

METTLER TOLEDO INTERNATIONAL INC/

Form 10-Q

November 05, 2010

Table of Contents

**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 SEPTEMBER 30, 2010, 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.)

1900 Polaris Parkway
Columbus, Ohio 43240
and

Im Langacher, P.O. Box MT-100
CH 8606 Greifensee, Switzerland

(Address of principal executive offices)

(Zip Code)

1-614-438-4511 and +41-44-944-22-11

(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 checkmark whether the registrant has submitted electronically and posted on its corporate Web-site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark 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 (Do not check if a smaller reporting company) 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 32,824,634 shares of Common Stock outstanding at September 30, 2010.

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

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
Unaudited Interim Consolidated Financial Statements:	
<u>Interim Consolidated Statements of Operations for the three months ended September 30, 2010 and 2009</u>	3
<u>Interim Consolidated Statements of Operations for the nine months ended September 30, 2010 and 2009</u>	4
<u>Interim Consolidated Balance Sheets as of September 30, 2010 and December 31, 2009</u>	5
<u>Interim Consolidated Statements of Shareholders' Equity and Comprehensive Income for the nine months ended September 30, 2010 and twelve months ended December 31, 2009</u>	6
<u>Interim Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009</u>	7
<u>Notes to the Interim Consolidated Financial Statements at September 30, 2010</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	35
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	36
<u>Item 1A. Risk Factors</u>	36
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 3. Defaults upon Senior Securities</u>	36
<u>Item 5. Other Information</u>	36
<u>Item 6. Exhibits</u>	36

SIGNATURE

EX-31.1

EX-31.2

EX-32

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
Three months ended September 30, 2010 and 2009
(In thousands, except share data)
(unaudited)

	September 30, <u>2010</u>	September 30, <u>2009</u>
Net sales		
Products	\$ 382,369	\$ 328,055
Service	107,844	107,595
 Total net sales	 490,213	 435,650
Cost of sales		
Products	169,196	145,719
Service	64,962	64,738
 Gross profit	 256,055	 225,193
Research and development	24,992	22,309
Selling, general and administrative	145,303	129,686
Amortization	3,667	3,237
Interest expense	4,792	6,974
Restructuring charges	566	6,064
Other charges (income), net	(127)	13
 Earnings before taxes	 76,862	 56,910
Provision for taxes	14,781	15,365
 Net earnings	 \$ 62,081	 \$ 41,545
 Basic earnings per common share:		
Net earnings	\$ 1.87	\$ 1.23
Weighted average number of common shares	33,171,017	33,728,931
 Diluted earnings per common share:		
Net earnings	\$ 1.82	\$ 1.21
Weighted average number of common and common equivalent shares	34,027,191	34,413,656

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

- 3 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
Nine months ended September 30, 2010 and 2009
(In thousands, except share data)
(unaudited)

	September 30, <u>2010</u>	September 30, <u>2009</u>
Net sales		
Products	\$ 1,054,602	\$ 910,343
Service	320,811	306,828
Total net sales	1,375,413	1,217,171
Cost of sales		
Products	458,297	411,112
Service	196,510	186,710
Gross profit	720,606	619,349
Research and development	70,562	65,954
Selling, general and administrative	423,919	366,209
Amortization	10,613	8,734
Interest expense	14,757	18,975
Restructuring charges	2,476	28,398
Other charges (income), net	857	1,149
Earnings before taxes	197,422	129,930
Provision for taxes	46,126	26,775
Net earnings	\$ 151,296	\$ 103,155
Basic earnings per common share:		
Net earnings	\$ 4.52	\$ 3.06
Weighted average number of common shares	33,488,099	33,683,443
Diluted earnings per common share:		
Net earnings	\$ 4.41	\$ 3.02
Weighted average number of common and common equivalent shares	34,318,582	34,200,834

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

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED BALANCE SHEETS
As of September 30, 2010 and December 31, 2009
(In thousands, except share data)
(unaudited)

ASSETS	September 30, <u>2010</u>	December 31, <u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 142,884	\$ 85,031
Trade accounts receivable, less allowances of \$12,806 at September 30, 2010 and \$12,399 at December 31, 2009	331,954	312,998
Inventories	215,316	168,042
Current deferred tax assets, net	39,200	34,225
Other current assets and prepaid expenses	57,375	45,811
Total current assets	786,729	646,107
Property, plant and equipment, net	334,803	316,334
Goodwill	448,332	440,950
Other intangible assets, net	106,351	105,284
Non-current deferred tax assets, net	101,776	95,688
Other non-current assets	129,636	114,424
Total assets	\$ 1,907,627	\$ 1,718,787

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:		
Trade accounts payable	\$ 121,339	\$ 103,160
Accrued and other liabilities	104,007	91,907
Accrued compensation and related items	122,342	96,359
Deferred revenue and customer prepayments	93,783	63,292
Taxes payable	62,016	38,686
Current deferred tax liabilities	13,187	11,303
Short-term borrowings and current maturities of long-term debt	89,350	89,968
Total current liabilities	606,024	494,675
Long-term debt	245,866	203,590
Non-current deferred tax liabilities	119,863	119,791
Other non-current liabilities	180,331	189,593
Total liabilities	1,152,084	1,007,649

Commitments and contingencies (Note 14)

Shareholders' equity:

Preferred stock, \$0.01 par value per share; authorized 10,000,000 shares	-	-
Common stock, \$0.01 par value per share; authorized 125,000,000 shares; issued 44,786,011 and 44,786,011 shares; outstanding 32,824,634 and 33,851,124 shares at September 30, 2010 and December 31, 2009, respectively	448	448
Additional paid-in capital	587,459	574,034
Treasury stock at cost (11,961,377 shares at September 30, 2010 and 10,934,887 shares at December 31, 2009)	(985,134)	(857,130)
Retained earnings	1,153,015	1,009,995
Accumulated other comprehensive (loss) income	(245)	(16,209)
Total shareholders equity	755,543	711,138
Total liabilities and shareholders equity	\$ 1,907,627	\$ 1,718,787

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

- 5 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND
COMPREHENSIVE INCOME

Nine months ended September 30, 2010 and twelve months ended December 31, 2009

(In thousands, except share data)

(unaudited)

	Common Stock		Additional	Treasury	Retained	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount	Capital	Stock	Earnings		
Balance at December 31, 2008	33,595,303	\$ 448	\$ 559,772	\$ (873,601)	\$ 848,489	\$ (31,861)	\$ 503,247
Exercise of stock options and restricted stock units	308,154	-	-	21,998	(10,930)	-	11,068
Other treasury stock issuances	6,467	-	-	461	(157)	-	304
Repurchases of common stock	(58,800)	-	-	(5,988)	-	-	(5,988)
Tax benefit resulting from exercise of certain employee stock options	-	-	2,895	-	-	-	2,895
Share-based compensation	-	-	11,367	-	-	-	11,367
Total comprehensive income:							
Net earnings	-	-	-	-	172,593	-	172,593
Net unrealized gain on cash flow hedging arrangements, net of tax	-	-	-	-	-	5,401	5,401
Change in currency translation adjustment, net of tax	-	-	-	-	-	15,835	15,835
Pension adjustment, net of tax	-	-	-	-	-	(5,584)	(5,584)

Comprehensive income								188,245
Balance at December 31, 2009	33,851,124	\$ 448	\$ 574,034	\$ (857,130)	\$ 1,009,995	\$ (16,209)	\$	711,138
Exercise of stock options and restricted stock units	281,897	-	-	20,607	(8,363)	-		12,244
Other treasury stock issuances	2,549	-	-	183	87	-		270
Repurchases of common stock	(1,310,936)	-	-	(148,794)	-	-		(148,794)
Tax benefit resulting from exercise of certain employee stock options	-	-	4,374	-	-	-		4,374
Share-based compensation	-	-	9,051	-	-	-		9,051
Total comprehensive income:								
Net earnings	-	-	-	-	151,296	-		151,296
Net unrealized loss on cash flow hedging arrangements, net of tax	-	-	-	-	-	(8,117)		(8,117)
Change in currency translation adjustment, net of tax	-	-	-	-	-	21,174		21,174
Pension adjustment, net of tax	-	-	-	-	-	2,907		2,907
Comprehensive income (a)								167,260
Balance at September 30, 2010	32,824,634	\$ 448	\$ 587,459	\$ (985,134)	\$ 1,153,015	\$ (245)	\$	755,543

(a) Total comprehensive income for the three months ended September 30, 2010 and 2009 was \$107,609 and \$55,419, respectively and \$132,326 for the nine months ended September 30, 2009.

