

METTLER TOLEDO INTERNATIONAL INC/
Form 10-Q
July 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013, 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 (State or other jurisdiction of incorporation or organization) 1900 Polaris Parkway Columbus, Ohio 43240 and Im Langacher, P.O. Box MT-100 CH 8606 Greifensee, Switzerland	13-3668641 (I.R.S Employer Identification No.)
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(Address of principal executive offices)
(Zip Code)

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

(Registrant's telephone number, including area code)

not applicable

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

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web-site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and

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post such files). Yes No

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

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

The Registrant had 29,945,248 shares of Common Stock outstanding at June 30, 2013.

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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, 2013 and 2012

(In thousands, except share data)

(unaudited)

	June 30, 2013	June 30, 2012
Net sales		
Products	\$450,414	\$450,079
Service	128,266	120,204
Total net sales	578,680	570,283
Cost of sales		
Products	193,339	198,612
Service	76,498	72,663
Gross profit	308,843	299,008
Research and development	29,003	27,966
Selling, general and administrative	173,434	169,985
Amortization	5,807	5,357
Interest expense	5,543	5,706
Restructuring charges	3,196	7,835
Other charges (income), net	987	433
Earnings before taxes	90,873	81,726
Provision for taxes	21,811	20,022
Net earnings	\$69,062	\$61,704
Basic earnings per common share:		
Net earnings	\$2.29	\$1.97
Weighted average number of common shares	30,119,889	31,267,660
Diluted earnings per common share:		
Net earnings	\$2.24	\$1.93
Weighted average number of common and common equivalent shares	30,849,934	32,038,928
Comprehensive income, net of tax (Note 8)	\$74,897	\$36,969

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, 2013 and 2012

(In thousands, except share data)

(unaudited)

	June 30, 2013	June 30, 2012
Net sales		
Products	\$852,767	\$870,070
Service	250,266	235,613
Total net sales	1,103,033	1,105,683
Cost of sales		
Products	365,498	386,457
Service	149,439	143,116
Gross profit	588,096	576,110
Research and development	56,703	56,633
Selling, general and administrative	339,554	337,626
Amortization	10,929	10,556
Interest expense	10,943	11,529
Restructuring charges	8,198	8,143
Other charges (income), net	1,760	589
Earnings before taxes	160,009	151,034
Provision for taxes	38,403	37,003
Net earnings	\$121,606	\$114,031
Basic earnings per common share:		
Net earnings	\$4.03	\$3.63
Weighted average number of common shares	30,209,729	31,399,788
Diluted earnings per common share:		
Net earnings	\$3.93	\$3.54
Weighted average number of common and common equivalent shares	30,975,957	32,212,927
Comprehensive income, net of tax (Note 8)	\$110,326	\$110,087

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

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INTERIM CONSOLIDATED BALANCE SHEETS

As of June 30, 2013 and December 31, 2012

(In thousands, except share data)

(unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,217	\$ 101,702
Trade accounts receivable, less allowances of \$12,774 at June 30, 2013 and \$14,120 at December 31, 2012	418,031	437,390
Inventories	203,288	198,939
Current deferred tax assets, net	59,144	57,690
Other current assets and prepaid expenses	74,696	69,199
Total current assets	875,376	864,920
Property, plant and equipment, net	474,050	469,421
Goodwill	447,166	452,351
Other intangible assets, net	114,496	117,564
Non-current deferred tax assets, net	125,090	127,110
Other non-current assets	97,259	86,034
Total assets	\$ 2,133,437	\$ 2,117,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 122,755	\$ 142,362
Accrued and other liabilities	107,806	109,844
Accrued compensation and related items	99,709	117,405
Deferred revenue and customer prepayments	85,142	71,435
Taxes payable	59,629	64,000
Current deferred tax liabilities	16,054	16,031
Short-term borrowings and current maturities of long-term debt	17,931	41,600
Total current liabilities	509,026	562,677
Long-term debt	443,727	347,131
Non-current deferred tax liabilities	138,233	139,487
Other non-current liabilities	231,349	240,886
Total liabilities	1,322,335	1,290,181
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 29,945,248 and 30,410,006 shares		
at June 30, 2013 and December 31, 2012, respectively	448	448
Additional paid-in capital	644,557	638,705
Treasury stock at cost (14,480,763 shares at June 30, 2013 and 14,376,005 shares at December 31, 2012)	(1,588,676	) (1,463,924)
Retained earnings	1,863,514	1,749,451
Accumulated other comprehensive income (loss)	(108,741	) (97,461)

Total shareholders' equity	811,102	827,219
Total liabilities and shareholders' equity	\$2,133,437	\$2,117,400

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, 2013 and twelve months ended December 31, 2012

(In thousands, except share data)

(unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Total
	Shares	Amount						
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	457,732	—	—	39,873	(17,946)	)	—	21,927
Repurchases of common stock	(1,637,827)	—	—	(278,672)	)	—	—	(278,672)
Tax benefit resulting from exercise of certain employee stock options	—	—	9,318	—	—	—	—	9,318
Share-based compensation	—	—	13,185	—	—	—	—	13,185
Net earnings	—	—	—	—	290,847	—	—	290,847
Other comprehensive income (loss), net of tax (Note 8)	—	—	—	—	—	(10,523)	)	(10,523)
Balance at December 31, 2012	30,410,006	\$448	\$638,705	\$(1,463,924)	\$1,749,451	\$(97,461)	)	\$827,219
Exercise of stock options and restricted stock units	216,176	—	—	20,092	(7,543)	)	—	12,549
Repurchases of common stock	(680,934)	—	—	(144,844)	)	—	—	(144,844)
Share-based compensation	—	—	5,852	—	—	—	—	5,852
Net earnings	—	—	—	—	121,606	—	—	121,606
Other comprehensive income (loss), net of tax (Note 8)	—	—	—	—	—	(11,280)	)	(11,280)
Balance at June 30, 2013	29,945,248	\$448	\$644,557	\$(1,588,676)	\$1,863,514	\$(108,741)	)	\$811,102

