METTLER TOLEDO INTERNATIONAL INC/
Form 10-Q
July 27, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012, OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____________ TO ________________
Commission File Number: 1-13595
Mettler-Toledo International Inc.

(Exact name of registrant as specified in its charter)

Delaware	13-3668641
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

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

(Address of principal executive offices)
(Zip Code)

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

(Registrant's telephone number, including area code)

not applicable

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

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

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

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer. X Accelerated filer __ Non-accelerated filer __ (Do not check if a smaller reporting company)Smaller reporting company __

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

The Registrant had 31,026,152 shares of Common Stock outstanding at June 30, 2012.

METTLER-TOLEDO INTERNATIONAL INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Three months ended June 30, 2012 and 2011
(In thousands, except share data)
(unaudited)

	June 30, 2012	June 30, 2011
Net sales		
Products	$450,079	$439,321
Service	120,204	121,767
Total net sales	570,283	561,088
Cost of sales		
Products	198,612	189,253
Service	72,663	75,644
Gross profit	299,008	296,191
Research and development	27,966	29,605
Selling, general and administrative	169,985	172,054
Amortization	5,357	4,325
Interest expense	5,706	5,692
Restructuring charges	7,835	1,971
Other charges (income), net	433	1,207
Earnings before taxes	81,726	81,337
Provision for taxes	20,022	21,149
Net earnings	$61,704	$60,188
Basic earnings per common share:		
Net earnings	$1.97	$1.88
Weighted average number of common shares	31,267,660	31,997,850
Diluted earnings per common share:		
Net earnings	$1.93	$1.82
Weighted average number of common and common equivalent shares	32,038,928	33,013,887
Comprehensive income, net of tax (Note 2)	$36,969	$97,326

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Six months ended June 30, 2012 and 2011
(In thousands, except share data)
(unaudited)

	June 30, 2012	June 30, 2011
Net sales		
Products	$870,070	$826,395
Service	235,613	233,459
Total net sales	1,105,683	1,059,854
Cost of sales		
Products	386,457	356,966
Service	143,116	145,190
Gross profit	576,110	557,698
Research and development	56,633	55,956
Selling, general and administrative	337,626	333,432
Amortization	10,556	7,947
Interest expense	11,529	11,403
Restructuring charges	8,143	2,469
Other charges (income), net	589	1,876
Earnings before taxes	151,034	144,615
Provision for taxes	37,003	37,600
Net earnings	$114,031	$107,015
Basic earnings per common share:		
Net earnings	$3.63	$3.33
Weighted average number of common shares	31,399,788	32,144,223
Diluted earnings per common share:		
Net earnings	$3.54	$3.23
Weighted average number of common and common equivalent shares	32,212,927	33,152,760
Comprehensive income, net of tax (Note 2)	$110,087	$163,069

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED BALANCE SHEETS
As of June 30, 2012 and December 31, 2011
(In thousands, except share data)
(unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$134,766	$235,601
Trade accounts receivable, less allowances of $12,243 at June 30, 2012 and $12,317 at December 31, 2011	397,238	425,147
Inventories	217,231	241,421
Current deferred tax assets, net	51,491	51,125
Other current assets and prepaid expenses	60,250	65,569
Total current assets	860,976	1,018,863
Property, plant and equipment, net	427,666	410,007
Goodwill	446,280	447,743
Other intangible assets, net	118,439	121,410
Non-current deferred tax assets, net	114,651	118,899
Other non-current assets	87,614	86,552
Total assets	$2,055,626	$2,203,474
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$129,988	$168,109
Accrued and other liabilities	98,419	100,320
Accrued compensation and related items	95,323	139,940
Deferred revenue and customer prepayments	95,691	99,584
Taxes payable	58,587	55,139
Current deferred tax liabilities	17,919	18,452
Short-term borrowings and current maturities of long-term debt	27,075	28,300
Total current liabilities	523,002	609,844
Long-term debt	431,730	476,715
Non-current deferred tax liabilities	120,664	125,833
Other non-current liabilities	205,256	209,945
Total liabilities	1,280,652	1,422,337
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, $0.01 par value per share; authorized 10,000,000 shares	—	—
Common stock, $0.01 par value per share; authorized 125,000,000 shares; issued 44,786,011 and 44,786,011 shares; outstanding 31,026,152 and 31,590,101 shares at June 30, 2012 and December 31, 2011, respectively	448	448
Additional paid-in capital	622,454	616,202
Treasury stock at cost (13,759,859 shares at June 30, 2012 and 13,195,910 shares at December 31, 2011)	(1,341,120)	(1,225,125)
Retained earnings	1,584,074	1,476,550
Accumulated other comprehensive income (loss)	(90,882)	(86,938)

Total shareholders’ equity	774,974	781,137
Total liabilities and shareholders’ equity	$2,055,626	$2,203,474

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Six months ended June 30, 2012 and twelve months ended December 31, 2011
(In thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-in	Treasury	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Stock	Earnings	Income (Loss)	Total
Balance at December 31, 2010	32,425,315	$448	$597,195	$(1,057,390)	$1,223,130	$ 8,201	$771,584
Exercise of stock options and restricted stock units	450,613	—	—	36,843	(16,073)	—	20,770
Repurchases of common stock	(1,285,827)	—	—	(204,578)	—	—	(204,578)
Tax benefit resulting from exercise of certain employee stock options	—	—	6,737	—	—	—	6,737
Share-based compensation	—	—	12,270	—	—	—	12,270
Net earnings	—	—	—	—	269,493	—	269,493
Other comprehensive income (loss), net of tax (Note 2)	—	—	—	—	—	(95,139)	(95,139)
Balance at December 31, 2011	31,590,101	$448	$616,202	$(1,225,125)	$1,476,550	$ (86,938)	$781,137
Exercise of stock options and restricted stock units	233,146	—	—	19,771	(6,507)	—	13,264
Repurchases of common stock	(797,095)	—	—	(135,766)	—	—	(135,766)
Tax benefit resulting from exercise of certain employee stock options	—	—	298	—	—	—	298
Share-based compensation	—	—	5,954	—	—	—	5,954
Net earnings	—	—	—	—	114,031	—	114,031
Other comprehensive income (loss), net of tax (Note 2)	—	—	—	—	—	(3,944)	(3,944)
Balance at June 30, 2012	31,026,152	$448	$622,454	$(1,341,120)	$1,584,074	$ (90,882)	$774,974

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Six months ended June 30, 2012 and 2011
(In thousands)
(unaudited)

