

METTLER TOLEDO INTERNATIONAL INC/

Form 10-Q

November 02, 2007

**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, 2007, OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
Commission File Number 1-13595  
Mettler-Toledo International Inc.**

(Exact name of registrant as specified in its charter)

Delaware

13-3668641

(State or other jurisdiction of  
incorporation or organization)

(I.R.S Employer Identification No.)

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

and

1900 Polaris Parkway  
Columbus, OH 43240

(Address of principal executive offices)

(Zip Code)

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

(Registrant's telephone number, including area code)  
not applicable

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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 36,058,608 shares of Common Stock outstanding at September 30, 2007.



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

|                                                                                                                                                                                              | <b>PAGE</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>                                                                                                                                                  |             |
| <b><u>Item 1.</u></b>                                                                                                                                                                        |             |
| <b><u>Financial Statements</u></b>                                                                                                                                                           |             |
| Unaudited Interim Consolidated Financial Statements:                                                                                                                                         | 3           |
| <b><u>Interim Consolidated Statements of Operations for the three months ended September 30, 2007 and 2006</u></b>                                                                           | 4           |
| <b><u>Interim Consolidated Statements of Operations for the nine months ended September 30, 2007 and 2006</u></b>                                                                            |             |
| <b><u>Interim Consolidated Balance Sheets as of September 30, 2007 and December 31, 2006</u></b>                                                                                             | 5           |
| <b><u>Interim Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss) for the nine months ended September 30, 2007 and twelve months ended December 31, 2006</u></b> | 6           |
| <b><u>Interim Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006</u></b>                                                                            | 7           |
| <b><u>Notes to the Interim Consolidated Financial Statements at September 30, 2007</u></b>                                                                                                   | 8           |
| <b><u>Item 2.</u></b>                                                                                                                                                                        |             |
| <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>                                                                                          | 17          |
| <b><u>Item 3.</u></b>                                                                                                                                                                        |             |
| <b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>                                                                                                                     | 26          |
| <b><u>Item 4.</u></b>                                                                                                                                                                        |             |
| <b><u>Controls and Procedures</u></b>                                                                                                                                                        | 26          |
| <b><u>PART II. OTHER INFORMATION</u></b>                                                                                                                                                     |             |
| <b><u>Item 1.</u></b>                                                                                                                                                                        |             |
| <b><u>Legal Proceedings</u></b>                                                                                                                                                              | 27          |
| <b><u>Item 1A.</u></b>                                                                                                                                                                       |             |
| <b><u>Risk Factors</u></b>                                                                                                                                                                   | 27          |
| <b><u>Item 2.</u></b>                                                                                                                                                                        |             |
| <b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>                                                                                                                    | 27          |
| <b><u>Item 3.</u></b>                                                                                                                                                                        |             |
| <b><u>Defaults upon Senior Securities</u></b>                                                                                                                                                | 28          |
| <b><u>Item 4.</u></b>                                                                                                                                                                        |             |
| <b><u>Submission of Matters to a Vote of Security Holders</u></b>                                                                                                                            | 28          |
| <b><u>Item 5.</u></b>                                                                                                                                                                        |             |
| <b><u>Other Information</u></b>                                                                                                                                                              | 28          |
| <b><u>Item 6.</u></b>                                                                                                                                                                        |             |
| <b><u>Exhibits</u></b>                                                                                                                                                                       | 28          |

**SIGNATURE**

29

EX-31.1

EX-31.2

EX-32

---

**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, 2007 and 2006**  
**(In thousands, except share data)**  
**(unaudited)**

|                                                                | <b>September<br/>30,<br/>2007</b> | <b>September<br/>30,<br/>2006</b> |
|----------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Net sales                                                      |                                   |                                   |
| Products                                                       | \$ 341,436                        | \$ 307,143                        |
| Service                                                        | 101,164                           | 90,175                            |
| Total net sales                                                | 442,600                           | 397,318                           |
| Cost of sales                                                  |                                   |                                   |
| Products                                                       | 159,176                           | 146,763                           |
| Service                                                        | 64,415                            | 56,498                            |
| Gross profit                                                   | 219,009                           | 194,057                           |
| Research and development                                       | 22,699                            | 20,478                            |
| Selling, general and administrative                            | 129,520                           | 117,762                           |
| Amortization                                                   | 2,825                             | 2,793                             |
| Interest expense                                               | 5,515                             | 4,409                             |
| Other charges (income), net                                    | 58                                | (1,441)                           |
| Earnings before taxes                                          | 58,392                            | 50,056                            |
| Provision for taxes                                            | 14,620                            | 3,016                             |
| Net earnings                                                   | \$ 43,772                         | \$ 47,040                         |
| Basic earnings per common share:                               |                                   |                                   |
| Net earnings                                                   | \$ 1.19                           | \$ 1.18                           |
| Weighted average number of common shares                       | 36,650,215                        | 39,795,452                        |
| Diluted earnings per common share:                             |                                   |                                   |
| Net earnings                                                   | \$ 1.16                           | \$ 1.16                           |
| Weighted average number of common and common equivalent shares | 37,597,020                        | 40,455,687                        |

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

**Table of Contents**

**METTLER-TOLEDO INTERNATIONAL INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Nine months ended September 30, 2007 and 2006**  
**(In thousands, except share data)**  
**(unaudited)**

|                                                                | <b>September<br/>30,<br/>2007</b> | <b>September<br/>30,<br/>2006</b> |
|----------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Net sales                                                      |                                   |                                   |
| Products                                                       | \$ 967,248                        | \$ 867,885                        |
| Service                                                        | 293,659                           | 264,750                           |
| Total net sales                                                | 1,260,907                         | 1,132,635                         |
| Cost of sales                                                  |                                   |                                   |
| Products                                                       | 446,812                           | 407,776                           |
| Service                                                        | 188,516                           | 168,027                           |
| Gross profit                                                   | 625,579                           | 556,832                           |
| Research and development                                       | 66,489                            | 60,979                            |
| Selling, general and administrative                            | 379,810                           | 347,469                           |
| Amortization                                                   | 8,708                             | 8,498                             |
| Interest expense                                               | 14,977                            | 12,835                            |
| Other income, net                                              | (688)                             | (6,536)                           |
| Earnings before taxes                                          | 156,283                           | 133,587                           |
| Provision for taxes                                            | 41,050                            | 28,075                            |
| Net earnings                                                   | \$ 115,233                        | \$ 105,512                        |
| Basic earnings per common share:                               |                                   |                                   |
| Net earnings                                                   | \$ 3.08                           | \$ 2.61                           |
| Weighted average number of common shares                       | 37,390,019                        | 40,460,563                        |
| Diluted earnings per common share:                             |                                   |                                   |
| Net earnings                                                   | \$ 3.01                           | \$ 2.56                           |
| Weighted average number of common and common equivalent shares | 38,312,676                        | 41,155,856                        |