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, 2013 and 2012
 (In thousands)
 (unaudited)

	June 30, 2013	June 30, 2012	
Cash flows from operating activities:			
Net earnings	\$ 121,606	\$ 114,031	
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	17,447	16,106	
Amortization	10,929	10,556	
Deferred tax benefit	(5,687	) (4,758)
Excess tax benefits from share-based payment arrangements	(519	) (340)
Share-based compensation	5,852	5,954	
Other	408	1,258	
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable, net	12,583	23,645	
Inventories	(8,158	) 21,832	
Other current assets	(5,690	) 2,220	
Trade accounts payable	(19,806	) (37,727)
Taxes payable	(2,820	) 4,369	
Accruals and other	(11,513	) (45,097)
Net cash provided by operating activities	114,632	112,049	
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	115	153	
Purchase of property, plant and equipment	(36,781	) (43,233)
Acquisitions	(213	) (1,541)
Net cash used in investing activities	(36,879	) (44,621)
Cash flows from financing activities:			
Proceeds from borrowings	211,112	81,552	
Repayments of borrowings	(136,330	) (127,351)
Proceeds from stock option exercises	12,549	13,264	
Repurchases of common stock	(144,844	) (135,766)
Excess tax benefits from share-based payment arrangements	519	340	
Other financing activities	(1,170	) (543)
Net cash used in financing activities	(58,164	) (168,504)
Effect of exchange rate changes on cash and cash equivalents	(1,074	) 241	
Net increase (decrease) in cash and cash equivalents	18,515	(100,835)
Cash and cash equivalents:			
Beginning of period	101,702	235,601	
End of period	\$ 120,217	\$ 134,766	

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, 2013 – 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, 2013 and for the three and six month periods ended June 30, 2013 and 2012 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, 2012.

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, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

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, 2012.

All intercompany transactions and balances have been eliminated.

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

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.

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METTLER-TOLEDO INTERNATIONAL INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2013 – Unaudited (Continued)

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost, which includes direct materials, labor and overhead, is generally determined using the first in, first out (FIFO) method. The estimated net realizable value is based on assumptions for future demand and related pricing. Adjustments to the cost basis of 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, 2013	December 31, 2012
Raw materials and parts	\$92,959	\$94,809
Work-in-progress	39,535	33,608
Finished goods	70,794	70,522
	\$203,288	\$198,939

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."

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METTLER-TOLEDO INTERNATIONAL INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2013 – Unaudited (Continued)

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

Other intangible assets consisted of the following:

	June 30, 2013		December 31, 2012	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	\$96,357	\$(23,522)	\$96,575	\$(21,928)
Proven technology and patents	42,210	(28,491)	42,960	(28,014)
Tradename (finite life)	4,137	(1,469)	3,972	(1,345)
Tradename (indefinite life)	25,038	—	25,061	—
Other	745	(509)	745	(462)
	\$168,487	\$(53,991)	\$169,313	\$(51,749)

The Company recognized amortization expense associated with the above intangible assets of \$1.5 million and \$1.9 million for the three months ended June 30, 2013 and 2012, respectively and \$2.9 million and \$3.7 million for the six months ended June 30, 2013 and 2012, respectively. The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at \$5.8 million for 2013, \$5.8 million for 2014, \$5.2 million for 2015, \$5.0 million for 2016, \$4.8 million for 2017 and \$4.5 million for 2018. Purchased intangible amortization was \$1.3 million (\$0.9 million after tax) and \$1.7 million (\$1.1 million after tax) for the three months ended June 30, 2013 and 2012, respectively and \$2.7 million (\$1.8 million after tax) and \$3.5 million (\$2.3 million after tax) for the six months ended June 30, 2013 and 2012, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of \$4.3 million and \$3.4 million for the three months ended June 30, 2013 and 2012, respectively and \$8.0 million and \$6.7 million for the six months ended June 30, 2013 and 2012, 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

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METTLER-TOLEDO INTERNATIONAL INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2013 – Unaudited (Continued)

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

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.

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, 2013	June 30, 2012	
Balance at beginning of period	\$16,295	\$16,748	
Accruals for warranties	9,467	8,094	
Foreign currency translation	(185	) (305)
Payments / utilizations	(9,815	) (8,444)
Balance at end of period	\$15,762	\$16,093	

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 \$3.0 million and \$5.8 million of share-based compensation expense for the three and six months ended June 30, 2013, respectively, compared to \$2.7 million and \$6.0 million for the corresponding periods in 2012.

Research and Development

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

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METTLER-TOLEDO INTERNATIONAL INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2013 – Unaudited (Continued)

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

3. 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 4 to the interim consolidated financial statements.