	June 30, 2012	June 30, 2011
Cash flows from operating activities:		
Net earnings	$114,031	$107,015
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	16,106	14,854
Amortization	10,556	7,947
Deferred tax benefit	(4,758)	(8,058)
Excess tax benefits from share-based payment arrangements	(340)	(4,931)
Share-based compensation	5,954	5,722
Other	1,258	(515)
Increase (decrease) in cash resulting from changes in:		
Trade accounts receivable, net	23,645	4,121
Inventories	21,832	(33,628)
Other current assets	2,220	1,229
Trade accounts payable	(37,727)	6,874
Taxes payable	4,369	(796)
Accruals and other	(45,097)	(6,281)
Net cash provided by operating activities	112,049	93,553
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	153	2,302
Purchase of property, plant and equipment	(43,233)	(40,517)
Acquisitions	(1,541)	(15,463)
Other investing activities	—	(882)
Net cash used in investing activities	(44,621)	(54,560)
Cash flows from financing activities:		
Proceeds from borrowings	99,813	46,443
Repayments of borrowings	(145,612)	(104,200)
Proceeds from stock option exercises	13,264	6,583
Repurchases of common stock	(135,766)	(114,179)
Excess tax benefits from share-based payment arrangements	340	4,931
Other financing activities	(543)	67
Net cash used in financing activities	(168,504)	(160,355)
Effect of exchange rate changes on cash and cash equivalents	241	2,548
Net decrease in cash and cash equivalents	(100,835)	(118,814)
Cash and cash equivalents:		
Beginning of period	235,601	447,577
End of period	$134,766	$328,763

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

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2012 – Unaudited
(In thousands, except share data, unless otherwise stated)

1. BASIS OF PRESENTATION

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

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include all entities in which the Company has control, which are its wholly-owned subsidiaries. The interim consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements as of June 30, 2012 and for the three and six month periods ended June 30, 2012 and 2011 should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

The accompanying interim consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the three and six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates. A discussion of the Company’s critical accounting policies is included in Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Notes to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

All intercompany transactions and balances have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Trade Accounts Receivable

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

Inventories

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

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2012 – Unaudited (Continued)
(In thousands, except share data, unless otherwise stated)

Adjustments to the cost basis of the Company's inventory are made for excess and obsolete items based on usage, orders and technological obsolescence. If actual market conditions are less favorable than those projected by management, reductions in the value of inventory may be required.

Inventories consisted of the following:

	June 30, 2012	December 31, 2011
Raw materials and parts	$97,738	$101,716
Work-in-progress	36,736	40,822
Finished goods	82,757	98,883
	$217,231	$241,421

Goodwill and Other Intangible Assets

Goodwill, representing the excess of purchase price over the net asset value of companies acquired, and indefinite-lived intangible assets are not amortized, but are reviewed for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The annual evaluation for goodwill is generally based on an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company is unable to conclude that a reporting unit is not impaired after considering the totality of events and circumstances during its qualitative assessment, the Company performs the first step of the two-step impairment test by estimating the fair value of the reporting unit and comparing the fair value to the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the Company performs the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The annual evaluation for indefinite-lived intangible assets is based on valuation models that estimate fair value based on expected future cash flows and profitability projections.

Other intangible assets include indefinite-lived assets and assets subject to amortization. Where applicable, amortization is charged on a straight-line basis over the expected period to be benefited. The straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. The Company assesses the initial acquisition of intangible assets in accordance with the provisions of ASC 805 "Business Combinations" and the continued accounting for previously recognized intangible assets and goodwill in accordance with the provisions of ASC 350 "Intangibles – Goodwill and Other" and ASC 360 "Property, Plant and Equipment."

Other intangible assets consisted of the following:

	June 30, 2012		December 31, 2011	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	$96,238	$(20,307)	$95,203	$(18,735)
Proven technology and patents	40,789	(26,433)	41,643	(25,174)
Tradename (finite life)	3,975	(1,224)	3,995	(1,072)
Tradename (indefinite life)	24,982	—	25,033	—
Other	735	(316)	743	(226)
	$166,719	$(48,280)	$166,617	$(45,207)

The Company recognized amortization expense associated with the above intangible assets of $1.9 million and $1.7 million for the three months ended June 30, 2012 and 2011, respectively and $3.7 million and $3.2 million for the six months ended June 30, 2012 and 2011, respectively. The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at $7.2 million for 2012, $5.9 million for 2013, $5.8 million for 2014, $5.1 million for 2015, $4.9 million for 2016 and $4.7 million for 2017. Purchased intangible amortization, net of tax was $1.1 million and $1.0 million for the three months ended June 30, 2012 and 2011, respectively and $2.3 million and $1.8 million for the six months ended June 30, 2012 and 2011, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of $3.4 million and $2.6 million for the three months ended June 30, 2012 and 2011, respectively and $6.7 million and $4.7 million for the six months ended June 30, 2012 and 2011, respectively.

Revenue Recognition

Revenue is recognized when title to a product has transferred and any significant customer obligations have been fulfilled. Standard shipping terms are generally FOB shipping point in most countries and, accordingly, title and risk of loss transfers upon shipment. In countries where title cannot legally transfer before delivery, the Company defers revenue recognition until delivery has occurred. The Company generally maintains the right to accept or reject a product return in its terms and conditions and also maintains appropriate accruals for outstanding credits. Shipping and handling costs charged to customers are included in total net sales and the associated expense is recorded in cost of sales for all periods presented. Other than a few small software applications, the Company does not sell software products without the related hardware instrument as the software is embedded in the instrument. The Company’s products typically require no significant production, modification or customization of the hardware or software that is essential to the functionality of the products. To the extent the Company’s solutions have a post-shipment obligation, such as customer acceptance, revenue is deferred until the obligation has been completed. The Company defers product revenue where installation is required, unless such installation is deemed perfunctory. The Company also sometimes enters into certain arrangements that require the separate delivery of multiple goods and/or services. These deliverables are accounted for separately if the deliverables have standalone value and the performance of undelivered items is probable and within the Company's control. The allocation of revenue between the separate deliverables is typically based on the relative selling price at the time of the sale in accordance with a number of factors including service technician billing rates, time to install and geographic location.

Further, certain products are also sold through indirect distribution channels whereby the distributor assumes any further obligations to the customer upon title transfer. Revenue is recognized on these products upon transfer of title and risk of loss to its distributors. Distributor discounts are offset against revenue at the time such revenue is recognized.

Service revenue not under contract is recognized upon the completion of the service performed. Spare parts sold on a stand-alone basis are recognized upon title and risk of loss transfer which is generally at the time of shipment. Revenues from service contracts are recognized ratably over the contract period. These contracts represent an obligation to perform repair and other services including regulatory compliance qualification, calibration, certification and preventative maintenance on a customer’s pre-defined equipment over the contract period. Service contracts are separately priced and payment is typically received from the customer at the beginning of the contract period.