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

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended September 30, 2010 and 2009
(In thousands)
(unaudited)

	September 30, <u>2010</u>	September 30, <u>2009</u>
Cash flows from operating activities:		
Net earnings	\$ 151,296	\$ 103,155
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	22,261	21,926
Amortization	10,613	8,734
Deferred tax provision	(7,392)	(15,773)
Excess tax benefits from share-based payment arrangements	(3,410)	(609)
Share-based compensation	9,051	8,267
Other	146	218
Increase (decrease) in cash resulting from changes in:		
Trade accounts receivable, net	(17,401)	65,707
Inventories	(41,614)	10,318
Other current assets	(9,259)	(6,796)
Trade accounts payable	15,108	(19,856)
Taxes payable	20,280	8,092
Accruals and other	55,591	5,092
Net cash provided by operating activities	205,270	188,475
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	157	1,979
Purchase of property, plant and equipment	(38,564)	(36,646)
Acquisitions	(12,557)	(170)
Net cash used in investing activities	(50,964)	(34,837)
Cash flows from financing activities:		
Proceeds from borrowings	93,697	198,072
Repayments of borrowings	(52,115)	(323,948)
Debt issuance costs	-	(620)
Debt extinguishment costs	-	(1,316)
Proceeds from stock option exercises	12,244	6,073
Repurchases of common stock	(148,794)	-
Excess tax benefits from share-based payment arrangements	3,410	609
Other financing activities	(6,941)	(984)
Net cash used in financing activities	(98,499)	(122,114)

Effect of exchange rate changes on cash and cash equivalents	2,046	4,351
Net increase in cash and cash equivalents	57,853	35,875
Cash and cash equivalents:		
Beginning of period	85,031	78,073
End of period	\$ 142,884	\$ 113,948

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

- 7 -

Table of Contents

**METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 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 Columbus, Ohio and Greifensee, Switzerland.

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 wholly-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, 2010 and for the three and nine month periods ended September 30, 2010 and 2009 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, 2009.

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, 2010 are not necessarily indicative of the results to be expected for the full year ending December 31, 2010.

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 and the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

All intercompany transactions and balances have been eliminated.

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

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 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.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost, which includes direct materials, labor and overhead, is generally determined using the first in, first out (FIFO) method. The estimated 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 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,	December 31,
	2010	2009
Raw materials and parts	\$ 98,123	\$ 80,150
Work-in-progress	37,055	29,695
Finished goods	80,138	58,197
	\$ 215,316	\$ 168,042

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 the provisions of ASC 805 Business Combinations and the continued accounting for previously recognized intangible assets and goodwill in accordance with the provisions of ASC 350 Intangibles Goodwill and Other and ASC 360 Property, Plant and Equipment.

- 9 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

Other intangible assets consisted of the following:

	September 30, 2010		December 31, 2009	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	\$ 84,231	\$ (17,705)	\$ 80,357	\$ (15,622)
Proven technology and patents	36,629	(23,063)	38,242	(23,011)
Tradename (finite life)	3,212	(1,020)	1,993	(909)
Tradename (indefinite life)	23,634	-	23,634	-
Other	510	(77)	600	-
	\$ 148,216	\$ (41,865)	\$ 144,826	\$ (39,542)

The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at \$6.1 million for 2010, \$5.9 million for 2011, \$5.6 million for 2012, \$4.2 million for 2013 and \$3.8 million for 2014. The Company recognized amortization expense associated with the above intangible assets of \$1.5 million and \$1.3 million for the three months ended September 30, 2010 and 2009, respectively and \$4.6 million and \$3.6 million for the nine months ended September 30, 2010 and 2009, respectively. Purchased intangible amortization, net of tax was \$0.9 million and \$0.7 million for the three months ended September 30, 2010 and 2009, respectively and \$2.7 million and \$2.0 million for the nine months ended September 30, 2010 and 2009, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of \$2.1 million and \$1.9 million for the three months ended September 30, 2010 and 2009, respectively and of \$6.0 million and \$5.1 million for the nine months ended September 30, 2010 and 2009, 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 and risk of loss 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 our distributors. Distributor discounts are offset against revenue at the time such revenue is recognized.

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

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 and risk of loss transfer which is generally at the time of shipment. 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. 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 for the nine months ended September 30 are as follows:

	September 30, 2010	September 30, 2009
Balance at beginning of period	\$ 15,856	\$ 12,822
Accruals for warranties	11,712	13,492
Foreign currency translation	(196)	392
Payments / utilizations	(11,984)	(12,164)
Balance at end of period	\$ 15,388	\$ 14,542

Employee Termination Benefits

In situations where contractual termination benefits exist, the Company records accruals for employee termination benefits when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. All other employee termination arrangements are recognized and measured at their fair value at the communication date unless the employee is required to render additional service beyond the legal notification period, in which case the liability is recognized ratably over the future service period.

Table of Contents

**METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)**

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

Share-Based Compensation

The Company recognizes share-based compensation expense within selling, general and administrative in the consolidated statement of operations with a corresponding offset to additional paid-in capital in the consolidated balance sheet. The Company recorded \$3.1 million and \$9.1 million of share-based compensation expense for the three and nine months ended September 30, 2010, respectively, compared to \$2.8 million and \$8.3 million for the corresponding periods in 2009.

Research and Development

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

3. ACQUISITIONS

In January 2010, the Company acquired a pipette distributor located in the United Kingdom for an aggregate purchase price of approximately \$12.5 million. The Company may be required to pay additional cash consideration up to a maximum amount of approximately \$1.2 million related to an earn-out period. Goodwill recorded in connection with the acquisition totaled approximately \$7.4 million, which is included in the Company's Western European Operations segment. The Company also recorded \$4.5 million of identified intangibles pertaining to a tradename and customer relationships.

4. FINANCIAL INSTRUMENTS

As more fully described below, the Company enters into certain interest rate swap agreements in order to manage its exposure to changes in interest rates. The amount of the Company's fixed obligation interest payments may change based upon the expiration dates of its interest rate swap agreements and the level and composition of its debt. The Company also enters into certain foreign currency forward contracts to limit the Company's exposure to currency fluctuations on the respective hedged items. The Company does not use derivative financial instruments for trading purposes. For additional disclosures on the fair value of financial instruments, see Note 5 to the interim consolidated financial statements.

Cash Flow Hedges

The Company has two interest rate swap agreements, designated as cash flow hedges. The first agreement changes the floating rate LIBOR-based interest payments associated with \$40 million outstanding under the Company's credit facility to a fixed obligation of 2.70%.

- 12 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

The second agreement is a forward-starting swap which changes the floating rate LIBOR-based interest payments associated with \$100 million in forecasted borrowings under the Company's credit facility to a fixed obligation of 3.24% beginning in October 2010. During the nine months ended September 30, 2010, the Company settled \$100 million of its original \$200 million arrangement, resulting in an expense of \$0.6 million being reclassified from other comprehensive income to interest expense.

The Company has also entered into a foreign currency forward contract (with a notional amount of \$25.3 million), designated as a cash flow hedge, to hedge forecasted intercompany sales denominated in U.S. dollars with its foreign businesses. The Company records the effective portion of the cash flow derivative hedging gains and losses in accumulated other comprehensive (loss) income, net of tax and reclassifies these amounts into earnings in the period in which the transaction affects earnings. Gains or losses on the derivatives representing hedge ineffectiveness, if any, are recognized in current earnings. Through September 30, 2010, no hedge ineffectiveness has occurred in relation to these cash flow hedges.