Cash Flow Hedges

The Company has an interest rate swap agreement, designated as a cash flow hedge. The agreement changes the floating rate LIBOR-based interest payments associated with \$100 million in borrowings under the Company's credit agreement to a fixed obligation of 3.24%. The swap is recorded gross in other non-current liabilities in the consolidated balance sheet at its fair value at June 30, 2013 and December 31, 2012 of \$6.5 million and \$8.2 million, respectively. The amount recognized in other comprehensive income (loss) during the three month periods ended June 30, 2013 and 2012 was a gain of \$0.2 million (\$0.1 million after tax) and a loss of \$1.0 million (\$0.6 million after tax), respectively, and during the six month periods ended June 30, 2013 and 2012 was a gain of \$0.2 million (\$0.1 million after tax) and loss of \$1.4 million (\$0.9 million after tax), respectively. The effective portion of the loss reclassified from accumulated other comprehensive income (loss) to interest expense was \$0.8 million (\$0.5 million after tax) for both the three month periods ended June 30, 2013 and 2012, respectively, and \$1.5 million (\$0.9 million after tax) for both the six month periods ended June 30, 2013 and 2012, respectively. A derivative loss of \$3.0 million (\$1.9 million after tax) based upon interest rates at June 30, 2013, is expected to be reclassified from other comprehensive income (loss) to earnings in the next twelve months. Through June 30, 2013 no hedge ineffectiveness has occurred in relation to this hedge.

In June 2013, the Company entered into a forward starting interest rate swap agreement, designated as a cash flow hedge. The agreement which will change the floating rate LIBOR-based interest payments associated with \$50 million in forecasted borrowings under the Company's credit agreement to a fixed obligation of 2.52% beginning in October 2015. The swap is recorded in other non-current assets in the consolidated balance sheet at its fair value at June 30, 2013 of \$0.9 million.

In July 2012, the Company began entering into foreign currency forward contracts, designated as cash flow hedges, to hedge certain forecasted intercompany sales denominated in euro with its Swiss-based businesses. The notional amount of foreign currency forward contracts outstanding at June 30, 2013 and December 31, 2013 was \$74.1 million and \$78.0 million, respectively. The foreign currency forward contracts are recorded gross at their fair value in the consolidated balance sheet at June 30, 2013 in other current assets of \$0.1 million and in accrued and other liabilities of \$0.9 million, respectively. At December 31, 2012, the foreign currency forward contracts are recorded gross at their fair value in the consolidated balance sheet in accrued and other liabilities of \$0.4 million, respectively. The Company records the effective portion of the cash flow derivative hedging gains and losses in accumulated other comprehensive income (loss), net of tax and reclassifies these amounts into earnings in the period in which the transactions affect earnings. The amount recognized in other comprehensive income (loss) during the three month period ended June 30, 2013 was a loss of \$0.5 million (\$0.4 million after tax), and a loss of \$1.3 million (\$1.1 million after tax) for the six months ended June 30, 2013. The effective portion of the loss reclassified from accumulated other comprehensive income (loss) to cost of sales was \$0.6 million (\$0.4 million after tax) during the three months ending June 30, 2013 and a loss of \$1.0 million (\$0.8 million after tax) for the six months ended June 30, 2013. A derivative loss of \$0.7 million (\$0.6 million after tax) based upon foreign currency rates at June 30, 2013, is expected to be reclassified from other comprehensive income (loss) to earnings in the next twelve months. Through June 30, 2013 no hedge ineffectiveness has occurred in relation to this hedge.

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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, 2013 and December 31, 2012 in other current assets of \$0.5 million and \$0.4 million, respectively, and other liabilities of \$1.1 million and \$0.3 million, respectively. The Company recognized in other charges (income), net, a gain of \$1.5 million and net loss of \$1.6 million during the three months ended June 30, 2013 and 2012, respectively. The Company recognized a net loss of \$0.7 million and net gain of \$0.3 million during the six months ended June 30, 2013 and June 30, 2012, respectively. At June 30, 2013 and December 31, 2012, these contracts had a notional value of \$148.8 million and \$132.3 million, respectively.

4. FAIR VALUE MEASUREMENTS

At June 30, 2013 and December 31, 2012, the Company had derivative assets totaling \$1.5 million and \$0.4 million, respectively, and derivative liabilities totaling \$8.5 million and \$8.9 million, respectively. The fair values of the interest rate swap agreement and foreign currency forward contracts are estimated based upon inputs from current valuation information obtained from dealer quotes and priced with observable market assumptions and appropriate valuation adjustments for credit risk. The Company has evaluated the valuation methodologies used to develop the fair values by dealers in order to determine whether such valuations are representative of an exit price in the Company’s principal market. In addition, the Company uses an internally developed model to perform testing on the valuations received from brokers. The fair value of the foreign currency forward contract hedging forecasted intercompany sales is priced with observable market assumptions with appropriate valuations for credit risk. The Company has also considered both its own credit risk and counterparty credit risk in determining fair value and determined these adjustments were insignificant at June 30, 2013 and December 31, 2012.

At June 30, 2013 and December 31, 2012, the Company had \$14.5 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.

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.

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.

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

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

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, 2013 and December 31, 2012:

	June 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	\$14,466	\$—	\$14,466	\$—	\$13,636	\$—	\$13,636	\$—
Interest rate swap agreement	916	—	916	—	—	—	—	—
Foreign currency forwards contracts designed as cash flow hedges	141	—	141	—	—	—	—	—
Foreign currency forward contracts not designated as hedging instruments	463	—	463	—	448	—	448	—
Total	\$15,986	\$—	\$15,986	\$—	\$14,084	\$—	\$14,084	\$—
Liabilities:								
Interest rate swap agreement	\$6,493	\$—	\$6,493	\$—	\$8,172	\$—	\$8,172	\$—
Foreign currency forwards contracts designed as cash flow hedges	868	—	868	—	421	—	421	—
Foreign currency forward contracts not designated as hedging instruments	1,097	—	1,097	—	280	—	280	—
Total	\$8,458	\$—	\$8,458	\$—	\$8,873	\$—	\$8,873	\$—

5. INCOME TAXES

The provision for taxes for both the three and six month periods ended June 30, 2013 is based upon the Company's projected annual effective rate of 24%.