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2012 – Unaudited (Continued)
(In thousands, except share data, unless otherwise stated)

Warranty
The Company generally offers one-year warranties on most of its products. Product warranties are recorded at the time revenue is recognized. While the Company engages in extensive product quality programs and processes, its warranty obligation is affected by product failure rates, material usage and service costs incurred in correcting a product failure. The Company’s accrual for product warranties is included in accrued and other liabilities in the consolidated balance sheets. Changes to the Company’s accrual for product warranties for the six months ended June 30 are as follows:

	June 30, 2012	June 30, 2011
Balance at beginning of period	$16,748	$15,680
Accruals for warranties	8,094	7,451
Foreign currency translation	(305)	722
Payments / utilizations	(8,444)	(7,073)
Balance at end of period	$16,093	$16,780

Employee Termination Benefits
In situations where contractual termination benefits exist, the Company records accruals for employee termination benefits when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. All other employee termination arrangements are recognized and measured at their fair value at the communication date unless the employee is required to render additional service beyond the legal notification period, in which case the liability is recognized ratably over the future service period.
Share-Based Compensation
The Company recognizes share-based compensation expense within selling, general and administrative in the consolidated statement of operations with a corresponding offset to additional paid-in capital in the consolidated balance sheet. The Company recorded $2.7 million and $6.0 million of share-based compensation expense for the three and six months ended June 30, 2012, respectively, compared to $2.5 million and $5.7 million for the corresponding periods in 2011.
Research and Development
Research and development costs primarily consist of salaries, consulting and other costs. The Company expenses these costs as incurred.

Recent Accounting Pronouncements
In January 2012, the Company adopted ASU 2011-05, to ASC 220 “Comprehensive Income,” as amended by ASU 2011-12. For interim consolidated financial reporting, the Company presents other comprehensive income in the consolidated statements of operations and comprehensive income. Additionally, as required by ASU 2011-05, the Company ceased presenting components of other comprehensive income as part of the consolidated statements of shareholders' equity and comprehensive income. The adoption of the recently issued guidance did not impact the Company's consolidated results of operations or financial position.

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2012 – Unaudited (Continued)
(In thousands, except share data, unless otherwise stated)

Comprehensive income (loss), net of tax consisted of the following for the six months ended June 30:

	June 30, 2012	June 30, 2011
Currency translation adjustment, net of tax	$(8,129)	$54,605
Net unrealized gain (loss) on cash flow hedging arrangements, net of tax	(60)	(599)
Pension and post-retirement benefit related items, net of tax	4,245	2,048
Other comprehensive income (loss), net of tax	(3,944)	56,054
Net earnings	114,031	107,015
Comprehensive income (loss), net of tax	$110,087	$163,069

In January 2012, the Company adopted ASU 2011-04, to ASC 820, "Fair Value Measurement." ASU 2011-04 changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The adoption of the recently issued guidance did not impact the Company's consolidated results of operations or financial position.

3. ACQUISITIONS

In August 2011, the Company acquired a vision inspection solutions business located in Germany for an aggregate purchase price of $19.4 million that will be integrated into the Company's product inspection product offering. The Company may be required to pay additional cash consideration up to a maximum amount of $2.4 million related to an earn-out period. Goodwill recorded in connection with this acquisition totaled $10.9 million, which is included in the Company’s Western European Operations segment. The Company also recorded $13.3 million of identified intangibles primarily pertaining to tradename, customer relationships and technology.

In March 2011, the Company completed acquisitions totaling $15.4 million, of which $12.0 million related to an X-ray inspection solutions business that will be integrated into the Company's product inspection product offering. Goodwill recorded in connection with these acquisitions totaled $4.4 million, of which $1.9 million is included in the Company's U.S. Operations segment and $2.5 million is included in the Company's Swiss Operations segment. The Company also recorded $9.9 million of identified intangibles pertaining to tradename, customer relationships and technology.

4. FINANCIAL INSTRUMENTS

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

Cash Flow Hedge

The Company has an interest rate swap agreement, designated as a cash flow hedge. The agreement is a forward-starting swap which changed the floating rate LIBOR-based interest payments associated with $100 million in forecasted borrowings under the Company’s credit facility to a fixed obligation of 3.24% beginning in October 2010. The swap is recorded in other non-current liabilities in the consolidated balance sheet at its fair value at June 30, 2012 and December 31, 2011 of $9.1 million and $9.2 million, respectively. The effective portion of the loss reclassified from accumulated other

comprehensive income (loss) to interest expense was $0.8 million for both the three month periods ended June 30, 2012 and 2011, respectively, and $1.5 million for both the six month periods ended June 30, 2012 and 2011, respectively. The amount recognized in other comprehensive income (loss) during the three month periods ended June 30, 2012 and 2011 was a loss of $0.3 million and $1.9 million, respectively, and during the six month periods ended June 30, 2012 and 2011 was a gain of $0.1 million and loss of $0.9 million, respectively. A net after tax derivative loss of $1.9 million based upon interest rates at June 30, 2012, is expected to be reclassified from other comprehensive income (loss) to earnings in the next twelve months. Through June 30, 2012 no hedge ineffectiveness has occurred in relation to this hedge.

In July 2012, the Company entered into a foreign currency forward contract (with a notional amount of $72.3 million), designated as a cash flow hedge, to hedge certain forecasted intercompany sales denominated in euro with its foreign businesses. The Company will record the effective portion of the cash flow derivative hedging gains and losses in accumulated other comprehensive income (loss), net of tax and reclassify these amounts into earnings in the period in which the transactions affect earnings.

Other Derivatives

The Company enters into foreign currency forward contracts in order to economically hedge short-term intercompany balances largely denominated in Swiss franc and other major European currencies with its foreign businesses. In accordance with U.S. GAAP, these contracts are considered “derivatives not designated as hedging instruments.” Gains or losses on these instruments are reported in current earnings. The foreign currency forward contracts were reported at their fair value in the consolidated balance sheet at June 30, 2012 and December 31, 2011 in other current assets of $0.3 million and $0.5 million, respectively, and other liabilities of $0.3 million and $0.5 million, respectively. The Company recognized in other charges (income), net, a loss of $1.6 million during the three month period and a gain of $0.3 million during the six month period ended June 30, 2012, respectively. The Company recognized a net gain of $4.4 million during the three and six month periods ended June 30, 2011. At June 30, 2012 and December 31, 2011, these contracts had a notional value of $240.8 million and $143.6 million, respectively.