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, 2007 and December 31, 2006**  
**(In thousands, except share data)**  
**(unaudited)**

|                                                                                                                 | <b>September<br/>30,<br/>2007</b> | <b>December<br/>31,<br/>2006</b> |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| <b>ASSETS</b>                                                                                                   |                                   |                                  |
| Current assets:                                                                                                 |                                   |                                  |
| Cash and cash equivalents                                                                                       | \$ 75,385                         | \$ 151,269                       |
| Trade accounts receivable, less allowances of<br>\$9,531 at September 30, 2007 and \$7,073 at December 31, 2006 | 299,906                           | 306,879                          |
| Inventory                                                                                                       | 171,294                           | 148,372                          |
| Current deferred tax assets, net                                                                                | 37,909                            | 33,054                           |
| Other current assets and prepaid expenses                                                                       | 34,610                            | 30,196                           |
| Total current assets                                                                                            | 619,104                           | 669,770                          |
| Property, plant and equipment, net                                                                              | 237,140                           | 229,138                          |
| Goodwill                                                                                                        | 438,714                           | 432,871                          |
| Other intangible assets, net                                                                                    | 100,830                           | 102,750                          |
| Non-current deferred tax assets, net                                                                            | 71,913                            | 69,083                           |
| Other non-current assets                                                                                        | 89,975                            | 83,473                           |
| Total assets                                                                                                    | \$ 1,557,676                      | \$ 1,587,085                     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                                                     |                                   |                                  |
| Current liabilities:                                                                                            |                                   |                                  |
| Trade accounts payable                                                                                          | \$ 95,942                         | \$ 95,971                        |
| Accrued and other liabilities                                                                                   | 67,739                            | 71,209                           |
| Accrued compensation and related items                                                                          | 109,826                           | 110,644                          |
| Deferred revenue and customer prepayments                                                                       | 57,733                            | 41,553                           |
| Taxes payable                                                                                                   | 55,994                            | 49,607                           |
| Current deferred tax liabilities                                                                                | 6,361                             | 5,433                            |
| Short-term borrowings                                                                                           | 12,512                            | 9,962                            |
| Total current liabilities                                                                                       | 406,107                           | 384,379                          |
| Long-term debt                                                                                                  | 359,290                           | 345,705                          |
| Non-current deferred tax liabilities                                                                            | 84,305                            | 82,613                           |
| Other non-current liabilities                                                                                   | 173,980                           | 143,526                          |
| Total liabilities                                                                                               | 1,023,682                         | 956,223                          |
| Commitments and contingencies (Note 11)                                                                         |                                   |                                  |
| Shareholders' equity:                                                                                           |                                   |                                  |
| Preferred stock, \$0.01 par value per share; authorized 10,000,000 shares;<br>issued 0                          | 448                               | 448                              |

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

Common stock, \$0.01 par value per share; authorized 125,000,000 shares; issued 44,786,011 and 44,786,011 shares; outstanding 36,058,608 and 38,430,124 shares at September 30, 2007 and December 31, 2006, respectively

|                                                                                                           |              |              |
|-----------------------------------------------------------------------------------------------------------|--------------|--------------|
| Additional paid-in capital                                                                                | 541,326      | 528,863      |
| Treasury stock at cost (8,727,403 shares at September 31, 2007 and 6,355,887 shares at December 31, 2006) | (603,679)    | (374,819)    |
| Retained earnings                                                                                         | 595,968      | 493,691      |
| Accumulated other comprehensive income (loss)                                                             | (69)         | (17,321)     |
| Total shareholders' equity                                                                                | 533,994      | 630,862      |
| Total liabilities and shareholders' equity                                                                | \$ 1,557,676 | \$ 1,587,085 |

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 (LOSS)**

**Nine months ended September 30, 2007 and twelve months ended December 31, 2006**

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

**(unaudited)**

|                                                                                   | Common Stock |        | Additional<br>Paid-in | Treasury     | Retained   | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total      |
|-----------------------------------------------------------------------------------|--------------|--------|-----------------------|--------------|------------|-----------------------------------------------------------|------------|
|                                                                                   | Shares       | Amount | Capital               | Stock        | Earnings   |                                                           |            |
| Balance at<br>December 31, 2006                                                   | 38,430,124   | \$ 448 | \$ 528,863            | \$ (374,819) | \$ 493,691 | \$ (17,321)                                               | \$ 630,862 |
| Exercise of stock<br>options                                                      | 339,015      |        |                       | 20,198       | (8,711)    |                                                           | 11,487     |
| Repurchases of<br>common stock                                                    | (2,710,531)  |        |                       | (249,058)    |            |                                                           | (249,058)  |
| Tax benefit<br>resulting from<br>exercise of certain<br>employee stock<br>options |              |        | 6,277                 |              |            |                                                           | 6,277      |
| Share-based<br>compensation                                                       |              |        | 6,186                 |              |            |                                                           | 6,186      |
| Adoption of FIN 48                                                                |              |        |                       |              | (4,245)    |                                                           | (4,245)    |
| Comprehensive<br>income:                                                          |              |        |                       |              |            |                                                           |            |
| Net earnings                                                                      |              |        |                       |              | 115,233    |                                                           | 115,233    |
| Change in currency<br>translation<br>adjustment                                   |              |        |                       |              |            | 15,497                                                    | 15,497     |
| Change in pension<br>items                                                        |              |        |                       |              |            | 1,755                                                     | 1,755      |
| Comprehensive<br>income                                                           |              |        |                       |              |            |                                                           | 132,485    |
| Balance at<br>September 30, 2007                                                  | 36,058,608   | \$ 448 | \$ 541,326            | \$ (603,679) | \$ 595,968 | \$ (69)                                                   | \$ 533,994 |
| Balance at<br>December 31, 2005                                                   | 41,404,071   | \$ 448 | \$ 457,129            | \$ (170,325) | \$ 417,075 | \$ (45,325)                                               | \$ 659,002 |
| Exercise of stock<br>options and<br>restricted stock<br>units                     | 1,166,612    |        |                       | 61,388       | (30,956)   |                                                           | 30,432     |

|                                                                       |             |        |            |              |            |             |            |
|-----------------------------------------------------------------------|-------------|--------|------------|--------------|------------|-------------|------------|
| Common stock issued as equity compensation                            | 1,000       | 8      | 53         | 61           |            |             |            |
| Repurchases of common stock                                           | (4,141,559) |        | (265,935)  | (265,935)    |            |             |            |
| Reclassification related to treasury stock reissuances                |             | 49,960 | (49,960)   |              |            |             |            |
| Tax benefit resulting from exercise of certain employee stock options |             | 13,527 |            | 13,527       |            |             |            |
| Share-based compensation                                              |             | 8,239  |            | 8,239        |            |             |            |
| Adoption of SFAS 158, net of tax                                      |             |        | 19,638     | 19,638       |            |             |            |
| Comprehensive income:                                                 |             |        |            |              |            |             |            |
| Net earnings                                                          |             |        | 157,532    | 157,532      |            |             |            |
| Change in currency translation adjustment                             |             |        | 10,570     | 10,570       |            |             |            |
| Minimum pension liability adjustment, net of tax                      |             |        | (2,204)    | (2,204)      |            |             |            |
| Comprehensive income                                                  |             |        |            | 165,898      |            |             |            |
| Balance at December 31, 2006                                          | 38,430,124  | \$ 448 | \$ 528,863 | \$ (374,819) | \$ 493,691 | \$ (17,321) | \$ 630,862 |

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, 2007 and 2006**  
**(In thousands)**  
**(unaudited)**

|                                                                                     | <b>September<br/>30,<br/>2007</b> | <b>September<br/>30,<br/>2006</b> |
|-------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Cash flows from operating activities:                                               |                                   |                                   |
| Net earnings                                                                        | \$ 115,233                        | \$ 105,512                        |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                   |                                   |
| Depreciation                                                                        | 19,501                            | 19,317                            |
| Amortization                                                                        | 8,708                             | 8,498                             |
| Deferred taxes                                                                      | (6,654)                           | (6,594)                           |
| Excess tax benefits from share-based payment arrangements                           | (5,223)                           | (8,160)                           |
| Share-based compensation                                                            | 6,186                             | 6,278                             |
| Other                                                                               | (656)                             | (1,231)                           |
| Increase (decrease) in cash resulting from changes in:                              |                                   |                                   |
| Trade accounts receivable, net                                                      | 19,301                            | 11,119                            |
| Inventory                                                                           | (15,654)                          | (4,067)                           |
| Other current assets                                                                | (8,981)                           | (3,996)                           |
| Trade accounts payable                                                              | 2,413                             | (4,753)                           |
| Taxes payable                                                                       | 30,953                            | 13,873                            |
| Accruals and other                                                                  | 3,959                             | 3,920                             |
| Net cash provided by operating activities                                           | 169,086                           | 139,716                           |
| Cash flows from investing activities:                                               |                                   |                                   |
| Proceeds from sale of property, plant and equipment                                 | 3,398                             | 4,036                             |
| Purchase of property, plant and equipment                                           | (24,826)                          | (20,607)                          |
| Acquisitions                                                                        | (106)                             | (790)                             |
| Net cash used in investing activities                                               | (21,534)                          | (17,361)                          |
| Cash flows from financing activities:                                               |                                   |                                   |
| Proceeds from borrowings                                                            | 104,312                           | 51,873                            |
| Repayments of borrowings                                                            | (95,014)                          | (149,605)                         |
| Proceeds from exercise of stock options                                             | 11,530                            | 22,532                            |
| Repurchases of common stock                                                         | (254,506)                         | (186,616)                         |
| Excess tax benefits from share-based payment arrangements                           | 5,223                             | 8,160                             |
| Net cash used in financing activities                                               | (228,455)                         | (253,656)                         |
| Effect of exchange rate changes on cash and cash equivalents                        | 5,019                             | 2,081                             |

|                                           |           |            |
|-------------------------------------------|-----------|------------|
| Net decrease in cash and cash equivalents | (75,884)  | (129,220)  |
| Cash and cash equivalents:                |           |            |
| Beginning of period                       | 151,269   | 324,578    |
| End of period                             | \$ 75,385 | \$ 195,358 |

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, 2007    Unaudited**

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

**1. BASIS OF PRESENTATION**

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

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include all of the Company's 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, 2007 and for the three and nine month periods ended September 30, 2007 and 2006 should be read in conjunction with the December 31, 2006 and 2005 consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

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, 2007 are not necessarily indicative of the results to be expected for the full year ending December 31, 2007.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates. A discussion of the Company's critical accounting policies is included in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

All intercompany transactions and balances have been eliminated.

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

-8-

**Table of Contents**

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 30, 2007    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.

*Inventory*

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

Inventory consisted of the following:

|                         | September<br>30,<br>2007 | December<br>31,<br>2006 |
|-------------------------|--------------------------|-------------------------|
| Raw materials and parts | \$ 85,384                | \$ 81,596               |
| Work-in-progress        | 23,489                   | 18,163                  |
| Finished goods          | 62,421                   | 48,613                  |
|                         | \$ 171,294               | \$ 148,372              |

*Other Intangible Assets*

Other intangible assets include indefinite lived assets and assets subject to amortization. Where applicable, amortization is charged on a straight-line basis over the expected period to be benefited. The straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. The Company assesses the initial acquisition of intangible assets and the continued accounting for previously recognized intangible assets in accordance with SFAS No. 142 Goodwill and Other Intangible Assets.

Other intangible assets consisted of the following:

|                               | September 30, 2007 |                             | December 31, 2006 |                             |
|-------------------------------|--------------------|-----------------------------|-------------------|-----------------------------|
|                               | Gross<br>Amount    | Accumulated<br>Amortization | Gross<br>Amount   | Accumulated<br>Amortization |
| Customer relationships        | \$ 73,862          | \$ (10,753)                 | \$ 73,340         | \$ (9,166)                  |
| Proven technology and patents | 31,653             | (17,327)                    | 30,691            | (15,538)                    |
| Tradename (finite life)       | 1,589              | (628)                       | 1,539             | (550)                       |
| Tradename (indefinite life)   | 22,434             |                             | 22,434            |                             |
|                               | \$ 129,538         | \$ (28,708)                 | \$ 128,004        | \$ (25,254)                 |

**Table of Contents**

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 30, 2007    Unaudited (Continued)**

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

The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at \$4.5 million for 2007 through 2010 and \$4.3 million for 2011. The Company had amortization expense associated with the above intangible assets of \$3.4 million and \$3.4 million for the nine months ended September 30, 2007 and 2006, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of \$5.3 million and \$5.1 million for the nine months ended September 30, 2007 and 2006, respectively.

*Warranty*

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

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

|                                | September<br>30,<br>2007 | September<br>30,<br>2006 |
|--------------------------------|--------------------------|--------------------------|
| Balance at beginning of period | \$ 10,977                | \$ 10,732                |
| Accruals for warranties        | 9,951                    | 9,301                    |
| Foreign currency translation   | 618                      | 411                      |
| Payments / utilizations        | (9,881)                  | (9,856)                  |
| Balance at end of period       | \$ 11,665                | \$ 10,588                |

*Share-Based Compensation*

On January 1, 2006, the Company adopted SFAS 123R and Staff Accounting Bulletin ( SAB ) 107, Share-Based Payments, applying the modified prospective method. The Company recognizes compensation expense in selling, general and administrative expense in the consolidated statement of operations with a corresponding offset to additional paid-in capital in the consolidated balance sheet. The Company had \$2.0 million and \$6.2 million of share-based compensation expense for the three and nine months ended September 30, 2007, respectively, compared to \$2.0 million and \$6.3 million for the corresponding periods in 2006.

-10-

**Table of Contents**

**METTLER-TOLEDO INTERNATIONAL INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
At September 30, 2007    Unaudited (Continued)**

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

*Research and Development*

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

**3. INCOME TAXES**

On January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN 48 ). FIN 48 prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance regarding uncertain tax positions relating to derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of the date of adoption, the Company recognized a \$4.1 million increase in the liability for unrecognized tax benefits with a corresponding reduction in retained earnings.

The Company's total balance of unrecognized tax benefits as of January 1, 2007 was \$24.3 million. Included in this balance are \$21.0 million of unrecognized tax benefits that if recognized would reduce the Company's effective tax rate. The Company recognizes accrued amounts of interest and penalties related to its uncertain tax positions as part of its income tax expense within its consolidated statement of operations. The amount of accrued interest and penalties included within other non-current liabilities within the Company's consolidated balance sheet as of January 1, 2007 was \$1.2 million.

The Company believes it is reasonably possible that the unrecognized tax benefit balance could change over the next 12 months, primarily relating to potential disputes raised by taxing authorities over income and expense recognition. An estimate of the range of these increases cannot currently be made. However, the Company does not expect that it would have a material impact on its statements of operations, balance sheet or cash flows.

As of September 30, 2007, no material changes in the Company's uncertain tax positions have occurred since the adoption of FIN 48 on January 1, 2007.

As of September 30, 2007, the major jurisdictions for which the Company is subject to examinations are Germany for years after 2002, France and the United States after 2003, Switzerland and the United Kingdom after 2004 and China after 2005.

The provision for taxes is based upon our projected annual effective tax rate of 27% for the three and nine months ended September 30, 2007 and 2006. During the third quarter of 2007, the Company recorded certain discrete tax items which resulted in a net tax benefit of \$1.1 million. The discrete items include a benefit of \$3.4 million related to the favorable resolution of certain tax matters and other adjustments related to prior years, which was partially offset by a charge of \$2.3 million primarily due to a tax law change in Germany. The net impact of the items described above decreased the effective tax rate to 25.0% and 26.3% for the three and nine months ended September 30, 2007, respectively.

**Table of Contents**

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 30, 2007    Unaudited (Continued)**

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

During the third quarter of 2006, the Company implemented a legal reorganization that resulted in a reduction of the estimated annual effective tax rate before discrete items from 30% to approximately 27%. In addition to the change in the Company's estimated annual effective tax rate, the Company recorded four discrete tax items during the third quarter of 2006: a charge of \$10.5 million related to the establishment of a valuation allowance on foreign tax credit carryforwards, a benefit of \$13.4 million associated with a reduction of a liability previously established for estimated costs to repatriate unremitted earnings of foreign subsidiaries, a favorable tax law change resulting in a benefit of \$5.1 million and a cumulative tax benefit adjustment of \$2.5 million, associated with the six months ended June 30, 2006, for the estimated annual effective tax rate change described above. The net impact of the items described above decreased the effective tax rate to 6.0% and 21.0% for the three and nine months ended September 30, 2006, respectively.

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

The Company has a share repurchase program. Under the program, the Company has been authorized to buy back up to \$900 million of equity shares. As of September 30, 2007, there were \$116.6 million of remaining equity shares authorized to be repurchased under the plan by December 31, 2008. The share repurchases are expected to be funded from cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors. The Company has purchased 12.3 million shares since the inception of the program through September 30, 2007.

The Company spent \$249.1 million and \$182.4 million on the repurchase of 2,710,531 shares and 3,008,300 shares at an average price per share of \$91.86 and \$60.62 during the nine months ended September 30, 2007 and 2006, respectively. An additional \$5.4 million and \$4.2 million were cash settled during the nine month periods ended September 30, 2007 and 2006, respectively, relating to the settlement of a liability for shares repurchased as of December 31, 2006 and 2005. The Company reissued 339,015 shares and 896,899 shares held in treasury for the exercise of stock options for the nine months ended September 30, 2007 and 2006, respectively.

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

|                    | 2007    | 2006    |
|--------------------|---------|---------|
| Three months ended | 946,805 | 660,235 |
| Nine months ended  | 922,656 | 695,292 |

Table of Contents

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 30, 2007    Unaudited (Continued)**

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

Outstanding options to purchase 3,000 and 426,000 shares of common stock for the three month periods ended September 30, 2007 and 2006, respectively, and options to purchase 119,567 and 434,333 shares of common stock for the nine month periods ended September 30, 2007 and 2006, respectively, have been excluded from the calculation of diluted weighted average number of common and common equivalent shares as such options would be anti-dilutive.

**6. NET PERIODIC BENEFIT COST**

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

|                                                | U.S. Pension Benefits |         | Non-U.S. Pension Benefits |          | Other U.S. Post-Retirement Benefits |        |
|------------------------------------------------|-----------------------|---------|---------------------------|----------|-------------------------------------|--------|
|                                                | 2007                  | 2006    | 2007                      | 2006     | 2007                                | 2006   |
| Service cost, net                              | \$ 170                | \$ 165  | \$ 4,072                  | \$ 3,606 | \$ 101                              | \$ 63  |
| Interest cost on projected benefit obligations | 1,590                 | 1,557   | 4,784                     | 4,175    | 331                                 | 330    |
| Expected return on plan assets                 | (2,072)               | (2,011) | (6,910)                   | (6,012)  |                                     |        |
| Net amortization and deferral                  |                       |         |                           |          | (239)                               | (240)  |
| Recognition of actuarial losses (gains)        | 515                   | 645     | 223                       | 140      |                                     |        |
| Net periodic pension cost                      | \$ 203                | \$ 356  | \$ 2,169                  | \$ 1,909 | \$ 193                              | \$ 153 |

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

|                                                | U.S. Pension Benefits |          | Non-U.S. Pension Benefits |           | Other U.S. Post-Retirement Benefits |        |
|------------------------------------------------|-----------------------|----------|---------------------------|-----------|-------------------------------------|--------|
|                                                | 2007                  | 2006     | 2007                      | 2006      | 2007                                | 2006   |
| Service cost, net                              | \$ 509                | \$ 495   | \$ 11,997                 | \$ 10,568 | \$ 304                              | \$ 190 |
| Interest cost on projected benefit obligations | 4,769                 | 4,671    | 14,086                    | 12,266    | 992                                 | 991    |
| Expected return on plan assets                 | (6,217)               | (6,035)  | (20,273)                  | (17,692)  |                                     |        |
| Net amortization and deferral                  |                       |          |                           |           | (718)                               | (719)  |
| Recognition of actuarial losses (gains)        | 1,544                 | 1,937    | 632                       | 413       |                                     |        |
| Net periodic pension cost                      | \$ 605                | \$ 1,068 | \$ 6,442                  | \$ 5,555  | \$ 578                              | \$ 462 |

As previously disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2006, the Company expects to make normal employer contributions of approximately \$9.2 million to its non-U.S. pension plans

and \$2.3 million to its U.S. post-retirement medical plan during the year ended December 31, 2007.

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

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

-13-

---

**Table of Contents**

**METTLER-TOLEDO INTERNATIONAL INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**At September 30, 2007    Unaudited (Continued)**

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

**8. SEGMENT REPORTING**

As disclosed in Note 15 to the Company's consolidated financial statements for the year ending December 31, 2006, operating segments are the individual reporting units within the Company. These units are managed separately and it is at this level where the determination of resource allocation is made. The units have been aggregated based on operating segments in geographic regions that have similar economic characteristics and meet the aggregation criteria of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). The Company has determined there are five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other.