6. DEBT

Debt consisted of the following at June 30, 2013:

	June 30, 2013		
	U.S. Dollar	Other Principal Trading Currencies	Total
6.30% \$100 million senior notes	\$100,000	\$—	\$100,000
3.67% \$50 million senior notes	50,000	—	50,000
Credit agreement	270,342	23,385	293,727

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Other local arrangements	—	17,931	17,931	
Total debt	420,342	41,316	461,658	
Less: current portion	—	(17,931) (17,931)
Total long-term debt	\$420,342	\$23,385	\$443,727	

As of June 30, 2013, the Company had \$582.4 million of availability remaining under the credit agreement.

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METTLER-TOLEDO INTERNATIONAL INC.

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

7. SHARE REPURCHASE PROGRAM AND TREASURY STOCK

As of June 30, 2013, the Company had \$292.5 million of remaining availability under the Company's share repurchase program. In July 2013, the Company announced that the Board of Directors has authorized a \$750 million increase to the share repurchase program. The Company expects the new authorization will be utilized over the next several years. The share repurchases are expected to be funded from cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the amount and timing of purchases will depend on business and market conditions, the stock price, trading restrictions, the level of acquisition activity and other factors. The Company has purchased 20.8 million shares since the inception of the program through June 30, 2013.

During the six months ended June 30, 2013 and 2012, the Company spent \$144.8 million and \$135.8 million on the repurchase of 680,934 shares and 797,095 shares at an average price per share of \$212.69 and \$170.31, respectively. The Company reissued 216,176 shares and 233,146 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2013 and 2012, respectively.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents changes in accumulated other comprehensive income by component for the period ended June 30, 2013:

	Currency Translation Adjustment, Net of Tax	Net Unrealized Gain (Loss) on Cash Flow Hedging Arrangements, Net of Tax	Pension and Post-Retirement Benefit Related Items, Net of Tax	Total
Balance at December 31, 2012	\$56,012	\$(5,438	) \$(148,035	) \$(97,461)
Other comprehensive income (loss), net of tax:				
Unrealized gains (loss) on cash flow hedging arrangements	—	(398	) —	(398)
Foreign currency translation adjustment	(19,393	) (4	) 2,872	(16,525)
Amounts recognized from accumulated other comprehensive income (loss), net of tax	—	1,756	3,887	5,643
Net change in other comprehensive income (loss), net of tax	(19,393) 1,354	6,759	(11,280)
Balance at June 30, 2013	\$36,619	\$(4,084) \$(141,276) \$(108,741)

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

The following table presents amounts recognized from accumulated other comprehensive income (loss) for the three and six month periods ended June 30, 2013:

	June 30, 2013		Location of Amounts
	Three Months Ended	Six Months Ended	Recognized in Earnings
Effective portion of losses on cash flow hedging arrangements:			
Interest rate swap agreements	\$766	\$1,522	Interest expense
Foreign currency forward contracts	557	1,031	Cost of sales - products
Total before taxes	1,323	2,553	
Provision for taxes	409	797	Provision for taxes
Total, net of taxes	\$914	\$1,756	
Recognition of defined benefit pension and post-retirement items:			
Recognition of actuarial losses, plan amendments and prior service cost, before taxes	\$2,564	\$5,136	(a)
Provision for taxes	632	1,249	Provision for taxes
Total, net of taxes	\$1,932	\$3,887	

These accumulated other comprehensive income (loss) components are included in the computation of net periodic (a) pension and post-retirement cost. See Note 10 for additional details for the three and six months ended June 30, 2013.

Comprehensive income (loss), net of tax consisted of the following as of June 30:

	Three Months Ended		Six Months Ended	
	2013	2012	2013	2012
Net earnings	\$69,062	\$61,704	\$121,606	\$114,031
Other comprehensive income (loss), net of tax	5,835	(24,735)	(11,280)	\$(3,944)
Comprehensive income, net of tax	\$74,897	\$36,969	\$110,326	\$110,087

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:

	2013	2012
Three months ended	730,045	771,268
Six months ended	766,228	813,139

Outstanding options and restricted stock units to purchase or receive 141,650 and 269,154 shares of common stock for the three month periods ended June 30, 2013 and 2012, respectively, and options and restricted stock units to purchase or receive 141,636 and 210,607 shares of common stock for the six

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month periods ended June 30, 2013 and 2012, 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	
	2013	2012	2013	2012	2013	2012
Service cost, net	\$123	\$114	\$4,257	\$3,588	\$54	\$83
Interest cost on projected benefit obligations	1,439	1,523	4,822	5,535	101	135
Expected return on plan assets	(1,788)	(1,741)	(8,570)	(8,141)	—	—
Recognition of prior service cost	—	—	(979)	(353)	22	—
Recognition of actuarial losses/(gains)	1,945	1,916	1,823	609	(247)	(188)
Net periodic pension cost/(credit)	\$1,719	\$1,812	\$1,353	\$1,238	\$(70)	\$30

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	
	2013	2012	2013	2012	2013	2012
Service cost, net	\$247	\$228	\$8,627	\$7,226	\$108	\$166
Interest cost on projected benefit obligations	2,878	3,046	9,705	11,139	202	270
Expected return on plan assets	(3,576)	(3,483)	(17,262)	(16,375)	—	—
Recognition of prior service cost	—	—	(1,973)	(710)	43	—
Recognition of actuarial losses/(gains)	3,891	3,832	3,669	1,223	(494)	(377)
Net periodic pension cost/(credit)	\$3,440	\$3,623	\$2,766	\$2,503	\$(141)	\$59

The Company expects to make employer contributions of approximately \$5.1 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

During 2012, we initiated additional cost reduction measures in response to global economic conditions. For the three and six months ended June 30, 2013, we have incurred \$3.2 million and \$8.2 million, respectively of restructuring expenses which primarily comprised of employee-related costs. Liabilities related to restructuring activities are included in accrued and other liabilities in the consolidated balance sheet.