5. FAIR VALUE MEASUREMENTS

At June 30, 2012 and December 31, 2011, the Company had derivative assets totaling $0.3 million and $0.5 million, respectively, and derivative liabilities totaling $9.4 million and $9.7 million, respectively. The fair values of the interest rate swap agreement and foreign currency forward contracts that economically hedge short-term intercompany balances are estimated based upon inputs from current valuation information obtained from dealer quotes and priced with observable market assumptions and appropriate valuation adjustments for credit risk. The Company has evaluated the valuation methodologies used to develop the fair values by dealers in order to determine whether such valuations are representative of an exit price in the Company’s principal market. In addition, the Company uses an internally developed model to perform testing on the valuations received from brokers. The Company has also considered both its own credit risk and counterparty credit risk in determining fair value and determined these adjustments were insignificant at June 30, 2012 and December 31, 2011.

At June 30, 2012 and December 31, 2011, the Company had $16.9 million and $13.6 million of cash equivalents, respectively, the fair value of which is determined through quoted and corroborated prices in active markets. The fair value of cash equivalents approximates cost.

Under U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement consists of observable and unobservable inputs that reflect the assumptions that a market participant would use in pricing an asset or liability.

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A fair value hierarchy has been established that categorizes these inputs into three levels:
Level 1: Quoted prices in active markets for identical assets and liabilities
Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities
Level 3: Unobservable inputs
The following table presents for each of these hierarchy levels, the Company's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2012 and December 31, 2011:

	June 30, 2012				December 31, 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$16,861	$—	$16,861	$—	$13,619	$—	$13,619	$—
Foreign currency forward contracts	329	—	329	—	545	—	545	—
Total	$17,190	$—	$17,190	$—	$14,164	$—	$14,164	$—
Liabilities:								
Interest rate swap agreement	$9,114	$—	$9,114	$—	$9,175	$—	$9,175	$—
Foreign currency forward contracts	328	—	328	—	480	—	480	—
Total	$9,442	$—	$9,442	$—	$9,655	$—	$9,655	$—

The difference between the fair value and carrying value of the Company's long-term debt is not material and is classified in Level 2 and Level 3 of the fair value hierarchy. The fair value of the Company's debt is estimated based on either similar issues or other inputs derived from available market information, including interest rates, term of debt and creditworthiness.

6. INCOME TAXES

The provision for taxes for both the three and six month periods ended June 30, 2012 is based upon the Company's projected annual effective rate of 24.5%.

7. DEBT

Debt consisted of the following at June 30, 2012:

	June 30, 2012		
	U.S. Dollar	Other Principal Trading Currencies	Total
6.30% $100 million Senior Notes	$100,000	$—	$100,000
Credit facility	326,253	5,477	331,730
Other local arrangements	—	27,075	27,075
Total debt	426,253	32,552	458,805
Less: current portion	—	(27,075)	(27,075)
Total long-term debt	$426,253	$5,477	$431,730

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As of June 30, 2012, the Company had $544.3 million of availability remaining under the credit facility.

8. SHARE REPURCHASE PROGRAM AND TREASURY STOCK

The Company has a $2.25 billion share repurchase program, of which there is $580.3 million remaining to repurchase common shares as of June 30, 2012. The share repurchases are expected to be funded from cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the amount and timing of purchases will depend on business and market conditions, the stock price, trading restrictions, the level of acquisition activity and other factors. The Company has purchased 19.3 million shares since the inception of the program through June 30, 2012.

During the six months ended June 30, 2012 and 2011, the Company spent $135.8 million and $114.2 million on the repurchase of 797,095 shares and 688,079 shares at an average price per share of $170.31 and $165.92, respectively. The Company reissued 233,146 shares and 146,898 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2012 and 2011, respectively.

9. EARNINGS PER COMMON SHARE

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

	2012	2011
Three months ended	771,268	1,016,037
Six months ended	813,139	1,008,537

Outstanding options and restricted stock units to purchase or receive 269,154 and 171,991 shares of common stock for the three month periods ended June 30, 2012 and 2011, respectively, and options and restricted stock units to purchase or receive 210,607 and 171,923 shares of common stock for the six month periods ended June 30, 2012 and 2011, respectively, have been excluded from the calculation of diluted weighted average number of common and common equivalent shares as such options and restricted stock units would be anti-dilutive.

10. NET PERIODIC BENEFIT COST

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

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other U.S. Post-retirement Benefits	
	2012	2011	2012	2011	2012	2011
Service cost, net	$114	$83	$3,588	$3,590	$83	$76
Interest cost on projected benefit obligations	1,523	1,606	5,535	6,282	135	183
Expected return on plan assets	(1,741)	(1,875)	(8,141)	(8,704)	—	—
Recognition of prior service cost	—	—	(353)	(378)	—	—
Recognition of actuarial losses/(gains)	1,916	1,276	609	291	(188)	(173)
Net periodic pension cost/(credit)	$1,812	$1,090	$1,238	$1,081	$30	$86

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

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other U.S. Post-retirement Benefits	
	2012	2011	2012	2011	2012	2011
Service cost, net	$228	$166	$7,226	$6,947	$166	$152
Interest cost on projected benefit obligations	3,046	3,212	11,139	12,196	270	366
Expected return on plan assets	(3,483)	(3,750)	(16,375)	(16,852)	—	—
Recognition of prior service cost	—	—	(710)	(727)	—	—
Recognition of actuarial losses/(gains)	3,832	2,552	1,223	576	(377)	(346)
Net periodic pension cost/(credit)	$3,623	$2,180	$2,503	$2,140	$59	$172

The Company expects to make employer contributions of approximately $3.7 million and $20.6 million to its U.S. pension plan and non-U.S. pension plans and employer contributions of approximately $1.1 million to its U.S. post-retirement medical plan during the year ended December 31, 2012. These estimates may change based upon several factors, including fluctuations in currency exchange rates, actual returns on plan assets and changes in legal requirements.

11. RESTRUCTURING CHARGES

The Company has initiated additional cost reduction measures in 2012. Estimated charges under the current program are primarily comprised of severance costs and are expected to be approximately $20 million to $25 million, of which $7.8 million and $8.1 million were recorded during the three and six months ended June 30, 2012. The program is expected to be substantially completed by the end of 2013.

A rollforward of the Company's accrual for restructuring activities for the six months ended June 30, 2012 is as follows:

	Employee Related	Other	Total
Balance at December 31, 2011	$7,469	$100	$7,569
Restructuring charges	6,290	1,853	8,143
Cash payments	(2,864)	(1,301)	(4,165)
Impact of foreign currency	(97)	—	(97)
Balance at June 30, 2012	$10,798	$652	$11,450

12. OTHER CHARGES (INCOME), NET

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

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13. SEGMENT REPORTING

As disclosed in Note 18 to the Company's consolidated financial statements for the year ended December 31, 2011, the Company has determined there are five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other.

