$ 130,822	\$ (33,512)	\$ 130,114	\$ (30,094)

The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at \$4.7 million for 2008, \$4.6 million for 2009 and 2010, \$4.4 million for 2011 and \$4.1 million for 2012. The Company had amortization expense associated with the above intangible assets of \$3.5 million and \$3.4 million for the nine months ended September 30, 2008 and 2007, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of \$4.2 million and \$5.3 million for the nine months ended September 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, the Company defers revenue recognition until delivery has occurred. Other than a few small software applications, the Company does 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, the Company defers revenue where installation is required, unless such installation is deemed perfunctory. The Company generally maintains the right to accept or reject a product return in its terms and conditions and also maintains 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 its 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.

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 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:

	September 30, 2008	September 30, 2007
Balance at beginning of period	\$ 12,949	\$ 10,977
Accruals for warranties	13,405	9,951
Foreign currency translation	990	618
Payments / utilizations	(14,221)	(9,881)
Balance at end of period	\$ 13,123	\$ 11,665

*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 \$2.3 million and \$7.4 million of share-based compensation expense for the three and nine months ended September 30, 2008, respectively, compared to \$2.0 million and \$6.2 million for the corresponding periods in 2007.

During the first quarter of 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.



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

(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 September 30, 2008, the Company has derivative assets totaling \$0.7 million and derivative liabilities totaling \$0.2 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 nine month periods ended September 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 nine month periods ended September 30, 2008.

On October 20, 2008, the Company entered into an interest rate swap agreement changing the floating rate interest payments associated with \$150 million of debt borrowed from the Company's credit facility to a fixed obligation. The swap agreement will be accounted for as a cash flow hedge.

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 nine months ended September 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. During the third quarter of 2008, the Company recorded discrete tax items

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

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

resulting in a net tax benefit of \$3.5 million primarily related to the closure of certain tax matters. The net impact of the items described above decreased the effective tax rate to 21% and 23% for the three and nine months ended September 30, 2008, respectively.

**4. DEBT**

The Company's short-term borrowings and long-term debt consisted of the following at September 30, 2008:

		September 30, 2008	
		Other principal trading	
	U.S. dollar	currencies	Total
\$150m Senior notes (net of unamortized discount)	\$ 150,427	\$	\$ 150,427
Credit facility	322,000	11,218	333,218
Other local arrangements (long-term)		11,987	11,987
Total long-term debt	472,427	23,205	495,632
Other local arrangements (short-term)	8,000	16,048	24,048
Total debt	\$ 480,427	\$ 39,253	\$ 519,680

On August 15, 2008, the Company entered into a \$950 million new Credit Agreement (the "Credit Agreement"), which replaced its \$450 million Amended and Restated Credit Agreement (the "Prior Credit Agreement"). The new Credit Agreement is provided by a group of financial institutions (similar to our Prior Credit Agreement) and has a maturity date of August 15, 2013. It is a revolving credit facility and is not subject to any scheduled principal payments prior to maturity. The obligations under the Credit Agreement are unsecured.

Borrowings under the Credit Agreement bear interest at current market rates plus a margin based on the Company's senior unsecured credit ratings, which was, as of September 30, 2008, set at LIBOR plus 0.70% (based on ratings of

BBB by Standard & Poor's and Baa2 by Moody's). The Company must also pay facility fees that are tied to its credit ratings. The Credit Agreement contains covenants, with which the Company was in compliance as of September 30, 2008, including maintaining a consolidated interest coverage ratio of more than 3.5 to 1.0 and a consolidated leverage ratio of less than 3.25 to 1.0. The Credit Agreement also places certain limitations on the Company, including limiting the ability to incur liens or indebtedness at a subsidiary level. In addition, the Credit Agreement has several events of default, including upon a change of control. The Company capitalized \$3.3 million in financing fees associated with the Credit Agreement.

The borrowings under the Credit Agreement have been classified as long-term debt in accordance with the Company's intent and ability to refinance such obligations on a long-term basis. As of September 30, 2008, approximately \$607.2 million was available under the facility.