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A rollforward of the Company's accrual for restructuring activities for the six months ended June 30, 2013 is as follows:

	Employee Related	Other	Total
Balance at December 31, 2012	\$11,655	\$290	\$11,945
Restructuring charges	6,885	1,313	8,198
Cash payments and utilization	(8,338	) (969	) (9,307
Impact of foreign currency	(230	) —	(230
Balance at June 30, 2013	\$9,972	\$634	\$10,606

12. OTHER CHARGES (INCOME), NET

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

13. SEGMENT REPORTING

As disclosed in Note 18 to the Company's consolidated financial statements for the year ended December 31, 2012, 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	Net Sales to External	Net Sales to Other	Total Net Sales	Segment Profit	As of June 30, 2013 Goodwill
June 30, 2013	Customers	Segments			
U.S. Operations	\$187,395	\$16,897	\$204,292	\$33,481	\$307,933
Swiss Operations	31,166	103,519	134,685	37,171	22,966
Western European Operations	156,796	26,481	183,277	23,494	102,114
Chinese Operations	97,771	37,743	135,514	29,374	733
Other (a)	105,552	1,509	107,061	9,166	13,420
Eliminations and Corporate (b)	—	(186,149) (186,149) (26,280) —
Total	\$578,680	\$—	\$578,680	\$106,406	\$447,166

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

For the six months ended	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	
June 30, 2013					
U.S. Operations	\$345,781	\$35,273	\$381,054	\$58,124	
Swiss Operations	61,863	200,642	262,505	72,574	
Western European Operations	302,964	54,593	357,557	41,792	
Chinese Operations	188,498	68,145	256,643	54,022	
Other (a)	203,927	2,929	206,856	18,653	
Eliminations and Corporate (b)	—	(361,582)	(361,582)	(53,326))
Total	\$1,103,033	\$—	\$1,103,033	\$191,839	

For the three months ended	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	As of June 30, 2012 Goodwill
June 30, 2012					
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	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	
June 30, 2012					
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	

(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.

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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	
	2013	2012	2013	2012
Earnings before taxes	\$90,873	\$81,726	\$160,009	\$151,034
Amortization	5,807	5,357	10,929	10,556
Interest expense	5,543	5,706	10,943	11,529
Restructuring charges	3,196	7,835	8,198	8,143
Other charges (income), net	987	433	1,760	589
Segment profit	\$106,406	\$101,057	\$191,839	\$181,851

During the three months ended June 30, 2013, restructuring charges of \$3.2 million were recognized, of which \$0.2 million, \$2.4 million, \$0.6 million, and \$0.1 million related to the Company's U.S., Swiss, Western European, and Chinese operations, respectively. Restructuring charges of \$7.8 million were recognized during the three months ended June 30, 2012, of which \$0.5 million, \$3.9 million, \$3.3 million, and \$0.1 million related to the Company's U.S., Swiss, Western European, and Chinese operations, respectively. Restructuring charges of \$8.2 million were recognized during the six months ended June 30, 2013, of which \$0.6 million, \$5.2 million, \$1.3 million, \$0.8 million, and \$0.2 million related to the Company's U.S., Swiss, 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 \$0.8 million, \$3.9 million, \$3.3 million, and \$0.1 million related to the Company's U.S., Swiss, Western European, and Chinese 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, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

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, 2013 and 2012 (amounts in thousands).

	Three months ended June 30,		2012		Six months ended June 30,		2012	
	2013		(unaudited)	%	(unaudited)	%	(unaudited)	%
Net sales	\$578,680	100.0	\$570,283	100.0	\$1,103,033	100.0	\$1,105,683	100.0
Cost of sales	269,837	46.6	271,275	47.6	514,937	46.7	529,573	47.9
Gross profit	308,843	53.4	299,008	52.4	588,096	53.3	576,110	52.1
Research and development	29,003	5.0	27,966	4.9	56,703	5.1	56,633	5.1
Selling, general and administrative	173,434	30.0	169,985	29.8	339,554	30.8	337,626	30.5
Amortization	5,807	1.0	5,357	0.9	10,929	1.0	10,556	1.0
Interest expense	5,543	1.0	5,706	1.0	10,943	1.0	11,529	1.0
Restructuring charges	3,196	0.6	7,835	1.4	8,198	0.7	8,143	0.7
Other charges (income), net	987	0.1	433	0.1	1,760	0.2	589	0.1
Earnings before taxes	90,873	15.7	81,726	14.3	160,009	14.5	151,034	13.7
Provision for taxes	21,811	3.8	20,022	3.5	38,403	3.5	37,003	3.4
Net earnings	\$69,062	11.9	\$61,704	10.8	\$121,606	11.0	\$114,031	10.3

Net sales

Net sales were \$578.7 million and \$1.103 billion for the three and six months ended June 30, 2013, compared to \$570.3 million and \$1.106 billion for the corresponding periods in 2012. This represents an increase of 1% in U.S. dollars and local currencies for the three months ended June 30, 2013, while sales remained flat with 2012 in U.S. dollars and local currencies for the six months ended June 30, 2013, as compared to the prior year comparable periods. Global economic conditions remain uncertain and we expect sales will continue to be adversely impacted.