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

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

For the three months ended June 30, 2012	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Goodwill (c)
U.S. Operations	$177,182	$16,626	$193,808	$35,403	$307,618
Swiss Operations	28,420	93,750	122,170	26,312	22,530
Western European Operations	156,284	24,838	181,122	21,978	100,859
Chinese Operations	108,479	26,122	134,601	30,931	716
Other (a)	99,918	1,345	101,263	8,506	14,557
Eliminations and Corporate (b)	—	(162,681)	(162,681)	(22,073)	—
Total	$570,283	$—	$570,283	$101,057	$446,280

For the six months ended June 30, 2012	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	$334,480	$34,737	$369,217	$59,360
Swiss Operations	60,025	191,269	251,294	55,454
Western European Operations	309,289	48,685	357,974	40,243
Chinese Operations	199,773	55,935	255,708	56,249
Other (a)	202,116	2,994	205,110	18,830
Eliminations and Corporate (b)	—	(333,620)	(333,620)	(48,285)
Total	$1,105,683	$—	$1,105,683	$181,851

For the three months ended June 30, 2011	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Goodwill (c)
U.S. Operations	$167,017	$19,412	$186,429	$30,834	$308,467
Swiss Operations	32,179	91,489	123,668	21,978	25,695
Western European Operations	167,419	26,089	193,508	20,609	98,076
Chinese Operations	95,721	34,433	130,154	34,443	695
Other (a)	98,752	1,526	100,278	10,640	14,666
Eliminations and Corporate (b)	—	(172,949)	(172,949)	(23,972)	—
Total	$561,088	$—	$561,088	$94,532	$447,599

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For the six months ended June 30, 2011	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	$315,229	$38,100	$353,329	$53,164
Swiss Operations	63,824	192,751	256,575	51,058
Western European Operations	320,279	51,677	371,956	39,076
Chinese Operations	170,558	64,770	235,328	55,132
Other (a)	189,964	2,335	192,299	20,107
Eliminations and Corporate (b)	—	(349,633)	(349,633)	(50,227)
Total	$1,059,854	$—	$1,059,854	$168,310

(a) Other includes reporting units in Eastern Europe, Latin America, Southeast Asia and other countries.
(b) Eliminations and Corporate includes the elimination of inter-segment transactions and certain corporate expenses and intercompany investments, which are not included in the Company's operating segments.
(c) Goodwill as of June 30, 2012 includes additions of $10.9 million in Western European Operations related to an acquisition in the third quarter of 2011. See Note 3 for additional information. Other goodwill changes are primarily related to foreign currency fluctuations.

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

	Three Months Ended		Six Months Ended	
	2012	2011	2012	2011
Earnings before taxes	$81,726	$81,337	$151,034	$144,615
Amortization	5,357	4,325	10,556	7,947
Interest expense	5,706	5,692	11,529	11,403
Restructuring charges	7,835	1,971	8,143	2,469
Other charges (income), net	433	1,207	589	1,876
Segment profit	$101,057	$94,532	$181,851	$168,310

During the three months ended June 30, 2012, restructuring charges of $7.8 million were recognized, of which $0.5 million, $1.3 million, $3.3 million, $0.1 million and $2.6 million related to the Company's U.S., Swiss, Western European, Chinese and Corporate operations, respectively. Restructuring charges of $2.0 million were recognized during the three months ended June 30, 2011, of which $0.3 million, $1.3 million, $0.1 million and $0.3 million related to the Company's U.S., Western European, Chinese and Other operations, respectively. Restructuring charges of $8.1 million were recognized during the six months ended June 30, 2012, of which $0.7 million, $1.3 million, $3.4 million, $0.1 million and $2.6 million related to the Company's U.S., Swiss, Western European, Chinese and Corporate operations, respectively. Restructuring charges of $2.5 million were recognized during the six months ended June 30, 2011, of which $0.6 million, $0.2 million, $1.3 million, $0.1 million and $0.3 million related to the Company's U.S., Swiss, Western European, Chinese and Other operations, respectively.

14. CONTINGENCIES

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

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

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

General

Our interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Operating results for the three and six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year ending December 31, 2012.

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

Results of Operations – Consolidated

The following tables set forth certain items from our interim consolidated statements of operations for the three and six month periods ended June 30, 2012 and 2011 (amounts in thousands).

	Three months ended June 30,				Six months ended June 30,			
	2012		2011		2012		2011	
	(unaudited)	%	(unaudited)	%	(unaudited)	%	(unaudited)	%
Net sales	$570,283	100.0	$561,088	100.0	$1,105,683	100.0	$1,059,854	100.0
Cost of sales	271,275	47.6	264,897	47.2	529,573	47.9	502,156	47.4
Gross profit	299,008	52.4	296,191	52.8	576,110	52.1	557,698	52.6
Research and development	27,966	4.9	29,605	5.3	56,633	5.1	55,956	5.3
Selling, general and administrative	169,985	29.8	172,054	30.7	337,626	30.5	333,432	31.5
Amortization	5,357	0.9	4,325	0.8	10,556	1.0	7,947	0.7
Interest expense	5,706	1.0	5,692	1.0	11,529	1.0	11,403	1.1
Restructuring charges	7,835	1.4	1,971	0.3	8,143	0.7	2,469	0.2
Other charges (income), net	433	0.1	1,207	0.2	589	0.1	1,876	0.2
Earnings before taxes	81,726	14.3	81,337	14.5	151,034	13.7	144,615	13.6
Provision for taxes	20,022	3.5	21,149	3.8	37,003	3.4	37,600	3.5
Net earnings	$61,704	10.8	$60,188	10.7	$114,031	10.3	$107,015	10.1

Net sales

Net sales were $570.3 million and $1.1 billion for the three and six months ended June 30, 2012, compared to $561.1 million and $1.1 billion for the corresponding period in 2011. This represents an increase in U.S. dollars of 2% and 4% for the three and six months ended June 30, 2012. Excluding the effect of currency exchange rate fluctuations, or in local currencies, net sales increased 6% and 7% for the three and six months ended June 30, 2012. Acquisitions contributed approximately 1% and 2% to our net sales growth for the three and six months ended June 30, 2012. The global economic environment has recently deteriorated, especially in Europe. We expect our local currency organic sales growth in 2012 will continue to be less than growth rates experienced in 2011 and 2010. We also expect local currency organic sales growth in the second half of 2012 to be lower than the first half of 2012. If the global economy further deteriorates, we would expect an adverse impact on net sales. Given economic uncertainty, it is difficult to predict the extent to which our results may be adversely affected.