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

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

**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 September 30, 2008, there were \$417.7 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 15.2 million shares since the inception of the program through September 30, 2008.

The Company reacquired \$223.4 million (of which \$3.3 million was unsettled at September 30, 2008) and \$249.1 million on the repurchase of 2,221,188 shares and 2,710,531 shares at an average price of \$100.57 and \$91.86 during the nine months ended September 30, 2008 and 2007, respectively. An additional \$5.2 million and \$5.4 million were cash settled during the nine month periods ended September 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 88,310 shares and 339,015 shares held in treasury for the exercise of stock options for the nine months ended September 30, 2008 and 2007, respectively.

During the first quarter of 2008, 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.

**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 nine month periods ended September 30, relating to outstanding stock options and restricted stock units:

	2008	2007
Three months ended	871,232	946,805
Nine months ended	865,009	922,656

Outstanding options to purchase 450,150 and 3,000 shares of common stock for the three month periods ended September 30, 2008 and 2007, respectively, and options to purchase 450,797 and 119,567 shares of common stock for the nine month periods ended September 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.

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

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

**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 September 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	\$ 182	\$ 170	\$ 4,223	\$ 4,072	\$ 109	\$ 101
Interest cost on projected benefit obligations	1,633	1,590	5,966	4,784	322	331
Expected return on plan assets	(2,232)	(2,072)	(7,866)	(6,910)		
Net amortization and deferral					(240)	(239)
Actuarial losses	197	515	221	223		
Net periodic pension cost (benefit)	\$ (220)	\$ 203	\$ 2,544	\$ 2,169	\$ 191	\$ 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 nine months ended September 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	\$ 548	\$ 509	\$ 12,932	\$ 11,997	\$ 327	\$ 304
Interest cost on projected benefit obligations	4,901	4,769	18,232	14,086	968	992
Expected return on plan assets	(6,698)	(6,217)	(24,454)	(20,273)		
Net amortization and deferral					(718)	(718)
Actuarial losses	593	1,544	382	632		
Net periodic pension cost (benefit)	\$ (656)	\$ 605	\$ 7,092	\$ 6,442	\$ 577	\$ 578

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.

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

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

- 15 -

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

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

**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 charges (income), net and taxes).

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

For the three months ended September 30, 2008	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Goodwill
U.S. Operations	\$ 161,844	\$ 14,904	\$ 176,748	\$ 30,723	\$ 272,546
Swiss Operations	30,830	75,896	106,726	19,215	26,475
Western European Operations	168,497	20,414	188,911	14,165	118,141
Chinese Operations	66,458	23,371	89,829	15,619	2,092
Other (a)	81,468	1,401	82,869	6,198	18,304
Eliminations and Corporate (b)		(135,986)	(135,986)	(9,405)	
Total	\$ 509,097	\$	\$ 509,097	\$ 76,515	\$ 437,558

For the nine months ended September 30, 2008	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	\$ 464,225	\$ 42,815	\$ 507,040	\$ 82,093
Swiss Operations	93,850	238,713	332,563	62,570
Western European Operations	509,464	63,191	572,655	41,923
Chinese Operations	166,179	70,504	236,683	44,098
Other (a)	229,939	3,408	233,347	17,436
Eliminations and Corporate (b)		(418,631)	(418,631)	(38,099)
Total	\$ 1,463,657	\$	\$ 1,463,657	\$ 210,021

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**At September 30, 2008    Unaudited (Continued)**

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

For the three months ended September 30, 2007	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Goodwill
U.S. Operations	\$ 155,425	\$ 13,060	\$ 168,485	\$ 27,901	\$ 272,439
Swiss Operations	26,942	67,446	94,388	20,696	24,511
Western European Operations	144,056	19,618	163,674	11,402	121,520
Chinese Operations	45,476	22,415	67,891	15,079	1,918
Other (a)	70,701	798	71,499	7,229	18,326
Eliminations and Corporate (b)		(123,337)	(123,337)	(15,517)	
Total	\$ 442,600	\$	\$ 442,600	\$ 66,790	\$ 438,714

For the nine months ended September 30, 2007	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	\$ 449,743	\$ 37,694	\$ 487,437	\$ 73,089
Swiss Operations	74,964	196,959	271,923	55,800
Western European Operations	427,908	59,102	487,010	37,517
Chinese Operations	115,510	64,703	180,213	39,134
Other (a)	192,782	2,525	195,307	16,709
Eliminations and Corporate (b)		(360,983)	(360,983)	(42,969)
Total	\$ 1,260,907	\$	\$ 1,260,907	\$ 179,280

(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 nine month periods ended September 30 follows:

	Three Months Ended		Nine Months Ended	
	2008	2007	2008	2007
Earnings before taxes	\$ 66,496	\$ 58,392	\$ 180,878	\$ 156,283
Amortization	2,728	2,825	7,800	8,708
Interest expense	6,846	5,515	18,723	14,977
Other charges (income), net	445	58	2,620	(688)
Segment profit	\$ 76,515	\$ 66,790	\$ 210,021	\$ 179,280



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

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

**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.

- 18 -

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**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 nine months ended September 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 nine month periods ended September 30, 2008 and 2007 (amounts in thousands).

	Three months ended September 30,				Nine months ended September 30,			
	2008		2007		2008		2007	
	(unaudited)	%	(unaudited)	%	(unaudited)	%	(unaudited)	%
Net sales	\$ 509,097	100.0	\$ 442,600	100.0	\$ 1,463,657	100.0	\$ 1,260,907	100.0
Cost of sales	260,417	51.2	223,591	50.5	734,814	50.2	635,328	50.4
Gross profit	248,680	48.8	219,009	49.5	728,843	49.8	625,579	49.6
Research and development	26,553	5.2	22,699	5.1	77,511	5.3	66,489	5.3
Selling, general and administrative	145,612	28.6	129,520	29.3	441,311	30.1	379,810	30.1
Amortization	2,728	0.5	2,825	0.6	7,800	0.5	8,708	0.7
Interest expense	6,846	1.3	5,515	1.3	18,723	1.3	14,977	1.2
Other charges (income), net	445	0.1	58	0.0	2,620	0.2	(688)	(0.1)
Earnings before taxes	66,496	13.1	58,392	13.2	180,878	12.4	156,283	12.4
Provision for taxes (a)	13,772	2.7	14,620	3.3	41,024	2.8	41,050	3.3
Net earnings	\$ 52,724	10.4	\$ 43,772	9.9	\$ 139,854	9.6	\$ 115,233	9.1

(a) Discrete tax items in the three months ended September 30, 2008 of \$3.5 million relate primarily to a benefit from the closure of certain tax matters. The

nine months  
ended  
September 30,  
2008 includes  
an additional  
\$2.5 million  
discrete tax  
benefit related  
to favorable  
withholding tax  
law changes in  
China.

The three and  
nine months  
ended  
September 30,  
2007 include  
discrete tax  
items of  
\$1.1 million.  
The discrete  
items include a  
benefit of  
\$3.4 million  
related to the  
favorable  
resolution of  
certain tax  
matters and  
other  
adjustments  
related to prior  
years, which  
was partially  
offset by a  
charge of  
\$2.3 million  
primarily related  
to a tax law  
change in  
Germany.

*Net sales*

Net sales were \$509.1 million and \$1,463.7 million for the three and nine months ended September 30, 2008, compared to \$442.6 million and \$1,260.9 million for the corresponding periods in 2007. This represents an increase in U.S. dollars of 15% and 16%, respectively, for the three and nine months ended September 30, 2008. Excluding the effect of currency exchange rate fluctuations, or in local currencies, net sales increased 10% and 9%, respectively, for the three and nine months ended September 30, 2008.

During the three and nine months ended September 30, 2008, our net sales by geographic destination in local currencies increased by 4% and 3% in the Americas, by 9% and 8% in Europe and by 21% and 21% in Asia/Rest of World. A discussion of sales by operating segment is included below.

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 16% and 17% during the three and nine months ended September 30, 2008, respectively, compared to the corresponding period and by 11% and 10% respectively in local currencies. Service revenue (including spare parts) increased in U.S. dollars by 11% and 12% during the three and nine months ended September 30, 2008, respectively, compared to the corresponding periods and by 6% and 5%, respectively, in local currencies.

Net sales for our laboratory-related products increased 9% in local currencies during both the three and nine months ended September 30, 2008, principally driven by strong growth across most product categories, especially analytical instruments, process analytics and laboratory balances. Our laboratory-related product sales were also reduced by 1% during the nine months ended September 30, 2008 due to product line exits in 2007.

Net sales of our industrial-related products increased 12% and 9% in local currencies for the three and nine months ended September 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 September 30, 2008 related to increased project activity.

In our food retailing markets, net sales increased 6% and 4% in local currencies during the three and nine months ended September 30, 2008, respectively. We experienced strong sales growth in Europe and continued solid growth in Asia during the three months ended September 30, 2008. Net sales for the nine months ended September 30, 2008 reflect strong project activity in Europe and continued growth in Asia/Rest of World while sales decreased in the U.S.

#### *Gross profit*

Gross profit as a percentage of net sales was 48.8% and 49.8% for the three and nine months ended September 30, 2008, respectively, compared to 49.5% and 49.6% for the corresponding periods in 2007.

Gross profit as a percentage of net sales for products was 52.7% and 53.9% for the three and nine months ended September 30, 2008, respectively, compared to 53.4% and 53.8% for the corresponding periods in 2007.

Gross profit as a percentage of net sales for services (including spare parts) was 35.1% and 35.7% for the three and nine months ended September 30, 2008, respectively, compared to 36.3% and 35.8% for the corresponding periods in 2007.

The decrease in gross profit as a percentage of net sales for the three months ended September 30, 2008 reflects the weakening U.S. dollar, an unfavorable product mix and increased material costs, offset in part by increased sales volume leveraging our fixed production costs. For the nine months ended September 30, 2008 our gross profit increased as a percentage of net sales as a result of increased sales volume, offset in part by the weakening U.S. dollar and increased material costs.

*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 nine months ended September 30, 2008, respectively, as well as in the corresponding periods during 2007. Research and development expenses increased 9% and 6%, in local currencies, during the three and nine months ended September 30, 2008, respectively, compared to the corresponding period in 2007.

Selling, general and administrative expenses as a percentage of net sales were 29% and 30% for the three and nine months ended September 30, 2008, compared to 29% and 30%, respectively, in the corresponding periods during 2007. Selling, general and administrative expenses increased 7% and 8%, in local currencies, during the three and nine months ended September 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 expenses associated with upcoming product launches. Selling, general and administrative expenses during the three months ended September 30, 2008 also included severance expense related to our cost-reduction activities.

*Interest expense, other charges (income), net and taxes*

Interest expense was \$6.8 million and \$18.7 million for the three and nine months ended September 30, 2008, respectively, and \$5.5 million and \$15.0 million for the corresponding periods in 2007. The increase is due primarily to increased borrowings versus the corresponding periods in 2007.

Other charges (income), net was \$0.4 million and \$2.6 million for the three and nine months ended September 30, 2008, respectively, and \$0.1 million and (\$0.7) million for the corresponding periods in 2007 and consists primarily of interest income as well as (gains) losses from foreign currency transactions and other items. Other charges (income), net includes the impact of unfavorable foreign currency fluctuations and reduced interest income associated with lower cash balances compared to the prior year periods.

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

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. During the third quarter of 2008, the Company recorded discrete tax items resulting in a net tax benefit of \$3.5 million primarily related to the closure of certain tax matters. The net impact of the items described above decreased the effective tax rate to 21% and 23% for the three and nine months ended September 30, 2008, respectively.

During the third quarter of 2007, the Company recorded certain discrete tax items which resulted in a net tax benefit of \$1.1 million. The discrete items include a benefit of \$3.4 million related to the favorable resolution of certain tax matters and other adjustments related to prior years, which was partially offset by a charge of \$2.3 million primarily due to a tax law change in Germany. The net impact of the items described above decreased the effective tax rate to 25% and 26% for the three and nine months ended September 30, 2007, respectively.

### 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.

#### *U.S. Operations (amounts in thousands)*

	Three months ended September 30			Nine months ended September 30		
	2008	2007	% <sup>1)</sup>	2008	2007	% <sup>1)</sup>
Total net sales	\$ 176,748	\$ 168,485	5%	\$ 507,040	\$ 487,437	4%
Net sales to external customers	\$ 161,844	\$ 155,425	4%	\$ 464,225	\$ 449,743	3%
Segment profit	\$ 30,723	\$ 27,901	10%	\$ 82,093	\$ 73,089	12%

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

Total net sales increased 5% and 4% for the three and nine months ended September 30, 2008, respectively, and net sales to external customers increased 4% and 3% for the three and nine months ended September 30, 2008, respectively, compared with the corresponding periods in 2007. The increase for the three months ended September 30, 2008 reflects solid growth in our laboratory-related and product inspection products and increased transportation and logistics project activity, offset in part by reduced sales in retail products. Net sales to external customers were also reduced during the nine months ended September 30, 2008 by 1% due to product line exits during 2007.

Segment profit increased \$2.8 million and \$9.0 million for the three and nine month periods ended September 30, 2008, respectively, compared to the corresponding periods in 2007. The increase in segment profit was primarily due to increased sales volume leveraging our fixed production costs, offset in part by investments in sales and marketing.

#### *Swiss Operations (amounts in thousands)*

	Three months ended September 30			Nine months ended September 30		
	2008	2007	% <sup>1)</sup>	2008	2007	% <sup>1)</sup>
Total net sales	\$ 106,726	\$ 94,388	13%	\$ 332,563	\$ 271,923	22%
Net sales to external customers	\$ 30,830	\$ 26,942	14%	\$ 93,850	\$ 74,964	25%
Segment profit	\$ 19,215	\$ 20,696	-7%	\$ 62,570	\$ 55,800	12%

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

Total net sales in local currency increased 1% and 6% for the three and nine month periods ended September 30, 2008. Net sales to external customers in local currency increased 2% and 9% for the same periods versus the prior year corresponding periods. The increase in sales to external customers for the three and nine months ended September 30, 2008 related primarily to strong growth in most of our

- 22 -

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laboratory-related products, particularly in process analytics, as well as improved project activity in retail products.

Segment profit decreased \$1.5 million and increased \$6.8 million for the three and nine month periods ended September 30, 2008, respectively, compared to the corresponding periods in 2007. The increase in segment profit for the nine months ended September 30, 2008 relative to the corresponding prior period relates primarily to increased sales volume leveraging our fixed production costs, partially offset by higher research and development project activity and unfavorable currency fluctuations. Segment profit for the three months ended September 30, 2008 was also reduced by increased sales and marketing costs relating to product launches.

*Western European Operations (amounts in thousands)*

	Three months ended September 30			Nine months ended September 30		
	2008	2007	% <sup>1)</sup>	2008	2007	% <sup>1)</sup>
Total net sales	\$ 188,911	\$ 163,674	15%	\$ 572,655	\$ 487,010	18%
Net sales to external customers	\$ 168,497	\$ 144,056	17%	\$ 509,464	\$ 427,908	19%
Segment profit	\$ 14,165	\$ 11,402	24%	\$ 41,923	\$ 37,517	12%

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

Total net sales in local currency increased 7% and 6% for the three and nine month periods ended September 30, 2008. Net sales to external customers in local currency increased 8% and 7% for the same periods. The increase includes solid sales growth in our industrial-related and laboratory-related products. Our industrial sales for the three months ended September 30, 2008 include particularly favorable results in core industrial products and transportation and logistics project activity. We also experienced strong European retail project activity during the three and nine months ended September 30, 2008.

Segment profit increased \$2.8 million and \$4.4 million for the three and nine month periods ended September 30, 2008, respectively, compared to the corresponding periods in 2007. The increase in segment profit is principally a result of increased sales volume and favorable currency translation fluctuations, partially offset by increased sales and marketing investments. We also recorded severance charges of \$2.7 million and \$5.1 million associated with our cost reduction initiatives, during the three and nine month periods ended September 30, 2008, respectively.

*Chinese Operations (amounts in thousands)*

	Three months ended September 30			Nine months ended September 30		
	2008	2007	% <sup>1)</sup>	2008	2007	% <sup>1)</sup>
Total net sales	\$ 89,829	\$ 67,891	32%	\$ 236,683	\$ 180,213	31%
Net sales to external customers	\$ 66,458	\$ 45,476	46%	\$ 166,179	\$ 115,510	44%
Segment profit	\$ 15,619	\$ 15,079	4%	\$ 44,098	\$ 39,134	13%

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

Total net sales in local currency increased 20% and 20% and net sales to external customers increased 32% and 31% for the three and nine months ended September 30, 2008, respectively, 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 \$0.1 million and \$5.0 million for the three and nine month periods ended September 30, 2008, respectively, compared to the corresponding periods in 2007. Segment profit includes increased sales volume, partially offset by unfavorable currency fluctuations, increased material costs, increased costs to expand our manufacturing capabilities and investments in our Chinese sales and marketing organization. Segment profit during the three months ended September 30, 2008 was also reduced by unfavorable product mix.

*Other (amounts in thousands)*

	Three months ended September 30			Nine months ended September 30		
	2008	2007	% <sup>1)</sup>	2008	2007	% <sup>1)</sup>
Total net sales	\$82,869	\$71,499	16%	\$233,347	\$195,307	19%
Net sales to external customers	\$81,468	\$70,701	15%	\$229,939	\$192,782	19%
Segment profit	\$ 6,198	\$ 7,229	-14%	\$ 17,436	\$ 16,709	4%

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

Total net sales in local currency increased 13% and 12% for the three and nine month periods ended September 30, 2008. Net sales to external customers in local currency increased 12% for the same periods versus the prior year corresponding periods. This performance reflects increased sales in our Other Asian Pacific, Eastern European and Other North American markets.

Segment profit decreased \$1.0 million and increased \$0.7 million for the three and nine months ended September 30, 2008 compared to the corresponding periods in 2007. The decrease in segment profit for the three months ended September 30, 2008 was primarily a result of decreased profitability in Canada and severance charges associated with our cost reduction initiatives, partially offset by increased profitability in our Other Asia Pacific and Other Eastern European markets.

### **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 \$160.9 million in the nine months ended September 30, 2008, compared to \$169.1 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 \$24.4 million and the timing of tax disbursements of \$5.9 million, offset in part by higher net earnings of \$24.6 million.

Cash flows used in investing activities during the nine months ended September 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 \$37.5 million for the nine months ended September 30, 2008 compared to \$24.8 million in the corresponding period in 2007. Approximately \$8.2 million of these expenditures for the nine months ended September 30, 2008 relate to the initial phases of a multi-year program of information technology investment.

We expect capital expenditures to increase as our business grows, and to fluctuate as currency exchange rates change.

Cash flows used in financing activities during the nine months ended September 30, 2008 included \$3.1 million of financing fees related to the closing of our new \$950 million credit facility during the third quarter.

### *Debt*

The Company's short-term borrowings and long-term debt consisted of the following at September 30, 2008:

		September 30, 2008	
		Other principal trading	
	U.S. dollar	currencies	Total
\$150m Senior notes (net of unamortized discount)	\$ 150,427	\$	\$ 150,427
Credit facility	322,000	11,218	333,218
Other local arrangements (long-term)		11,987	11,987
Total long-term debt	472,427	23,205	495,632
Other local arrangements (short-term)	8,000	16,048	24,048
Total debt	\$ 480,427	\$ 39,253	\$ 519,680

On August 15, 2008, the Company entered into a \$950 million new Credit Agreement (the "Credit Agreement"), which replaced its \$450 million Amended and Restated Credit Agreement (the "Prior Credit Agreement"). The new Credit Agreement is provided by a group of financial institutions (similar to our Prior Credit Agreement) and has a maturity date of August 15, 2013. It is a revolving credit facility and is not subject to any scheduled principal payments prior to maturity. The obligations under the Credit Agreement are unsecured.

Borrowings under the Credit Agreement bear interest at current market rates plus a margin based on the Company's senior unsecured credit ratings, which was, as of September 30, 2008, set at LIBOR plus 0.70% (based on ratings of

BBB by Standard & Poor's and Baa2 by Moody's). The Company must also pay facility fees that are tied to its credit ratings. The Credit Agreement contains covenants, with which the Company was in compliance as of September 30, 2008, including maintaining a consolidated interest coverage ratio of more than 3.5 to 1.0 and a consolidated leverage ratio of less than 3.25 to 1.0. The Credit Agreement also places certain limitations on the Company, including limiting the ability to incur liens or indebtedness at a subsidiary level. In addition, the Credit Agreement has several events of default, including upon a change of control. The Company capitalized \$3.3 million in financing fees associated with the Credit Agreement.

The borrowings under the Credit Agreement have been classified as long-term debt in accordance with the Company's intent and ability to refinance such obligations on a long-term basis. As of September 30, 2008, approximately \$607.2 million was available under the 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 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 September 30, 2008, there were \$417.7 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 15.2 million shares since the inception of the program through September 30, 2008.

We reacquired \$223.4 million (of which \$3.3 million was unsettled at September 30, 2008) and \$249.1 million on the repurchase of 2,221,188 shares and 2,710,531 shares at an average price of \$100.57 and \$91.86 during the nine months ended September 30, 2008 and 2007, respectively, as well as an additional \$5.2 million and \$5.4 million during the nine month periods ended September 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 September 30, 2008. The Company reissued 88,310 shares and 339,015 shares held in treasury for the exercise of stock options for the nine months ended September 30, 2008 and 2007, respectively. During the first quarter of 2008, 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.

**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 September 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 \$4.4 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 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.

- 27 -

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

As of September 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**

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the nine months ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

- 28 -

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

For the nine months ended September 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) Total Number  of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 to July 31, 2008	190,000	\$ 96.98	190,000	\$ 468,754
August 1 to August 31, 2008	227,000	\$ 107.10	227,000	\$ 444,439
September 1 to September 30, 2008	264,600	\$ 101.16	264,600	\$ 417,667
Total	681,600	\$ 101.97	681,600	\$ 417,667

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 September 30, 2008, there were \$417.7 million of remaining equity shares authorized to be repurchased under the plan by December 31, 2010. The Company has purchased 15.2 million shares since the inception of the program, announced February 2004, through September 30, 2008.

The Company reacquired \$223.4 million (of which \$3.3 million was unsettled at September 30, 2008) and \$249.1 million on the repurchase of 2,221,188 shares and 2,710,531 shares at an average price of \$100.57 and \$91.86 during the nine months ended September 30, 2008 and 2007, respectively, as well as an additional \$5.2 million and \$5.4 million during the nine month periods ended September 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 88,310 shares and 339,015 shares held in treasury for the exercise of stock options for the nine months ended September 30, 2008 and 2007, respectively. During the first quarter of 2008, 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.

Item 3. **Defaults Upon Senior Securities.** None

Item 4. **Submission of Matters to a Vote of Security Holders.** None

Item 5. **Other information.** None

Item 6. **Exhibits.**

10.1 Credit Agreement among Mettler-Toledo International Inc., certain of its subsidiaries, JP Morgan Chase Bank, N.A., J.P. Morgan Securities Inc. and Banc of America Securities LLC and certain other financial institutions, dated as of August 15, 2008. <sup>(1)</sup>

31.1\* Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002

31.2\* Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002

32\* Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to the Company's Report on Form 8-K dated August 15, 2008

\* Filed herewith



**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: November 7, 2008

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

- 31 -