Net sales by geographic destination for the three and six months ended June 30, 2013, in U.S. dollars increased 5% and 4% in the Americas, increased 4% and were flat in Europe, and decreased 5% and 4% in Asia/Rest of World. In local currencies, our net sales by geographic

destination for the three and six months ended June 30, 2013, increased 5% and 3% in the Americas, increased 2% and decreased 1% in Europe, and decreased 5% and 3% in Asia/Rest of World. 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, 2012, 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 were flat in U.S. dollars and local currencies for the three months ended June 30, 2013 and decreased 2% in U.S. dollars and local currencies for the six months ended June 30, 2013, respectively, compared to the corresponding prior periods. Service revenue (including spare parts) increased in U.S. dollars 7% and 6% during the three and six months ended June 30, 2013, and increased in local currencies by 6% for both the three and six months ended June 30, 2013, compared to the corresponding prior year periods.

Net sales of our laboratory-related products, which represented approximately 46% of our total net sales for both the three and six months ended June 30, 2013, increased 3% for the three months ended June 30, 2013 and were flat in U.S. dollars for the six months ended June 30, 2013, and increased 3% and 1% in local currencies during the three and six months ended June 30, 2013, respectively. Net sales of our laboratory-related products for the three months ended June 30, 2013 included solid growth in Europe and the Americas. These results were partly offset by reduced sales volume in Asia Pacific, particularly China, primarily related to difficult economic conditions. Net sales growth during the three month period also included particularly strong growth related to increased sales volume and favorable price realization in analytical instruments.

Net sales of our industrial-related products, which represented approximately 45% of our total net sales for both the three and six months ended June 30, 2013, decreased 1% for the three months ended June 30, 2013, and were flat in U.S. dollars for the six months ended June 30, 2013, respectively. In local currency industrial-related products decreased 1% and 2% for the three and six months ended June 30, 2013, compared to the corresponding prior year periods. The decrease in net sales of our industrial-related products included sales volume declines in Asia Pacific, particularly China, primarily due to difficult economic conditions. These results were partly offset by strong growth and project activity in our core-industrial business in the Americas, while Europe experienced a modest local currency increase versus the prior year three month comparable period.

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, 2013, increased 6% for the three months ended June 30, 2013, and decreased 2% for the six months ended June 30, 2013, respectively. In local currency our food retailing markets increased 5% for the three month period ended June 30, 2013 and decreased 2% for the six months ended June 30, 2013, compared to the corresponding prior year periods. The increase in net sales of our food retailing markets for the three months ended June 30, 2013 related to strong project activity in the Americas, as well as increased sales volume in Asia Pacific. These results were partly offset by a sales volume decline in Europe that is primarily related to unfavorable economic conditions, as well as the timing of project activity.

Gross profit

Gross profit as a percentage of net sales was 53.4% and 52.4% for the three months ended June 30, 2013 and 2012, respectively, and 53.3% and 52.1% for the six months ended June 30, 2013 and 2012, respectively.

Gross profit as a percentage of net sales for products was 57.1% for both the three and six months ended June 30, 2013, respectively, compared to 55.9% and 55.6% for the corresponding periods in 2012.

Gross profit as a percentage of net sales for services (including spare parts) was 40.4% and 40.3% for the three and six months ended June 30, 2013, respectively, compared to 39.6% and 39.3% for the corresponding periods in 2012.

The increase in gross profit as a percentage of net sales for the three and six months ended June 30, 2013, primarily reflects increased price realization, reduced material costs and favorable business mix.

Research and development and selling, general and administrative expenses

Research and development expenses as a percentage of net sales were 5.0% and 5.1% for the three and six months ended June 30, 2013, respectively, compared to 4.9% and 5.1% for the the corresponding periods during 2012.

Research and development expenses increased 4% in both U.S. dollars and local currencies for the three months ended June 30, 2013, and were flat in both U.S. dollars and local currencies for the six months ended June 30, 2013, respectively, compared to the corresponding periods in 2012 relating to the timing of research and development project and product launch activity, as well as benefits from our increased activities in low-cost countries.

Selling, general and administrative expenses as a percentage of net sales were 30.0% and 30.8% for the three and six months ended June 30, 2013, respectively, compared to 29.8% and 30.5% in the corresponding periods during 2012.

Selling, general and administrative expenses increased 2% and 1% in both U.S. dollars and local currencies during the three and six months ended June 30, 2013, respectively, compared to the corresponding periods in 2012. The increase is primarily due to increased sales and marketing investments and higher employee incentive expense, offset in part by benefits from our cost reduction activities.

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

Interest expense was \$5.5 million and \$10.9 million for the three and six months ended June 30, 2013, respectively, and \$5.7 million and \$11.5 million for the corresponding periods in 2012. Interest expense decreased for the three and six months ended June 30, 2013 primarily as a result of a decrease in average borrowings.

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

The provision for taxes is based upon using our projected annual effective tax rate of 24% for the three and six months periods ended June 30, 2013, as compared to 24.5% for the three and six months ended June 30, 2012. 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, 2012.