Net sales by geographic destination for the three and six months ended June 30, 2012, in U.S. dollars increased 5% and 6% in the Americas and 14% and 17% in Asia/Rest of World and decreased 11% and 6% in Europe. In local currencies, our net sales by geographic destination increased 6% in the Americas, decreased 2% in Europe and increased 14% in Asia/Rest of World for the three months ended June 30, 2012. In local currencies, our net sales by geographic destination increased 6% in the Americas, remained flat in Europe and increased 16% in Asia/Rest of World for the six months ended June 30, 2012. Acquisitions contributed approximately 2% to net sales growth in Europe for the three months ended June 30, 2012 and contributed 1% and 2% in the Americas and Europe, respectively, for the six months ended June 30, 2012. A discussion of sales by operating segment is included below.

As described in Note 18 to our consolidated financial statements for the year ended December 31, 2011, our net sales comprise product sales of precision instruments and related services. Service revenues are primarily derived from repair and other services, including regulatory compliance qualification, calibration, certification, preventative maintenance and spare parts.

Net sales of products increased in U.S. dollars by 2% and 5% for the three and six months ended June 30, 2012, respectively, and in local currencies by 6% and 7%, respectively, compared to the corresponding prior periods. Service revenue (including spare parts) in U.S. dollars decreased 1% and increased 1% during the three and six months ended June 30, 2012, respectively, and increased in local currencies by 4% during both the three and six months ended June 30, 2012, compared to the corresponding prior periods.

Net sales of our laboratory-related products, which represented approximately 44% and 45% of our total net sales for the three and six months ended June 30, 2012, increased 4% and 6% in U.S. dollars during the three and six months ended June 30, 2012, and increased 8% in local currencies during both the three and six months ended June 30, 2012, respectively. The increase for the three and six months ended June 30, 2012 was driven by growth in most product categories, especially process analytics, analytical instruments and automated chemistry related to increased sales volume and favorable price realization. We expect net sales growth of our laboratory-related products (particularly in Europe) to be lower in the second half of 2012 as compared to the first half of 2012 due to unfavorable global economic conditions. It is currently difficult to predict the extent to which our results may be adversely affected.

Net sales of our industrial-related products, which represented approximately 47% and 46% of our total net sales for the three and six months ended June 30, 2012, increased 2% and 5% in U.S. dollars and increased 6% and 8% in local currencies during the three and six months ended June 30, 2012, respectively. Acquisitions contributed approximately 2% and 3% to net sales growth for the three and six months ended June 30, 2012. We experienced organic sales growth in our industrial-related products in Asia/Rest of World for the three and six months ended June 30, 2012 primarily related to increased sales volume. We also experienced organic sales growth for the three and six months ended June 30, 2012 in the Americas, especially product inspection products, despite difficult prior period comparisons. However, our European industrial-related products experienced organic sales declines in local currency during the three and six months ended June 30, 2012, related to decreased sales volume in core-industrial products, and unfavorable economic conditions. We expect net sales growth of our industrial-related products (particularly in Europe) to be lower in the second half of 2012 as compared to the first half of 2012 due to unfavorable global economic conditions. It is currently difficult to predict the extent to which our results may be adversely affected.

Net sales in our food retailing markets, which represented approximately 9% of our total net sales for both the three and six months ended June 30, 2012, decreased 11% and 7% in U.S. dollars and decreased 6% and 3% in local currencies during the three and six months ended June 30, 2012, respectively. We experienced local currency net sales declines in each geographic region during the three months ended June 30, 2012. The net sales declines were primarily related to reduced project activity as well as unfavorable economic conditions.

Gross profit

Gross profit as a percentage of net sales was 52.4% and 52.1% for the three and six months ended June 30, 2012, respectively, compared to 52.8% and 52.6% for the corresponding periods in 2011.

Gross profit as a percentage of net sales for products was 55.9% and 55.6% for the three and six months ended June 30, 2012, respectively, compared to 56.9% and 56.8% for the corresponding periods in 2011.

Gross profit as a percentage of net sales for services (including spare parts) was 39.6% and 39.3% for the three and six months ended June 30, 2012, respectively, compared to 37.9% and 37.8% for the corresponding periods in 2011.

The decrease in gross profit as a percentage of net sales for the three and six months ended June 30, 2012 was primarily due to unfavorable business and geographic mix, increased production costs, and the impact of acquisitions. These results were partly offset by benefits from increased sales volume, price increases, and favorable currency translation fluctuations.

Research and development and selling, general and administrative expenses

Research and development expenses as a percentage of net sales were 4.9% and 5.1% for the three and six months ended June 30, 2012, respectively, compared to 5.3% for both of the corresponding periods during 2011. Research and development expenses decreased 5.5% and increased 1.2% in U.S. dollars and decreased 1% and increased 3% in local currencies, during the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011 relating to the timing of research and development project and product launch activity.

Selling, general and administrative expenses as a percentage of net sales were 29.8% and 30.5% for the three and six months ended June 30, 2012, respectively, compared to 30.7% and 31.5% in the corresponding periods during 2011. Selling, general and administrative expenses decreased 1% and increased 1% in U.S. dollars during the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011. Selling, general and administrative expenses increased 3% in local currencies, during both the three and six months ended June 30, 2012, compared to the corresponding periods in 2011. The local currency increase is primarily due to increased sales and marketing investments (especially in emerging markets), offset in part by lower variable compensation.

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

Interest expense was $5.7 million and $11.5 million for the three and six months ended June 30, 2012, respectively, and $5.7 million and $11.4 million for the corresponding periods in 2011. Interest expense remained flat for the three and six months ended June 30, 2012 primarily resulting from a decrease in average borrowings offset by an increase in rates for the period.

Other charges (income), net consists primarily of interest income, (gains) losses from foreign currency transactions and other items. The decrease in other charges (income), net for the three and six months ended June 30, 2012 of $0.8 million and $1.3 million, respectively, compared to the prior year was primarily due to unfavorable foreign currency costs in the prior year period.

We also initiated additional cost reduction measures in 2012. Estimated charges under the current program are primarily comprised of severance costs and are expected to be approximately $20 million to $25 million, of which $7.8 million and $8.1 million were recorded during the three and six months ended June 30, 2012. The program is expected to be substantially completed by the end of 2013.

The provision for taxes for both the three and six month periods ended June 30, 2012 is based upon the Company's projected annual effective rate of 24.5%. Our consolidated income tax rate is lower than the U.S. statutory rate primarily because of benefits from lower-taxed non-U.S. operations. The most significant of these lower-taxed operations are in Switzerland and China.

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 18 to our consolidated financial statements for the year ended December 31, 2011.