The fair value of these derivative instruments at September 30, 2010 and December 31, 2009 are as follows:

	Balance Sheet Location	Fair Value September 30, 2010	Fair Value December 31, 2009
<u>Derivatives designated as hedging instruments:</u>			
<u>Cash flow hedges:</u>			
Interest rate swap agreement	Current liabilities	\$(65)	\$(733)
Interest rate forward-starting swap agreement	Other non-current (liabilities)/assets	\$(8,815)	\$3,419
Foreign currency forward contract	Current assets	\$350	\$1,566

The effects of these derivative instruments on the consolidated statement of operations before taxes for the three and nine month periods ended September 30, 2010 are as follows:

Location of Derivative Gain/(Loss) Recognized in Earnings	<u>Three months ended September 30,</u> 2010		<u>Nine months ended September 30, 2010</u>	
	Derivative Gain/(Loss) Recognized in OCI	Gain/(Loss) Reclassified from AOCI into Earnings (Effective Portion)	Derivative Gain/(Loss) Recognized in OCI	Gain/(Loss) Reclassified from AOCI into Earnings (Effective Portion)
<u>Derivatives designated as hedging instruments:</u>				
<u>Cash flow hedges:</u>				

Derivatives designated as hedging instruments:
Cash flow hedges:

Edgar Filing: METTLER TOLEDO INTERNATIONAL INC/ - Form 10-Q

Interest rate swaps	Interest expense	\$(3,244)	\$(221)	\$(11,566)	\$(1,237)
Foreign currency forward contract	Net sales	\$(28)	\$237	\$(1,216)	\$913

- 13 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

The effects of these derivative instruments on the consolidated statement of operations before taxes for the three and nine month periods ended September 30, 2009 were as follows:

Location of Derivative Gain/(Loss) Recognized in Earnings	Derivative Gain/(Loss) Recognized in OCI	<u>Three months ended September 30,</u> <u>2009</u>		<u>Nine months ended September 30, 2009</u>	
		Gain/(Loss) Reclassified from AOCI into Earnings (Effective Portion)	Gain/(Loss) Reclassified from AOCI into Earnings (Effective Portion)	Derivative Gain/(Loss) Recognized in OCI	Derivative Gain/(Loss) Recognized in OCI
<u>Derivatives</u> <u>designated as</u> <u>hedging</u> <u>instruments:</u> <u>Cash flow</u> <u>hedges:</u>					
Interest rate swaps	Interest expense	\$(2,755)	\$(2,036)	\$3,399	\$(3,700)
Foreign currency forward contract	Net sales	\$(1,404)	\$714	\$2,033	\$1,041

A net after tax derivative loss of \$1.5 million based upon interest rates and foreign currency exchange rates at September 30, 2010 is expected to be recognized in earnings in the next twelve months.

Fair Value Hedges and Other Derivatives

The Company has a \$30 million interest rate swap agreement, designated as a fair value hedge, in connection with its 4.85% \$75 million seven-year Senior Notes. Under the swap the Company will receive a fixed rate of 4.85% (i.e. the same rate as the 4.85% Senior Notes) and will pay interest at a rate of LIBOR plus 0.22%. The Company records the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item in earnings under interest expense.

The Company enters into foreign currency forward contracts in order to economically hedge short-term intercompany balances largely denominated in Swiss franc and other major European currencies with its foreign businesses. In accordance with U.S. GAAP, these contracts are considered derivatives not designated as hedging instruments and are categorized as other derivatives in the table below. Gains or losses on these instruments are reported in current earnings. At September 30, 2010 and December 31, 2009, these contracts had a notional value of \$137.0 million and \$128.7 million, respectively.

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

The fair value of these derivative instruments and their effects on the consolidated balance sheet at September 30, 2010 and December 31, 2009 were as follows:

	Fair Value	Fair Value
Balance Sheet Location	September 30, 2010	December 31, 2009
<u>Derivatives designated as hedging instruments:</u>		
<u>Fair value hedges:</u>		

Interest rate swap agreement	Other non-current assets	\$152	\$846
------------------------------	--------------------------	-------	-------

Derivatives not designated as hedging instruments:

Other derivatives:

Foreign currency forward contracts - liabilities	Accrued and other liabilities	\$(359)	\$(344)
--------------------------------------------------	-------------------------------	---------	---------

Foreign currency forward contracts - assets	Other current assets	\$1,713	\$453
---------------------------------------------	----------------------	---------	-------

The fair value of these derivative instruments and their effects on the consolidated statement of operations before taxes for the three and nine month periods ended September 30, 2010 are as follows:

	Location of Derivative Gain/(Loss) Recognized in Earnings	Derivative Gain/(Loss) Recognized in Earnings for the three months ended September 30, 2010	Derivative Gain/(Loss) Recognized in Earnings for the nine months ended September 30, 2010
<u>Derivatives designated as hedging instruments:</u>			
<u>Fair value hedges:</u>			

Interest rate swap agreement	Interest Expense	\$256	\$694
------------------------------	------------------	-------	-------

Derivatives not designated as hedging instruments:

Other derivatives:

Foreign currency forward contracts - liabilities	Other charges (income), net	\$2,074	\$(2,539)
--------------------------------------------------	-----------------------------	---------	-----------

Foreign currency forward contracts - assets			
---------------------------------------------	--	--	--

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

The fair value of these derivative instruments and their effects on the consolidated statement of operations before taxes for the three and nine month periods ended September 30, 2009 were as follows:

Location of Derivative Gain/(Loss) Recognized in Earnings	Derivative Gain/(Loss) Recognized in Earnings for the three months ended September 30, 2009	Derivative Gain/(Loss) Recognized in Earnings for the nine months ended September 30, 2009
--------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------

Derivatives designated as hedging
instruments:

Fair value hedges:

Interest rate swap agreement	Interest Expense	\$55	\$ 466
------------------------------	------------------	------	--------

Derivatives not designated as
hedging instruments:

Other derivatives:

Foreign currency forward
contracts - liabilities

Other charges (income), net		\$736	\$ 304
--------------------------------	--	-------	--------

Foreign currency forward
contracts - assets

5. FAIR VALUE MEASUREMENTS

At September 30, 2010 and December 31, 2009, the Company had derivative assets totaling \$2.2 million and \$6.3 million, respectively and derivative liabilities totaling \$9.2 million and \$1.1 million, respectively. The fair values of the interest rate swap agreements and foreign currency forward contracts that economically hedge short-term intercompany balances 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. In addition, the Company uses an internally developed model to perform testing on the valuations received from brokers. The fair value of the foreign currency forward contract hedging forecasted intercompany sales is priced with observable market assumptions with appropriate valuations for credit risk. The Company has also considered both its own credit risk and counterparty credit risk in determining fair value and determined these adjustments were insignificant at September 30, 2010 and December 31, 2009.

At September 30, 2010 and December 31, 2009, the Company had \$16.3 million and \$11.1 million of cash equivalents, respectively, the fair value of which is determined through corroborated prices in active markets. The fair value of cash equivalents approximates cost.

The difference between the fair value and carrying value of the Company's long-term debt is not material.

Under U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

measurement date. A fair value measurement consists of observable and unobservable inputs that reflect the assumptions that a market participant would use in pricing an asset or liability.

A fair value hierarchy has been established that categorizes these inputs into three levels:

Level 1: Quoted prices in active markets for identical assets and liabilities

Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3: Unobservable inputs

The following table presents for each of these hierarchy levels, the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2010 and December 31, 2009:

	September 30, 2010				December 31, 2009			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Foreign currency forward contracts	\$ 2,063	\$ -	\$ 2,063	\$ -	\$ 2,019	\$ -	\$ 2,019	\$ -
Interest rate swap agreement	152	-	152	-	4,265	-	4,265	-
Cash equivalents	16,305	-	16,305	-	11,080	-	11,080	-
Total	\$ 18,520	\$ -	\$ 18,520	\$ -	\$ 17,364	\$ -	\$ 17,364	\$ -
Liabilities:								
Foreign currency forward contracts	\$ 359	\$ -	\$ 359	\$ -	\$ 344	\$ -	\$ 344	\$ -
Interest rate swap agreements	8,880	-	8,880	-	733	-	733	-
Total	\$ 9,239	\$ -	\$ 9,239	\$ -	\$ 1,077	\$ -	\$ 1,077	\$ -

6. INCOME TAXES

The provision for taxes is based upon the Company's projected annual effective rate of 26% for the three and nine month periods ended September 30, 2010. During the third quarter of 2010, the Company recorded discrete tax items resulting in a net tax benefit of \$5.2 million primarily related to the favorable resolution of certain prior year tax matters. The impact of these items decreased the effective tax rate to 19% and 23% for the three and nine month periods ended September 30, 2010, respectively.

During the first quarter of 2009, the Company recorded a discrete tax benefit of \$8.3 million, primarily related to the favorable resolution of certain prior year tax matters. The impact of this item decreased the effective tax rate to 21% for the nine month period ended September 30, 2009.

- 17 -

Table of Contents

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

At September 30, 2010 Unaudited (Continued)

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

7. DEBT

Debt consisted of the following at September 30, 2010:

	September 30, 2010		
	U.S. Dollar	Other Principal Trading Currencies	Total
4.85% \$75 million Senior Notes (net of unamortized discount)	\$ 75,150	\$ -	\$ 75,150
6.30% \$100 million Senior Notes	100,000	-	100,000
Credit facility	117,697	14,918	132,615
Other local arrangements	-	27,451	27,451
Total debt	292,847	42,369	335,216
Less: current portion	(75,150)	(14,200)	(89,350)
Total long-term debt	\$ 217,697	\$ 28,169	\$ 245,866

As of September 30, 2010, the Company had \$812.2 million of availability remaining under the credit facility.

Tender Offer

On May 6, 2009, the Company commenced a cash tender offer to purchase any and all of its outstanding 4.85% Senior Notes due November 15, 2010. The tender offer, which expired May 12, 2009, resulted in the repurchase of \$75 million of the principal balance of the 4.85% Senior Notes. In connection with the tender, the Company recorded a charge of \$1.5 million, during the second quarter of 2009, which included a premium of \$0.9 million, unamortized discount and debt issuance fees of \$0.2 million and certain third party costs of \$0.4 million. These charges were recorded in interest expense in the consolidated statement of operations.

Issuance of 6.30% Senior Notes

On June 25, 2009, the Company issued and sold, in a private placement, \$100 million aggregate principal amount of its 6.30% Series 2009-A Senior Notes due June 25, 2015 (6.30% Senior Notes) under a Note Purchase Agreement among the Company and the accredited institutional investors named therein (the Agreement). The 6.30% Senior Notes are senior unsecured obligations of the Company.

The 6.30% Senior Notes mature on June 25, 2015. Interest is payable semi-annually in June and December. The Company may at any time prepay the 6.30% Senior Notes, in whole or in part (but in an amount not less than 10% of the original aggregate principal amount), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, plus a make-whole prepayment premium. In the event of a change in control (as defined in the Agreement) of the Company, the Company may be required to offer to prepay the 6.30% Senior Notes in whole at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

The Agreement contains customary affirmative and negative covenants for agreements of this type including, among others, limitations on the Company and its subsidiaries with respect to

Table of Contents

**METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)**

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

incurrence of liens and priority indebtedness, disposition of assets, mergers, and transactions with affiliates. The Agreement also requires the Company to maintain a consolidated interest coverage ratio of not less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.5 to 1.0. The Agreement contains customary events of default with customary grace periods, as applicable. The Company was in compliance with these covenants at September 30, 2010.

Under the terms of the offering, the Company may sell additional Senior Notes at its discretion in an aggregate amount not to exceed \$600 million. Such additional Senior Notes would rank equally with the Company's unsecured indebtedness.

Issuance costs approximating \$0.7 million will be amortized to interest expense over the six-year term of the 6.30% Senior Notes.

8. SHARE REPURCHASE PROGRAM AND TREASURY STOCK

As of September 30, 2010, the Company had \$261.8 million of remaining availability under the Company's share repurchase program. In November 2010, the Board of Directors authorized the Company to buy back an additional \$750 million of common shares. The Company expects that the new authorization will be utilized over the next several years. 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 amount and timing of purchases will depend on business and market conditions, stock price, trading restrictions, the level of acquisition activity and other factors. The Company has purchased 16.6 million shares since the inception of the program through September 30, 2010.

The Company's share repurchase program was suspended in October 2008 and re-started in December 2009. During the nine months ended September 30, 2010, the Company spent \$148.8 million on the repurchase of 1,310,936 shares at an average price per share of \$113.48. The Company reissued 281,897 shares and 149,278 shares held in treasury for the exercise of stock options and restricted stock units during the nine months ended September 30, 2010 and 2009, respectively. The Company also reissued 2,549 shares and 6,467 shares held in treasury during the nine months ended September 30, 2010 and 2009, respectively, 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.

9. EARNINGS PER COMMON SHARE

In accordance with the treasury stock method, the Company has included the following common equivalent shares in the calculation of diluted weighted average number of common shares

- 19 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

outstanding for the three and nine month periods ended September 30, solely relating to outstanding stock options and restricted stock units:

	2010	2009
Three months ended	856,174	684,725
Nine months ended	830,483	517,391

Outstanding options and restricted stock units to purchase or receive 515,828 and 884,128 shares of common stock for the three month periods ended September 30, 2010 and 2009, respectively, and options and restricted stock units to purchase or receive 585,426 and 1,141,013 shares of common stock for the nine month periods ended September 30, 2010 and 2009, respectively, have been excluded from the calculation of diluted weighted average number of common and common equivalent shares as such options and restricted stock units would be anti-dilutive.

10. 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:

	Other U.S.					
	U.S. Pension Benefits		Non-U.S. Pension Benefits		Post-retirement Benefits	
	2010	2009	2010	2009	2010	2009
Service cost, net	\$ 66	\$ 45	\$ 3,055	\$ 3,988	\$ 74	\$ 96
Interest cost on projected benefit obligations	1,610	1,695	5,592	5,477	189	280
Expected return on plan assets	(1,727)	(1,711)	(7,379)	(6,825)	-	-
Net amortization and deferral	-	-	(324)	(258)	(168)	(240)
Recognition of actuarial losses/(gains)	1,324	1,165	266	147	(184)	(83)
Recognition of settlement/curtailment losses, net	-	-	-	(239)	-	-
Net periodic pension cost/(credit)	\$ 1,273	\$ 1,194	\$ 1,210	\$ 2,290	\$ (89)	\$ 53

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:

	Other U.S.					
	U.S. Pension Benefits		Non-U.S. Pension Benefits		Post-retirement Benefits	
	2010	2009	2010	2009	2010	2009
Service cost, net	\$ 198	\$ 137	\$ 9,323	\$ 11,825	\$ 221	\$ 286

Edgar Filing: METTLER TOLEDO INTERNATIONAL INC/ - Form 10-Q

Interest cost on projected benefit obligations	4,829	5,087	16,563	15,896	568	840
Expected return on plan assets	(5,180)	(5,131)	(21,588)	(19,782)	-	-
Net amortization and deferral	-	-	(932)	(737)	(503)	(718)
Recognition of actuarial losses/(gains)	3,973	3,495	796	507	(552)	(247)
Recognition of settlement/curtailment losses, net	-	-	58	(138)	-	-
Net periodic pension cost/(credit)	\$ 3,820	\$ 3,588	\$ 4,220	\$ 7,571	\$ (266)	\$ 161

- 20 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, the Company expects to make employer contributions of approximately \$17.6 million to its non-U.S. pension plans and employer contributions of approximately \$1.5 million to its U.S. post-retirement medical plan during the year ended December 31, 2010. These estimates may change based upon several factors, including fluctuations in currency exchange rates, actual returns on plan assets and changes in legal requirements.

11. RESTRUCTURING CHARGES

During the fourth quarter of 2008, the Company initiated a global cost reduction program which has substantially been completed. Through September 30, 2010 total charges recognized were \$40.3 million, of which \$2.5 million and \$28.4 million were recorded during the nine month periods ended September 30, 2010 and 2009, respectively. Under the program, the Company reduced its workforce (including employees and temporary personnel) by approximately 1,000.

A rollforward of the Company's accrual for restructuring activities for the nine months ended September 30, 2010 is as follows:

	Employee Related	Lease Termination	Other	Total
Balance at December 31, 2009	\$ 14,122	\$ 669	\$ 15	\$ 14,806
Restructuring charges	1,728	26	722	2,476
Cash payments	(7,768)	(380)	(735)	(8,883)
Impact of foreign currency	(636)	-	-	(636)
Balance at September 30, 2010	\$ 7,446	\$ 315	\$ 2	\$ 7,763

12. OTHER CHARGES (INCOME), NET

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

13. SEGMENT REPORTING

As disclosed in Note 17 to the Company's consolidated financial statements for the year ending December 31, 2009, 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 and selling, general and administrative expenses, before amortization, interest expense, restructuring charges, other charges (income), net and taxes).

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

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

For the three months ended September 30, 2010	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Goodwill (c)
U.S. Operations	\$ 160,560	\$ 13,856	\$ 174,416	\$ 31,322	\$ 319,145
Swiss Operations	27,147	85,000	112,147	23,296	19,732
Western European Operations	138,670	23,444	162,114	17,001	95,137
Chinese Operations	81,211	30,238	111,449	26,333	666
Other (a)	82,625	1,278	83,903	8,879	13,652
Eliminations and Corporate (b)	-	(153,816)	(153,816)	(21,071)	-
Total	\$ 490,213	\$ -	\$ 490,213	\$ 85,760	\$ 448,332

For the nine months ended September 30, 2010	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	\$ 452,983	\$ 42,800	\$ 495,783	\$ 87,051
Swiss Operations	76,270	237,409	313,679	62,266
Western European Operations	414,738	65,098	479,836	51,633
Chinese Operations	208,809	77,060	285,869	65,086
Other (a)	222,613	2,955	225,568	18,254
Eliminations and Corporate (b)	-	(425,322)	(425,322)	(58,165)
Total	\$ 1,375,413	\$ -	\$ 1,375,413	\$ 226,125

For the three months ended September 30, 2009	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Goodwill
U.S. Operations	\$ 140,665	\$ 11,689	\$ 152,354	\$ 28,312	\$ 309,201
Swiss Operations	27,606	72,341	99,947	20,623	18,754
Western European Operations	138,377	20,255	158,632	17,815	90,154
Chinese Operations	62,589	18,990	81,579	19,579	649
Other (a)	66,413	1,246	67,659	6,432	12,832
Eliminations and Corporate (b)	-	(124,521)	(124,521)	(19,563)	-
Total	\$ 435,650	\$ -	\$ 435,650	\$ 73,198	\$ 431,590

For the nine months ended September 30, 2009	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	\$ 399,851	\$ 32,754	\$ 432,605	\$ 73,868

Edgar Filing: METTLER TOLEDO INTERNATIONAL INC/ - Form 10-Q

Swiss Operations	74,295	198,076	272,371	52,533
Western European Operations	398,868	53,362	452,230	42,645
Chinese Operations	162,418	49,589	212,007	44,670
Other (a)	181,739	2,379	184,118	12,969
Eliminations and Corporate (b)	-	(336,160)	(336,160)	(39,499)
Total	\$ 1,217,171	\$ -	\$ 1,217,171	\$ 187,186

- 22 -

Table of Contents

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2010 Unaudited (Continued)

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

- (a) Other includes reporting units in Eastern Europe, Latin America, Southeast Asia and other countries.
- (b) Eliminations and Corporate includes the elimination of inter-segment transactions and certain corporate expenses and intercompany investments, which are not included in the Company's operating segments.
- (c) Goodwill as of September 30, 2010 includes an addition of \$7.4 million compared to the prior year in Western European Operations related to our acquisition of a pipette distributor. Other goodwill changes are primarily related to foreign currency fluctuations.

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	
	2010	2009	2010	2009
Earnings before taxes	\$ 76,862	\$ 56,910	\$ 197,422	\$ 129,930
Amortization	3,667	3,237	10,613	8,734
Interest expense	4,792	6,974	14,757	18,975
Restructuring charges	566	6,064	2,476	28,398
Other charges (income), net	(127)	13	857	1,149
Segment profit	\$ 85,760	\$ 73,198	\$ 226,125	\$ 187,186

During the three months ended September 30, 2010, restructuring charges of \$0.6 million were recognized, of which \$0.1 million, \$0.4 million and \$0.1 million related to the Company's U.S., Western European and Chinese operations, respectively. Restructuring charges of \$2.5 million were recognized during the nine months ended September 30, 2010, of which \$0.2 million, \$0.6 million, \$0.3 million and \$1.4 million related to the Company's U.S., Western European, Chinese and Other operations, respectively. The cumulative amount of restructuring charges recognized under the program totaled \$40.3 million as of September 30, 2010, of which \$8.5 million, \$2.5 million, \$21.6 million, \$1.1 million, \$5.9 million and \$0.7 million relate to the Company's U.S., Swiss, Western European, Chinese, Other and Corporate operations, respectively.

14. 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.

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. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year ending December 31, 2010.

Local currency changes exclude the effect of currency exchange rate fluctuations that result from translating activity outside of the United States into U.S. dollars. Local currency amounts are determined by translating current and previous year consolidated financial information at an index utilizing historical currency exchange rates. Because changes in foreign currency exchange rates have a non-operating impact on our financial results, we believe local currency information provides a helpful assessment of business performance and a useful measure of results between periods. We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. We present non-GAAP financial measures in reporting our financial results to provide investors with an additional analytical tool to evaluate our operating results.

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, 2010 and 2009 (amounts in thousands).

	Three months ended September 30,				Nine months ended September 30,			
	2010		2009		2010		2009	
	(unaudited)	%	(unaudited)	%	(unaudited)	%	(unaudited)	%
Net sales	\$ 490,213	100.0	\$ 435,650	100.0	\$ 1,375,413	100.0	\$ 1,217,171	100.0
Cost of sales	234,158	47.8	210,457	48.3	654,807	47.6	597,822	49.1
Gross profit	256,055	52.2	225,193	51.7	720,606	52.4	619,349	50.9
Research and development	24,992	5.1	22,309	5.1	70,562	5.1	65,954	5.4
Selling, general and administrative	145,303	29.6	129,686	29.8	423,919	30.8	366,209	30.1
Amortization	3,667	0.7	3,237	0.7	10,613	0.8	8,734	0.7
Interest expense	4,792	1.0	6,974	1.6	14,757	1.1	18,975	1.6
	566	0.1	6,064	1.4	2,476	0.2	28,398	2.3

Restructuring charges								
Other charges (income), net	(127)	0.0	13	0.0	857	0.0	1,149	0.1
Earnings before taxes	76,862	15.7	56,910	13.1	197,422	14.4	129,930	10.7
Provision for taxes (a)	14,781	3.0	15,365	3.6	46,126	3.4	26,775	2.2
Net earnings	\$ 62,081	12.7	\$ 41,545	9.5	\$ 151,296	11.0	\$ 103,155	8.5

(a) Discrete tax items for both the three and nine months ended September 30, 2010 and for the nine months ended September 30, 2009 include a net tax benefit of \$5.2 million and \$8.3 million, respectively, primarily related to the favorable resolution of certain prior year tax matters.

- 24 -

Table of Contents*Net sales*

Net sales were \$490.2 million and \$1,375.4 million for the three and nine months ended September 30, 2010, respectively, compared to \$435.7 million and \$1,217.2 million for the corresponding periods in 2009. This represents an increase in U.S. dollars of 13% for both the three and nine months ended September 30, 2010. Excluding the effect of currency exchange rate fluctuations, or in local currencies, net sales increased 14% and 12%, respectively, for the three and nine months ended September 30, 2010. During the fourth quarter of 2009, we acquired a vision technology company that has been integrated into our end-of-line packaging inspection systems product offering. During the first quarter of 2010 we also acquired our pipette distributor in the United Kingdom that has been integrated into our U.K. market organization. We estimate acquisitions contributed approximately 1% to our net sales growth for both the three and nine months ended September 30, 2010, respectively.

Our net sales by geographic destination for the three and nine months ended September 30, 2010 in U.S. dollars increased 15% for both periods in the Americas, was flat and increased 3% in Europe and increased 28% and 27% in Asia/Rest of World. In local currencies, our net sales by geographic destination increased during the three and nine months ended September 30, 2010 by 15% and 14% in the Americas, by 7% and 5% in Europe and by 25% and 23% in Asia/Rest of World. A discussion of sales by operating segment is included below. Acquisitions contributed approximately 1% in the Americas and 2% in Europe to net sales growth for both the three and nine months ended September 30, 2010. While we have experienced improved business activity, particularly in Asia/Rest of World and the Americas, the global economic environment remains uncertain and it is currently difficult to predict the extent to which our results may be adversely affected.

As described in Note 17 to our consolidated financial statements for the year ended December 31, 2009, 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 17% and 16% during the three and nine months ended September 30, 2010, respectively, and in local currencies by 18% and 15%, respectively, compared to the corresponding prior periods. Service revenue (including spare parts) in U.S. dollars was flat and increased by 5% during the three and nine months ended September 30, 2010, respectively, and increased in local currencies by 4% during both the three and nine months ended September 30, 2010, respectively, compared to corresponding prior periods.

Net sales of our laboratory-related products increased 15% for both periods in U.S. dollars and increased 16% and 14% in local currencies during the three and nine months ended September 30, 2010, respectively, and included strong growth across most product categories and geographies. Acquisitions contributed approximately 1% and 2% to our laboratory-related net sales growth during the three and nine months ended September 30, 2010, respectively.

Net sales of our industrial-related products increased 13% and 14% in U.S. dollars and increased 16% and 13% in local currencies during the three and nine months ended September 30, 2010, respectively. We experienced strong sales growth in our product inspection and core industrial products. Net sales growth was offset in part by decreased sales in transportation and logistics products for the nine months ended September 30, 2010. Net sales growth in industrial-related products reflects particularly strong growth in China and the Americas. Acquisitions

Table of Contents

contributed approximately 2% and 1% to our industrial-related net sales growth during the three and nine months ended September 30, 2010, respectively.

In our food retailing markets, net sales increased 1% and 3% in U.S. dollars and increased 5% for both periods in local currencies during the three and nine months ended September 30, 2010, respectively, which included sales growth across most geographies, especially China.

Gross profit

Gross profit as a percentage of net sales was 52.2% and 52.4% for the three and nine months ended September 30, 2010, respectively, compared to 51.7% and 50.9% for the corresponding periods in 2009.

Gross profit as a percentage of net sales for products was 55.8% and 56.5% for the three and nine months ended September 30, 2010, respectively, compared to 55.6% and 54.8% for the corresponding periods in 2009.

Gross profit as a percentage of net sales for services (including spare parts) was 39.8% and 38.7% for the three and nine months ended September 30, 2010, respectively, compared to 39.8% and 39.1% for the corresponding periods in 2009.

The increase in gross profit as a percentage of net sales primarily reflects benefits from increased sales volume and operating efficiencies, as well as pricing. During the three months ended September 30, 2010 we also experienced unfavorable business mix, as well as increased material costs, including higher costs for certain steel-related items.

Research and development and selling, general and administrative expenses

Research and development expenses as a percentage of net sales were 5.1% for both the three and nine months ended September 30, 2010, respectively, compared to 5.1% and 5.4% for the corresponding periods during 2009.

Research and development expenses increased 12% and 7% in U.S. dollars and increased 12% and 5% in local currencies, during the three and nine months ended September 30, 2010, respectively, compared to the corresponding periods in 2009 relating to the timing of research and development project activity.

Selling, general and administrative expenses as a percentage of net sales were 29.6% and 30.8% for the three and nine months ended September 30, 2010, respectively, compared to 29.8% and 30.1% in the corresponding periods during 2009. Selling, general and administrative expenses increased 12% and 16% in U.S. dollars and increased 13% and 15% in local currencies, during the three and nine months ended September 30, 2010, respectively, compared to the corresponding periods in 2009. The increase is primarily due to increased performance-related compensation costs, as well as increased sales and marketing activities related to the improved economic environment and acquisition-related expenses.

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

Interest expense was \$4.8 million and \$14.8 million for the three and nine months ended September 30, 2010, respectively, and \$7.0 million and \$19.0 million for the corresponding periods in 2009. Interest expense for the three and nine month periods ended September 30, 2010 reflects the benefit of lower average borrowings and lower costs associated with our interest rate swap agreements compared with the prior year comparable period. The nine month period ended

Table of Contents

September 30, 2009 also included the impact of charges incurred in connection with the tender offer of our 4.85% Senior Notes and other financing costs totaling \$1.8 million.

During the fourth quarter of 2008, we initiated a global cost reduction program which has substantially been completed. Through September 30, 2010 total charges recognized were \$40.3 million, of which \$2.5 million and \$28.4 million was recognized during the nine month period ended September 30, 2010 and 2009, respectively.

See Note 11 to the interim consolidated financial statements for a summary of restructuring activity for the nine months ended September 30, 2010.

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

The provision for taxes is based upon our projected annual effective tax rate of 26% for the three and nine months ended September 30, 2010 and 27% for the three and nine months ended September 30, 2009, respectively. During the third quarter of 2010, we recorded discrete tax items resulting in a net tax benefit of \$5.2 million primarily related to the favorable resolution of certain prior year tax matters. The net impact of these items decreased the effective tax rate to 19% and 23% for the three and nine months ended September 30, 2010, respectively. During the first quarter of 2009, we recorded a discrete net tax benefit of \$8.3 million primarily related to the favorable resolution of certain prior year tax matters. The impact of this item decreased the effective tax rate to 21% for the nine months ended September 30, 2009.

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 17 to our consolidated financial statements for the year ending December 31, 2009.

U.S. Operations (amounts in thousands)

	Three months ended September 30			Nine months ended September 30		
	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>
Total net sales	\$ 174,416	\$ 152,354	14%	\$ 495,783	\$ 432,605	15%
Net sales to external customers	\$ 160,560	\$ 140,665	14%	\$ 452,983	\$ 399,851	13%
Segment profit	\$ 31,322	\$ 28,312	11%	\$ 87,051	\$ 73,868	18%

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

Total net sales increased 14% and 15% for the three and nine months ended September 30, 2010, respectively, and net sales to external customers increased 14% and 13% for the three and nine months ended September 30, 2010, respectively, compared with the corresponding periods in 2009. Net sales in our U.S. operations benefited approximately 2% from acquisitions during the nine months ended September 30, 2010. The net sales increase reflects increases across most product categories, particularly product inspection, laboratory balances, analytical instruments and process analytics. The net sales increase for the three months ended September 30, 2010 included particularly strong growth in laboratory balances.

Segment profit increased \$3.0 million and \$13.2 million for the three and nine month periods ended September 30, 2010, respectively, compared to the corresponding periods in 2009. The increase in segment profit was primarily due to increased sales volume as well as benefits from

Table of Contents

our cost containment efforts, offset in part by increased material costs, acquisition-related expenses and a \$1.8 million gain recognized during the nine months ended September 30, 2009 from the receipt of a previously reserved receivable.

Swiss Operations (amounts in thousands)

	Three months ended September 30			Nine months ended September 30		
	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>
Total net sales	\$ 112,147	\$ 99,947	12%	\$ 313,679	\$ 272,371	15%
Net sales to external customers	\$ 27,147	\$ 27,606	-2%	\$ 76,270	\$ 74,295	3%
Segment profit	\$ 23,296	\$ 20,623	13%	\$ 62,266	\$ 52,533	19%

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

Total net sales increased 12% and 15% in U.S. dollars and increased 9% and 11% in local currency during the three and nine month periods ended September 30, 2010, compared to the corresponding periods in 2009. Net sales to external customers decreased 2% and increased 3% in U.S. dollars and decreased 5% and 1% in local currency during the three and nine month periods ended September 30, 2010, compared to the corresponding periods in 2009. The decrease in sales to external customers in local currency for the three months ended September 30, 2010 reflects declines in core industrial products, partially offset by growth in most other product categories.

Segment profit increased \$2.7 million and \$9.7 million for the three and nine month periods ended September 30, 2010, respectively, compared to the corresponding periods in 2009. The increase in segment profit in 2010 is primarily due to increased sales volume and increased inter-segment pricing, partially offset by increased sales and marketing activities.

Western European Operations (amounts in thousands)

	Three months ended September 30			Nine months ended September 30		
	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>
Total net sales	\$ 162,114	\$ 158,632	2%	\$ 479,836	\$ 452,230	6%
Net sales to external customers	\$ 138,670	\$ 138,377	0%	\$ 414,738	\$ 398,868	4%
Segment profit	\$ 17,001	\$ 17,815	-5%	\$ 51,633	\$ 42,645	21%

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

Total net sales increased 2% and 6% in U.S. dollars and 11% and 9% in local currency during the three and nine month periods ended September 30, 2010, respectively, compared to the corresponding periods in 2009. Net sales to external customers were flat and increased 4% in U.S. dollars and increased 9% and 6% in local currency for the same periods versus the prior year comparable periods. Net sales in our Western European operations benefited approximately 2% and 3% from acquisitions during the three and nine months ended September 30, 2010,

respectively. The local currency net sales increase for the nine months ended September 30, 2010 is primarily due to strong growth in pipettes, analytical instruments and process analytics.

Segment profit decreased \$0.8 million and increased \$9.0 million for the three and nine month periods ended September 30, 2010, respectively, compared to the corresponding periods in 2009. The decrease in segment profit for the three months ended September 30, 2010 was a result

- 28 -

Table of Contents

of unfavorable currency translation fluctuations and increased sales and marketing activities, partially offset by increased sales volume. The increase in segment profit for the nine months ended September 30, 2010 resulted primarily from increased sales volume and benefits from our cost containment efforts, partially offset by unfavorable currency translation fluctuations.

Chinese Operations (amounts in thousands)

	Three months ended September 30			Nine months ended September 30		
	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>
Total net sales	\$ 111,449	\$ 81,579	37%	\$ 285,869	\$ 212,007	35%
Net sales to external customers	\$ 81,211	\$ 62,589	30%	\$ 208,809	\$ 162,418	29%
Segment profit	\$ 26,333	\$ 19,579	34%	\$ 65,086	\$ 44,670	46%

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

Total net sales increased 37% and 35% in U.S. dollars and increased 35% and 34% in local currency during the three and nine months ended September 30, 2010, respectively, compared to the corresponding periods in 2009. Net sales to external customers increased 30% and 29% in U.S. dollars and increased 28% in both periods in local currency during the three and nine months ended September 30, 2010, respectively, as compared to the corresponding periods in 2009. The increase is due primarily to strong sales growth across most product categories, particularly core industrial products.

Segment profit increased \$6.8 million and \$20.4 million for the three and nine month periods ended September 30, 2010, respectively, compared to the corresponding periods in 2009. The increase in segment profit is primarily due to the increased sales volume partially offset by increased inter-segment royalty expenses from our U.S. operations.

Other (amounts in thousands)

	Three months ended September 30			Nine months ended September 30		
	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>	<u>2010</u>	<u>2009</u>	<u>%¹⁾</u>
Total net sales	\$ 83,903	\$ 67,659	24%	\$ 225,568	\$ 184,118	23%
Net sales to external customers	\$ 82,625	\$ 66,413	24%	\$ 222,613	\$ 181,739	22%
Segment profit	\$ 8,879	\$ 6,432	38%	\$ 18,254	\$ 12,969	41%

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

Total net sales in U.S. dollars increased 24% and 23% and increased 20% and 15% in local currency during the three and nine month periods ended September 30, 2010, respectively, compared to the corresponding periods in 2009. Net sales to external customers in U.S. dollars increased 24% and 22% and increased 20% and 15% in local currency for the same periods versus the prior year comparable periods. The local currency increase reflects increased sales across most geographies, especially other Asian countries.

Segment profit increased \$2.4 million and \$5.3 million for the three and nine months ended September 30, 2010, respectively, compared to the corresponding periods in 2009. Segment profit

- 29 -

Table of Contents

increased during the nine months ended September 30, 2010 primarily due to increased sales volume and benefits from our cost containment efforts.

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 financing requirements are primarily driven by working capital requirements, capital expenditures, share repurchases and acquisitions. Due to the recent economic downturn and instability in the financial markets, our share repurchase program was suspended in October 2008 and re-started in December 2009. While we have seen an improvement in global economic conditions, our ability to generate cash flows may be reduced by a prolonged global economic slowdown.

Cash provided by operating activities totaled \$205.3 million during the nine months ended September 30, 2010, compared to \$188.5 million in the corresponding period in 2009. The increase in 2010 resulted principally from higher net earnings, offset in part by increased working capital associated with the increased sales volume. Our inventory balances have also increased during 2010 related to supplier constraints, system changes, product transfers and new product introductions. In addition, benefits during 2010 from reduced incentive payments related to previous year performance-related compensation incentives were offset by benefits during 2009 from reduced working capital balances associated with the decline in prior year business activity.

Capital expenditures are made primarily for investments in information systems and technology, machinery, equipment and the purchase and expansion of facilities. Our capital expenditures totaled \$38.6 million for the nine months ended September 30, 2010 compared to \$36.6 million in the corresponding period in 2009. Our capital expenditures during the nine months ended September 30, 2010 included approximately \$17.4 million of investments related to our Blue Ocean multi-year program of information technology investment, as compared with \$22.0 million during the prior year comparable period.

Cash flows used in financing activities during the nine months ended September 30, 2009 included proceeds of \$100 million from the issuance of our 6.30% Senior Notes and payments of \$0.6 million of debt issuance costs. We also made payments to repurchase \$75 million of our 4.85% Senior Notes and paid \$1.6 million in debt extinguishment costs and other financing charges in connection with our tender offer. Borrowings under our credit facility will be used to repay the \$75 million 4.85% Senior Notes upon maturity on November 15, 2010.

We continue to explore potential acquisitions. In connection with any acquisition, we may incur additional indebtedness. During the first quarter of 2010, we spent approximately \$12.5 million, plus contingent consideration up to a maximum of \$1.2 million, relating to the acquisition of our pipette distributor in the United Kingdom.

Table of Contents*Senior Notes and Credit Facility Agreement*

Our debt consisted of the following at September 30, 2010:

	September 30, 2010		
	U.S. Dollar	Other Principal Trading Currencies	Total
4.85% \$75 million Senior Notes (net of unamortized discount)	\$ 75,150	\$ -	\$ 75,150
6.30% \$100 million Senior Notes	100,000	-	100,000
Credit facility	117,697	14,918	132,615
Other local arrangements	-	27,451	27,451
Total debt	292,847	42,369	335,216
Less: current portion	(75,150)	(14,200)	(89,350)
Total long-term debt	\$ 217,697	\$ 28,169	\$ 245,866

As of September 30, 2010, approximately \$812.2 million was available 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. As of September 30, 2010, we were in compliance with our debt covenants.

Tender Offer

On May 6, 2009, we commenced a cash tender offer to purchase any and all of our outstanding 4.85% Senior Notes due November 15, 2010. The tender offer, which expired May 12, 2009, resulted in the repurchase of \$75 million of the principal balance of the 4.85% Senior Notes. In connection with the tender, we recorded a charge of \$1.5 million, during the second quarter of 2009, which included a premium of \$0.9 million, unamortized discount and debt issuance fees of \$0.2 million and certain third party costs of \$0.4 million. These charges were recorded in interest expense in the consolidated statement of operations.

Issuance of 6.30% Senior Notes

On June 25, 2009, we issued and sold, in a private placement, \$100 million aggregate principal amount of our 6.30% Series 2009-A Senior Notes due June 25, 2015 (6.30% Senior Notes) under a Note Purchase Agreement among the Company and the accredited institutional investors named therein (the Agreement). The 6.30% Senior Notes are senior unsecured obligations of the Company.

The 6.30% Senior Notes mature on June 25, 2015. Interest is payable semi-annually in June and December. We may at any time prepay the 6.30% Senior Notes, in whole or in part (but in an amount not less than 10% of the original aggregate principal amount), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest plus a make-whole prepayment premium. In the event of a change in control (as defined in the Agreement) of the Company, we may be required to offer to prepay the 6.30% Senior Notes in whole at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

The Agreement contains customary affirmative and negative covenants for agreements of this type including, among others, limitations on the Company and its subsidiaries with respect to incurrence of liens and priority

indebtedness, disposition of assets, mergers, and transactions with affiliates. The Agreement also requires us to maintain a consolidated interest coverage ratio of not

- 31 -

Table of Contents

less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.5 to 1.0. The Agreement contains customary events of default with customary grace periods, as applicable.

Under the terms of the offering, we may sell additional Senior Notes at our discretion in an aggregate amount not to exceed \$600 million. Such additional Senior Notes would rank equally with our unsecured indebtedness.

Issuance costs approximating \$0.7 million will be amortized to interest expense over the six-year term of the 6.30% Senior Notes.

We currently believe that cash flows from operating activities, together with liquidity available under our credit facility and local working capital facilities, will be sufficient to fund currently anticipated working capital needs and capital spending requirements for at least the foreseeable future.

Share Repurchase Program

As of September 30, 2010, we had \$261.8 million of remaining availability under our share repurchase program. In November 2010, the Board of Directors authorized us to buy back an additional \$750 million of common shares. We expect that the new authorization will be utilized over the next several years. 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 amount and timing of purchases will depend on business and market conditions, stock price, trading restrictions, the level of acquisition activity and other factors. We have purchased 16.6 million shares since the inception of the program through September 30, 2010.

Our share repurchase program was suspended in October 2008 and re-started in December 2009. During the nine months ended September 30, 2010, we spent \$148.8 million on the repurchase of 1,310,936 shares at an average price per share of \$113.48. We reissued 281,897 shares and 149,278 shares held in treasury for the exercise of stock options and restricted stock units during the nine months ended September 30, 2010 and 2009, respectively. We also reissued 2,549 shares and 6,467 shares held in treasury during the nine months ended September 30, 2010 and 2009, respectively, pursuant to our 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 total operating expenses than Swiss franc-denominated sales represent of our total net sales. This is because most of our manufacturing and product development costs in Switzerland relate to products that are sold outside Switzerland. In addition, we have a number of corporate functions located 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, the Chinese yuan and the Japanese yen), our operating profit is reduced. We also have significantly more sales in euro than we have expenses. Therefore, when the euro weakens 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 that we monitor. Recently, we have seen higher volatility in exchange rates generally than in the past, and the Swiss franc has strengthened against the euro. 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 \$1.8 million on an annual basis. The exchange rate between the Swiss franc versus the euro was 1.40 for the nine months ended September 30, 2010

- 32 -

Table of Contents

as compared to 1.51 for the prior year comparable period, reflecting an 8% strengthening of the Swiss franc against the euro. The current exchange rate for the Swiss franc versus the euro is 1.37 as of November 4, 2010 which compares to 1.51 during the period October 1 to December 31, 2009, reflecting a 9% strengthening of the Swiss franc against the euro. In addition to the Swiss franc and major European currencies, we also conduct business in many geographies throughout the world, including Asia Pacific, the United Kingdom, Eastern Europe, Latin America and Canada. Fluctuations in these currency exchange rates against the U.S. dollar can also affect our operating results. 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, 2010, we estimate that a 10% weakening of the U.S. dollar against the currencies in which our debt is denominated would result in an increase of approximately \$4.7 million in the reported U.S. dollar value of the debt.

New Accounting Pronouncements

See Note 2 to the consolidated financial statements for the year ended December 31, 2009.

There were no new accounting pronouncements issued during the nine month period ended September 30, 2010 that would have a material effect on our consolidated results of operations or financial position.

- 33 -

Table of Contents**Forward-Looking Statements Disclaimer**

Some of the statements in this quarterly report and in documents incorporated by reference constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. These statements relate to future events or our future financial performance, including, but not limited to, the following: projected earnings and sales growth in U.S. dollars and local currencies, projected earnings per share, strategic plans and contingency plans, potential growth opportunities or economic downturns in both developed markets and emerging markets, including China, factors influencing growth in our laboratory, industrial and food retail markets, our expectations in respect of the impact of general economic conditions on our business, our projections for growth in certain markets or industries, our capability to respond to future changes in market conditions, impact of inflation, currency and interest rate fluctuations, our ability to maintain a leading position in our key markets, our expected market share, our ability to leverage our market-leading position and diverse product offering to weather an economic downturn, the effectiveness of our Spinnaker initiatives relating to sales and marketing, planned research and development efforts, product introductions and innovation, manufacturing capacity, adequacy of facilities, access to and the costs of raw materials, shipping and supplier costs, expanding our operating margins, anticipated gross margins, anticipated customer spending patterns and levels, expected customer demand, meeting customer expectations, warranty claim levels, anticipated growth in service revenues, anticipated pricing, our ability to realize planned price increases, planned operational changes and productivity improvements, effect of changes in internal control over financial reporting, research and development expenditures, competitors product development, levels of competitive pressure, our future position vis-à-vis competitors, expected capital expenditures, the timing, impact, cost, benefits from and effectiveness of our cost reduction programs, future cash sources and requirements, cash flow targets, liquidity, value of inventories, impact of long-term incentive plans, continuation of our stock repurchase program and the related impact on cash flow, expected pension and other benefit contributions and payments, expected tax treatment and assessment, impact of taxes and changes in tax benefits, the need to take additional restructuring charges, expected compliance with laws, changes in laws and regulations, impact of environmental costs, expected trading volume and value of stocks and options, impact of issuance of preferred stock, expected cost savings, impact of legal proceedings, satisfaction of contractual obligations by counterparties, timeliness of payments by our customers, the adequacy of reserves for bad debts against our accounts receivable, benefits and other effects of completed or future acquisitions.

These statements involve known and unknown risks, uncertainties and other factors that may cause our or our businesses actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, could, would, should, expect, plan, anticipate, intend, believe, estimate, predict, potential or continue or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. Moreover, we do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. Unless otherwise required by applicable laws, we disclaim any intention or obligation to publicly update or revise any of the forward-looking statements after the date of this 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 captions Factors affecting our future operating results in the Business and Management s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended December 31, 2009, which describe 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 on Form 10-Q for the period ended September 30, 2010 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

Table of Contents

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 September 30, 2010, 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, 2009.

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 quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

- 35 -

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

For the nine months ended September 30, 2010 there were no material changes from risk factors disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

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

	(a)	(b)	(c)	(d)
	Total	Average	Total	Approximate
	Number	Price Paid	Number of	Dollar
	of Shares	per	Shares	Value (in
	Purchased	Share	Purchased as	thousands)
			Part of	of Shares that
			Publicly	may
			Announced	yet be
			Program	Purchased
				under the
				Program
July 1 to July 31, 2010	126,000	\$ 115.67	126,000	\$ 323,230
August 1 to August 31, 2010	244,500	\$ 115.87	244,500	\$ 294,895
September 1 to September 30, 2010	277,437	\$ 119.24	277,437	\$ 261,807
Total	647,937	\$ 117.28	647,937	\$ 261,807

As of September 30, 2010, we had \$261.8 million of remaining availability under our share repurchase program. In November 2010, the Board of Directors authorized us to buy back an additional \$750 million of common shares. We have purchased 16.6 million shares since the inception of the program through September 30, 2010.

Our share repurchase program was suspended in October 2008 and re-started in December 2009. During the nine months ended September 30, 2010, we spent \$148.8 million on the repurchase of 1,310,936 shares at an average price per share of \$113.48. We reissued 281,897 shares and 149,278 shares held in treasury for the exercise of stock options and restricted stock units for the nine months ended September 30, 2010 and 2009, respectively. We also reissued 2,549 shares and 6,467 shares held in treasury during the nine months ended September 30, 2010 and 2009, respectively, pursuant to our 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.** NoneItem 5. **Other information.** NoneItem 6. **Exhibits.** See Exhibit Index below.

Table of Contents

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 5, 2010

By: /s/ William P. Donnelly

William P. Donnelly
Group Vice President and
Chief Financial Officer

- 37 -

Table of Contents

EXHIBIT INDEX

Exhibit No. Description

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

101. INS* XBRL Instance Document

101. SCH* XBRL Taxonomy Extension Schema Document

101. CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101. LAB* XBRL Taxonomy Extension Label Linkbase Document

101. PRE* XBRL Taxonomy Extension Presentation Linkbase Document

101. DEF*XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

- 38 -