U.S. Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,				
	2013	2012	%	2013	2012	%		
Total net sales	\$204,292	\$193,808	5	% \$381,054	\$369,217	3	%	
Net sales to external customers	\$187,395	\$177,182	6	% \$345,781	\$334,480	3	%	
Segment profit	\$33,481	\$35,403	(5	)% \$58,124	\$59,360	(2)%	

Total net sales increased 5% and 3% for the three and six months ended June 30, 2013, respectively, and net sales to external customers increased 6% and 3% for the three and six months ended June 30, 2013, respectively, compared with the corresponding periods in 2012. The increase in total net sales and net sales to external customers for the three and six months ended June 30, 2013, reflected increased sales volume and favorable price realization in most product categories. We experienced particularly strong growth during the three months ended June 30, 2013 in food retailing and core-industrial products which included incremental project activity, as well as analytical instruments. Segment profit decreased \$1.9 million and \$1.2 million for the three and six months ended June 30, 2013, respectively, compared to the corresponding periods in 2012. The decrease in segment profit was primarily due to a reduction in inter-segment royalty income, unfavorable business mix, and investments in our field service organization, partially offset by increased sales volume and favorable price realization.

Swiss Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,				
	2013	2012	% ¹⁾	2013	2012	% ¹⁾		
Total net sales	\$134,685	\$122,170	10	% \$262,505	\$251,294	4	%	
Net sales to external customers	\$31,166	\$28,420	10	% \$61,863	\$60,025	3	%	
Segment profit	\$37,171	\$26,312	41	% \$72,574	\$55,454	31	%	

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

Total net sales increased 10% and 4% in U.S. dollars for the three and six months ended June 30, 2013, respectively. Total net sales in local currency increased 11% and 5% for the three and six months ended June 30, 2013, compared to the corresponding periods in 2012. Net sales to external customers increased 10% and 3% in U.S. dollars and 10% and 4% in local currency during the three and six months ended June 30, 2013, respectively, compared to the corresponding periods in 2012. The increase in local currency net sales to external customers for the three months periods ended June 30, 2013 reflected strong volume growth in most product categories.

Segment profit increased \$10.9 million and \$17.1 million for the three and six month periods ended June 30, 2013, respectively, compared to the corresponding periods in 2012. Segment profit includes favorable inter-segment price realization and royalty income, increased productivity, reduced material costs and benefits from our cost reduction initiatives.

Western European Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,			
	2013	2012	% ¹⁾	2013	2012	% ¹⁾	
Total net sales	\$183,277	\$181,122	1	% \$357,557	\$357,974	0	%
Net sales to external customers	\$156,796	\$156,284	0	% \$302,964	\$309,289	(2))%
Segment profit	\$23,494	\$21,978	7	% \$41,792	\$40,243	4	%

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

Total net sales increased 1% and were flat in U.S. dollars for the three and six months ended June 30, 2013, respectively. Total net sales in local currency were flat and decreased 1% for the three and six months ended June 30, 2013, compared to the corresponding periods in 2012. Net sales to external customers were flat and decreased 2% in U.S. dollars for the three and six months ended June 30, 2013, respectively. Net sales to external customers in local currency decreased 1% and 3% for the three and six months ended June 30, 2013, compared to the corresponding periods in 2012. Total net sales and net sales to external customers for the three and six months ended June 30, 2013 primarily reflects sales volume declines in food retailing and product inspection, offset in part by modest growth in laboratory-related products. Our core-industrial products also experienced a sales decline during the six months ended June 30, 2013 as compared to the prior year comparable period. The net sales decline to external customers for the three and six months ended June 30, 2013 reflected weak economic growth in the region.

Segment profit increased \$1.5 million for both the three and six month periods ended June 30, 2013, respectively, compared to the corresponding periods in 2012. Favorable price realization, reduced expenses from our cost reduction activities and favorable business mix were offset in part by the sales volume decline.

Chinese Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,			
	2013	2012	% ¹⁾	2013	2012	% ¹⁾	
Total net sales	\$135,514	\$134,601	1	% \$256,643	\$255,708	0	%
Net sales to external customers	\$97,771	\$108,479	(10)	)% \$188,498	\$199,773	(6))%
Segment profit	\$29,374	\$30,931	(5)	)% \$54,022	\$56,249	(4))%

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

Total net sales increased 1% and were flat in U.S. dollars for the three and six months ended June 30, 2013, and decreased 1% in local currency for both the three and six months ended June 30, 2013, compared to the corresponding periods in 2012. Net sales to external customers decreased 10% and 6% in U.S. dollars and decreased 11% and 7% in local currency during the three and six months ended June 30, 2013, respectively, as compared to the corresponding periods in 2012. The local currency decline in net sales to external customers for the three and six months ended June 30, 2013 is primarily due to decreased sales volume in core-industrial, laboratory balances and product inspection products primarily related to weak economic conditions. Chinese market conditions remain uncertain and we sales will continue to be adversely impacted.

Segment profit decreased \$1.6 million and \$2.2 million for the three and six month periods ended June 30, 2013, respectively, compared to the corresponding periods in 2012. The decrease in segment profit for the three and six months ended June 30, 2013 includes reduced sales volume to external customers and investments in sales and marketing, offset by reduced material costs, favorable price realization and improved business mix. The decrease in segment profit for the six months ended June 30, 2013 also includes increased inter-segment royalty expenses.

Other (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,			
	2013	2012	% ¹⁾	2013	2012	% ¹⁾	
Total net sales	\$107,061	\$101,263	6	% \$206,856	\$205,110	1	%
Net sales to external customers	\$105,552	\$99,918	6	% \$203,927	\$202,116	1	%
Segment profit	\$9,166	\$8,506	8	% \$18,653	\$18,830	(1)%

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

Total net sales and net sales to external customers increased 6% and 1% in U.S. dollars and increased 7% and 3% in local currency during the three and six month periods ended June 30, 2013, respectively, compared to the corresponding periods in 2012. The increase in total net sales and net sales to external customers primarily reflects increased sales volume and favorable price realization in our laboratory-related products and product inspection.

Segment profit increased \$0.7 million and decreased \$0.2 million for the three and six months ended June 30, 2013, respectively, compared to the corresponding periods in 2012. The increase in segment profit during the three months ended June 30, 2013 is primarily due to the increased sales volume and favorable business mix. Operating profit for the three and six month periods was also impacted by increased cash incentive expense.

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 \$114.6 million during the six months ended June 30, 2013, compared to \$112.0 million in the corresponding period in 2012. The increase in 2013 is primarily due to decreased cash incentive payments of approximately \$25 million as compared to the six months ended June 30, 2012, offset in part by timing in Chinese account receivables, a reduction in inventory levels during the six months ended June 30, 2013, and the timing of higher tax payments of \$10 million and increased pension payments.

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 \$36.8 million for the six months ended June 30, 2013 compared to \$43.2 million in the corresponding period in 2012. Our capital expenditures during the six months ended June 30, 2013 included approximately \$21.4 million of investments related to our Blue Ocean multi-year program of information technology investment, as compared with \$22.4 million during the prior year comparable period.

We plan to repatriate earnings from China, Switzerland, Germany, 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, 2013, 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, 2013:

	June 30, 2013		
	U.S. Dollar	Other Principal Trading Currencies	Total
6.30% \$100 million senior notes	\$ 100,000	\$—	\$ 100,000
3.67% \$50 million senior notes	50,000	—	50,000
Credit agreement	270,342	23,385	293,727
Other local arrangements	—	17,931	17,931
Total debt	420,342	41,316	461,658
Less: current portion	—	(17,931	) (17,931
Total long-term debt	\$420,342	\$23,385	\$443,727

As of June 30, 2013, approximately \$582.4 million was available under our credit agreement. 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 acquisitions, we may incur additional indebtedness.

Share Repurchase Program

As of June 30, 2013, the Company had \$292.5 million of remaining availability under the Company's share repurchase program. In July 2013, the Board of Directors authorized us to buy back an additional \$750 million of common shares. 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 20.8 million shares since the inception of the program through June 30, 2013.

During the six months ended June 30, 2013 and 2012, we spent \$144.8 million and \$135.8 million on the repurchase of 680,934 shares and 797,095 shares at an average price per share of \$212.69 and \$170.31, respectively. We reissued 216,176 shares and 233,146 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2013 and 2012, 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 and product development costs in Switzerland relate to products that are sold outside Switzerland. In addition, we have a number of corporate functions located in Switzerland. Therefore, if the Swiss franc strengthens against all or most of our major trading currencies (e.g., the U.S. dollar, the euro, other major European currencies, the Chinese yuan and the Japanese yen), our operating profit is reduced. We also have significantly more sales in euro than we have expenses. Therefore, when the euro weakens against the U.S. dollar and the Swiss franc, it also decreases our operating profits. Accordingly, the Swiss franc exchange rate to the euro is an important cross-rate that we monitor. During the third quarter of 2011, the Swiss National Bank established a floor of 1.20 relating to the Swiss franc exchange rate to the euro. The duration for which the Swiss National Bank will maintain this exchange rate floor of 1.20 is currently unknown. Beginning in the third quarter of 2012, we entered into foreign currency forward contracts, as described in Note 3 of our consolidated financial statements, which reduce our exposure to a strengthening of the Swiss franc versus the euro. These forward contracts currently continue until June 2014. We estimate, absent these forward contracts, that a 1% strengthening of the Swiss franc against the euro would result in a decrease in our earnings before tax of approximately \$0.8 million to \$1.2 million on an annual basis. The previously described foreign currency forward contracts reduce this exposure by approximately 75%. 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, 2013, we estimate that a 10% weakening of the U.S. dollar against the currencies in which our debt is denominated would result in an increase of approximately \$4.6 million in the reported U.S. dollar value of the debt.

Recent Accounting Pronouncements

In January 2013, the Company adopted ASU 2013-02, to ASC 220 "Comprehensive Income." The adoption of the guidance requires the Company to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, the Company is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The adoption of the recently issued guidance did not impact the Company's consolidated results of operations or financial position.

In January 2013, the Company adopted ASU 2011-11 and ASU 2013-01, to ASC 210, "Balance Sheet." The adoption requires the Company to disclose information about offsetting arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2013-01 limits the scope of balance sheet offsetting disclosures in ASU 2011-11 to derivatives, repurchase agreements, and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement. 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,” “estimate,” “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, 2012, 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, 2013 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, 2013, 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, 2012.

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, 2013 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, 2013 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, 2012.

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

Issuer Purchases of Equity Securities

	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value (in thousands) of Shares that may yet be Purchased under the Program
April 1 to April 30, 2013	103,791	\$206.91	103,791	\$343,574
May 1 to May 31, 2013	118,335	\$218.83	118,335	\$317,677
June 1 to June 30, 2013	117,699	\$213.82	117,699	\$292,508
Total	339,825	\$213.45	339,825	\$292,508

As of June 30, 2013, the Company had \$292.5 million of remaining availability under the Company's share repurchase program. In July 2013, the Board of Directors authorized us to buy back an additional \$750 million of common shares. We have purchased 20.8 million shares since the inception of the program through June 30, 2013.

During the six months ended June 30, 2013 and 2012, we spent \$144.8 million and \$135.8 million on the repurchase of 680,934 and 797,095 shares at an average price per share of \$212.69 and \$170.31, respectively. We reissued 216,176 shares and 233,146 shares held in treasury for the exercise of stock options and restricted stock units for the six months ended June 30, 2013 and 2012, 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.

Date: July 26, 2013

Mettler-Toledo International Inc.

By: /s/ William P. Donnelly

William P. Donnelly
Group Vice President and
Chief Financial Officer

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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