U.S. Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	%1)	2012	2011	%1)
Total net sales	$193,808	$186,429	4 %	$369,217	$353,329	4 %
Net sales to external customers	$177,182	$167,017	6 %	$334,480	$315,229	6 %
Segment profit	$35,403	$30,834	15 %	$59,360	$53,164	12 %

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

Total net sales increased 4% for both the three and six months ended June 30, 2012, respectively, and net sales to external customers increased 6% for both the three and six months ended June 30, 2012, respectively, compared with the corresponding periods in 2011. The increase in total net sales and net sales to external customers for the three and six months ended June 30, 2012 primarily reflects strong growth in laboratory balances, analytical instruments, process analytics and product inspection products due to increased sales volume and favorable price realization. Net sales in food retailing products declined slightly during the three months ended June 30, 2012 due to reduced project activity. Acquisitions, net contributed approximately 1% to our net sales growth for the six months ended June 30, 2012.

Segment profit increased $4.6 million and $6.2 million for the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011. The increase in segment profit was primarily due to increased sales volume, favorable price realization and higher inter-segment income, partially offset by unfavorable business mix, increased production costs and investments in our field service organization.

Swiss Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	%1)	2012	2011	%1)
Total net sales	$122,170	$123,668	(1)%	$251,294	$256,575	(2)%
Net sales to external customers	$28,420	$32,179	(12)%	$60,025	$63,824	(6)%
Segment profit	$26,312	$21,978	20 %	$55,454	$51,058	9 %

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

Total net sales decreased 1% and 2% in U.S. dollars for the three and six months ended June 30, 2012, respectively. Total net sales in local currency increased 6% for the three month period ended June 30, 2012 and were flat for the six month period ended June 30, 2012, compared to the corresponding periods in 2011. Net sales to external customers decreased 12% and 6% in U.S. dollars and 5% and 4% in local currency during the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011. The decrease in local currency net sales to external customers for the three and six month period ended June 30, 2012 primarily related to volume decreases in industrial-related products and food retailing, offset in part by strong volume growth in analytical instruments. Our Swiss Operations continue to face unfavorable economic conditions and we expect our local currency sales to external customers will be adversely impacted during the second half of 2012.

Segment profit increased $4.3 million and $4.4 million for the three and six month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. The increase in segment profit for the three and six months ended June 30, 2012 resulted primarily due to increased inter-segment sales and benefits from our cost reduction activities, partially offset by unfavorable currency translation fluctuations.

Western European Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	%[1)]	2012	2011	%[1)]
Total net sales	$181,122	$193,508	(6)%	$357,974	$371,956	(4)%
Net sales to external customers	$156,284	$167,419	(7)%	$309,289	$320,279	(3)%
Segment profit	$21,978	$20,609	7 %	$40,243	$39,076	3 %

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

Total net sales decreased 6% and 4% in U.S. dollars and increased 3% in local currency for both the three and six month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. Net sales to external customers decreased 7% and 3% in U.S. dollars and increased 3% and 4% in local currency for the same periods versus the prior year comparable periods. Acquisitions contributed approximately 2% and 4% to our net sales growth for the three and six months ended June 30, 2012. Total net sales and net sales to external customers for the three and six months ended June 30, 2012 includes strong sales growth in analytical instruments due to increased volume and improved price realization, partially offset by sales volume declines in food retailing and core-industrial products. Our Western European Operations continue to face unfavorable economic conditions and we expect our local currency sales to external customers will be adversely impacted during the second half of 2012.

Segment profit increased $1.4 million and $1.2 million for the three and six month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. The increase in segment profit for the three and six months ended June 30, 2012 resulted primarily from an increase in local currency sales volume, an improved price realization, favorable business mix and benefits from our cost reduction activities, which were partially offset by unfavorable foreign currency translation fluctuations.

Chinese Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	%[1)]	2012	2011	%[1)]
Total net sales	$134,601	$130,154	3 %	$255,708	$235,328	9 %
Net sales to external customers	$108,479	$95,721	13 %	$199,773	$170,558	17 %
Segment profit	$30,931	$34,443	(10)%	$56,249	$55,132	2 %

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

Total net sales increased 3% and 9% in U.S. dollars and increased 1% and 5% in local currency during the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011. Net sales to external customers increased 13% and 17% in U.S. dollars and increased 10% and 13% in local currency during the three and six months ended June 30, 2012, respectively, as compared to the corresponding periods in 2011. The local currency increase in total net sales and net sales to external customers for the three and six month periods ended June 30, 2012 is due to increased sales volume across most product categories, with particularly strong growth in laboratory-related products.

Segment profit decreased $3.5 million and increased $1.1 million for the three and six month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. The decrease in segment profit for the three month period ended June 30, 2012 includes increased inter-segment expenses, a gain from an asset sale in the prior year and investments in sales and marketing, partially offset by increased sales volume.

Other (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	%[1)]	2012	2011	%[1)]
Total net sales	$101,263	$100,278	1 %	$205,110	$192,299	7 %
Net sales to external customers	$99,918	$98,752	1 %	$202,116	$189,964	6 %
Segment profit	$8,506	$10,640	(20)%	$18,830	$20,107	(6)%

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

Total net sales increased 1% and 7% in U.S. dollars and increased 7% and 10% in local currency during the three and six month periods ended June 30, 2012, respectively, compared to the corresponding periods in 2011. Net sales to external customers in U.S. dollars increased 1% and 6% and increased 7% and 10% in local currency during the three and six months ended June 30, 2012, respectively, as compared to the corresponding periods in 2011. The increase in total net sales and net sales to external customers reflects strong sales growth across most product categories and geographies, especially Other Asia Pacific and Latin America.

Segment profit decreased $2.1 million and $1.3 million for the three and six months ended June 30, 2012, respectively, compared to the corresponding periods in 2011. The decrease in segment profit is primarily due to unfavorable geographic mix and investments in sales and marketing in emerging markets, offset in part by an increase in sales volume.

Liquidity and Capital Resources

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

Cash provided by operating activities totaled $112.0 million during the six months ended June 30, 2012, compared to $93.6 million in the corresponding period in 2011. The increase in 2012 is primarily due to increased net earnings and working capital benefits related to decreased inventory levels and the timing of accounts receivable, partially offset by the timing of payables.
Capital expenditures are made primarily for investments in information systems and technology, machinery, equipment and the purchase and expansion of facilities. Our capital expenditures totaled $43.2 million for the six months ended June 30, 2012 compared to $40.5 million in the corresponding period in 2011. Our capital expenditures during the six months ended June 30, 2012 included approximately $22.4 million of investments related to our Blue Ocean multi-year program of information technology investment, as compared with $26.6 million during the prior year comparable period.
We continue to explore potential acquisitions. In connection with any acquisition, we may incur additional indebtedness. During the first quarter of 2011, we completed acquisitions totaling $15.4 million, of which $12.0 million related to an X-ray inspection solutions business that will be integrated into our product inspection product offering. We paid approximately $14.5 million for these acquisitions during the first quarter 2011.