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

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

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

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

**Table of Contents**

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

**At September 30, 2007    Unaudited (Continued)**

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

| For the three months ended<br>September 30, 2006 | Net Sales<br>to<br>External<br>Customers | Net Sales<br>to<br>Other<br>Segments | Total Net<br>Sales | Segment<br>Profit | Goodwill          |
|--------------------------------------------------|------------------------------------------|--------------------------------------|--------------------|-------------------|-------------------|
| U.S. Operations                                  | \$ 149,232                               | \$ 11,296                            | \$ 160,528         | \$ 21,906         | \$ 272,811        |
| Swiss Operations                                 | 23,910                                   | 59,916                               | 83,826             | 16,400            | 23,507            |
| Western European Operations                      | 127,669                                  | 19,319                               | 146,988            | 10,928            | 115,028           |
| Chinese Operations                               | 35,552                                   | 16,453                               | 52,005             | 11,502            | 1,844             |
| Other (a)                                        | 60,955                                   | 122                                  | 61,077             | 5,729             | 17,957            |
| Eliminations and Corporate (b)                   |                                          | (107,106)                            | (107,106)          | (10,648)          |                   |
| <b>Total</b>                                     | <b>\$ 397,318</b>                        | <b>\$</b>                            | <b>\$ 397,318</b>  | <b>\$ 55,817</b>  | <b>\$ 431,147</b> |

| For the nine months ended<br>September 30, 2006 | Net Sales to<br>External<br>Customers | Net Sales to<br>Other<br>Segments | Total Net<br>Sales  | Segment<br>Profit |
|-------------------------------------------------|---------------------------------------|-----------------------------------|---------------------|-------------------|
| U.S. Operations                                 | \$ 426,200                            | \$ 35,062                         | \$ 461,262          | \$ 62,228         |
| Swiss Operations                                | 68,134                                | 173,779                           | 241,913             | 46,755            |
| Western European Operations                     | 377,176                               | 54,296                            | 431,472             | 30,825            |
| Chinese Operations                              | 91,434                                | 51,598                            | 143,032             | 32,535            |
| Other (a)                                       | 169,691                               | 56                                | 169,747             | 13,792            |
| Eliminations and Corporate (b)                  |                                       | (314,791)                         | (314,791)           | (37,751)          |
| <b>Total</b>                                    | <b>\$ 1,132,635</b>                   | <b>\$</b>                         | <b>\$ 1,132,635</b> | <b>\$ 148,384</b> |

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

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

A reconciliation of earnings before taxes to segment profit for the three and nine month periods ended September 30 follows:

|                             | Three Months Ended |                  | Nine Months Ended |                   |
|-----------------------------|--------------------|------------------|-------------------|-------------------|
|                             | 2007               | 2006             | 2007              | 2006              |
| Earnings before taxes       | \$ 58,392          | \$ 50,056        | \$ 156,283        | \$ 133,587        |
| Amortization                | 2,825              | 2,793            | 8,708             | 8,498             |
| Interest expense            | 5,515              | 4,409            | 14,977            | 12,835            |
| Other charges (income), net | 58                 | (1,441)          | (688)             | (6,536)           |
| <b>Segment profit</b>       | <b>\$ 66,790</b>   | <b>\$ 55,817</b> | <b>\$ 179,280</b> | <b>\$ 148,384</b> |



**Table of Contents**

**METTLER-TOLEDO INTERNATIONAL INC.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
At September 30, 2007 Unaudited (Continued)**

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

**9. RELATED PARTY TRANSACTIONS**

As part of the Rainin acquisition, the Company entered into an agreement to lease certain property from the former owner of Rainin. The Company made lease payments in respect of this agreement of \$0.7 million and \$0.6 million during the three months ended September 30, 2007 and 2006, respectively, and \$1.9 million for both of the nine month periods ended September 30, 2007 and 2006. All of the Company's transactions with the former owner of Rainin were in the normal course of business.

**10. CONTINGENCIES**

The Company is party to various legal proceedings, including certain environmental matters, incidental to the normal course of business. Management does not expect that any of such proceedings will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

-16-

---

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

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

**General**

Our interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a basis which reflects the interim consolidated financial statements of Mettler-Toledo International Inc. Operating results for the three and nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year ending December 31, 2007.

**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, 2007 and 2006 (amounts in thousands).

|                                     | Three months ended September 30, |       |             |       | Nine months ended September 30, |       |              |       |
|-------------------------------------|----------------------------------|-------|-------------|-------|---------------------------------|-------|--------------|-------|
|                                     | 2007                             |       | 2006        |       | 2007                            |       | 2006         |       |
|                                     | (unaudited)                      | %     | (unaudited) | %     | (unaudited)                     | %     | (unaudited)  | %     |
| Net sales                           | \$ 442,600                       | 100.0 | \$ 397,318  | 100.0 | \$ 1,260,907                    | 100.0 | \$ 1,132,635 | 100.0 |
| Cost of sales                       | 223,591                          | 50.5  | 203,261     | 51.2  | 635,328                         | 50.4  | 575,803      | 50.8  |
| Gross profit                        | 219,009                          | 49.5  | 194,057     | 48.8  | 625,579                         | 49.6  | 556,832      | 49.2  |
| Research and development            | 22,699                           | 5.1   | 20,478      | 5.2   | 66,489                          | 5.3   | 60,979       | 5.4   |
| Selling, general and administrative | 129,520                          | 29.3  | 117,762     | 29.6  | 379,810                         | 30.1  | 347,469      | 30.7  |
| Amortization                        | 2,825                            | 0.6   | 2,793       | 0.7   | 8,708                           | 0.7   | 8,498        | 0.8   |
| Interest expense                    | 5,515                            | 1.3   | 4,409       | 1.1   | 14,977                          | 1.2   | 12,835       | 1.1   |
| Other charges                       |                                  |       |             |       |                                 |       |              |       |
| (income), net                       | 58                               | 0.0   | (1,441)     | (0.4) | (688)                           | (0.1) | (6,536)      | (0.6) |
| Earnings before taxes               | 58,392                           | 13.2  | 50,056      | 12.6  | 156,283                         | 12.4  | 133,587      | 11.8  |
| Provision for taxes                 |                                  |       |             |       |                                 |       |              |       |
| (a)                                 | 14,620                           | 3.3   | 3,016       | 0.8   | 41,050                          | 3.3   | 28,075       | 2.5   |
| Net earnings                        | \$ 43,772                        | 9.9   | \$ 47,040   | 11.8  | \$ 115,233                      | 9.1   | \$ 105,512   | 9.3   |

## Notes:

- (a) Includes \$1.1 million of discrete tax items for the three and nine months ended September 30, 2007. The discrete items include a benefit of \$3.4 million

related to the favorable resolution of certain tax matters and other adjustments related to prior years, which was partially offset by a charge of \$2.3 million primarily related to a tax law change in Germany.

The three and nine months ended September 30, 2006 include net tax benefits related to a legal reorganization that resulted in a reduction of the estimated annual effective tax rate from 30% to 27% and \$10.5 and \$8.0 million of discrete tax items, respectively. The discrete items for the nine months ended September 30, 2006 include a benefit of \$2.9 million, net, associated with the legal reorganization and a benefit of \$5.1 million from a favorable

tax law change.  
The three  
months ended  
September 30,  
2006 also  
include a  
cumulative tax  
benefit  
adjustment of  
\$2.5 million  
related to the tax  
rate change  
associated with  
the six month  
period ended  
June 30, 2006.

-17-

---

## **Table of Contents**

### *Net sales*

Net sales were \$442.6 million and \$1,260.9 million for the three and nine months ended September 30, 2007, compared to \$397.3 million and \$1,132.6 million for the corresponding periods in 2006. This represents an increase in U.S. dollars of 11% for the three and nine months ended September 30, 2007. Excluding the effect of currency exchange rate fluctuations, or in local currencies, net sales increased 7% for the three and nine months ended September 30, 2007.

During the three and nine months ended September 30, 2007, our net sales by geographic destination in local currencies increased by 4% and 6% in the Americas, by 5% in both periods in Europe and by 18% and 14% in Asia/Rest of World. A discussion of sales by operating segment is included below.

As described in Note 15 to our consolidated financial statements for the year ending December 31, 2006, our net sales comprise product sales of precision instruments and related services. Service revenues are primarily derived from regulatory compliance qualification, calibration, certification and repair services, much of which is provided under separately priced contracts, as well as sales of spare parts.

Net sales of products increased in U.S. dollars by 11% during the three and nine months ended September 30, 2007, respectively, compared to the corresponding period and by 7% respectively in local currencies. Service revenue (including spare parts) increased in U.S. dollars by 12% and 11% during the three and nine months ended September 30, 2007, respectively, compared to the corresponding periods and by 8% and 7% respectively in local currencies.

Net sales for our laboratory-related products increased 8% and 7% in local currencies during the three and nine months ended September 30, 2007, principally driven by growth across most product categories, especially analytical instruments, process analytics and laboratory balances.

Net sales of our industrial-related products increased 10% in local currencies for the three and nine months ended September 30, 2007, particularly due to growth in our core industrial and product inspection products during the nine months ended September 30, 2007.

In our food retailing markets, net sales decreased 5% and increased 1% in local currencies during the three and nine months ended September 30, 2007, respectively. The sales decrease for the three months ended September 30, 2007 is primarily related to difficult comparisons associated with strong project activity in the Americas during 2006. The year-to-date sales increase is primarily due to increased sales in Asia offset in part by difficult comparisons associated with strong project activity in Europe and the Americas during 2006.

### *Gross profit*

Gross profit as a percentage of net sales was 49.5 % and 49.6% for the three and nine months ended September 30, 2007, compared to 48.8% and 49.2% for the corresponding periods in 2006.

Gross profit as a percentage of net sales for products was 53.4% and 53.8% for the three and nine months ended September 30, 2007, compared to 52.2% and 53.0% for the corresponding periods in 2006.

Gross profit as a percentage of net sales for services (including spare parts) was 36.3% and 35.8% for the three and nine months ended September 30, 2007, compared to 37.3% and 36.5% for the corresponding periods in 2006.

## **Table of Contents**

The increase in gross profit reflects several factors, including increased sales volume leveraging our fixed production costs, favorable product mix and our cost rationalization initiatives. These benefits are partly offset by increased steel prices and investments in our field service organization.

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

Research and development expenses increased 7% and 6%, in local currencies, during the three and nine months ended September 30, 2007, respectively, compared to the corresponding periods in 2006. Our research and development spending levels reflect increased research and development investments.

Selling, general and administrative expenses increased 6% and 5%, in local currencies, during the three and nine months ended September 30, 2007, respectively, compared to the corresponding periods in 2006. This is primarily due to continued sales and marketing investments, especially in China and other emerging market countries, as well as higher performance-related compensation costs. These increases are partly offset by savings from our cost reduction programs implemented during the second half of 2006.

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

Interest expense was \$5.5 million and \$15.0 million for the three and nine months ended September 30, 2007, respectively, and \$4.4 million and \$12.8 million for the corresponding periods in 2006. The increase is due to higher average borrowing rates in 2007 offset in part by reduced borrowings in the comparable periods in 2006.

Other charges (income), net consists primarily of interest income, as well as (gains) losses from foreign currency transactions, and other items. The decrease in other charges (income), net for the three and nine months ended September 30, 2007 compared to the prior year is due to lower interest income associated with the decrease in cash balances resulting from share repurchases. For the three and nine months ended September 30, 2006, other income, net includes increased interest income associated with higher cash balances in the U.S. as a result of our foreign earnings repatriation during 2005 associated with the American Jobs Creation Act of 2004.

The provision for taxes is based upon our projected annual effective tax rate of 27% for the three and nine months ended September 30, 2007 and 2006. During the third quarter of 2007, the Company recorded certain discrete tax items which resulted in a net tax benefit of \$1.1 million. The discrete items include a benefit of \$3.4 million related to the favorable resolution of certain tax matters and other adjustments related to prior years, which was partially offset by a charge of \$2.3 million primarily due to a tax law change in Germany. The net impact of the items described above decreased the effective tax rate to 25.0% and 26.3% for the three and nine months ended September 30, 2007, respectively.

During the third quarter of 2006, the Company implemented a legal reorganization that resulted in a reduction of the estimated annual effective tax rate before discrete items from 30% to approximately 27%. In addition to the change in the Company's estimated annual effective tax rate, the Company recorded four discrete tax items: a charge of \$10.5 million related to the establishment of a valuation allowance on foreign tax credit carryforwards, a benefit of \$13.4 million associated with a reduction of a liability previously established for estimated costs to repatriate unremitted earnings of foreign subsidiaries, a favorable tax law change resulting in a

**Table of Contents**

benefit of \$5.1 million and a cumulative tax benefit adjustment of \$2.5 million, associated with the six months ended June 30, 2006, for the estimated annual effective tax rate change described above. The net impact of the items described above decreased the effective tax rate to 6.0% and 21.0% for the three and nine months ended September 30, 2006, respectively.

**Results of Operations by Operating Segment**

The following is a discussion of the financial results of our operating segments. We currently have five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other. A more detailed description of these segments is outlined in Note 15 to our consolidated financial statements for the year ending December 31, 2006.

-20-

---

**Table of Contents***U.S. Operations*

|                                 | Three months ended September 30 |            |                 | Nine months ended September 30 |            |                 |
|---------------------------------|---------------------------------|------------|-----------------|--------------------------------|------------|-----------------|
|                                 | 2007                            | 2006       | % <sup>1)</sup> | 2007                           | 2006       | % <sup>1)</sup> |
| Total net sales                 | \$ 168,485                      | \$ 160,528 | 5%              | \$ 487,437                     | \$ 461,262 | 6%              |
| Net sales to external customers | \$ 155,425                      | \$ 149,232 | 4%              | \$ 449,743                     | \$ 426,200 | 6%              |
| Segment profit                  | \$ 27,901                       | \$ 21,906  | 27%             | \$ 73,089                      | \$ 62,228  | 17%             |

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

The increase in total net sales and net sales to external customers for the three and nine months ended September 30, 2007 reflects growth across most product lines, particularly our industrial and product inspection products. The increase in sales for the three months ended September 30, 2007 were partially offset by a decrease in sales of our food retailing products due to difficult comparisons associated with strong project activity in the Americas during 2006.

Segment profit increased \$6.0 million and \$10.9 million for the three and nine month periods ended September 30, 2007, respectively, compared to the corresponding periods in 2006. The increase in segment profit was primarily due to increased sales volume, leveraging our fixed production costs and benefits of our cost reduction programs. Segment profit for the nine months ended September 30, 2007 also benefited from the resolution of two legal matters, which were partially offset by a loss on the sale of our SFC (Supercritical Fluid Chromatography) product line within our laboratory-related products.

*Swiss Operations*

|                                 | Three months ended September 30 |           |                 | Nine months ended September 30 |            |                 |
|---------------------------------|---------------------------------|-----------|-----------------|--------------------------------|------------|-----------------|
|                                 | 2007                            | 2006      | % <sup>1)</sup> | 2007                           | 2006       | % <sup>1)</sup> |
| Total net sales                 | \$ 94,388                       | \$ 83,826 | 13%             | \$ 271,923                     | \$ 241,913 | 12%             |
| Net sales to external customers | \$ 26,942                       | \$ 23,910 | 13%             | \$ 74,964                      | \$ 68,134  | 10%             |
| Segment profit                  | \$ 20,696                       | \$ 16,400 | 26%             | \$ 55,800                      | \$ 46,755  | 19%             |

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

Total net sales in local currency increased 11% and 9% for the three and nine month periods ended September 30, 2007. Net sales to external customers in local currency increased 9% and 7% for the same periods versus the prior year comparable period. The increase in sales to external customers relates to continued growth in our laboratory-related products. We also continue to experience strong export sales growth to emerging markets for the nine months ended September 30, 2007.

Segment profit increased \$4.3 million and \$9.0 million for the three and nine month periods ended September 30, 2007, respectively, compared to the corresponding periods in 2006. The increase in segment profit in 2007 is primarily due to increased sales volume, favorable product mix, and favorable currency translation fluctuations, partially offset by increased research and development investments.



**Table of Contents***Western European Operations*

|                                 | Three months ended September 30 |            |                 | Nine months ended September 30 |            |                 |
|---------------------------------|---------------------------------|------------|-----------------|--------------------------------|------------|-----------------|
|                                 | 2007                            | 2006       | % <sup>1)</sup> | 2007                           | 2006       | % <sup>1)</sup> |
| Total net sales                 | \$ 163,674                      | \$ 146,988 | 11%             | \$ 487,010                     | \$ 431,472 | 13%             |
| Net sales to external customers | \$ 144,056                      | \$ 127,669 | 13%             | \$ 427,908                     | \$ 377,176 | 13%             |
| Segment profit                  | \$ 11,402                       | \$ 10,928  | 4%              | \$ 37,517                      | \$ 30,825  | 22%             |

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

Total net sales increased 5% in local currency for the three and nine months ended September 30, 2007. Net sales in local currency to external customers increased 5% for the three and nine month periods compared to the corresponding periods in 2006, primarily due to strong sales growth in our product inspection products and laboratory products due to benefits from our sales and marketing initiatives as well as improved market conditions, offset in part by a decline in food retailing products related to strong project activity in the prior year. The nine months ended September 30, 2007 also included strong sales in our core industrial products.

Segment profit increased \$0.5 million and \$6.7 million for the three and nine month periods ended September 30, 2007, respectively, compared to the corresponding periods in 2006. The increase in segment profit is principally a result of increased sales volume leveraging our fixed production costs, favorable product mix, favorable currency translation fluctuations and benefits of our cost reduction programs, partially offset by charges associated with cost reduction initiatives.

*Chinese Operations*

|                                 | Three months ended September 30 |           |                 | Nine months ended September 30 |            |                 |
|---------------------------------|---------------------------------|-----------|-----------------|--------------------------------|------------|-----------------|
|                                 | 2007                            | 2006      | % <sup>1)</sup> | 2007                           | 2006       | % <sup>1)</sup> |
| Total net sales                 | \$ 67,891                       | \$ 52,005 | 31%             | \$ 180,213                     | \$ 143,032 | 26%             |
| Net sales to external customers | \$ 45,476                       | \$ 35,552 | 28%             | \$ 115,510                     | \$ 91,434  | 26%             |
| Segment profit                  | \$ 15,079                       | \$ 11,502 | 31%             | \$ 39,134                      | \$ 32,535  | 20%             |

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

Total net sales in local currency increased 24% and 21% and net sales to external customers increased 21% for the three and nine months ended September 30, 2007 as compared to the corresponding periods in 2006. These increases were due to continued sales growth for all product lines, in particular industrial-related products

Segment profit increased \$3.6 million and \$6.6 million for the three and nine month periods ended September 30, 2007, respectively, compared to the corresponding periods in 2006. The increase in segment profit is primarily due to the continued improvement in sales volume, partially offset by continued investments in sales and marketing and investments in research and development.

**Table of Contents***Other*

|                                 | Three months ended September 30 |           |                 | Nine months ended September 30 |            |                 |
|---------------------------------|---------------------------------|-----------|-----------------|--------------------------------|------------|-----------------|
|                                 | 2007                            | 2006      | % <sup>1)</sup> | 2007                           | 2006       | % <sup>1)</sup> |
| Total net sales                 | \$ 71,499                       | \$ 61,077 | 17%             | \$ 195,307                     | \$ 169,747 | 15%             |
| Net sales to external customers | \$ 70,701                       | \$ 60,955 | 16%             | \$ 192,782                     | \$ 169,691 | 14%             |
| Segment profit                  | \$ 7,229                        | \$ 5,729  | 26%             | \$ 16,709                      | \$ 13,792  | 21%             |

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

Total net sales in local currency increased 11% and net sales to external customers in local currency increased 10% and 9% for the three and nine months ended September 30, 2007 compared to the previous year comparable periods. This performance reflects increased sales growth across most product lines in our Other Asian Pacific, Eastern European and Other North American markets.

Segment profit increased \$1.5 million and \$2.9 million during the three and nine months ended September 30, 2007, primarily due to strong sales volume and benefits from our cost reduction programs, partially offset by costs associated with a contractual termination during the nine months ended September 30, 2007.

**Liquidity and Capital Resources**

Liquidity is our ability to generate sufficient cash flows from operating activities to meet our obligations and commitments as well as our ability to obtain appropriate financing. Currently, our financing requirements are primarily driven by working capital requirements, capital expenditures, share repurchases and acquisitions.

Cash provided by operating activities totaled \$169.1 million in the nine months ended September 30, 2007, compared to \$139.7 million in the corresponding period in 2006. The increase in 2007 resulted principally from improved operating results and a reduction in tax payments which included a \$6 million tax refund, offset in part by approximately \$11 million of higher payments related to 2006 performance related compensation incentives (bonus payments) compared to the corresponding period in 2006. Operating cash flows for the nine months ended September 30, 2007 and 2006 excludes excess tax benefits from share-based payment arrangements of \$5.2 million and \$8.2 million, respectively. These benefits have been classified as financing activities pursuant to SFAS 123R.

We continue to explore potential acquisitions. In connection with any acquisition, we may incur additional indebtedness.

Capital expenditures are a significant use of funds and are made primarily for investments in information systems and technology, machinery, equipment and the purchase and expansion of facilities. Our capital expenditures totaled \$24.8 million for the nine months ended September 30, 2007 compared to \$20.6 million in the corresponding period in 2006. The increase in our capital expenditures is particularly related to investments associated with our new Chinese facility. We expect capital expenditures to increase as our business grows, and to fluctuate as currency exchange rates change.

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

Our short-term borrowings and long-term debt consisted of the following at September 30, 2007.

|                                                   | U.S dollar | Other principal trading currencies | Total      |
|---------------------------------------------------|------------|------------------------------------|------------|
| \$150m Senior notes (net of unamortized discount) | \$ 149,826 | \$                                 | \$ 149,826 |
| Credit facility                                   | 91,285     | 106,888                            | 198,173    |
| Other local arrangements (long-term)              |            | 11,291                             | 11,291     |
| Total long-term debt                              | 241,111    | 118,179                            | 359,290    |
| Other local arrangements (short-term)             |            | 12,512                             | 12,512     |
| Total debt                                        | \$ 241,111 | \$ 130,691                         | \$ 371,802 |

As of September 30, 2007, we had \$241.8 million of availability remaining under our credit facility. Changes in exchange rates between the currencies in which we generate cash flows and the currencies in which our borrowings are denominated affect our liquidity. In addition, because we borrow in a variety of currencies, our debt balances fluctuate due to changes in exchange rates.

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

*Share repurchase program*

We have a share repurchase program. Under the program, we are authorized to buy back up to \$900 million of equity shares. As of September 30, 2007, there were \$116.6 million of remaining equity shares authorized to be repurchased under the plan by December 31, 2008. The share repurchases are expected to be funded from cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the timing will depend on the level of acquisition activity, business and market conditions, the stock price, trading restrictions and other factors. We have purchased 12.3 million shares since the inception of the program through September 30, 2007.

We spent \$249.1 million and \$182.4 million on the repurchase of 2,710,531 shares and 3,008,300 shares at an average price per share of \$91.86 and \$60.62 during the nine months ended September 30, 2007 and 2006, respectively, as well as an additional \$5.4 million and \$4.2 million during the nine month periods ended September 30, 2007 and 2006, respectively, relating to the settlement of the liability for shares repurchased as of December 31, 2006 and 2005. See Part II Item 2 regarding details of the share repurchase program for the three months ended September 30, 2007. We reissued 339,015 shares and 896,899 shares held in treasury for the exercise of stock options for the nine months ended September 30, 2007 and 2006, respectively.

**Effect of Currency on Results of Operations**

We conduct operations in many countries and, as a result, our operating income can be significantly affected by fluctuations in currency exchange rates. Swiss franc-denominated expenses represent a much greater percentage of our operating expenses than Swiss franc-denominated sales represent of our net sales. In part, this is because most of our manufacturing costs in Switzerland relate to products that are sold outside Switzerland. We also incur a substantial percentage of our research and development expenses and general and administrative expenses in Switzerland. If the Swiss franc strengthens against all or most of our major trading currencies (e.g., the U.S. dollar, the euro, other major European currencies and the Japanese yen), our operating profit is reduced. We also have significantly more sales in European currencies (other than the Swiss franc) than we have

## **Table of Contents**

expenses in those currencies. When European currencies weaken against the U.S. dollar and the Swiss franc, it also decreases our operating profits. Accordingly, the Swiss franc exchange rate to the euro is an important cross-rate monitored by the Company. We estimate that a 1% strengthening of the Swiss franc against the euro would result in a decrease in our earnings before tax of approximately \$1.1 million on an annual basis. In addition to the effects of exchange rate movements on operating profits, our debt levels can fluctuate due to changes in exchange rates, particularly between the U.S. dollar and the Swiss franc. Based on our outstanding debt at September 30, 2007, 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 \$14.5 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 ending December 31, 2006.

### **Forward-Looking Statements and Associated Risks**

Some of the statements in this quarterly report constitute forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. These statements relate to future events or our future financial performance, including, but not limited to, strategic plans, annual amortization expense, outcome of litigation, effect of potential loss of licensed rights, potential growth opportunities in both developed markets and emerging markets, planned research and development efforts, product introductions and innovation, manufacturing capacity, expected customer demand, meeting customer expectations, planned operational changes and productivity improvements, research and development expenditures, competitors product development, expected capital expenditures, source of funding, method and timing of share repurchases, timing and effect of potential exercises of options, future cash sources and requirements, liquidity, impact of taxes, impact of changes in tax laws, expected compliance with laws, impact of environmental costs and environmental proceedings, expected pension contribution, expected cost savings and benefits of completed or future acquisitions, which involve known and unknown risks, impact of currency fluctuations, uncertainties and other factors that may cause our or our businesses actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as may, will, could, would, should, expect, plan, anticipate, intend, believe, estimate, predict, potential or continue or the negative or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. Moreover, we do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. Unless otherwise required by applicable laws, we disclaim any intention or obligation to publicly update or revise any of the forward-looking statements after the date of this quarterly report to conform them to actual results, whether as a result of new information, future events, or otherwise. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the caption, Factors affecting our future operating results in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006, which describes risks and factors that could cause results to differ materially from those projected in those forward-looking statements.

We caution the reader that the above list of risks and factors that may affect results addressed in the forward-looking statements may not be exhaustive. Other sections of this quarterly

**Table of Contents**

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

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

As of September 30, 2007, 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, 2006.

**Item 4. Controls and Procedures**

Our management carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report under the supervision and with the participation of our disclosure committee, our Chief Financial Officer ( CFO ) and Chief Executive Officer ( CEO ). Based upon that evaluation, our CFO and CEO concluded that our disclosure controls and procedures are effective in permitting us to comply with our disclosure obligations and ensure that the material information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. There were no changes in our internal controls over financial reporting during the three months ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, our controls over financial reporting.

-26-

---

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

For the nine months ended September 30, 2007 there were no material changes from risk factors as disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

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

|                                   | (a)<br>Total<br>Number of<br>Shares<br>Purchased | (b)<br>Average<br>Price<br>Paid<br>per Share | (c)<br>Total<br>Number of<br>Shares<br>Purchased<br>as Part<br>of Publicly<br>Announced<br>Plans or<br>Programs | (d)<br>Maximum<br>Number (or<br>Approximate<br>Dollar<br>Value) of<br>Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs<br>(amounts<br>in thousands) |
|-----------------------------------|--------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| July 1 to July 31, 2007           | 210,000                                          | \$ 97.48                                     | 210,000                                                                                                         | \$ 204,753                                                                                                                                                                     |
| August 1 to August 31, 2007       | 656,931                                          | \$ 92.00                                     | 656,931                                                                                                         | \$ 144,298                                                                                                                                                                     |
| September 1 to September 30, 2007 | 287,600                                          | \$ 96.19                                     | 287,600                                                                                                         | \$ 116,626                                                                                                                                                                     |
| Total                             | 1,154,531                                        | \$ 94.04                                     | 1,154,531                                                                                                       | \$ 116,626                                                                                                                                                                     |

The Company has a share repurchase program that was announced in 2004. Under the program, the Company has been authorized to buy back up to \$900 million of equity shares. As of September 30, 2007, there were \$116.6 million of remaining equity shares authorized to be repurchased under the plan by December 31, 2008. The Company has purchased 12.3 million shares since the inception of the program through September 30, 2007.

The Company spent \$249.1 million and \$182.4 million on the repurchase of 2,710,531 shares and 3,008,300 shares at an average price per share of \$91.86 and \$60.62 during the nine months ended September 30, 2007 and 2006, respectively, as well as an additional \$5.4 million and \$4.2 million during the nine month periods ended September 30, 2007 and 2006, respectively, relating to the settlement of the liability for shares repurchased as of December 31, 2006 and 2005. The Company reissued 339,015 shares and 896,899 shares held in treasury for the exercise of stock options for the nine months ended September 30, 2007 and 2006, respectively.

**Table of Contents**

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

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

Item 5. **Other information.** None

Item 6. **Exhibits.**

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

-28-

---

**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 2, 2007

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

-29-