We plan to repatriate earnings from China, Switzerland, the United Kingdom and certain other countries in future years and expect the only additional cost associated with the repatriation of such earnings outside the United States will be withholding taxes. All other undistributed earnings are considered to be permanently reinvested. As of June 30, 2012, we have an immaterial amount of cash and cash equivalents outside the United States where undistributed earnings are considered permanently reinvested. Accordingly, we believe the tax impact associated with repatriating our undistributed foreign earnings will not have a material effect on our liquidity.

Senior Notes and Credit Facility Agreement

Our debt consisted of the following at June 30, 2012:

	June 30, 2012		
	U.S. Dollar	Other Principal Trading Currencies	Total
6.30% $100 million Senior Notes	$100,000	$—	$100,000
Credit facility	326,253	5,477	331,730
Other local arrangements	—	27,075	27,075
Total debt	426,253	32,552	458,805
Less: current portion	—	(27,075)	(27,075)
Total long-term debt	$426,253	$5,477	$431,730

As of June 30, 2012, approximately $544.3 million was available under our credit facility. Changes in exchange rates between the currencies in which we generate cash flows and the currencies in which our borrowings are denominated affect our liquidity. In addition, because we borrow in a variety of currencies, our debt balances fluctuate due to changes in exchange rates.

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

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

Share Repurchase Program

We have a $2.25 billion share repurchase program, of which there is $580.3 million remaining to repurchase common shares as of June 30, 2012. The share repurchases are expected to be funded from cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the amount and timing of purchases will depend on business and market conditions, the stock price, trading restrictions, the level of acquisition activity and other factors. We have purchased 19.3 million shares since the inception of the program through June 30, 2012.

During the six months ended June 30, 2012 and 2011, we spent $135.8 million and $114.2 million on the repurchase of 797,095 shares and 688,079 shares at an average price per share of $170.31 and $165.92, respectively. We reissued 233,146 shares and 146,898 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2012 and 2011, respectively.

Effect of Currency on Results of Operations

Because we conduct operations in many countries, our operating income can be significantly affected by fluctuations in currency exchange rates. Swiss franc denominated expenses represent a much greater percentage of our total operating expenses than Swiss franc denominated sales represent of our total net sales. In part, this is because most of our manufacturing costs in Switzerland relate to products that are sold outside Switzerland. In addition, we have a number of corporate functions located in Switzerland. Therefore, if the Swiss franc strengthens against all or most of our major trading currencies (e.g., the U.S. dollar, the euro, other major European currencies, the Chinese yuan and the Japanese yen), our operating profit is reduced. We also have significantly more sales in euro than we have expenses. Therefore, when the euro weakens against the U.S. dollar and the Swiss franc, it also decreases our operating profits. Accordingly, the Swiss franc exchange rate to the euro is an important cross-rate that we monitor. We have seen higher volatility in exchange rates generally than in the past. We estimate that a 1% strengthening of the Swiss franc against the euro would result in a decrease in our earnings before tax of $0.9 million to $1.2 million on an annual basis. We also estimate a 1% strengthening of the Swiss franc against the U.S. dollar would result in a decrease in our earnings before tax of $0.7 million to $0.9 million on an annual basis. In addition to the Swiss franc and major European currencies, we also conduct business in many geographies throughout the world, including Asia Pacific, the United Kingdom, Eastern Europe, Latin America and Canada. Fluctuations in these currency exchange rates against the U.S. dollar can also affect our operating results. In addition to the effects of exchange rate movements on operating profits, our debt levels can fluctuate due to changes in exchange rates, particularly between the U.S. dollar and the Swiss franc. Based on our outstanding debt at June 30, 2012, 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 $3.6 million in the reported U.S. dollar value of the debt.

Recent Accounting Pronouncements

In January 2012, the Company adopted ASU 2011-05, to ASC 220 “Comprehensive Income,” as amended by ASU 2011-12. The adoption of the amended guidance requires the Company to present items of net earnings and other comprehensive income either in one continuous statement or in two separate, but consecutive statements. Additionally, ASU 2011-05 eliminated the option to present components of other comprehensive income as part of the consolidated statements of shareholders' equity and comprehensive income. The Company is also required to present reclassification adjustments on the face of the consolidated statements of comprehensive income, by component of other comprehensive income. The adoption of the recently issued guidance did not impact the Company's consolidated results of operations or financial position.

In January 2012, the Company adopted ASU 2011-04, to ASC 820, "Fair Value Measurement." ASU 2011-04 changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The adoption of the recently issued guidance did not impact the Company's consolidated results of operations or financial position.

Forward-Looking Statements Disclaimer

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

These statements involve known and unknown risks, uncertainties and other factors that may cause our or our businesses' actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estima "potential" or "continue" or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. Moreover, we do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. Unless otherwise required by applicable laws, we disclaim any intention or obligation to publicly update or revise any of the forward-looking statements after the date of this quarterly report to conform them to actual results, whether as a result of new information, future events or otherwise. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Factors affecting our future operating results" in the "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended December 31, 2011, which describe risks and factors that could cause results to differ materially from those projected in those forward-looking statements.

We caution the reader that the above list of risks and factors that may affect results addressed in the forward-looking statements may not be exhaustive. Other sections of this quarterly report on Form 10-Q for the period ended June 30, 2012 and other documents incorporated by reference may describe additional risks or factors that could adversely impact our business and financial performance. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict these new risk factors, nor can it assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2012, 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, 2011.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. None
Item 1A. Risk Factors.
For the six months ended June 30, 2012 there were no material changes from risk factors disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

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

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Approximate Dollar Value (in thousands) of Shares that may yet be Purchased under the Program
April 1 to April 30, 2012	96,506	$178.17	96,506	$635,107
May 1 to May 31, 2012	153,778	$168.51	153,778	$609,191
June 1 to June 30, 2012	185,034	$156.34	185,034	$580,259
Total	435,318	$165.48	435,318	$580,259

We have a share repurchase program, of which there is $580.3 million remaining to repurchase common shares as of June 30, 2012. We have purchased 19.3 million shares since the inception of the program through June 30, 2012. During the six months ended June 30, 2012 and 2011, we spent $135.8 million and $114.2 million on the repurchase of 797,095 and 688,079 shares at an average price per share of $170.31 and $165.92, respectively. We reissued 233,146 shares and 146,898 shares held in treasury for the exercise of stock options and restricted stock units for the six months ended June 30, 2012 and 2011, respectively.
Item 3. Defaults Upon Senior Securities. None
Item 5. Other information. None
Item 6. Exhibits. See Exhibit Index below.

SIGNATURE

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

		Mettler-Toledo International Inc.	
Date:	July 27, 2012	By:	/s/ William P. Donnelly
			William P. Donnelly Group Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002
32*	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith