

METTLER TOLEDO INTERNATIONAL INC/
Form 10-K
February 08, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 001-13595

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, OH 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this

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Form 10-K. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Act). Yes No
As of January 31, 2013 there were 30,305,383 shares of the registrant's Common Stock, \$0.01 par value per share, outstanding. The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant on June 30, 2012 (based on the closing price for the Common Stock on the New York Stock Exchange as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2012) was approximately \$4.8 billion. For purposes of this computation, shares held by affiliates and by directors of the registrant have been excluded. Such exclusion of shares held by directors is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant.

Documents Incorporated by Reference

Document
Certain Sections of the Proxy Statement for 2013
Annual Meeting of Shareholders

Part of Form 10-K Into Which Incorporated
Part III

METTLER-TOLEDO INTERNATIONAL INC.
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FORWARD-LOOKING STATEMENTS DISCLAIMER

Some of the statements in this annual 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 annual 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 this 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 annual report on Form 10-K for the fiscal year ended December 31, 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.

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PART I

Item 1. Business

We are a leading global supplier of precision instruments and services. We have strong leadership positions in all of our businesses and believe we hold global number-one market positions in a majority of them. Specifically, we are the largest provider of weighing instruments for use in laboratory, industrial and food retailing applications. We are also a leading provider of analytical instruments for use in life science, reaction engineering and real-time analytic systems used in drug and chemical compound development and process analytics instruments used for in-line measurement in production processes. In addition, we are the largest supplier of end-of-line inspection systems used in production and packaging for food, pharmaceutical and other industries.

Our business is geographically diversified, with net sales in 2012 derived 34% from both Europe and North and South America and 32% from Asia and other countries. Our customer base is also diversified by industry and by individual customer.

Mettler-Toledo International Inc. was incorporated as a Delaware corporation in 1991 and became a publicly traded company with its initial public offering in 1997.

Business Segments

We have five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other. See Note 18 to the audited consolidated financial statements and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations under "Results of Operations — by Operating Segment" included herein for detailed results by segment and geographic region.

We manufacture a wide variety of precision instruments and provide value-added services to our customers. Our principal products and principal services are set forth below. We have followed this description of our products and services with descriptions of our customers and distribution, sales and service, research and development, manufacturing and certain other matters. These descriptions apply to substantially all of our products and related segments.

Laboratory Instruments

We make a wide variety of precision laboratory instruments, including laboratory balances, pipettes, titrators, thermal analysis systems and other analytical instruments. The laboratory instruments business accounted for approximately 46% of our net sales in 2012, 45% in 2011 and 46% in 2010.

Laboratory Balances

Our laboratory balances have weighing ranges from one ten-millionth of a gram up to 64 kilograms. To cover a wide range of customer needs and price points, we market our balances in a range of product tiers offering different levels of functionality. Based on the same technology platform, we also manufacture mass comparators, which are used by weights and measures regulators as well as laboratories to ensure the accuracy of reference weights. Laboratory balances are primarily used in the pharmaceutical, food, chemical, cosmetics and other industries.

Pipettes

Pipettes are used in laboratories for dispensing small volumes of liquids. We operate our pipette business with the Rainin brand name. Rainin develops, manufactures and distributes advanced pipettes, tips and accessories, including single- and multi-channel manual and electronic pipettes. Rainin maintains service centers in the key markets where customers periodically send their pipettes for certified recalibrations. Rainin's principal end markets are pharmaceutical, biotech and academia.

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Analytical Instruments

Titration measures the chemical composition of samples and are used in environmental and research laboratories as well as in quality control labs in the pharmaceutical, food and beverage and other industries. Our high-end titrators are multi-tasking models, which can perform two determinations simultaneously on multiple vessels. Our offering includes robotics to automate routine work in quality control applications.

Thermal analysis systems measure material properties as a function of temperature, such as weight, dimension, energy flow and viscoelastic properties. Thermal analysis systems are used in nearly every industry, but primarily in the plastics and polymer industries and increasingly in the pharmaceutical industry.

pH meters measure acidity in laboratory samples. We also sell density and refractometry instruments, which measure chemical concentrations in solutions. In addition, we manufacture and sell moisture analyzers, which precisely determine the moisture content of a sample by utilizing an infrared dryer to evaporate moisture.

Laboratory Software

LabX, our PC-based laboratory software platform, manages and analyzes data generated by our balances, titrators, pH meters, moisture analyzers and other analytical instruments. LabX provides full network capability; has efficient, intuitive protocols; and enables customers to collect and archive data in compliance with the U.S. Food and Drug Administration's traceability requirements for electronically stored data (also known as 21 CFR Part 11).

Automated Chemistry Solutions

Our current automated chemistry solutions focus on selected applications in the chemical and drug discovery process. Our automated lab reactors and in situ analysis systems are considered integral to the process development and scale-up activities of our customers. Our on-line measurement technologies based on infrared and laser light scattering enables customers to monitor chemical reactions and crystallization processes in real time in the lab and plant. We believe that our portfolio of integrated technologies can bring significant efficiencies to the development process, enabling our customers to bring new chemicals and drugs to market faster.

Process Analytics

Our process analytics business provides instruments for the in-line measurement of liquid parameters used primarily in the production process of pharmaceutical, biotech, beverage, microelectronics, chemical and refining companies. Approximately half of our process analytics sales are to the pharmaceutical and biotech markets, where our customers need fast and secure scale-up and production that meets the validation processes required for GMP (Good Manufacturing Processes) and other regulatory standards. We are a leading solution provider for liquid analytical measurement to control and optimize production processes. Our solutions include sensor technology for measuring pH, dissolved oxygen, carbon dioxide, conductivity, turbidity, ozone and total organic carbons and automated systems for calibration and cleaning of measurement points. Intelligent sensor diagnostics capabilities enable improved asset management solutions for our customers to reduce process downtime and maintenance costs. Our instruments offer leading multi-parameter capabilities and plant-wide control system integration, which are key for integrated measurement of multiple parameters to secure production quality and efficiency. With a worldwide network of specialists, we support customers in critical process applications, compliance and systems integration questions.

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Industrial Instruments

We manufacture numerous industrial weighing instruments and related terminals and offer dedicated software solutions for the pharmaceutical, chemical, food and other industries. In addition, we manufacture metal detection and other end-of-line product inspection systems used in production and packaging. We supply automatic identification and data capture solutions, which integrate in-motion weighing, dimensioning and identification technologies for transport, shipping and logistics customers. We also offer heavy industrial scales and related software. The industrial instruments business accounted for approximately 45% of our net sales in both 2012 and 2011, and 43% in 2010.

Industrial Weighing Instruments

We offer a comprehensive line of industrial scales and balances, such as bench scales and floor scales, for weighing loads from a few grams to several thousand kilograms in applications ranging from measuring materials in chemical production to weighing packages. Our products are used in a wide range of applications, such as counting applications and in formulating and mixing ingredients.

Industrial Terminals

Our industrial scale terminals collect data and integrate it into manufacturing processes, helping to automate them. Our terminals allow users to remotely download programs or access setup data and can minimize downtime through predictive rather than reactive maintenance.

Transportation and Logistics

We are a leading global supplier of automatic identification and data capture solutions, which integrate in-motion weighing, dimensioning and identification technologies. With these solutions, customers can measure the weight and cubic volume of packages for appropriate billing, logistics and quality control. Our solutions also integrate into customers' information systems.

Vehicle Scale Systems

Our primary heavy industrial products are scales for weighing trucks or railcars (i.e., weighing bulk goods as they enter or leave a factory or at a toll station). Heavy industrial scales are capable of measuring weights up to 500 tons and permit accurate weighing under extreme environmental conditions. We also offer advanced computer software that can be used with our heavy industrial scales to facilitate a broad range of customer solutions and provides a complete system for managing vehicle transaction processing.

Industrial Software

We offer software that can be used with our industrial instruments. Examples include FreeWeigh.Net, statistical quality control software, Formweigh.Net, our formulation/batching software and OverDrive, which supports the operation of vehicle scales. FreeWeigh.Net and Formweigh.Net provide full network capability and enable customers to collect and archive data in compliance with 21 CFR Part 11.

Product Inspection

Increasing safety and consumer protection requirements are driving the need for more sophisticated end-of-line product inspection systems (e.g., for use in food processing and packaging, pharmaceutical and other industries). We are a leading global provider of metal detectors, x-ray and camera-based visioning equipment and checkweighers that are used in these industries. Metal detectors are most commonly used to detect fine particles of metal that may be contained in raw materials or may be generated by the manufacturing process itself. X-ray-based vision inspection helps detect non-metallic contamination, such as glass, stones and pits, which enter the manufacturing process for similar reasons. Our x-ray systems can also detect metal in metallized containers and can be used for mass control. We

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also provide camera-based vision inspection solutions that provide in-line inspection of package quality and content and enable our customers to implement traceability and serialization tracking, which are needs for food and beverage, consumer goods and pharmaceutical companies. Checkweighers are used to control the filling content of packaged goods such as food, pharmaceuticals and cosmetics. Both x-ray and metal detection systems may be used together with checkweighers as components of integrated packaging lines. FreeWeigh.Net is our statistical and quality control software that optimizes package filling, monitors weight-related data and integrates it in real time into customers' enterprise resource planning and/or process control systems.

Retail Weighing Solutions

Supermarkets, hypermarkets and other food retail businesses make use of multiple weighing and food labeling solutions for handling fresh goods (such as meats, vegetables, fruits and cheeses). We offer stand-alone scales for basic counter weighing and pricing, price finding and printing. In addition, we offer networked scales and software, which can integrate backroom, counter, self-service and checkout functions and can incorporate fresh goods item data into a supermarket's overall food item and inventory management system. Customer benefits are in the areas of pricing, merchandising, inventory management and regulatory compliance. Our instruments have been expanded to allow in-store marketing which permits customers to make more decisions at the point of sale. The retail business accounted for approximately 9% of our net sales in 2012, 10% in 2011 and 11% in 2010.

Customers and Distribution

Our principal customers include companies in the following key end markets: the life science industry (pharmaceutical and biotech companies, as well as independent research organizations); food and beverage producers; food retailers; chemical, specialty chemicals and cosmetics companies; the transportation and logistics industry; the metals industry; the electronics industry; and the academic community.

Our products are sold through a variety of distribution channels. Generally, more technically sophisticated products are sold through our direct sales force, while less complicated products are sold through indirect channels. Our sales through direct channels exceed our sales through indirect channels. A significant portion of our sales in the Americas is generated through indirect channels, including sales of our "Ohaus" branded products. Ohaus branded products target markets, such as the educational market, in which customers are interested in lower cost, a more limited set of features and less comprehensive support and service.

We have a diversified customer base, with no single customer accounting for more than 1% of 2012 net sales.

Sales and Service

Market Organizations

We maintain geographically focused market organizations around the world that are responsible for all aspects of our sales and service. The market organizations are customer-focused, with an emphasis on building and maintaining value-added relationships with customers in our target market segments. Each market organization has the ability to leverage best practices from other units while maintaining the flexibility to adapt its marketing and service efforts to account for different cultural and economic conditions. Market organizations also work closely with our producing organizations (described below) by providing feedback on manufacturing and product development initiatives, new product and application ideas and information about key market segments.

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We have one of the largest and broadest global sales and service organizations among precision instrument manufacturers. At December 31, 2012, our sales and service group consisted of approximately 6,220 employees in sales, marketing and customer service (including related administration) and post-sales technical service, located in 36 countries. This field organization has the capability to provide service and support to our customers and distributors in major markets across the globe. This is important because our customers increasingly seek to do business with a consistent global approach.

Service

Our service business remains successful with a focus on repair and preventative maintenance services as well as further expansion of our offerings to include value-added services for a range of market needs, including regulatory compliance qualification, calibration and certification. We have a unique offering to our pharmaceutical customers in promoting use of our instruments in compliance with FDA regulations, and we can provide these services regardless of the customer's location around the world. This global service network is also an important factor in our ability to expand in emerging markets. We estimate that we have the largest installed base of weighing instruments in the world. Service (representing service contracts, repairs and replacement parts) accounted for approximately 21% of our net sales in 2012 and 2011, and 23% in 2010. A significant portion of this amount is derived from the sale of replacement parts.

Beyond revenue opportunities, we believe service is a key part of our solution offering and helps significantly in customer retention. The close relationships and frequent contact with our large customer base provide us with sales opportunities and innovative product and application ideas.

Research and Development and Manufacturing

Producing Organizations

Our research, product development and manufacturing efforts are organized into a number of producing organizations. Our focused producing organizations help reduce product development time and costs, improve customer focus and maintain technological leadership. The producing organizations work together to share ideas and best practices, and there is a close interface and coordinated customer interaction among marketing organizations and producing organizations.

Research and Development

We continue to invest in product innovation to provide technologically advanced products to our customers for existing and new applications. Over the last three years, we have invested \$325.6 million in research and development (\$112.5 million in 2012, \$116.1 million in 2011 and \$97.0 million in 2010). In 2012, we spent approximately 4.8% of net sales on research and development. Our research and development efforts fall into two categories:

technology advancements, which generate new products and increase the value of our products. These advancements may be in the form of enhanced or new functionality, new applications for our technologies, more accurate or reliable measurement, additional software capability or automation through robotics or other means, which allow us to design products more specific to the needs of the industries we serve, and cost reductions, which reduce the manufacturing cost of our products through better overall design.

We devote a substantial proportion of our research and development budget to software development. This includes software to process the signals captured by the sensors of our instruments, application-specific software and software that connects our solutions into customers' existing IT systems. We closely

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integrate research and development with marketing, manufacturing and product engineering. We have approximately 1,180 employees in research and development and product engineering in countries around the globe.

Manufacturing

We are a worldwide manufacturer, with facilities principally located in China, Germany, Switzerland, the United Kingdom and the United States. Laboratory instruments are produced mainly in Switzerland and to a lesser extent in the United States and China, while our remaining products are manufactured worldwide. We emphasize product quality in our manufacturing operations, and most of our products require very strict tolerances and exact specifications. We use an extensive quality control system that is integrated into each step of the manufacturing process. All major manufacturing facilities have achieved ISO 9001 certification. We believe that our manufacturing capacity is sufficient to meet our present and currently anticipated demand.

We generally manufacture only critical components, which are components that contain proprietary technology. When outside manufacturing is more efficient, we contract with other manufacturers for certain nonproprietary components. We use a wide range of suppliers. We believe our supply arrangements are adequate and that there are no material constraints on the sources and availability of materials. From time to time we may rely on a single supplier for all of our requirements of a particular component. Supply arrangements for electronic components are generally made globally.

Backlog; Seasonality

Our manufacturing turnaround time is generally short, which permits us to manufacture orders to fill for most of our products. Backlog is generally a function of requested customer delivery dates and is typically no longer than one to two months.

Our business has historically experienced a slight amount of seasonal variation, particularly the high-end laboratory instruments business. Traditionally, sales in the first quarter are slightly lower than, and sales in the fourth quarter are slightly higher than, sales in the second and third quarters. Fourth quarter sales have historically generated approximately 26% to 30% of our net sales. This trend has a somewhat greater effect on income from operations than on net sales because fixed costs are spread evenly across all quarters.

Employees

Our total workforce including employees and temporary personnel as of December 31, 2012 was approximately 12,400 throughout the world, including approximately 4,600 in Europe, 3,400 in North and South America and 4,300 in Asia and other countries.

We believe our employee relations are good, and we have not suffered any material employee work stoppage or strike during the last five years. Labor unions do not represent a meaningful number of our employees.

Sustainability

We believe a sustainable business is one positioned for long-term growth and for us it defines our approach to decision making, from how we manage our impact on the environment to our relationships with employees, customers and shareholders. We produced our first sustainability report in 2011 which outlined our GreenMT program which was launched in 2010 to improve our understanding of how our business affects the environment. We have gathered data to understand the magnitude of the global greenhouse gas or CO₂ footprint generated not only by our fuel and electricity use, but also the products we sell and our use of supply chains. We are now working to establish goals and will start to make reductions in these emissions. This includes new ways of managing our vehicle fleets, incorporating new

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design features into our products, improving the energy efficiency of our buildings and processes and looking at how we source the electricity we use in our facilities. We think these efforts will produce a favorable impact on the environment as well as potential savings in future periods.

Blue Ocean Program

“Blue Ocean” refers to our program to establish a new global operating model with standardized, automated and integrated processes, and high levels of global data transparency. It will encompass a new enterprise architecture, with a global, single instance ERP system. Within our IT systems we are moving toward integrated, homogeneous applications and common data structures. We will also largely standardize our key business processes. The implementation of the systems and processes have been proceeding on a staggered basis over a multi-year period with the initial go-live rollout having occurred in 2010. We have implemented the Blue Ocean program in our Swiss and Chinese operations and now have approximately one-third of the program completed as measured in users. We expect to implement the program in the United States and Germany over the next two years and will then have more than half of the Company's users on the system. Incremental capital expenditures for the Blue Ocean program are more than \$20 million annually. This amount may change based upon fluctuations in currency exchange rates. We expect the return on this investment when complete to include improved realized pricing, reduced operating costs and working capital requirements.

Intellectual Property

We hold over 4,650 patents and trademarks (including pending applications), primarily in the United States, Switzerland, Germany, the United Kingdom, Italy, France, Japan, China, South Korea, Brazil and India. Our products generally incorporate a wide variety of technological innovations, some of which are protected by patents of various durations. Products are generally not protected as a whole by individual patents, and as a result, no one patent or group of related patents is material to our business. We have numerous trademarks, including the Mettler-Toledo name and logo, which are material to our business. We regularly protect against infringement of our intellectual property.

Regulation

Our products are subject to various regulatory standards and approvals by weights and measures regulatory authorities. All of our electrical components are subject to electrical safety standards. We believe that we are in compliance in all material respects with applicable regulations.

Approvals are required to ensure our instruments do not impermissibly influence other instruments and are themselves not affected by other instruments. In addition, some of our products are used in “legal for trade” applications, in which prices based on weight are calculated and for which specific weights and measures approvals are required. Although there are a large number of regulatory agencies across our markets, there is an increasing trend toward harmonization of standards, and weights and measures regulation is harmonized across the European Union.

Our products may also be subject to special requirements depending on the end-user and market. For example, laboratory customers are typically subject to Good Laboratory Practices (GLP), industrial customers to Good Manufacturing Practices (GMP), pharmaceutical customers to U.S. Food and Drug Administration (FDA) regulations, and customers in food processing industries may be subject to Hazard Analysis and Critical Control Point (HACCP) regulations. Products used in hazardous environments may also be subject to special requirements.

Environmental Matters

We are subject to environmental laws and regulations in the jurisdictions in which we operate. We own or lease a number of properties and manufacturing facilities around the world. Like many of our

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competitors, we have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

We are currently involved in, or have potential liability with respect to, the remediation of past contamination in certain of our facilities. A former subsidiary of Mettler-Toledo, LLC (“MT”) known as Hi-Speed Checkweigher Co., Inc. (“Hi-Speed”) was one of two private parties ordered by the New Jersey Department of Environmental Protection (“NJDEP”), in an administrative consent order (“ACO”) signed on June 13, 1988, to investigate and remediate certain ground water contamination at a certain property in Landing, New Jersey. After the other party ordered under this ACO failed to fulfill its obligations, Hi-Speed became solely responsible for compliance with the ACO. Residual ground water contamination at this site is now within a Classification Exception Area (“CEA”) which NJDEP has approved and within which MT oversees monitoring of the decay of contaminants of concern. A concurrent Well Restriction Area also exists for the site. The NJDEP does not view these vehicles as remedial measures, but rather as “institutional controls” that must be adequately maintained and periodically evaluated. In 2010, testing of indoor air at certain buildings within the site led to the installation of a vapor intrusion mitigation system at one building. We estimate that the costs of compliance associated with the site over the next several years will approximate \$0.5 million.

In addition, certain of our present and former facilities have or had been in operation for many decades and, over such time, some of these facilities may have used substances or generated and disposed of wastes which are or may be considered hazardous. It is possible that these sites, as well as disposal sites owned by third parties to which we have sent wastes, may in the future be identified and become the subject of remediation. Although we believe that we are in substantial compliance with applicable environmental requirements and, to date, we have not incurred material expenditures in connection with environmental matters, it is possible that we could become subject to additional environmental liabilities in the future that could have a material adverse effect on our financial condition, results of operations or cash flows.

Competition

Our markets are highly competitive. Many of the markets in which we compete are fragmented both geographically and by application, particularly the industrial and food retailing markets. As a result, we face numerous regional or specialized competitors, many of which are well established in their markets. For example, some of our competitors are divisions of larger companies with potentially greater financial and other resources than our own. In addition, some of our competitors are domiciled in emerging markets and may have a lower cost structure than ours. We are confronted with new competitors in emerging markets who, although relatively small in size today, could become larger companies in their home markets. Given the sometimes significant growth rates of these emerging markets, and in light of their cost advantage over developed markets, emerging market competitors could become more significant global competitors. Taken together, the competitive forces present in our markets can impair our operating margins in certain product lines and geographic markets.

We expect our competitors to continue to improve the design and performance of their products and to introduce new products with competitive prices. Although we believe that we have technological and other competitive advantages over many of our competitors, we may not be able to realize and maintain these advantages. These advantages include our worldwide market leadership positions; our global brand and reputation; our track record of technological innovation; our comprehensive, high-quality solution offering; our global sales and service offering; our large installed base of weighing instruments; and the diversification of our revenue base by geographic region, product range and customer. To remain competitive, we must continue to invest in research and development, sales and marketing and customer service and support. We cannot be sure that we will have sufficient resources to continue to make these

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investments or that we will be successful in identifying, developing and maintaining any competitive advantages. We believe the principal competitive factors in developed markets for purchasing decisions are the product itself, application support, service support and price. In emerging markets, where there is greater demand for less sophisticated products, price is a more important factor than in developed markets. Competition in the U.S. laboratory market is also influenced by the presence of large distributors that sell not only our products but those of our competitors as well.

Company Website and Information

Our website can be found on the Internet at www.mt.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q, Form 8-K and Schedule 14A and all amendments to those reports can be viewed and downloaded free of charge when they are filed with the SEC by accessing www.mt.com, clicking on About Us, Investor Relations and then clicking on SEC Filings. These filings may also be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Our website also contains copies of the following documents that can be downloaded free of charge:

• Corporate Governance Guidelines

• Audit Committee Charter

• Compensation Committee Charter

• Nominating and Corporate Governance Committee Charter

• Code of Conduct

• Sustainability Report

Any of the above documents and any of our reports on Form 10-K, Form 10-Q, Form 8-K and Schedule 14A and all amendments to those reports can also be obtained in print, free of charge, by sending a written request to our Investor Relations Department:

Investor Relations

Mettler-Toledo International Inc.

1900 Polaris Parkway

Columbus, OH 43240 U.S.A.

Phone: +1 614 438 4748

Fax: +1 614 438 4646

E-mail: mary.finnegan@mt.com

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Item 1A. Risk Factors

Factors Affecting Our Future Operating Results

The majority of our business is derived from companies in developed countries. Continued economic uncertainty in these countries may adversely affect our operating results.

Although the percentage of our sales coming from emerging markets is growing, the majority of our business is still derived from companies in developed countries. Economic instability in many parts of the world, including the potential for a sovereign debt crisis in the European Union and the United States, continues to be a situation that we are monitoring closely. Concerns regarding this potential financial crisis on financial institutions globally would likely have an adverse effect on the global capital markets. More specifically, an escalation of the European or U.S. debt crises could have the following adverse effects:

- A substantial drop in demand for our products because of the basic inability of companies to complete commercial transactions
- Severe limits on the ability of our Company, our customers, suppliers and lenders to finance their respective businesses
- Unavailability of liquidity at acceptable financing costs, if at all
- The inability to obtain materials and supplies
- Potential devaluation and/or impairment of assets
- Increased accounts receivable write-offs
- Difficulty in collecting accounts receivables
- Potential disputes about the currency of payment under various contractual arrangements for the purchases and sales of goods and services
- Increased foreign exchange rate volatility that could result in unexpected changes in profitability and cash flow

Because our customers often decrease or delay capital expenditures in uncertain or difficult economic times, economic downturns or recessions in developed countries adversely affect our operating results. Customers may also purchase lower-cost products made by competitors and not resume purchasing our products even after economic conditions improve. These conditions would reduce our revenues and profitability.

Concerns regarding the European debt crisis and market perception concerning the instability of the euro could affect our operating profits.

We conduct business in many countries that use the euro as their currency (the Eurozone). Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro, and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries.

These concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or in more extreme circumstances, the possible dissolution of the euro currency entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of our euro-denominated assets and obligations. In addition, concerns over the effect of this financial crisis on financial institutions

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in Europe and globally could have an adverse effect on the global capital markets, and more specifically on the ability of our Company, our customers, suppliers and lenders to finance their respective businesses, to access liquidity at acceptable financing costs, if at all, on the availability of supplies and materials and on the demand for our products. We are subject to certain risks associated with our international operations and fluctuating conditions in emerging markets; and have a significant concentration of business in China.

We conduct business in many countries, including emerging markets in Asia, Latin America and Eastern Europe, and these operations represent a significant portion of our sales and earnings. For example, our Chinese operations account for \$432.3 million of sales to external customers, approximately 30% of our global production, and \$125.2 million of segment profit during 2012. In addition to the currency risks discussed below, international operations pose other substantial risks and problems for us. For instance, various local jurisdictions in which we operate may revise or alter their respective legal and regulatory requirements. In addition, we may encounter one or more of the following obstacles or risks:

- tariffs and trade barriers;
- difficulties in staffing and managing local operations and/or mandatory salary increases for local employees;
- credit risks arising from financial difficulties facing local customers and distributors;
- difficulties in protecting intellectual property;
- nationalization of private enterprises which may result in the confiscation of assets as we hold significant assets around the world in the form of property, plant and equipment, inventory and accounts receivable, as well as \$57.1 million of cash at December 31, 2012 in our Chinese subsidiaries;
- restrictions on investments and/or limitations regarding foreign ownership;
- adverse tax consequences, including tax disputes, imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries; and
- other uncertain local economic, political and social conditions, including hyper-inflationary conditions or periods of low or no productivity growth.

We must also comply with a variety of regulations regarding the conversion and repatriation of funds earned in local currencies. For example, converting earnings from our operations in China into other currencies and repatriating these funds require governmental approvals. If we cannot comply with these or other applicable regulations, we may face increased difficulties in utilizing cash flow generated by these operations outside of China.

While we continued to experience sales growth in emerging markets during 2012, growth in China was lower than recent years. Fluctuating economic conditions and the current change in China's political leadership may continue to affect our results of operations in these markets in the future. Certain emerging markets have also experienced currency devaluations and inflationary prices. Economic problems in individual markets can also spread to other economies, adding to the adverse conditions we may face in emerging markets. We remain committed to emerging markets, particularly those in Asia, Latin America and Eastern Europe. However, fluctuating economic conditions may adversely affect our results of operations in these markets.

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We operate in highly competitive markets, and it may be difficult to preserve operating margins, gain market share and maintain a technological advantage.

Our markets are highly competitive. Many of the markets in which we compete are fragmented both geographically and by application, particularly the industrial and food retailing markets. As a result, we face numerous regional or specialized competitors, many of which are well established in their markets. In addition, some of our competitors are divisions of larger companies with potentially greater financial and other resources than our own. Some of our competitors are domiciled or operate in emerging markets and may have a lower cost structure than ours. We are confronted with new competitors in emerging markets who, although relatively small in size today, could become larger companies in their home markets. Given the sometimes significant growth rates of these emerging markets, and in light of their cost advantage over developed markets, emerging market competitors could become more significant global competitors. Taken together, the competitive forces present in our markets can impair our operating margins in certain product lines and geographic markets. We expect our competitors to continue to improve the design and performance of their products and to introduce new products with competitive prices. Although we believe that we have certain technological and other advantages over our competitors, we may not be able to realize and maintain these advantages.

We are vulnerable to system failures, including those that may be related to cyber security attacks, which could harm our business.

We rely on our technology infrastructure, among other functions, to interact with suppliers, sell our products and services, support our customers, fulfill orders and bill, collect and make payments. Our systems are vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and other events. When we upgrade or change systems, we may suffer interruptions in service, loss of data or reduced functionality. A significant number of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Despite any precautions we may take, such problems could result in, among other consequences, interruptions in our services or unauthorized disclosure of confidential information, which could harm our reputation and financial condition. We do not carry business interruption insurance sufficient to compensate us for losses that may result from interruptions in our services as a result of system failures.

We also are in the process of implementing our Blue Ocean program, a program to globalize our business processes and information technology systems that includes the implementation of a Company-wide enterprise resource planning system. The implementation of this program has been proceeding on a staggered basis over a multi-year period with the initial go-live rollout having occurred in 2010. We have implemented the Blue Ocean program in our Swiss and Chinese operations and now have approximately one-third of the program completed as measured in users. We expect to implement the program in the United States and Germany over the next two years and will then have more than half of the Company's users on the system. If the implementation of any unit is flawed, we could suffer interruptions in operations and customer-facing activities which could harm our reputation and financial condition, or cause us to lose data, experience reduced functionality or have delays in reporting financial information. It may take us longer to implement the Blue Ocean program than we have planned, and the project may cost us more than we have estimated, either of which would negatively impact our ability to generate cost savings or other efficiencies. In addition, the implementation of Blue Ocean will increase our reliance on a single information technology system which would have greater consequences should we experience a system disruption.

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Our ability to deliver products and services may be disrupted.

An interruption in our business due to events such as disruptions with our supply chain, natural disasters, pandemics or other health crises, fires or explosions may cause us to temporarily be unable to deliver products or services to our customers. It may be expensive to resolve these issues, even though some of these risks are covered by insurance policies. More importantly, customers may switch to competitors and may not return to us even if we resolve the interruption.

Our product development efforts may not produce commercially viable products in a timely manner.

We must introduce new products and enhancements in a timely manner, or our products could become technologically obsolete over time, which would harm our operating results. To remain competitive, we must continue to make significant investments in research and development, sales and marketing and customer service and support. We cannot be sure that we will have sufficient resources to continue to make these investments. In developing new products, we may be required to make substantial investments before we can determine their commercial viability. As a result, we may not be successful in developing new products and we may never realize the benefits of our research and development activities.

A widespread outbreak of an illness or other health issue could negatively affect our business, making it more difficult and expensive to meet our obligations to our customers, and could result in reduced demand from our customers.

In recent years, a number of countries have experienced outbreaks of the H1N1 influenza (swine flu) or, in the Asia Pacific region, outbreaks of SARS and/or avian influenza (bird flu). Despite the implementation of certain precautions, we are susceptible to such outbreaks. As a result of such outbreaks, businesses can be shut down and individuals can become ill or quarantined. Outbreaks of infectious diseases such as these, particularly in North America, Europe, China or other locations significant to our operations, could adversely affect general commercial activity, which could have a material adverse effect on our financial condition, results of operations, business or prospects. If our operations are curtailed because of health issues, we may need to seek alternate sources of supply for services and staff and these alternate sources may be more expensive. Alternate sources may not be available or may result in delays in shipments to our customers, each of which would affect our results of operations. In addition, a curtailment of our product design operations could result in delays in the development of new products. Further, if our customers' businesses are affected by health issues, they might delay or reduce purchases from us, which could adversely affect our results of operations.

A prolonged downturn or additional consolidation in the pharmaceutical, food, food retailing and chemical industries could adversely affect our operating results.

Our products are used extensively in the pharmaceutical, food and beverage and chemical industries. Consolidation in the pharmaceutical and chemical industries hurt our sales in prior years. A prolonged economic downturn or additional consolidation in any of these industries could adversely affect our operating results. In addition, the capital spending policies of our customers in these industries are based on a variety of factors we cannot control, including the resources available for purchasing equipment, the spending priorities among various types of equipment and policies regarding capital expenditures. Any decrease or delay in capital spending by our customers would cause our revenues to decline and could harm our profitability.

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We may face risks associated with future acquisitions.

We may pursue acquisitions of complementary product lines, technologies or businesses. Acquisitions involve numerous risks, including difficulties in the assimilation of the acquired operations, technologies and products; diversion of management's attention from other business concerns; and potential departures of key employees of the acquired company. If we successfully identify acquisitions in the future, completing such acquisitions may result in new issuances of our stock that may be dilutive to current owners, increases in our debt and contingent liabilities and additional amortization expense related to intangible assets. Any of these acquisition-related risks could have a material adverse effect on our profitability.

Larger companies have identified life sciences and instruments as businesses they will consider entering, which could change the competitive dynamics of these markets. In addition, we may not be able to identify, successfully complete or integrate potential acquisitions in the future. However, even if we can do so, we cannot be sure that these acquisitions will have a positive impact on our business or operating results.

If we cannot protect our intellectual property rights, or if we infringe or misappropriate the proprietary rights of others, our operating results could be harmed.

Our success depends on our ability to obtain and enforce patents on our technology, maintain our trademarks and protect our trade secrets. Our patents may not provide complete protection, and competitors may develop similar products that are not covered by our patents. Our patents may also be challenged by third parties and invalidated or narrowed. Competitors sometimes seek to take advantage of our trademarks or brands in ways that may create customer confusion or weaken our brand. Although we take measures to protect confidential information, improper use or disclosure of our trade secrets may still occur.

We may be sued for infringing on the intellectual property rights of others. The cost of any litigation could affect our profitability regardless of the outcome, and management attention could be diverted. If we are unsuccessful in such litigation, we may have to pay damages, stop the infringing activity and/or obtain a license. If we fail to obtain a required license, we may be unable to sell some of our products, which could result in a decline in our revenues.

Departures of key employees could impair our operations.

We generally have employment contracts with each of our key employees. Our executive officers own shares of our common stock and/or have options to purchase additional shares. Nevertheless, such individuals could leave the Company. If any key employees stopped working for us, our operations could be harmed. Important R&D personnel may leave and join competitors, which could substantially delay or hinder ongoing development projects. We have no key man life insurance policies with respect to any of our senior executives.

We may be adversely affected by environmental laws and regulations.

We are subject to various environmental laws and regulations, including those relating to air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances.

We incur expenditures in complying with environmental laws and regulations. We are currently involved in, or have potential liability with respect to, the remediation of past contamination in various facilities. In addition, some of our facilities are or have been in operation for many decades and may have used substances or generated and disposed of wastes that are hazardous or may be considered hazardous

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in the future. These sites and disposal sites owned by others to which we sent waste may in the future be identified as contaminated and require remediation. Accordingly, it is possible that we could become subject to additional environmental liabilities in the future that may harm our results of operations or financial condition.

We may be adversely affected by new regulations relating to conflict minerals.

In August 2012, the SEC adopted new disclosures and reporting requirements for companies whose products contain certain minerals and their derivatives, namely tin, tantalum, tungsten or gold, known as conflict minerals. Companies must report annually whether or not such minerals originate from the Democratic Republic of Congo (DRC) and adjoining countries and in some cases to perform extensive due diligence on their supply chains for such minerals. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of materials used in the manufacturing of our products. In addition, we will incur additional costs to comply with the disclosure requirements, including cost related to determining the source of any of the relevant minerals used in our products. Since our supply chain is complex, the due diligence procedures that we implement may not enable us to ascertain with sufficient certainty the origins for these minerals or determine that these minerals are DRC conflict free, which may harm our reputation. We may also face difficulties in satisfying customers who may require that our products be certified as DRC conflict free, which could harm our relationships with these customers and/or lead to a loss of revenue. These new requirements also could have the effect of limiting the pool of suppliers from which we source these minerals, and we may be unable to obtain conflict-free minerals at prices similar to the past, which could increase our costs and adversely affect our manufacturing operations and our profitability.

We may be adversely affected by failure to comply with regulations of governmental agencies or by the adoption of new regulations.

Our products are subject to regulation by governmental agencies. These regulations govern a wide variety of activities relating to our products, from design and development, to product safety, labeling, manufacturing, promotion, sales and distribution. If we fail to comply with these regulations, or if new regulations are adopted that substantially change existing practice or impose new burdens, we may have to recall products and cease their manufacture and distribution. In addition, we could be subject to fines or criminal prosecution.

We may experience impairments of goodwill or other intangible assets.

As of December 31, 2012, our consolidated balance sheet included goodwill of \$452.4 million and other intangible assets of \$117.6 million.

Our business acquisitions typically result in goodwill and other intangible assets, which affect the amount of future period amortization expense and possible impairment expense. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements.

In accordance with U.S. GAAP, our goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation is based on valuation models that estimate fair value based on expected future cash flows and profitability projections. In preparing the valuation models we consider a number of factors, including operating results, business plans, economic conditions, future cash flows, and transactions and market data. There are inherent uncertainties related to these factors and our judgment in applying them to the impairment analyses. The significant estimates and assumptions within our fair value models include sales growth, controllable cost growth, perpetual

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growth, effective tax rates and discount rates. Our assessments to date have indicated that there has been no impairment of these assets.

Should any of these estimates or assumptions change, or should we incur lower-than-expected operating performance or cash flows, including from a prolonged economic slowdown, we may experience a triggering event that requires a new fair value assessment for our reporting units, possibly prior to the required annual assessment. These types of events and resulting analysis could result in impairment charges for goodwill and other indefinite-lived intangible assets if the fair value estimate declines below the carrying value.

Our amortization expense related to intangible assets with finite lives may materially change should our estimates of their useful lives change.

Unanticipated changes in our tax rates or exposure to additional income tax liabilities could impact our profitability. We are subject to income taxes in the United States and various other foreign jurisdictions, and our domestic and international tax liabilities are subject to allocation of expenses among different jurisdictions. Our effective tax rates could be adversely affected by changes in the mix of earnings by jurisdiction, changes in tax laws or tax rates, changes in the valuation of deferred tax assets and liabilities and material adjustments from tax audits.

In particular, the carrying value of deferred tax assets, which are predominantly in the U.S., is dependent upon our ability to generate future taxable income in the U.S. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability.

Our tax expense could increase as a result of a changing application of tax law.

As a result of the current uncertain financial and economic environment, governments in certain of the jurisdictions in which we operate are facing greater pressure on public finances, which could lead to an increased tendency for a more aggressive application of existing tax laws and regulations. Governments in the jurisdictions in which we operate from time to time also implement changes to tax laws and regulations. Any changes in corporate income tax rates or regulations, on repatriation of dividends or capital, on transfer pricing as well as changes in the interpretation of existing tax laws and regulations in the jurisdictions in which we operate could adversely affect our cash flow and lead to increases in our overall tax burden, which would negatively affect our profitability.

Currency fluctuations affect our operating profits.

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

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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 5 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 January 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 December 31, 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 \$6.2 million in the reported U.S. dollar value of the debt.

We have debt and we may incur substantially more debt, which could affect our ability to meet our debt obligations and may otherwise restrict our activities.

We have debt and we may incur substantial additional debt in the future. As of December 31, 2012, we had total indebtedness of approximately \$287.0 million, net of cash of \$101.7 million. We are also permitted by the terms of our debt instruments to incur substantial additional indebtedness, subject to the restrictions therein.

The existence and magnitude of our debt could have important consequences. For example, it could make it more difficult for us to satisfy our obligations under our debt instruments; require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures, product development and other corporate requirements; increase our vulnerability to general adverse economic and industry conditions, including changes in raw material costs; limit our ability to respond to business opportunities; limit our ability to borrow additional funds, which may be necessary; and subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our debt instruments.

The agreements governing our debt impose restrictions on our business.

The note purchase agreements governing our senior notes and the agreements governing our credit facility contain covenants imposing various restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. The restrictions these covenants place on us include limitations on our ability to incur liens and consolidate, merge, sell or lease all or substantially all of our assets. Our credit facility and the note purchase agreements governing our senior notes also require us to meet certain financial ratios.

Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions, and is subject to the risks in this section. The breach of any of these covenants or restrictions could result in a default under the note purchase agreements governing the senior notes and/or under our credit facility. An event of default under the agreements governing our debt would permit holders of our debt to declare all amounts owed to them

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under such agreements to be immediately due and payable. Acceleration of our other indebtedness may cause us to be unable to make interest payments on the senior notes and repay the principal amount of the senior notes.

The lenders under our credit agreement may be unable to meet their funding commitments, reducing the amount of our borrowing capacity.

We have a revolving credit facility outstanding under which the Company and certain of its subsidiaries may borrow up to \$880 million. Our credit facility is provided by a group of 17 financial institutions, who individually have between 1% and 14% of the total funding commitment. At December 31, 2012, we had borrowings of \$197.1 million outstanding under our credit facility. Our ability to borrow further funds under our credit facility is subject to the various lenders' financial condition and ability to make funds available. Even though the financial institutions are contractually obligated to lend funds, if one or more of the lenders encounters financial difficulties or goes bankrupt, such lenders may be unable to meet their obligations. This could result in us being unable to borrow the full \$880 million.

We make from time to time forward-looking statements, and actual events or results may differ materially from these statements because assumptions we have made prove incorrect due to market conditions in our industries or other factors.

We from time to time provide forward-looking statements both in our filings with the SEC and orally in connection with our quarterly earnings calls, including guidance on anticipated earnings per share. These statements are only predictions. Actual events or results may differ materially from these statements because assumptions we have made prove incorrect due to market conditions in our industries or other factors. We refer you to the factors discussed under the captions "Factors affecting our future operating results" in the "Business" section and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this annual report on Form 10-K, which describe risks and factors that could cause results to differ materially from those projected in those forward-looking statements. 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.

In providing guidance on our future earnings, our management evaluates our budgets, our strategic plan and certain factors relating to our business. This evaluation requires management to make several key assumptions relating to both external and internal factors. Some of the key external assumptions include:

- the outlook for our end markets and the global economy;
- impact of external factors on our competition;
- financial position of our customers;
- the estimated costs of purchasing materials;
- developments in personnel costs; and
- rates for currency exchange, particularly between the Swiss franc and the euro.

Some of these assumptions may prove to be incorrect over time. For example, although no one customer accounts for more than 1% of our revenues, if a number of our customers experienced significant deteriorations in their financial positions concurrently, it could have an impact on our results of operations.

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Some of our key internal assumptions include the following:

- our ability to implement our business strategy;
- the effectiveness of our marketing programs such as our Spinnaker initiatives;
- our ability to develop and deliver innovative products and services;
- the continued growth of our sales in emerging markets;
- our ability to implement price increases as forecasted; and
- the effectiveness of our cost saving initiatives.

These internal assumptions may also prove to be incorrect over time. For example, with respect to our ability to realize our planned price increases without disturbing our customer base in core markets, in certain markets, such as emerging markets, price tends to be a more significant factor in customers' decisions to purchase our products. Furthermore, we can have no assurance that our cost reduction programs will generate adequate cost savings. Additionally, it may become necessary to take additional restructuring actions resulting in additional restructuring costs.

We believe our current assumptions are reasonable and prudent for planning purposes. However, should any of these assumptions prove to be incorrect, or should we incur lower-than-expected operating performance or cash flows, we may experience results different than our projections.

Our ability to generate cash depends in part on factors beyond our control.

Our ability to make payments on our debt and to fund planned capital expenditures and research and development efforts will depend on our ability to generate cash in the future. This, to an extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, including those described in this section, that are beyond our control.

We cannot ensure that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot ensure that we will be able to refinance any of our debt, including our credit facility and the senior notes, on commercially reasonable terms or at all.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table lists our principal facilities, indicating the location and whether the facility is owned or leased. The properties listed below serve primarily as manufacturing facilities and also typically have a certain amount of space for service, sales and marketing and administrative activities. Our principal executive offices are located in Columbus, Ohio and Greifensee, Switzerland. The facilities in Giessen, Germany and Viroflay, France are used primarily for sales and marketing. We believe our facilities are adequate for our current and reasonably anticipated future needs.

Location	Owned/Leased	Business Segment
Europe:		
Greifensee/Nanikon, Switzerland	Owned	Swiss Operations
Uznach, Switzerland	Owned	Swiss Operations
Urdorf, Switzerland	Owned	Swiss Operations
Schwerzenbach, Switzerland	Leased	Swiss Operations
Cambridge, England	Owned	Western European Operations
Manchester, England	Leased	Western European Operations
Viroflay, France (two facilities)	Building Owned Building Leased	Western European Operations
Albstadt, Germany	Owned	Western European Operations
Giessen, Germany	Owned	Western European Operations
Americas:		
Columbus, Ohio	Leased	U.S. Operations
Worthington, Ohio (two facilities)	Owned	U.S. Operations
Oakland, California	Leased	U.S. Operations
Bedford, Massachusetts	Leased	U.S. Operations
Ithaca, New York	Owned	U.S. Operations
Tampa, Florida	Leased	U.S. Operations
Other:		
Shanghai, China (two facilities)	Buildings Owned; Land Leased	Chinese Operations
Changzhou, China (two facilities)	Buildings Owned; Land Leased	Chinese Operations
Mumbai, India (two facilities)	Buildings Leased	Other Operations

Item 3. Legal Proceedings

We are not currently involved in any legal proceeding which we believe could have a material adverse effect upon our financial condition, results of operations or cash flows. See the disclosure above under "Environmental Matters."

Executive Officers of the Registrant

See Part III, Item 10 of this annual report for information about our executive officers.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol "MTD." The following table sets forth on a per share basis the high and low sales prices for consolidated trading in our common stock as reported on the New York Stock Exchange Composite Tape for the quarters indicated.

	Common Stock Price Range	
	High	Low
2012		
Fourth Quarter	\$ 195.00	\$ 161.80
Third Quarter	\$ 177.44	\$ 148.68
Second Quarter	\$ 185.08	\$ 150.57
First Quarter	\$ 189.67	\$ 152.19
2011		
Fourth Quarter	\$ 167.13	\$ 130.12
Third Quarter	\$ 175.28	\$ 131.91
Second Quarter	\$ 191.95	\$ 157.13
First Quarter	\$ 177.07	\$ 147.23

Holders

At January 31, 2013, there were 77 holders of record of common stock and 30,305,383 shares of common stock outstanding. We estimate we have approximately 26,662 beneficial owners of common stock.

Dividend Policy

Historically, we have not paid dividends on our common stock. However, we will evaluate this policy on a periodic basis taking into account our results of operations, financial condition, capital requirements, including potential acquisitions, our share repurchase program, the taxation of dividends to our shareholders and other factors deemed relevant by our Board of Directors.

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Share Performance Graph

The following graph compares the cumulative total returns (assuming reinvestment of dividends) on \$100 invested on December 31, 2007 through December 31, 2012 in our common stock, the Standard & Poor's 500 Composite Stock Index (S&P 500 Index) and the SIC Code 3826 Index — Laboratory Analytical Instruments. Historically, we have not paid dividends on our common stock. However, the Company will evaluate this policy on a periodic basis taking into account our results of operations, financial condition, capital requirements, including potential acquisitions, our share repurchase program, the taxation of dividends to our shareholders and other factors deemed relevant by our Board of Directors.

Comparison of Cumulative Total Return Among Mettler-Toledo International Inc., the S&P 500 Index and SIC Code 3826 Index — Laboratory Analytical Instruments

	12-31-07	12-31-08	12-31-09	12-31-10	12-31-11	12-31-12
Mettler-Toledo	\$100	\$59	\$92	\$133	\$130	\$170
S&P 500 Index	\$100	\$63	\$80	\$92	\$94	\$109
SIC Code 3826 Index	\$100	\$60	\$84	\$106	\$86	\$115

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities

Period	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
October 1 to October 31, 2012	132,292	\$169.32	132,292	\$485,772
November 1 to November 30, 2012	128,689	177.52	128,689	462,927
December 1 to December 31, 2012	135,487	188.73	135,487	437,356
Total	396,468	\$178.61	396,468	\$437,356

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We have a \$2.25 billion share repurchase program. As of December 31, 2012, there was \$437 million of remaining common shares authorized to be repurchased under our share repurchase program. The share repurchases are expected to be funded from existing cash balances, borrowings and cash generated from operating activities. Repurchases will be made through open market transactions, and the amount and timing of repurchases will depend on business and market conditions, stock price, trading restrictions, the level of acquisition activity and other factors. We have purchased 20.1 million common shares since the inception of the program through December 31, 2012, at a total cost of \$1.8 billion.

During the years ended December 31, 2012 and 2011, we spent \$278.7 million and \$204.6 million on the repurchase of 1,637,827 shares and 1,285,827 shares at an average price per share of \$170.13 and \$159.08, respectively.

Item 6. Selected Financial Data

The selected historical financial information set forth below as of December 31 and for the years then ended is derived from our audited consolidated financial statements. The financial information presented below, in thousands except share data, was prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

	2012	2011	2010	2009	2008
Statement of Operations Data:					
Net sales	\$2,341,528	\$2,309,328	\$1,968,178	\$1,728,853	\$1,973,344
Cost of sales	1,100,473	1,091,054	930,982	839,516	980,263
Gross profit	1,241,055	1,218,274	1,037,196	889,337	993,081
Research and development	112,530	116,139	97,028	89,685	102,282
Selling, general and administrative	684,026	703,632	588,726	505,177	579,806
Amortization	21,357	17,808	14,842	11,844	10,553
Interest expense	22,764	23,226	20,057	25,117	25,390
Restructuring charges ^(a)	16,687	5,912	4,866	31,368	6,413
Other charges (income), net ^(b)	1,090	2,380	4,164	1,384	2,568
Earnings before taxes	382,601	349,177	307,513	224,762	266,069
Provision for taxes ^(c)	91,754	79,684	75,365	52,169	63,291
Net earnings	\$290,847	\$269,493	\$232,148	\$172,593	\$202,778
Basic earnings per common share:					
Net earnings	\$9.37	\$8.45	\$6.98	\$5.12	\$5.92
Weighted average number of common shares	31,044,532	31,897,779	33,280,463	33,716,353	34,250,310
Diluted earnings per common share:					
Net earnings	\$9.14	\$8.21	\$6.80	\$5.03	\$5.79
Weighted average number of common and common equivalent shares	31,824,077	32,839,365	34,140,097	34,290,771	35,048,859
Balance Sheet Data:					
Cash and cash equivalents	\$101,702	\$235,601	\$447,577	\$85,031	\$78,073
Working capital ^(d)	242,141	201,718	166,034	156,369	180,412
Total assets	2,117,400	2,203,474	2,283,063	1,718,787	1,664,056
Long-term debt	347,131	476,715	670,301	203,590	441,588
Other non-current liabilities ^(e)	240,886	209,945	174,469	189,593	183,301
Shareholders' equity ^(f)	827,219	781,137	771,584	711,138	503,247

^(a) Restructuring charges primarily relate to our global cost reduction program initiated in 2008 as well as additional cost reduction measures initiated during 2012. See Note 15 to the audited consolidated financial statements.

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(b) Other charges (income), net consists primarily of interest income, (gains) losses from foreign currency transactions and other items. Other charges (income), net in 2010 also includes a \$4.4 million (\$3.8 million after-tax) charge associated with the sale of our retail software business for in-store item and inventory management solutions. This amount was partially offset by a benefit from unrealized contingent consideration from a previous acquisition totaling \$1.2 million (\$1.2 million after-tax).

The provision for taxes for 2011, 2010 and 2009 includes discrete tax items resulting in a net tax benefit of \$3.8 million, \$5.2 million, and \$8.3 million, respectively, primarily related to the favorable resolution of certain prior (c) year tax matters. The provision for taxes for 2008 includes a discrete tax benefit of \$2.5 million related to favorable withholding tax law changes in China and a discrete tax benefit of \$3.5 million primarily related to the closure of certain tax matters.

(d) Working capital represents total current assets net of cash, less total current liabilities net of short-term borrowings and current maturities of long-term debt.

(e) Other non-current liabilities consist of pension and other post-retirement liabilities, plus certain other non-current liabilities. See Note 13 to the audited consolidated financial statements.

(f) No dividends were paid during the five-year period ended December 31, 2012.

Item 7. 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 together with our audited consolidated financial statements.

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.

Overview

We operate a global business, with sales that are diversified by geographic region, product range and customer. We hold leading positions worldwide in many of our markets and attribute this leadership to several factors, including the strength of our brand name and reputation, our comprehensive offering of innovative instruments and solutions, and the breadth and quality of our global sales and service network.

During 2012 the global environment has deteriorated, especially in Europe. Net sales in U.S. dollars increased by 1% in 2012 and increased by 17% in 2011. Excluding the effect of currency exchange rate fluctuations, or in local currencies, net sales increased 4% in 2012 and 13% in 2011. We expect our local currency organic sales growth in 2013 will continue to be less than growth rates experienced in 2011, and net sales may decline in future quarters depending on economic conditions. Given economic uncertainty, it is difficult to predict the extent to which our results may be adversely affected. However, we expect to continue to benefit from our strong global leadership positions, diversified customer base, robust product offering, investment in emerging markets and the impact of our global sales and marketing programs. Examples include identifying and investing in growth opportunities, improving our lead generation and lead nurturing processes, further penetrating our market segments and more effectively pricing our products and services.

With respect to our end-user markets, we experienced increased results during 2012 versus the prior year in our laboratory-related end-user markets, such as pharmaceutical and biotech customers as well as the laboratories of chemical companies and food and beverage companies. Demand from these markets increased during 2012, particularly in emerging markets. However, demand from these markets was

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partially offset by reduced demand from universities and government-funded research institutions in developed markets, as well as difficult economic conditions in Europe. We expect net sales growth of our laboratory-related products (particularly in Europe) to continue to be less than growth rates experienced in 2011, and net sales may decline in future quarters depending on economic conditions. It is currently difficult to predict the extent to which our results may be adversely affected.

Our industrial markets, especially core-industrial products, were adversely impacted in 2012 by deterioration in global economic conditions, especially in Europe. Our industrial markets were also impacted by lower sales growth in China as compared to recent years. Emerging market economies have historically been an important source of growth based upon the expansion of their domestic economies, as well as increased exports as companies have moved production to low-cost countries. We expect net sales growth of our industrial related products (particularly in Europe and China) to continue to be less than growth rates experienced in 2011, and net sales may decline in future quarters depending on economic conditions. It is currently difficult to predict the extent to which our results may be adversely affected. Our industrial products are especially sensitive to changes in economic growth.

Our food retailing markets experienced a decline during 2012, related to decreases in Europe and Asia/Rest of World. The net sales declines were primarily related to reduced project activity as well as unfavorable economic conditions. Traditionally the spending levels in this sector have experienced more volatility than our other customer sectors due to the timing of customer project activity or new regulation. Similar to our industrial business, emerging markets have also historically provided growth as the expansion of local emerging market economies creates a significant number of new retail stores each year.

In 2013, we expect to continue to pursue the overall business growth strategies which we have followed in recent years:

Gaining Market Share. Our global sales and marketing initiative, “Spinnaker,” continues to be an important growth strategy. We aim to gain market share by implementing sophisticated sales and marketing programs and leveraging our extensive customer databases. While this initiative is broad-based, efforts to improve these processes include increased segment marketing and leads generation and nurturing activities, the implementation of more effective pricing and value-based selling strategies and processes, improved sales force training and effectiveness, cross-selling, and other sales and marketing topics. Our comprehensive service offerings also help us further penetrate developed markets. We estimate that we have the largest installed base of weighing instruments in the world. In addition to traditional repair and maintenance, our service offerings continue to expand into value-added services for a range of market needs, including regulatory compliance.

Expanding Emerging Markets. Emerging markets, comprising Asia (excluding Japan), Eastern Europe, Latin America, the Middle East and Africa, account for approximately 36% of our total net sales. We have a two-pronged strategy in emerging markets: first, to capitalize on growth opportunities in these markets and second, to leverage our low-cost manufacturing operations in China. We have over a 25-year track record in China, and our sales in Asia have grown more than 20% on a compound annual growth basis in local currency since 1999. We have broadened our product offering to the Asian markets and are benefiting as multinational customers shift production to China. We are pleased with our accomplishments in China and in recent years have expanded our territory coverage into second tier cities with new branch offices, additional dealers and more service professionals. India has also been a source of emerging market sales growth in past years due to increased life science research activities. Local currency sales increased in emerging markets by 9% during 2012 versus the prior year. Sales increases were experienced throughout most markets, however growth in China was less than recent years. We anticipate sales in 2013 will continue to increase as compared to 2012, absent a further deterioration in global economic conditions. However, we expect local currency sales growth will be less than growth rates experienced in

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2011. To reduce costs, we also continue to shift more of our manufacturing to China where our four facilities manufacture for the local markets as well as for export.

Extending Our Technology Lead. We continue to focus on product innovation. In the last three years, we spent approximately 5% of net sales on research and development. We seek to drive shorter product life cycles, as well as improve our product offerings and their capabilities with additional integrated technologies and software. In addition, we aim to create value for our customers by having an intimate knowledge of their processes via our significant installed product base.

Maintaining Cost Leadership. We continue to strive to improve our margins by optimizing our cost structure. For example, we significantly reduced our global cost structure during 2009 in response to the global economic slowdown and took further actions during 2012 in response to the recent deterioration in the global economy. We have also focused on reallocating resources and better aligning our cost structure to support higher growth areas and opportunities for margin improvement. As previously mentioned, shifting production to China has also been an important component of our cost savings initiatives. We have also implemented global procurement and supply chain management programs over the last several years aimed at lowering supply costs. Our cost leadership initiatives are also focused on continuously improving our invested capital efficiency, such as reducing our working capital levels and ensuring appropriate returns on our expenditures.

Pursuing Strategic Acquisitions. We seek to pursue acquisitions that may leverage our global sales and service network, respected brand, extensive distribution channels and technological leadership. We have identified life sciences, product inspection and process analytics as three key areas for acquisitions. We also continue to pursue “bolt-on” acquisitions. For example, during 2011 we acquired an x-ray inspection solutions business in the United States and a vision inspection solutions business in Germany, both of which have been integrated into our end-of-line product inspection systems offering. During 2010 we acquired our pipette distributor in the United Kingdom.

Results of Operations — Consolidated

Net sales

Net sales were \$2,341.5 million for the year ended December 31, 2012, compared to \$2,309.3 million in 2011 and \$1,968.2 million in 2010. This represents increases in 2012 and 2011 of 1% and 17% in U.S. dollars and 4% and 13% in local currencies, respectively.

In 2012, our net sales by geographic destination increased in U.S. dollars by 4% in the Americas and 11% in Asia/Rest of World and decreased by 8% in Europe. In local currencies, our net sales by geographic destination increased in 2012 by 5% in the Americas and 10% in Asia/Rest of World, while net sales in Europe decreased 2%. A discussion of sales by operating segment is included below. Acquisitions/divestitures, net contributed approximately 1% in America and 2% in Europe to net sales growth during 2012. Net sales in local currencies during December 31, 2011, increased 9% in the Americas, 11% in Europe and 20% in Asia/Rest of World. As previously mentioned, the global environment has deteriorated, especially in Europe. We expect our local currency organic sales growth in 2013 will continue to be less than growth rates experienced in 2011, and net sales may decline in future quarters depending on economic conditions. Given economic uncertainty, it is difficult to predict the extent to which our results may be adversely affected.

As described in Note 18 to our audited consolidated financial statements, 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.

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Net sales of products increased by 1% and 20% in 2012 and 2011, respectively in U.S. dollars and by 4% and 15%, respectively in local currencies. Service revenue (including spare parts) increased in 2012 and 2011 by 1% and 9%, respectively in U. S. dollars, respectively, and 5% in both periods in local currencies.

Net sales of our laboratory-related products, which represented approximately 46% of our total net sales in 2012, increased by 2% in U.S. dollars and 5% in local currencies during 2012. This compares to strong local currency net sales growth of 9% in 2011. We experienced modest sales growth in most laboratory-related products with solid growth in process analytics and analytical instruments. Sales growth in 2012 benefited from favorable price realization as well as volume increases, particularly in Asia/Rest of World. We expect net sales growth of our laboratory-related products (particularly in Europe) to continue to be less than growth rates experienced in 2011, and net sales may decline in future quarters depending on 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 45% of our total net sales in 2012, increased by 2% in U.S. dollars and 4% in local currencies during 2012. This compares to strong local currency net sales growth of 19% in 2011. Acquisitions contributed approximately 1% to our industrial-related net sales growth during 2012. Our industrial-related products experienced strong organic sales growth in product inspection products related to increased volume and favorable price realization, offset in part by a decline in our European core-industrial business related to decreased sales volume which is related to difficult prior period comparisons and unfavorable economic conditions in Europe. We also experienced reduced industrial-related sales growth in Asia/Rest of World in 2012, which is primarily related to reduced growth in China. We expect net sales of our industrial-related products (particularly in Europe and China) to continue to be less than growth rates experienced in 2011, and net sales may decline in future quarters depending on economic conditions. It is currently difficult to predict the extent to which our results may be adversely affected.

Net sales in our food retailing products, which represented approximately 9% of our total net sales in 2012, decreased by 7% in U.S. dollars and 4% in local currencies during 2012. We experienced local currency net sales declines in Europe and Asia/Rest of World during 2012. The net sales declines were primarily related to reduced project activity as well as unfavorable economic conditions. Local currency net sales growth was strong in the Americas related to incremental project activity and an easier prior period comparison. We expect net sales in our food retailing products may continue to decline in future quarters. It is currently difficult to predict the extent to which our results may be adversely affected.

Gross profit

Gross profit as a percentage of net sales was 53.0% for 2012, compared to 52.8% for 2011 and 52.7% for 2010.

Gross profit as a percentage of net sales for products was 56.2% for 2012, compared to 56.3% for 2011 and 56.5% for 2010. Gross profit as a percentage of net sales for services (including spare parts) was 40.9% for 2012, compared to 39.4% for 2011 and 39.5% for 2010.

The increase in gross profit as a percentage of net sales for 2012 was primarily due to improved price realization, reduced material costs, and favorable currency translation fluctuations. These results were partly offset by unfavorable geographic mix and increased investments in our field service organization.

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Research and development and selling, general and administrative expenses

Research and development expenses as a percentage of net sales were 4.8% for 2012, 5.0% for 2011 and 4.9% for 2010. Research and development expenses in U.S. Dollars decreased by 3% in 2012 and increased 20% in 2011, and in local currencies were flat in 2012 and increased 9% in 2011. Our research and development spending levels reflect changes in part due to the timing of project launch activity.

Selling, general and administrative expenses as a percentage of net sales decreased to 29.2% for 2012, compared to 30.5% for 2011 and 29.9% for 2010. Selling, general and administrative expenses in U.S. dollars decreased by 3% in 2012 and increased 20% in 2011, and in local currencies were flat in 2012 and increased by 13% in 2011. The amount in 2012 reflects increased sales and marketing investments (especially in emerging markets), offset by lower cash incentives and savings from our cost reduction programs.

Restructuring charges

During 2012, we initiated additional cost reduction measures in response to global economic conditions. For the year ending December 31, 2012, we have incurred \$16.7 million of restructuring expenses which primarily comprise severance costs. See Note 15 to our audited consolidated financial statements for a summary of restructuring activity during 2012.

Other charges (income), net

Other charges (income), net consisted of net charges of \$1.1 million in 2012, compared to net charges of \$2.4 million and \$4.2 million in 2011 and 2010, respectively. Other charges (income), net consists primarily of interest income, (gains) losses from foreign currency transactions and other items. Other charges (income), net in 2010 also includes a \$4.4 million (\$3.8 million after-tax) charge associated with the sale of our retail software business for in-store item and inventory management solutions. This amount was partially offset by a benefit from unrealized contingent consideration from a previous acquisition totaling \$1.2 million (\$1.2 million after-tax).

Interest expense and taxes

Interest expense was \$22.8 million for 2012, compared to \$23.2 million for 2011 and \$20.1 million for 2010. The decrease in interest expense for 2012 is primarily resulting from a decrease in average borrowings partially offset by an increase in rates for the period. The 2011 amount reflects additional borrowings in the fourth quarter 2010, in order to facilitate foreign earnings repatriation.

During 2011 and 2010 we recorded discrete tax items resulting in net tax benefits of \$3.8 million, and \$5.2 million primarily related to the favorable resolution of certain prior year tax matters.

Our annual effective tax rate was 24%, 23% and 25% for 2012, 2011 and 2010, respectively. The previously described discrete tax items had the effect of lowering our annual effective tax rate by 1% in both 2011 and 2010. 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 audited consolidated financial statements.

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U.S. Operations (amounts in thousands)

	2012	2011	2010	Increase (Decrease) in % 2012 vs. 2011	Increase (Decrease) in % vs. 2010
Net sales	\$778,120	\$745,258	\$679,656	4%	10%
Net sales to external customers	\$699,361	\$665,245	\$618,809	5%	8%
Segment profit	\$138,894	\$121,398	\$121,013	14%	0%

The increase in total net sales and net sales to external customers during 2012 includes strong growth in process analytics and product inspection due to increased sales volume and favorable price realization. Net sales and net sales to external customers in food retailing products also experienced strong growth during 2012 due to increased project activity.

Segment profit increased by \$17.5 million in our U.S. Operations segment during 2012, compared to an increase of \$0.4 million during 2011. Segment profit in 2012 includes increased sales volume, favorable price realization, higher inter-segment income, improved productivity, and lower cash incentive expense.

Swiss Operations (amounts in thousands)

	2012	2011	2010	Increase (Decrease) in % ⁽¹⁾ 2012 vs. 2011	Increase (Decrease) in % ⁽¹⁾ 2011 vs. 2010
Net sales	\$530,847	\$555,308	\$456,491	(4)%	22%
Net sales to external customers	\$124,362	\$143,520	\$113,488	(13)%	26%
Segment profit	\$133,691	\$113,997	\$96,568	17%	18%

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

Total net sales in U.S. dollars decreased by 4% in 2012 and increased by 22% in 2011, and in local currencies increased by 1% in 2012 and by 4% in 2011. Net sales to external customers in U.S. dollars decreased by 13% in 2012 and increased by 26% in 2011, and in local currencies decreased by 8% in 2012 and increased by 8% in 2011. The decrease in local currency net sales to external customers in 2012 is primarily related to volume decreases across most product categories, especially food retailing, industrial, and third-party export business. 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 first half of 2013.

Segment profit increased by \$19.7 million in our Swiss Operations segment during 2012, compared to a, increase of \$17.4 million during 2011. The increase in segment profit during 2012 is primarily due to increased inter-segment sales in local currency, benefits from our cost reduction activities, and lower cash incentive expense. Segment profit also benefited from favorable currency translation fluctuations during 2012.

Western European Operations (amounts in thousands)

	2012	2011	2010	Increase (Decrease) in % ⁽¹⁾ 2012 vs. 2011	Increase (Decrease) in % ⁽¹⁾ 2011 vs. 2010
Net sales	\$746,313	\$799,933	\$692,255	(7)%	16%
Net sales to external customers	\$644,361	\$692,348	\$600,933	(7)%	15%
Segment profit	\$95,523	\$99,969	\$85,120	(4)%	17%

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

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Total net sales in U.S. dollars decreased by 7% in 2012 and increased by 16% in 2011, and in local currencies decreased by 1% in 2012 and increased by 10% in 2011. Net sales to external customers in U.S. dollars decreased by 7% in 2012 and increased by 15% in 2011, and in local currencies decreased by 1% in 2012 and by increased 9% in 2011. Net sales in our Western European Operations benefited approximately 1% from acquisitions during 2012. Total net sales and net sales to external customers for 2012 includes sales volume declines in most product categories, especially food retailing and core-industrial products. Our Western European Operations continue to face unfavorable economic conditions and we expect local currency sales to external customers will be adversely impacted during the first half of 2013.

Segment profit decreased by \$4.4 million in our Western European Operations segment during 2012, compared to an increase of \$14.8 million in 2011. The decrease in segment profit in 2012 resulted primarily from a decrease in local currency sales volume and unfavorable currency translation fluctuations, partially offset by improved price realization and initial benefits from our cost reduction activities.

Chinese Operations (amounts in thousands)

	2012	2011	2010	Increase (Decrease) in % ⁽¹⁾ 2012 vs. 2011	Increase (Decrease) in % ⁽¹⁾ 2011 vs. 2010
Net sales	\$555,924	\$515,142	\$404,543	8%	27%
Net sales to external customers	\$432,255	\$388,592	\$298,637	11%	30%
Segment profit	\$125,217	\$120,857	\$92,969	4%	30%

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

Total net sales in U.S. dollars increased by 8% in 2012 and 27% in 2011, and in local currencies increased by 6% in 2012 and 22% in 2011. Net sales to external customers in U.S. dollars increased by 11% and 30% in 2012 and 2011, respectively and in local currencies increased by 9% in 2012 and 25% in 2011. The local currency increase in total net sales and net sales to external customers in 2012 includes particularly strong growth in laboratory-related products, modest growth in industrial-related products and a decline in food retailing. We expect local currency sales growth to external customers in 2013 will continue to be less than growth rates experienced in 2011.

Segment profit increased by \$4.4 million in our Chinese Operations segment during 2012, compared to an increase of \$27.9 million in 2011. The increase in segment profit in 2012 includes increased sales volume and favorable price realization, partially offset by increased inter-segment expenses.

Other (amounts in thousands)

	2012	2011	2010	Increase (Decrease) in % ⁽¹⁾ 2012 vs. 2011	Increase (Decrease) in % ⁽¹⁾ 2011 vs. 2010
Net sales	\$447,727	\$425,971	\$340,649	5%	25%
Net sales to external customers	\$441,189	\$419,623	\$336,311	5%	25%
Segment profit	\$48,857	\$50,045	\$35,166	(2)%	42%

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

Total net sales and net sales to external customers in U.S. dollars increased by 5% in 2012 and by 25% in 2011, and in local currencies increased by 8% in 2012 and 19% in 2011. The increase in total net sales and net sales to external customers reflects solid sales growth across most product categories,

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especially laboratory-related products, related to increased sales volume and favorable price realization.

Geographically, we also experienced particularly strong growth in Other Asia Pacific.

Segment profit decreased by \$1.2 million in our Other segment during 2012, compared to a increase of \$14.9 million during 2011. The decrease in segment profit during 2012 relates primarily to increased costs from other segments and investments in sales and marketing, partially offset 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. As previously mentioned, global economic conditions deteriorated during 2012. Our ability to generate cash flows may be reduced by a prolonged global economic slowdown.

Cash provided by operating activities totaled \$327.7 million in 2012, compared to \$280.9 million in 2011 and \$268.3 million in 2010. The increase in 2012 resulted principally from 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. The increase in 2011 resulted principally from increased net earnings, partially offset by increased incentive payments of approximately \$39 million related to previous year performance-related compensation incentives, as well as increased working capital associated with the increased sales volume and higher tax payments. We also made \$1.0 million and \$5.0 million of voluntary incremental pension contributions in 2012 and 2010, respectively.

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 \$95.6 million in 2012, \$98.5 million in 2011 and \$73.9 million in 2010. Our capital expenditures in 2012 included approximately \$47.9 million of investments directly related to our Blue Ocean multi-year program of information technology investment compared with \$55.7 million in 2011 and \$30.6 million in 2010.

Cash flows used in financing activities during 2012 included proceeds of \$50 million from the issuance of our 3.67% Senior Notes and payments of \$0.4 million of debt issuance costs. As further described below, in accordance with our share repurchase plan, we repurchased 1,637,827 shares and 1,285,827 shares in the amount of \$278.7 million and \$204.6 million during 2012 and 2011, respectively. Cash flows used in financing activities during 2010 also included the repayment of our \$75 million 4.85% Senior Notes which matured on November 15, 2010. The repayment was funded from additional borrowings under our credit facility.

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

In August 2011, we acquired a leader in vision inspection technology for end-of-line product systems located in Germany that has been integrated into our end-of-line product inspection product offering for an aggregate purchase price of \$19.4 million. We paid an additional cash consideration of \$0.3 million during 2012 related to an earn-out period. We also paid additional contingent cash consideration of \$7.8 million in 2011 related to an earn-out associated with an acquisition in 2009. These additional cash consideration payments are included in cash flows from financing activities in the consolidated statement of cash flows. During the first quarter 2011, we completed acquisitions totaling \$15.4 million, of which \$12.0 million related to an x-ray inspection solutions business that has been integrated into our product inspection product offering.

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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 foreign earnings will be withholding taxes. All other undistributed earnings are considered to be permanently reinvested. As of December 31, 2012, we had an immaterial amount of cash and cash equivalents in foreign subsidiaries 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.

6.30% Senior Notes

In June 2009, we entered into an agreement to issue and sell in a private placement, six-year Senior Notes with an aggregate principal amount of \$100 million and a fixed interest obligation of 6.3% (“6.30% Senior Notes”) under a Note Purchase Agreement among the Company and accredited institutional investors (the “Agreement”). The 6.30% Senior Notes are senior unsecured obligations of the Company.

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

The Agreement contains customary affirmative and negative covenants for agreements of this type including, among others, limitations on the Company and its subsidiaries with respect to incurrence of liens and priority indebtedness, disposition of assets, mergers, and transactions with affiliates. The Agreement also requires us to maintain a consolidated interest coverage ratio of not less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.5 to 1.0. The agreement contains customary events of default with customary grace periods, as applicable. We were in compliance with these covenants at December 31, 2012.

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

3.67% Senior Notes

In October 2012, we entered into an agreement to issue and sell in a private placement, ten-year Senior Notes with an aggregate principal amount of \$50 million and a fixed interest obligation of 3.67% (“3.67% Senior Notes”) under a Note Purchase Agreement among the Company and accredited institutional investors (the “Agreement”). The 3.67% Senior Notes are senior unsecured obligations of the Company.

The 3.67% Senior Notes mature on December 17, 2022. Interest is payable semi-annually in June and December. We may at any time prepay the 3.67% Senior Notes, in whole or in part (but in an amount not less than 10% of the original aggregate principal amount), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, plus a “make-whole” prepayment premium. In the event of a change in control of the Company (as defined in the Agreement), we may be required to offer to prepay the 3.67% Senior Notes in whole at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

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

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liens and priority indebtedness, disposition of assets, mergers, and transactions with affiliates. The Agreement also requires us to maintain a consolidated interest coverage ratio of not less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.5 to 1.0. The agreement contains customary events of default with customary grace periods, as applicable. We were in compliance with these covenants at December 31, 2012.

Issuance costs approximating \$0.4 million will be amortized to interest expense over the ten-year term of the 3.67% Senior Notes.

Tender Offer & Repayment of 4.85% Senior Notes

In November 2003, we issued \$150 million of 4.85% unsecured Senior notes due November 15, 2010 ("4.85% Senior Notes"). On May 6, 2009, we commenced a cash tender offer to purchase any and all of our outstanding 4.85% Senior Notes due November 15, 2010. The tender offer, which expired May 12, 2009, resulted in the repurchase of \$75 million of the principal balance of the 4.85% Senior Notes. At maturity, on November 15, 2010, we repaid the remaining \$75 million outstanding principal balance of our 4.85% Senior Notes. The repayment was funded from additional borrowings under our credit facility.

Credit Agreement

On December 20, 2011, we entered into an \$880 million Credit Agreement (the "Credit Agreement"), which replaced our \$950 million Amended and Restated Credit Agreement (the "Prior Credit Agreement"). The Credit Agreement is provided by a group of financial institutions and has a maturity date of December 20, 2016. It is a revolving credit facility and is not subject to any scheduled principal payments prior to maturity. The obligations under the Credit Agreement are unsecured.

Borrowings under the Credit Agreement bear interest at current market rates plus a margin based on our senior consolidated leverage ratio, which was, as of December 31, 2012, set at LIBOR plus .0085 basis points. We must also pay facility fees that are tied to our leverage ratio. The Credit Agreement contains covenants, with which we were in compliance as of December 31, 2012, including maintaining a consolidated interest coverage ratio of not less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.25 to 1.0. The Credit Agreement also places certain limitations on us, including limiting our ability to incur liens or indebtedness at a subsidiary level. In addition, the Credit Agreement has several events of default. We incurred approximately \$0.3 million of debt extinguishment costs during 2011 related to the Prior Credit Agreement. We capitalized \$3.1 million in financing fees during 2011 associated with the Credit Agreement which will be amortized to interest expense through 2016. As of December 31, 2012, approximately \$677.9 million was available under the facility.

Our short-term borrowings and long-term debt consisted of the following at December 31, 2012:

	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
\$880 million Credit Agreement	182,806	14,325	197,131
Other local arrangements	—	41,600	41,600
Total debt	332,806	55,925	388,731
Less: current portion	—	(41,600) (41,600)
Total long-term debt	\$ 332,806	\$ 14,325	\$ 347,131

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Changes in exchange rates between the currencies in which we generate cash flow 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.

At December 31, 2012, we were in compliance with all covenants set forth in our 6.30% Senior Notes, 3.67% Senior Notes, and Credit Agreement. In addition, we do not have any downgrade triggers relating to ratings from rating agencies that would accelerate the maturity dates of our debt.

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

Contractual Obligations

The following summarizes certain of our contractual obligations at December 31, 2012 and the effect such obligations are expected to have on our liquidity and cash flows in future periods. We do not have significant outstanding letters of credit or other financial commitments.

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Short and long-term debt	\$388,731	\$41,600	\$100,000	\$197,131	\$50,000
Interest on debt	59,944	14,827	26,899	9,043	9,175
Non-cancelable operating leases	102,710	33,248	43,372	17,987	8,103
Pension and post-retirement funding ⁽¹⁾	23,570	23,570	—	—	—
Purchase obligations	93,959	83,831	7,756	2,372	—
Total ⁽¹⁾	\$668,914	\$197,076	\$178,027	\$226,533	\$67,278

In addition to the above table, we also have liabilities for pension and post-retirement funding and income taxes. (1) However, we cannot determine the timing or the amounts for periods beyond 2012 for income taxes and beyond 2013 for pension and post-retirement funding.

We have purchase commitments for materials, supplies, services and fixed assets in the normal course of business. Due to the proprietary nature of many of our materials and processes, certain supply contracts contain penalty provisions. We do not expect potential payments under these provisions to materially affect results of operations or financial condition. This conclusion is based upon reasonably likely outcomes derived by reference to historical experience and current business plans.

Share Repurchase Program

We have a \$2.25 billion share repurchase program. We expect that the new authorization will be utilized over the next several years. As of December 31, 2012, there were \$437 million of remaining common shares authorized to be repurchased under the program. The share repurchases are expected to be funded from existing 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 20.1 million shares since the inception of the program through December 31, 2012.

During the years ended December 31, 2012 and 2011, we spent \$278.7 million and \$204.6 million on the repurchase of 1,637,827 shares and 1,285,827 shares at an average price per share of \$170.13 and \$159.08, respectively. We reissued 457,732 and 450,613 shares held in treasury for the exercise of stock options and restricted stock units during 2012 and 2011, respectively.

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Off-Balance Sheet Arrangements

Currently, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material.

Effect of Currency on Results of Operations

Currency fluctuations affect our operating profits.

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 5 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 January 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 December 31, 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 \$6.2 million in the reported U.S. dollar value of the debt.

Taxes

We are subject to taxation in many jurisdictions throughout the world. Our effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which we transfer funds between jurisdictions, earnings repatriations between jurisdictions and changes in law. Generally, the tax liability for each taxpayer within the group is determined either (i) on a non-consolidated/non-combined basis or (ii) on a consolidated/combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated/non-combined affiliated legal entities.

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Environmental Matters

We are subject to environmental laws and regulations in the jurisdictions in which we operate. We own or lease a number of properties and manufacturing facilities around the world. Like many of our competitors, we have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

We are currently involved in, or have potential liability with respect to, the remediation of past contamination in certain of our facilities. A former subsidiary of Mettler-Toledo, LLC (“MT”) known as Hi-Speed Checkweigher Co., Inc. (“Hi-Speed”) was one of two private parties ordered by the New Jersey Department of Environmental Protection (“NJDEP”), in an administrative consent order (“ACO”) signed on June 13, 1988, to investigate and remediate certain ground water contamination at certain property in Landing, New Jersey. After the other party ordered under this ACO failed to fulfill its obligations, Hi-Speed became solely responsible for compliance with the ACO. Residual ground water contamination at this site is now within a Classification Exception Area (“CEA”) which NJDEP has approved and within which MT oversees monitoring of the decay of contaminants of concern. A concurrent Well Restriction Area also exists for the site. The NJDEP does not view these vehicles as remedial measures, but rather as “institutional controls” that must be adequately maintained and periodically evaluated. NJDEP has informally told MT to expect a claim for natural resource damages (“NRD”) regarding this site but has not yet made such a claim. In 2010, testing of indoor air at certain buildings within the site led to the installation of a vapor intrusion mitigation system at one building. We estimate that the costs of compliance associated with the site over the next several years will approximate \$0.5 million.

In addition, certain of our present and former facilities have or had been in operation for many decades and, over such time, some of these facilities may have used substances or generated and disposed of wastes which are or may be considered hazardous. It is possible that these sites, as well as disposal sites owned by third parties to which we have sent wastes, may in the future be identified and become the subject of remediation. Accordingly, although we believe that we are in substantial compliance with applicable environmental requirements and, to date, we have not incurred material expenditures in connection with environmental matters, it is possible that we could become subject to additional environmental liabilities in the future that could have a material adverse effect on our financial condition, results of operations or cash flows.

Inflation

Inflation can affect the costs of goods and services that we use, including raw materials to manufacture our products. The competitive environment in which we operate limits somewhat our ability to recover higher costs through increased selling prices.

Moreover, there may be differences in inflation rates between countries in which we incur the major portion of our costs and other countries in which we sell products, which may limit our ability to recover increased costs. We remain committed to operations in China and Eastern Europe, which have experienced inflationary conditions. To date, inflationary conditions have not had a material effect on our operating results. However, as our presence in China and Eastern Europe increases, these inflationary conditions could have a greater impact on our operating results.

Quantitative and Qualitative Disclosures about Market Risk

We have only limited involvement with derivative financial instruments and do not use them for trading purposes. We have entered into foreign currency forward contracts to economically hedge short-term intercompany balances with our international businesses on a monthly basis and to hedge certain

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forecasted intercompany sales. Such contracts limit our exposure to both favorable and unfavorable currency fluctuations. The net fair value of these contracts was a \$0.2 million net gain at December 31, 2012. A sensitivity analysis to changes on these foreign currency-denominated contracts indicates that if the primary currency (primarily U.S. dollar, Swiss franc and the euro) declined by 10%, the fair value of these instruments would decrease by \$4.6 million at December 31, 2012. Any resulting changes in fair value would be offset by changes in the underlying hedged balance sheet position. The sensitivity analysis assumes a parallel shift in foreign currency exchange rates. The assumption that exchange rates change in parallel fashion may overstate the impact of changing exchange rates on assets and liabilities denominated in a foreign currency. We also have other currency risks as described under "Effect of Currency on Results of Operations."

We have entered into certain interest rate swap agreements. These contracts are more fully described in Note 5 to our audited consolidated financial statements. The fair value of these contracts was a loss of \$8.2 million at December 31, 2012. Based on our agreements outstanding at December 31, 2012, a 100-basis-point increase in interest rates would result in an increase in the net aggregate market value of these instruments of \$3.2 million. Conversely, a 100-basis-point decrease in interest rates would result in a \$2.7 million decrease in the net aggregate market value of these instruments at December 31, 2012. Any change in fair value would not affect our consolidated statement of operations unless such agreements and the debt they hedge were prematurely settled.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations is based upon our audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to pensions and other post-retirement benefits, trade accounts receivable, inventories, intangible assets, income taxes, revenue and warranty costs. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our audited consolidated financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 2 to our audited consolidated financial statements.

Employee benefit plans

The net periodic pension cost for 2012 and projected benefit obligation as of December 31, 2012 was \$7.2 million and \$156.8 million, respectively, for our U.S. pension plan and \$4.3 million and \$798.7 million, respectively, for our international pension plans. The net periodic post-retirement cost for 2012 and expected post-retirement benefit obligation as of December 31, 2012 for our U.S. post-retirement medical benefit plan was \$0.1 million and \$11.3 million, respectively.

Pension and post-retirement benefit plan expense and obligations are developed from assumptions utilized in actuarial valuations. The most significant of these assumptions include the discount rate and expected return on plan assets. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and deferred over future periods. While management believes the

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assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our plan obligations and future expense.

The expected rates of return on the various defined benefit pension plans' assets are based on the asset allocation of each plan and the long-term projected return of those assets, which represent a diversified mix of U.S. and international corporate equities and government and corporate debt securities. In 2002, we froze our U.S. defined benefit pension plan and discontinued our retiree medical program for certain current and all future employees.

Consequently, no significant future service costs will be incurred on these plans. For 2012, the weighted average return on assets assumption was 7.8% for the U.S. plan and 4.9% for the international plans. A change in the rate of return of 1% would impact annual benefit plan expense by approximately \$6.3 million after tax.

The discount rates for defined benefit and post-retirement plans are set by benchmarking against high-quality corporate bonds. For 2012, the average discount rate assumption was 3.8% for the U.S. plan and 2.5% for the international plans, representing a weighted average of local rates in countries where such plans exist. A decrease in the discount rate of 1% would impact annual benefit plan expense by approximately \$1.5 million after tax.

We made voluntary incremental funding payments of \$1.0 million and \$5.0 million in 2012 and 2010, respectively, to increase the funded status of our pension plans. In the future, we may make additional mandatory or discretionary contributions to our plan or we could be required to make additional cash funding payments.

Equity-based compensation

We also have an equity incentive plan that provides for the grant of stock options, restricted stock, restricted stock units and other equity-based awards which are accounted for and recognized in the consolidated statement of operations based on the grant-date fair value of the award. This methodology yields an estimate of fair value based in part on a number of management estimates, the most significant of which include future volatility and estimated option lives. Changes in these assumptions could significantly impact the estimated fair value of stock options.

Trade accounts receivable

As of December 31, 2012, trade accounts receivable were \$437.4 million, net of a \$14.1 million allowance for doubtful accounts.

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

Inventories

As of December 31, 2012, inventories were \$198.9 million.

We record our inventory 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 our 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.

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Goodwill and other intangible assets

As of December 31, 2012, our consolidated balance sheet included goodwill of \$452.4 million and other intangible assets of \$117.6 million.

Our business acquisitions typically result in goodwill and other intangible assets, which affect the amount of future period amortization expense and possible impairment expense. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements.

In accordance with U.S. GAAP, our goodwill and indefinite-lived intangible assets are not amortized, but are evaluated 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 and indefinite-lived intangible assets are generally based on an assessment of qualitative factors to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount.

If we are unable to conclude that the goodwill asset is not impaired after considering the totality of events and circumstances during our qualitative assessment, we perform the first step of the two-step impairment test by estimating the fair value of the goodwill asset and comparing the fair value to the carrying amount of the goodwill asset. If the carrying amount of the goodwill asset exceeds its fair value, then we perform the second step of the impairment test to measure the amount of the impairment loss, if any.

If we are unable to conclude that the indefinite-lived intangible asset is not impaired after considering the totality of events and circumstances, we perform an impairment test to measure the amount of the impairment loss, if any. Both the qualitative and quantitative evaluations consider operating results, business plans, economic conditions and market data, among other factors. There are inherent uncertainties related to these factors and our judgment in applying them to the impairment analyses. Our assessments to date have indicated that there has been no impairment of these assets.

Should any of these estimates or assumptions change, or should we incur lower than expected operating performance or cash flows, including from a prolonged economic slowdown, we may experience a triggering event that requires a new fair value assessment for our reporting units, possibly prior to the required annual assessment. These types of events and resulting analysis could result in impairment charges for goodwill and other indefinite-lived intangible assets if the fair value estimate declines below the carrying value.

Our amortization expense related to intangible assets with finite lives may materially change should our estimates of their useful lives change.

Income taxes

Income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's assessment of estimated future taxes to be paid on items in the consolidated financial statements. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income or equity in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

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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 permanently reinvested.

The significant assumptions and estimates described in the preceding paragraphs are important contributors to our ultimate effective tax rate for each year in addition to our income mix from geographical regions. If any of our assumptions or estimates were to change, or should our income mix from our geographical regions change, our effective tax rate could be materially affected. Based on earnings before taxes of \$382.6 million for the year ended December 31, 2012, each increase of \$3.9 million in tax expense would increase our effective tax rate by 1%.

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 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

We generally offer one-year warranties on most of our products. Product warranties are recorded at the time revenue is recognized. While we engage in extensive product quality programs and processes, our warranty obligation is affected by product failure rates, material usage and service costs incurred in

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correcting a product failure. If we experience claims or significant cost changes in material, freight and vendor charges, our cost of goods sold could be affected.

New Accounting Pronouncements

See Note 2 to the audited consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Discussion of this item is included in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are set forth starting on page F-1 and the related financial schedule is set forth on page S-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

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 December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on our assessment, we concluded that, as of December 31, 2012, the Company's internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, an independent registered public accounting firm that audited the financial statements included in this Report on Form 10-K, has issued an attestation in their report on our internal control over financial reporting which appears on page F-2.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The executive officers of the Company are set forth below. Officers are appointed by the Board of Directors and serve at the discretion of the Board.

Name	Age	Position
Olivier A. Filliol	46	President and Chief Executive Officer
William P. Donnelly	51	Chief Financial Officer
Thomas Caratsch	54	Head of Laboratory
Christian Magloth	47	Head of Human Resources
Michael Heidingsfelder	52	Head of Industrial
Simon Kirk	53	Head of Product Inspection
Marc de la Guéronnière	49	Head of European Market Organizations
Waldemar Rauch	50	Head of Process Analytics

Olivier A. Filliol has been a director since January 2009. He has been President and Chief Executive Officer of the Company since January 1, 2008. Mr. Filliol served as Head of Global Sales, Service and Marketing of the Company from April 2004 to December 2007, and Head of Process Analytics of the Company from June 1999 to December 2007. From June 1998 to June 1999, he served as General Manager of the Company's U.S. checkweighing operations. Prior to joining the Company, he was a Strategy Consultant with the international consulting firm Bain & Company, working in the Geneva, Paris and Sydney offices.

William P. Donnelly joined the Company in 1997 and has served as Chief Financial Officer of the Company since that time, except for a two year period when he ran the Company's Product Inspection and Pipette businesses.

Mr. Donnelly is also responsible for Supply Chain Management, Information Technology and the Company's Blue Ocean Program.

Thomas Caratsch has been Head of Laboratory of the Company since January 2008. From October 2007 to December 2007, he served as the Head of Business Development. Prior to joining the Company in October 2007, he held various management positions with Hoffmann La Roche from 1987 to March 2007, including General Manager of Roche Instrument Center AG / Tegimenta AG and Head of Disetronic Medical Systems AG from January 2003 to August 2006.

Christian Magloth joined the Company in October 2010 and has been Head of Human Resources since December 2010. Prior to joining the Company he served as Head of Human Resources of Straumann, a leading global medical devices company listed on the Swiss stock exchange, from April 2006 to September 2010. He previously served as Head of Human Resources at Hero Group, an international consumer foods company, and in various management positions at Hilti, a leading global construction supply company.

Michael Heidingsfelder joined the company in April 2012 as Head of Industrial Division. Prior to joining the company, Mr. Heidingsfelder held various management positions within the Freudenberg Group from 2004 to March 2012 in Europe, Asia and the Americas, including Chief Operating Officer, Americas, and General Manager, China. Previously, he was a Partner of Roland Berger Strategy Consultants in the US and Europe.

Simon Kirk joined the company in January 2012 as Head of Product Inspection. Previously he worked at Schindler where he served since 2008 as Chief Executive Officer of Jardine Schindler Group, a joint venture responsible for all of Schindler's operations in South-East Asia. From 2004 until 2008, he

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was Vice President responsible for Eastern Europe at Schindler. He has also held various management positions at Eaton Corporation, Owens Corning, Imperial Chemical Industries and British Railways Board.

Marc de la Guéronnière has been Head of European Market Organizations of the Company since January 2008. He was head of Region South and General Manager of the Company's market organization in Spain from January 2006 to January 2008. He joined the Company in 2001 as the Industrial Business Area Manager for our market organization in France. Prior to joining the Company, Mr. de la Guéronnière held various management positions in Europe and the United States with ABB-Elsag Bailey and Danaher-Zellweger.

Waldemar Rauch joined the company in September 2000 as Head of our Ingold business. He has served as Operating Manager since March 2004, was named Head of Process Analytics Division in January 2008 and joined the Group Management Committee in July 2011. Prior to joining the company he worked in R&D at Siemens in Germany and held various technical management positions with Atomika Instruments in Germany as well as with Endress + Hauser Flowtec, a leading Swiss supplier of industrial measurement and automation equipment.

CEO and CFO Certifications

Our CEO and CFO also provide certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 in connection with our quarterly and annual financial statement filings with the Securities and Exchange Commission.

The certifications relating to this annual report are attached as Exhibits 31.1 and 31.2.

The remaining information called for by this item is incorporated by reference from the discussion in the sections "Proposal One: Election of Directors," "Board of Directors — General Information," "Board of Directors — Operation" and "Additional Information — Section 16(a) Beneficial Ownership Reporting Compliance" in the 2013 Proxy Statement.

Item 11. Executive Compensation

The information appearing in the sections captioned "Board of Directors — General Information — Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report" and "Additional Information — Compensation Committee Interlocks and Insider Participation" in the 2013 Proxy Statement is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information appearing in the sections "Share Ownership" and "Securities Authorized for Issuance under Equity Compensation Plans as of December 31, 2012" in the 2013 Proxy Statement is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions and Director Independence

Certain Relationships and Related Transactions — None.

Director Independence — The information in the section "Board of Directors — General Information — Independence of the Board" in the 2013 Proxy Statement is incorporated by reference herein.

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Item 14. Principal Accounting Fees and Services

Information appearing in the section “Audit Committee Report” in the 2013 Proxy Statement is hereby incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Exhibits, Financial Statements and Schedules:

1. Financial Statements. See Index to Consolidated Financial Statements included on page F-1.
2. Financial Statement Schedule. See Schedule II, which is included on page S-1.
3. List of Exhibits. See Exhibit Index included on page E-1.

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SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Mettler-Toledo International Inc.

(Registrant)

Date: February 8, 2013

By: /s/ Olivier A. Filliol
Olivier A. Filliol
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant as of the date set out above and in the capacities indicated.

Signature	Title
/s/ Olivier A. Filliol Olivier A. Filliol	President and Chief Executive Officer
/s/ William P. Donnelly William P. Donnelly	Group Vice President and Chief Financial Officer (Principal financial and accounting officer)
/s/ Olivier A. Filliol Olivier A. Filliol	Director
/s/ Wah-Hui Chu Wah-Hui Chu	Director
/s/ Francis A. Contino Francis A. Contino	Director
/s/ Michael A. Kelly Michael A. Kelly	Director
/s/ Martin Madaus Martin Madaus	Director
/s/ Hans Ulrich Maerki Hans Ulrich Maerki	Director
/s/ George M. Milne George M. Milne	Director
/s/ Thomas P. Salice Thomas P. Salice	Director
/s/ Robert F. Spoerry Robert F. Spoerry	Director

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EXHIBIT INDEX

Exhibit

No. Description

- 3.1 Amended and Restated Certificate of Incorporation of the Company⁽¹⁾
- 3.2 Amended By-laws of the Company, effective as of July 23, 2009⁽²⁾
- 10.1 Credit Agreement among Mettler-Toledo International Inc., certain of its subsidiaries, JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, and certain other financial institutions, dated as of December 20, 2011⁽³⁾
- 10.11 Note Purchase Agreement dated as of June 25, 2009 by and among Mettler-Toledo International Inc. and Connecticut General Life Insurance Company, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, Massachusetts Mutual Life Insurance Company, C.M. Life Insurance Company, MassMutual Asia Limited, American Investors Life Insurance Company, Aviva Life and Annuity Company, Bankers Life and Casualty Company, Conesco Life Insurance Company, Conesco Health Insurance Company and Colonial Penn Life Insurance Company⁽⁴⁾
- 10.12 Note Purchase Agreement dated as of October 10, 2012 by and among Mettler-Toledo International Inc., Massachusetts Mutual Life Insurance Company, C.M. Life Insurance Company, MassMutual Asia Limited, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York and Aviva Life and Annuity Company Royal Neighbors of America.⁽⁵⁾
- 10.20 1997 Amended and Restated Stock Option Plan⁽⁶⁾
- 10.21 Amendment to the 1997 Amended and Restated Stock Option Plan⁽⁷⁾
- 10.22 Mettler-Toledo International Inc. 2004 Equity Incentive Plan⁽⁸⁾
- 10.23 Mettler-Toledo International Inc. 2007 Share Plan, effective February 7, 2008⁽⁹⁾
- 10.31 Regulations of the POBS PLUS — Incentive Scheme for Senior Management of Mettler Toledo, effective as of November, 2006⁽¹⁰⁾
- 10.32 Regulations of the POBS PLUS — Incentive Scheme for Members of the Group Management of Mettler Toledo, effective as of January, 2009⁽¹⁰⁾
- 10.50 Employment Agreement between Thomas Caratsch and Mettler-Toledo International Inc., dated as of December 4, 2007⁽⁹⁾
- 10.51 Employment Agreement between Marc de la Guéronnière and Mettler-Toledo International Inc., dated as of January 27, 2011⁽¹¹⁾
- 10.52 Employment Agreement between William Donnelly and Mettler-Toledo GmbH, dated as of November 10, 1997⁽¹⁾
- 10.53 Employment Agreement between Olivier Filliol and Mettler-Toledo International Inc., dated as of November 1, 2007⁽¹²⁾
- 10.54* Employment Agreement between Michael Heidingsfelder and Mettler-Toledo International Inc., dated as of November 30, 2011
- 10.55* Employment Agreement between Simon Kirk and Mettler-Toledo International Inc., dated as of November 28, 2011
- 10.56 Employment Agreement between Christian Magloth and Mettler-Toledo International Inc., dated as of March 22, 2010⁽¹¹⁾
- 10.57 Employment Agreement between Waldemar Rauch and Mettler-Toledo International Inc., dated as of June 10, 2011⁽¹⁴⁾
- 10.58 Employment Agreement between Robert Spoerry and Mettler-Toledo International Inc., dated as of November 1, 2007⁽¹²⁾
- 10.59 Form of Tax Equalization Agreement between Messrs. Caratsch, Filliol, Spoerry, von Arb, Widmer and Kirk and Mettler-Toledo International Inc., dated October 10, 2007⁽⁹⁾

21* Subsidiaries of the Company

23.1* Consent of PricewaterhouseCoopers LLP

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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

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- (1) Incorporated by reference to the Company's Report on Form 10-K dated March 13, 1998
 - (2) Incorporated by reference to the Company's Report on Form 8-K dated July 24, 2009
 - (3) Incorporated by reference to the Company's Report on Form 8-K dated December 27, 2011
 - (4) Incorporated by reference to the Company's Report on Form 8-K dated June 25, 2009
 - (5) Incorporated by reference to the Company's Report on Form 8-K dated October 16, 2012
 - (6) Incorporated by reference to the Company's Registration Statement on Form S-1 (Reg. No. 333-35597)
 - (7) Incorporated by reference to the Company's Report on Form 10-Q dated August 15, 2000
 - (8) Incorporated by reference to the Company's Form DEF 14-A filed March 29, 2004
 - (9) Incorporated by reference to the Company's Report on Form 10-K dated February 15, 2008
 - (10) Incorporated by reference to the Company's Report on Form 10-K dated February 13, 2009
 - (11) Incorporated by reference to the Company's Report on Form 10-K dated February 16, 2010
 - (12) Incorporated by reference to the Company's Report on Form 8-K dated November 1, 2007
 - (13) Incorporated by reference to the Company's Report on Form 10-K dated March 4, 2002
 - (14) Incorporated by reference to the Company's Report on Form 10-K dated February 13, 2012
- *Filed herewith

METTLER-TOLEDO INTERNATIONAL INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010</u>	F-3
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010</u>	F-4
<u>Consolidated Balance Sheets as of December 31, 2012 and 2011</u>	F-5
<u>Consolidated Statements of Shareholders' Equity for the years ended December 31, 2012, 2011 and 2010</u>	F-6
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010</u>	F-7
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Mettler-Toledo International Inc.

In our opinion, the consolidated financial statements listed in the index appearing on page F-1 present fairly, in all material respects, the financial position of Mettler-Toledo International Inc. at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule appearing on page S-1 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Pricewaterhousecoopers LLP
PricewaterhouseCoopers LLP
Columbus, Ohio
February 8, 2013

Table of ContentsMETTLER-TOLEDO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31

(In thousands, except share data)

	2012	2011	2010
Net sales			
Products	\$1,852,192	\$1,826,891	\$1,524,083
Service	489,336	482,437	444,095
Total net sales	2,341,528	2,309,328	1,968,178
Cost of sales			
Products	811,204	798,682	662,314
Service	289,269	292,372	268,668
Gross profit	1,241,055	1,218,274	1,037,196
Research and development	112,530	116,139	97,028
Selling, general and administrative	684,026	703,632	588,726
Amortization	21,357	17,808	14,842
Interest expense	22,764	23,226	20,057
Restructuring charges	16,687	5,912	4,866
Other charges (income), net	1,090	2,380	4,164
Earnings before taxes	382,601	349,177	307,513
Provision for taxes	91,754	79,684	75,365
Net earnings	\$290,847	\$269,493	\$232,148
Basic earnings per common share:			
Net earnings	\$9.37	\$8.45	\$6.98
Weighted average number of common shares	31,044,532	31,897,779	33,280,463
Diluted earnings per common share:			
Net earnings	\$9.14	\$8.21	\$6.80
Weighted average number of common and common equivalent shares	31,824,077	32,839,365	34,140,097

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

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METTLER-TOLEDO INTERNATIONAL INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the years ended December 31
 (In thousands, except share data)

	2012	2011	2010
Net earnings	\$290,847	\$269,493	\$232,148
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	15,641	(18,731)	31,647
Unrealized gains (losses) on cash flow hedging arrangements:			
Unrealized gains (losses)	(1,748)	(4,028)	(6,766)
Effective portion of (gains) losses included in net earnings	2,029	1,911	356
Defined benefit pension and post-retirement plans:			
Net actuarial gains (losses)	(46,792)	(79,947)	(5,424)
Plan amendments and prior service cost	18,017	(274)	(405)
Amortization of actuarial (gains) losses and plan amendments and prior service cost	4,261	2,326	2,972
Impact of foreign currency	(1,931)	3,604	2,030
Total other comprehensive income (loss), net of tax	(10,523)	(95,139)	24,410
Comprehensive income	\$280,324	\$174,354	\$256,558

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

Table of ContentsMETTLER-TOLEDO INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS

As of December 31

(In thousands, except share data)

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$101,702	\$235,601
Trade accounts receivable, less allowances of \$14,120 in 2012 and \$12,317 in 2011	437,390	425,147
Inventories	198,939	241,421
Current deferred tax assets, net	57,690	51,125
Other current assets and prepaid expenses	69,199	65,569
Total current assets	864,920	1,018,863
Property, plant and equipment, net	469,421	410,007
Goodwill	452,351	447,743
Other intangible assets, net	117,564	121,410
Non-current deferred tax assets, net	127,110	118,899
Other non-current assets	86,034	86,552
Total assets	\$2,117,400	\$2,203,474
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$142,362	\$168,109
Accrued and other liabilities	107,834	100,320
Accrued compensation and related items	119,415	139,940
Deferred revenue and customer prepayments	71,435	99,584
Taxes payable	64,000	55,139
Current deferred tax liabilities	16,031	18,452
Short-term borrowings and current maturities of long-term debt	41,600	28,300
Total current liabilities	562,677	609,844
Long-term debt	347,131	476,715
Non-current deferred tax liabilities	139,487	125,833
Other non-current liabilities	240,886	209,945
Total liabilities	1,290,181	1,422,337
Commitments and contingencies (Note 17)		
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 30,410,006 and 31,590,101 shares at December 31, 2012 and 2011, respectively	448	448
Additional paid-in capital	638,705	616,202
Treasury stock at cost (14,376,005 and 13,195,910 shares at December 31, 2012 and 2011, respectively)	(1,463,924	) (1,225,125
Retained earnings	1,749,451	1,476,550
Accumulated other comprehensive income (loss)	(97,461	) (86,938
Total shareholders' equity	827,219	781,137
Total liabilities and shareholders' equity	\$2,117,400	\$2,203,474

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

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METTLER-TOLEDO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31
(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance at December 31, 2009	33,851,124	\$448	\$574,034	\$(857,130)	\$1,009,995	\$(16,209)	\$711,138
Exercise of stock options and restricted stock units	527,276	—	—	39,555	(19,100)	—	20,455
Other treasury stock issuances	2,549	—	—	183	87	—	270
Repurchases of common stock	(1,955,634)	—	—	(239,998)	—	—	(239,998)
Tax benefit resulting from exercise of certain employee stock options	—	—	10,776	—	—	—	10,776
Share-based compensation	—	—	12,385	—	—	—	12,385
Net earnings	—	—	—	—	232,148	—	232,148
Other comprehensive income (loss), net of tax	—	—	—	—	—	24,410	24,410
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	—	—	—	—	—	(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	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	—	—	—	—	—	(10,523)	(10,523)

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Balance at December 31, 2012	30,410,006	\$448	\$638,705	\$(1,463,924)	\$1,749,451	\$(97,461)	\$827,219
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The accompanying notes are an integral part of these consolidated financial statements.

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Table of ContentsMETTLER-TOLEDO INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(In thousands)

	2012	2011	2010
Cash flows from operating activities:			
Net earnings	\$290,847	\$269,493	\$232,148
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	33,421	31,689	29,686
Amortization	21,357	17,808	14,842
Deferred tax provision	5,420	2,592	4,058
Excess tax benefits from share-based payment arrangements	(9,365)	(12,612)	(9,017)
Share-based compensation	13,185	12,270	12,385
Other	1,455	(524)	3,499
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable, net	(8,760)	(53,964)	(55,025)
Inventories	46,831	(20,281)	(40,417)
Other current assets	3,583	(301)	(20,107)
Trade accounts payable	(27,881)	27,551	31,696
Taxes payable	7,482	5,374	6,613
Accruals and other	(49,871)	1,785	57,918
Net cash provided by operating activities	327,704	280,880	268,279
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	426	2,485	350
Purchase of property, plant and equipment	(95,588)	(98,500)	(73,943)
Acquisitions	(2,098)	(35,373)	(13,064)
Proceeds from divestiture	—	—	9,750
Other investing activities	—	(903)	(108)
Net cash used in investing activities	(97,260)	(132,291)	(77,015)
Cash flows from financing activities:			
Proceeds from borrowings	477,998	469,599	714,575
Repayments of borrowings	(595,682)	(647,694)	(329,536)
Proceeds from exercise of stock options	21,927	20,770	20,455
Repurchases of common stock	(278,672)	(204,578)	(239,998)
Excess tax benefits from share-based payment arrangements	9,365	12,612	9,017
Acquisition contingent consideration paid	(325)	(7,750)	—
Debt issuance costs	(363)	(3,144)	—
Other financing activities	(645)	(284)	(6,590)
Net cash provided by (used in) financing activities	(366,397)	(360,469)	167,923
Effect of exchange rate changes on cash and cash equivalents	2,054	(96)	3,359
Net increase (decrease) in cash and cash equivalents	(133,899)	(211,976)	362,546
Cash and cash equivalents:			
Beginning of period	235,601	447,577	85,031
End of period	\$101,702	\$235,601	\$447,577
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$19,252	\$17,804	\$15,019
Taxes	\$78,009	\$69,656	\$60,101

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

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data, unless otherwise stated)

1. BUSINESS DESCRIPTION AND 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 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 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.

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less. The carrying value of these cash equivalents approximates fair value.

Trade Accounts Receivable

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

Inventories

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

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METTLER-TOLEDO INTERNATIONAL INC.

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

Long-Lived Assets

a) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Repair and maintenance costs are charged to expense as incurred. The Company expenses all internal-use software costs incurred in the preliminary project stage and capitalizes certain direct costs associated with the development and purchase of internal-use software within property, plant and equipment. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software, generally not exceeding 10 years.

Depreciation and amortization are charged on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	15 to 50 years
Machinery and equipment	3 to 12 years
Computer software	3 to 10 years
Leasehold improvements	Shorter of useful life or lease term

b) 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 and indefinite-lived intangible assets are generally based on an assessment of qualitative factors to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount.

If the Company is unable to conclude that goodwill asset 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 goodwill asset and comparing the fair value to the carrying amount of the goodwill asset. If the carrying amount of the goodwill asset exceeds its fair value, then the Company performs the second step of the impairment test to measure the amount of the impairment loss, if any.

If the Company is unable to conclude that the indefinite-lived intangible asset is not impaired after considering the totality of events and circumstances, the Company performs an impairment test to measure the amount of the impairment loss, if any. The adoption of the recently issued indefinite-lived intangible assets impairment measurement guidance during 2012 did not have a material impact on the Company's financial statements.

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 "Intangible - Goodwill and Other" and ASC 360 "Property, Plant and Equipment."

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Accounting for Impairment of Long-Lived Assets

The Company assesses the need to record impairment losses on long-lived assets with finite lives when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. An impairment loss would be recognized when future estimated undiscounted cash flows expected to result from use of the asset are less than the asset's carrying value, with the loss measured as the difference between carrying value and fair value.

Taxation

The Company files tax returns in each jurisdiction in which it operates. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which the Company operates. In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred taxes are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are permanently reinvested. Such earnings may become taxable upon the sale or liquidation of these subsidiaries or upon the remittance of dividends. Deferred taxes are provided when the Company no longer considers subsidiary earnings to be permanently invested, such as in situations where the Company's subsidiaries plan to make future dividend distributions.

The Company recognizes accrued amounts of interest and penalties related to its uncertain tax positions as part of income tax expense within its consolidated statement of operations.

Currency Translation and Transactions

The reporting currency for the consolidated financial statements of the Company is the U.S. dollar. The functional currency for the Company's operations is generally the applicable local currency. Accordingly, the assets and liabilities of companies whose functional currency is other than the U.S. dollar are included in the consolidated financial statements by translating the assets and liabilities into the reporting currency at the exchange rates applicable at the end of the reporting period. The statements of operations and cash flows of such non-U.S. dollar functional currency operations are translated at the monthly average exchange rates during the year. Translation gains or losses are accumulated in other comprehensive income (loss) in the consolidated statements of shareholders' equity. Transaction gains and losses are included as a component of net earnings.

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

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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.

Research and Development

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

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.

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.

Earnings per Common Share

In accordance with the treasury stock method, the Company has included 779,545, 941,586 and 859,634 common equivalent shares in the calculation of diluted weighted average number of common

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shares for the years ending December 31, 2012, 2011 and 2010, respectively, relating to outstanding stock options and restricted stock units.

Outstanding options and restricted stock units to purchase or receive 241,205, 197,629 and 474,443 shares of common stock for the years ending December 31, 2012, 2011 and 2010, 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.

Equity-Based Compensation

The Company applies the fair value methodology in accounting for its equity-based compensation plan.

Derivative Financial Instruments

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. As described more fully in Note 5, the Company enters into foreign currency forward exchange contracts to economically hedge certain short-term intercompany balances involving its international businesses. Such contracts limit the Company's exposure to currency fluctuations on the items they hedge. These contracts are adjusted to fair market value as of each balance sheet date, with the resulting changes in fair value being recognized in the appropriate financial statement caption in the income statement consistent with the underlying hedged item.

The Company also enters into foreign currency forward contracts, designated as cash flow hedges, to hedge certain forecasted sales. Such contracts limit the Company's exposure to currency fluctuations on the items they hedge.

Changes in fair value of outstanding foreign currency forward contract agreements that are effective as cash flow hedges are recognized in other comprehensive income as incurred.

The Company also enters into interest rate swap agreements in order to manage its exposure to changes in interest rates. The differential paid or received on interest rate swap agreements is recognized in interest expense over the life of the agreements as incurred. Floating to fixed interest rate swap agreements are accounted for as cash flow hedges.

Changes in fair value of outstanding interest rate swap agreements that are effective as cash flow hedges are recognized in other comprehensive income as incurred. Fixed to floating interest rate swap agreements are accounted for as fair value hedges. Changes in fair value of outstanding interest rate swap agreements that are effective as fair value hedges are recognized in earnings as incurred and offset by the change in fair value of the hedged item.

Fair Value Measurements

The Company measures or monitors certain assets and liabilities on a fair value basis. Fair value is used on a recurring basis for assets and liabilities in which fair value is the primary basis of accounting, mainly derivative instruments.

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. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. The Company applies the fair value hierarchy established under U.S. GAAP and when possible looks to active and observable markets to price identical assets and liabilities. If identical assets and liabilities are not traded in active markets, the Company looks to market observable data for similar assets and liabilities.

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Recent Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, to ASC 350 "Intangibles - Goodwill and Other." ASU 2012-02 provides authoritative guidance on the measurement of indefinite-lived intangible impairment and allows the Company the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of an indefinite-lived intangible asset is above its carrying amount, then performing the impairment test is unnecessary. The Company adopted the guidance in October 2012. The adoption of this guidance did not impact the Company's consolidated results of operations or financial position.

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 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.

3. ACQUISITIONS AND DIVESTITURE

The Company utilizes the acquisition method to account for all business combinations. Contingent consideration is measured at fair value on the acquisition date with subsequent changes in the fair value of contingent considerations classified as a liability recognized in earnings.

In August 2011, the Company acquired a vision inspection solutions business located in Germany for an aggregate purchase price of \$19.4 million that has been integrated into the Company's product inspection product offering. The Company paid additional cash consideration of \$0.3 million during the year ending December 31, 2012 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 has been 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.

The weighted average amortization periods for the finite-lived intangibles purchased in 2011 are 15 years for tradename, 10 years for technology and 18 years for customer relationships.

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In December 2010, the Company sold its retail software business for in-store item and inventory management solutions for approximately \$10 million. The sale resulted in a \$4.4 million pre-tax charge (\$3.8 million after-tax) and has been included in other charges (income), net in the Company's consolidated statement of operations for the year ending December 31, 2010. Annualized net sales and net earnings associated with this business were immaterial to the Company's consolidated financial results. Goodwill previously recorded associated with this business amounted to \$13.0 million and was included in the Company's U.S. Operations segment.

In January 2010, the Company acquired a pipette distributor located in the United Kingdom for an aggregate purchase price of approximately \$12.5 million. Goodwill recorded in connection with the acquisition totaled approximately \$7.4 million which is included in the Company's Western European Operations segment. The Company also recorded \$4.5 million of identified intangibles pertaining to a tradename and customer relationships. The weighted average amortization periods for the finite-lived intangibles purchased in 2010 are 7 years for tradename, 12 years for technology and 30 years for customer relationships.

4. INVENTORIES

Inventory consisted of the following at December 31:

	2012	2011
Raw materials and parts	\$103,476	\$101,716
Work-in-progress	33,081	40,822
Finished goods	62,382	98,883
	\$198,939	\$241,421

5. FINANCIAL INSTRUMENTS

The Company has limited involvement with derivative financial instruments and does not use them for trading purposes. As described below, the Company enters into certain interest rate swap agreements in order to manage its exposure to changes in interest rates. At December 31, 2012, the interest payments associated with 64% of the Company's debt are fixed obligations. The amount of the Company's fixed obligation interest payments may change based upon the expiration dates of its interest rate swap agreement and the level and composition of its debt. The Company also enters into foreign currency forward contracts to limit the Company's exposure to currency fluctuations on the respective hedged items. For additional disclosures on the fair value of financial instruments, see Note 6 to the 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 had the effect of changing 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 at fair value in other non-current liabilities in the consolidated balance sheet at December 31, 2012 and 2011 of \$8.2 million and \$9.2 million, respectively. The amounts recognized in other comprehensive income (loss) during the years ended December 31, 2012 and 2011 were a loss of \$2.0 million (\$1.3 million net of tax) and a loss of \$6.3 million (\$4.0 million net of tax), respectively. The effective portion of the loss reclassified from accumulated other comprehensive income (loss) to interest expense was \$3.0 million (\$1.9 million after tax) for both the years ended December 31, 2012 and 2011, respectively. A derivative

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loss of \$3.0 million based upon interest rates on December 31, 2012 is expected to be recognized in earnings in the next twelve months. Through December 31, 2012, the hedge ineffectiveness related to this instrument was not material.

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 business. The notional amount of foreign currency forward contracts outstanding at December 31, 2012 was \$78.0 million. The foreign currency forward contracts are recorded at fair value in the consolidated balance sheet at December 31, 2012, in accrued and other liabilities of \$0.4 million. 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 year ended December 31, 2012 was a loss of \$0.6 million (\$0.5 million after tax). The effective portion of the loss reclassified from accumulated other comprehensive income (loss) to cost of sales was \$0.2 million (\$0.2 million after tax) for the year ended December 31, 2012. A derivative loss of \$0.4 million as of December 31, 2012 is expected to be recognized in earnings in the next twelve months. Through December 31, 2012 no hedge ineffectiveness has occurred in relation to this hedge.

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 December 31, 2012 and 2011 in other current assets of \$0.4 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), a net gain of \$3.0 million during the year ended December 31, 2012. At December 31, 2012 and 2011, these contracts had a notional value of \$132.3 million and \$143.6 million, respectively.

The Company may be exposed to credit losses in the event of nonperformance by the counterparties to its derivative financial instrument contracts. Counterparties are established banks and financial institutions with high credit ratings. The Company believes that such counterparties will be able to fully satisfy their obligations under these contracts.

6. FAIR VALUE MEASUREMENTS

At December 31, 2012 and 2011, the Company had derivative assets totaling \$0.4 million and \$0.5 million, respectively, and derivative liabilities totaling \$8.9 million and \$9.7 million, respectively. The fair values of the interest rate swap agreements, foreign currency forward contracts designated as cash flow hedges 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

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risk in determining fair value and determined these adjustments were insignificant for the years ended December 31, 2012 and December 31, 2011.

The Company had \$13.6 million of cash equivalents at December 31, 2012 and 2011, 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 still 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

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 December 31, 2012 and 2011:

	December 31, 2012				December 31, 2011			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	\$13,636	\$—	\$13,636	\$—	\$13,619	\$—	\$13,619	\$—
Foreign currency forward contracts not designated as hedging instrument	448	—	448	—	545	—	545	—
Total	\$14,084	\$—	\$14,084	\$—	\$14,164	\$—	\$14,164	\$—
Liabilities:								
Interest rate swap agreements	\$8,172	\$—	\$8,172	\$—	\$9,175	\$—	\$9,175	\$—
Foreign currency forward contracts designated as cash flow hedge	—	—	421	—	—	—	—	—
Foreign currency forward contracts not designated as hedging instrument	280	—	280	—	480	—	480	—
Total	\$8,873	\$—	\$8,873	\$—	\$9,655	\$—	\$9,655	\$—

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7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following at December 31:

	2012	2011
Land	\$54,804	\$53,392
Building and leasehold improvements	206,744	195,838
Machinery and equipment	340,834	321,609
Computer software	247,044	179,913
	849,426	750,752
Less accumulated depreciation and amortization	(380,005)	(340,745)
	\$469,421	\$410,007

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows the changes in the carrying amount of goodwill for the years ended December 31:

	2012	2011
Balance at beginning of year	\$447,743	\$434,699
Goodwill acquired	648	15,425
Foreign currency translation	3,960	(2,381)
Balance at year end	\$452,351	\$447,743

Goodwill and indefinite-lived assets are reviewed for impairment on an annual basis in the fourth quarter. The Company completed its impairment review and determined that, through December 31, 2012, there had been no impairment of these assets.

The components of other intangible assets as of December 31 are as follows:

	2012		2011	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	\$96,575	\$(21,928)	\$95,203	\$(18,735)
Proven technology and patents	42,960	(28,014)	41,643	(25,174)
Tradename (finite life)	3,972	(1,345)	3,995	(1,072)
Tradename (indefinite life)	25,061	—	25,033	—
Other	745	(462)	743	(226)
	\$169,313	\$(51,749)	\$166,617	\$(45,207)

The Company recognized amortization expense associated with the above intangible assets of \$7.2 million, \$6.8 million and \$6.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at \$6.0 million for 2013, \$5.9 million for 2014, \$5.2 million for 2015, \$5.0 million for 2016 and \$4.7 million for 2017. The finite-lived intangible assets are amortized on a straight-line basis over periods ranging from 3 to 45 years. 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. Purchased intangibles amortization was \$6.8 million (\$4.5 million after tax), \$6.2 million (\$4.1 million after tax) and \$5.7 million (\$3.7 million after tax), for the years ended December 31, 2012, 2011 and 2010, respectively.

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In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of \$13.9 million, \$10.8 million and \$8.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

9. WARRANTY

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 years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Balance at beginning of year	\$16,748	\$15,680
Accruals for warranties	17,073	17,267
Payments/utilizations	(17,749	) (16,092
Foreign currency translation	223	(107
Balance at year end	\$16,295	\$16,748

10. DEBT

Debt consisted of the following at December 31:

	2012	2011
\$100 million Senior Notes, interest at 6.30%, due June 25, 2015	\$100,000	\$100,000
\$50 million Senior Notes, interest at 3.67%, due December 17, 2022	50,000	—
\$880 million Credit Agreement, interest at LIBOR plus 85 basis points	197,131	376,715
Other local arrangements	41,600	28,300
	388,731	505,015
Less: current portion	(41,600	) (28,300
Long-term debt	\$347,131	\$476,715
6.30% Senior Notes		

In 2009, the Company entered into an agreement to issue and sell in a private placement, six-year Senior Notes with an aggregate principal amount of \$100 million and a fixed interest obligation of 6.3% ("6.30% Senior Notes") under a Note Purchase Agreement among the Company and accredited institutional investors (the "Agreement"). The 6.30% Senior Notes are senior unsecured obligations of the Company.

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

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

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Agreement also requires the Company to maintain a consolidated interest coverage ratio of not less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.5 to 1.0. The agreement contains customary events of default with customary grace periods, as applicable. The Company was in compliance with these covenants at December 31, 2012. Issuance costs approximating \$0.7 million will be amortized to interest expense over the six-year term of the 6.30% Senior Notes.

3.67% Senior Notes

In October 2012, the Company entered into an agreement to issue and sell in a private placement, ten-year Senior Notes with an aggregate principal amount of \$50 million and a fixed interest obligation of 3.67% ("3.67% Senior Notes") under a Note Purchase Agreement among the Company and accredited institutional investors (the "Agreement"). The 3.67% Senior Notes are senior unsecured obligations of the Company.

The 3.67% Senior Notes mature on December 17, 2022. Interest is payable semi-annually in June and December. The Company may at any time prepay the 3.67% Senior Notes, in whole or in part (but in an amount not less than 10% of the original aggregate principal amount), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, plus a "make-whole" prepayment premium. In the event of a change in control of the Company (as defined in the Agreement), the Company may be required to offer to prepay the 3.67% Senior Notes in whole at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

The Agreement contains customary affirmative and negative covenants for agreements of this type including, among others, limitations on the Company and its subsidiaries with respect to incurrence of liens and priority indebtedness, disposition of assets, mergers, and transactions with affiliates. The Agreement also requires the Company to maintain a consolidated interest coverage ratio of not less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.5 to 1.0. The agreement contains customary events of default with customary grace periods, as applicable. The Company was in compliance with these covenants at December 31, 2012.

Issuance costs approximating \$0.4 million will be amortized to interest expense over the ten-year term of the 3.67% Senior Notes.

Credit Agreement

In 2011, the Company entered into an \$880 million Credit Agreement (the "Credit Agreement"), which replaced its \$950 million Amended and Restated Credit Agreement (the "Prior Credit Agreement"). The Credit Agreement is provided by a group of financial institutions (similar to the Company's Prior Credit Agreement) and has a maturity date of December 20, 2016. It is a revolving credit facility and is not subject to any scheduled principal payments prior to maturity. The obligations under the Credit Agreement are unsecured.

Borrowings under the Credit Agreement bear interest at current market rates plus a margin based on the Company's consolidated leverage ratio, which was, as of December 31, 2012, set at LIBOR plus 85 basis points. The Company must also pay facility fees that are tied to its leverage ratio. The Credit Agreement contains covenants, with which the Company was in compliance as of December 31, 2012, including maintaining a consolidated interest coverage ratio of not less than 3.5 to 1.0 and a consolidated leverage ratio of not more than 3.25 to 1.0. The Credit Agreement also places certain limitations on the

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Company, including limiting the ability to incur liens or indebtedness at a subsidiary level. In addition, the Credit Agreement has several events of default. The Company incurred approximately \$0.3 million of debt extinguishment costs during 2011 related to the Prior Credit Agreement. The Company capitalized \$3.1 million in financing fees during 2011 associated with the Credit Agreement which will be amortized to interest expense through 2016. As of December 31, 2012, approximately \$677.9 million was available under the facility.

Other Local Arrangements

During 2006, a wholly owned subsidiary of the Company issued and sold \$10 million of redeemable equity instruments to one of the Company's non-U.S. sponsored defined benefit plans. These instruments were repaid in July 2012.

Tender Offer & Repayment of 4.85% Senior Notes

In November 2003, the Company issued \$150 million of 4.85% unsecured Senior notes due November 15, 2010 ("4.85% Senior Notes"). On May 6, 2009, the Company commenced a cash tender offer to purchase any and all of its outstanding 4.85% Senior Notes due November 15, 2010. The tender offer, which expired May 12, 2009, resulted in the repurchase of \$75 million of the principal balance of the 4.85% Senior Notes. At maturity, on November 15, 2010, the Company repaid the remaining \$75 million outstanding principal balance of its 4.85% Senior Notes. The repayment was funded from additional borrowings under the Company's credit facility.

The Company's weighted average interest rate for the years ended December 31, 2012 and 2011 was approximately 5% and 4%, respectively. The carrying value of the Company's debt obligations approximates fair value.

11. SHAREHOLDERS' EQUITY

Common Stock

The number of authorized shares of the Company's common stock is 125,000,000 shares with a par value of \$0.01 per share. Holders of the Company's common stock are entitled to one vote per share. At December 31, 2012, 3,161,397 shares of the Company's common stock were reserved for issuance pursuant to the Company's stock option plans.

Preferred Stock

The Board of Directors, without further shareholder authorization, is authorized to issue up to 10,000,000 shares of preferred stock, par value \$0.01 per share in one or more series and to determine and fix the rights, preferences and privileges of each series, including dividend rights and preferences over dividends on the common stock and one or more series of the preferred stock, conversion rights, voting rights (in addition to those provided by law), redemption rights and the terms of any sinking fund therefore, and rights upon liquidation, dissolution or winding up, including preferences over the common stock and one or more series of the preferred stock. The issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of the Company or an unsolicited acquisition proposal.

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Restricted Stock Units

In 2012 and 2011, the Company granted 43,078 and 42,067 restricted stock units, respectively, to certain employees and directors. The weighted average grant-date fair value of the restricted stock units granted in 2012 and 2011 was \$169.37 and \$150.11 per unit, respectively, and the restricted units vest ratably primarily over a five-year period. The total fair value of the restricted stock units on the date of grant of \$7.3 million for 2012 and \$6.3 million for 2011 will be recorded as compensation expense ratably over the vesting period. Approximately \$5.3 million and \$4.6 million of compensation expense was recognized during the years ended December 31, 2012 and 2011, respectively.

Shareholder Rights Plan

On August 26, 2002, the Board of Directors adopted a Shareholder Rights Plan under which the Company declared a non-cash dividend of one right for each outstanding share of common stock. The Shareholder Rights Plan expired in September 2012 and the Board has determined not to renew the Plan.

Share Repurchase Program

The Company has a \$2.25 billion share repurchase program. The Company expects that the authorization will be utilized over the next several years. As of December 31, 2012, there were \$437 million of remaining common shares authorized to be repurchased under the program. 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 20.1 million shares since the inception of the program through December 31, 2012.

During the years ended December 31, 2012 and 2011, the Company spent \$278.7 million and \$204.6 million on the repurchase of 1,637,827 shares and 1,285,827 shares at an average price per share of \$170.13 and \$159.08, respectively. The Company reissued 457,732 shares and 450,613 shares held in treasury for the exercise of stock options and restricted stock units during 2012 and 2011, respectively.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consisted of the following at December 31:

	2012	2011	2010
Currency translation adjustment, net of tax	\$56,012	\$40,371	\$59,102
Net unrealized (loss) gain on cash flow hedging arrangements, net of tax	(5,438	) (5,719	) (3,602
Pension and post-retirement benefit related items	(209,775	) (176,005	) (72,510
Deferred taxes on pension and post-retirement benefit related items	61,740	54,415	25,211
Total accumulated other comprehensive income (loss)	\$(97,461	) \$(86,938	) \$8,201

12. EQUITY INCENTIVE PLAN

The Company's equity incentive plan provides employees and directors of the Company additional incentives to join and/or remain in the service of the Company as well as to maintain and enhance the long-term performance and profitability of the Company. The Company's 2004 equity incentive plan was approved by shareholders on May 6, 2004 and provides that 3.5 million shares of common stock, plus any

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options outstanding under the Company's prior option plan that terminate without being exercised, may be the subject of awards. Of the 3.5 million shares of common stock available for awards, up to 2.1 million shares may be issued in the form of restricted stock or restricted stock units. The plan provides for the grant of options, restricted stock, restricted stock units and other equity-based awards. The exercise price of options granted shall not be less than the fair market value of the common stock on the date of the award. Options primarily vest equally over a five-year period from the date of grant and have a maximum term of up to ten years and six months. Restricted units primarily vest equally over a five-year period from the date of grant. Since 2005, the compensation committee of the Board of Directors has generally granted restricted share units to participating managers and non-qualified stock options to executive officers.

All share-based compensation arrangements granted to employees, including stock option grants, are recognized in the consolidated statement of operations based on the grant-date fair value of the award over the period during which an employee is required to provide service in exchange for the award. Share-based compensation expense is recorded 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 fair values of stock options granted were calculated using the Black-Scholes pricing model. The aggregate intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price. The following table summarizes all stock option activity from December 31, 2011 through December 31, 2012:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2011	2,394,938	\$82.16	\$157.4
Granted	182,506	169.37	
Exercised	(410,019)	53.48	
Forfeited	(62,650)	107.93	
Outstanding at December 31, 2012	2,104,775	\$94.45	\$208.9
Options exercisable at December 31, 2012	1,337,939	\$73.91	\$159.7

The following table details the weighted average remaining contractual life of options outstanding at December 31, 2012 by range of exercise prices:

Number of Options Outstanding	Weighted Average Exercise Price	Remaining Contractual Life of Options Outstanding	Options Exercisable
307,498	\$43.26	1.6	307,498
398,000	\$60.22	3.7	398,000
500,732	\$81.33	6.3	354,906
344,800	\$109.09	4.9	161,550
371,239	\$141.47	8.3	115,985
182,506	\$169.37	9.8	—
2,104,775		5.6	1,337,939

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As of the date granted, the weighted average grant-date fair value of the options granted during the years ended December 31, 2012, 2011 and 2010 was approximately \$46.72, \$42.43 and \$37.84, respectively.

Such weighted average grant-date fair value was determined using an option pricing model that incorporated the following assumptions:

	2012	2011	2010	
Risk-free interest rate	0.71	% 1.09	% 1.17	%
Expected life in years	5	5	5	
Expected volatility	30	% 30	% 30	%
Expected dividend yield	—	—	—	

The total intrinsic value of options exercised during the years ended December 31, 2012, 2011 and 2010 was approximately \$50.9 million, \$44.7 million and \$39.3 million, respectively.

The total fair value of options vested during the years ended December 31, 2012, 2011 and 2010 was approximately \$6.9 million, \$6.8 million and \$6.9 million, respectively.

The following table summarizes all restricted stock unit activity from December 31, 2011 through December 31, 2012:

	Number of Restricted Stock Units	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2011	139,774	\$20.6
Granted	43,078	
Vested	(47,713))
Forfeited	(4,114))
Outstanding at December 31, 2012	131,025	\$25.3

The total fair value of restricted stock units vested during the years ended December 31, 2012, 2011 and 2010 was approximately \$5.3 million, \$4.5 million and \$4.1 million, respectively.

At December 31, 2012, a total of 925,597 shares of common stock were available for grant in the form of stock options or restricted stock units.

As of December 31, 2012, the unrecorded deferred share-based compensation balance related to both stock options and restricted stock units was \$13.2 million and will be recognized using a straight-line method over an estimated weighted average amortization period of 2.3 years.

13. BENEFIT PLANS

The Company maintains a number of retirement and other post-retirement employee benefit plans.

Certain subsidiaries sponsor defined contribution plans. Benefits are determined and funded annually based upon the terms of the plans. Amounts recognized as cost under these plans amounted to \$15.7 million, \$15.5 million and \$10.5 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Certain subsidiaries sponsor defined benefit plans. Benefits are provided to employees primarily based upon years of service and employees' compensation for certain periods during the last years of

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employment. Prior to 2002, the Company's U.S. operations also provided post-retirement medical benefits to their employees. Contributions for medical benefits are related to employee years of service.

The following tables set forth the change in benefit obligation, the change in plan assets, the funded status and amounts recognized in the consolidated financial statements for the Company's defined benefit plans and post-retirement plan at December 31, 2012 and 2011:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2012	2011	2012	2011	2012	2011
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 146,492	\$ 125,340	\$ 717,503	\$ 661,029	\$ 13,257	\$ 14,608
Service cost, gross	455	331	27,312	27,194	333	304
Interest cost	6,093	6,422	22,104	24,637	539	731
Actuarial losses (gains)	10,184	20,596	68,807	33,834	(2,059)	(1,971)
Plan amendments and other	—	—	(21,915)	(444)	75	558
Benefits paid	(6,420)	(6,197)	(36,861)	(22,482)	(878)	(973)
Impact of foreign currency	—	—	21,707	(6,265)	—	—
Benefit obligation at end of year	\$ 156,804	\$ 146,492	\$ 798,657	\$ 717,503	\$ 11,267	\$ 13,257
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 87,904	\$ 97,040	\$ 665,126	\$ 667,124	\$—	\$—
Actual return on plan assets	9,501	(3,004)	47,797	(13,604)	—	—
Employer contributions	3,749	65	22,309	22,197	803	875
Plan participants' contributions	—	—	12,315	13,290	75	98
Benefits paid	(6,420)	(6,197)	(36,861)	(23,217)	(878)	(973)
Impact of foreign currency and other	—	—	20,354	(664)	—	—
Fair value of plan assets at end of year	\$ 94,734	\$ 87,904	\$ 731,040	\$ 665,126	\$—	\$—
Funded status	\$(62,070)	\$(58,588)	\$(67,617)	\$(52,377)	\$(11,267)	\$(13,257)
Amounts recognized in the consolidated balance sheets consist of:						
	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2012	2011	2012	2011	2012	2011
Other non-current assets	\$—	\$—	\$64,183	\$52,660	\$—	\$—
Pension and other post-retirement liabilities	(62,070)	(58,588)	(131,800)	(105,037)	(11,267)	(13,257)
Accumulated other comprehensive loss (income)	89,940	89,956	130,776	95,686	(10,941)	(9,635)
Total	\$ 27,870	\$ 31,368	\$ 63,159	\$ 43,309	\$(22,208)	\$(22,892)

The prepaid pension asset is recorded in other non-current assets on the consolidated balance sheet. The short-term and long-term portion of the accrued pension liability is recorded on the consolidated balance sheet within accrued and other liabilities and other non-current liabilities, respectively. The long-term portion of the accrued pension liabilities and other post-retirement liabilities at December 31, 2012 and 2011 was \$62.0 million and \$58.5 million, respectively, for the U.S. defined benefit pension plan, \$126.8 million and \$100.3 million, respectively, for the non-U.S. plans and \$10.3 million and \$12.1 million, respectively, for the U.S. post-retirement plan. The current

portion of the accrued pension and other post-retirement liabilities was \$0.1 million at both December 31, 2012 and 2011 for the U.S. defined

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benefit pension plan, \$5.0 million and \$4.7 million, respectively, for the non-U.S. plans and \$1.0 million and \$1.2 million, respectively, for the U.S. post-retirement plan.

The following amounts have been recognized in accumulated other comprehensive income (loss), before taxes, at December 31, 2012 and have not yet been recognized as a component of net periodic pension cost:

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Benefits	Total	Total, After Tax
Plan amendments and prior service cost	\$—	\$(28,951	) \$371	\$(28,580	) \$(22,944
Actuarial losses (gains)	89,940	159,727	(11,312	) (10,941	) 170,979
Total	\$89,940	\$130,776	\$(10,941	) \$209,775	\$148,035

The following changes in plan assets and benefit obligations were recognized in other comprehensive income (loss), before taxes, for the year ended December 31, 2012:

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Benefits	Total	Total, After Tax
Net actuarial losses (gains)	\$7,648	\$55,352	\$(2,059	) \$60,941	\$46,792
Plan amendments and prior service cost, net	—	(22,491	) —	(22,491	) (18,017
Amortization of:					
Actuarial losses (gains)	(7,664	) (2,495	) 839	(9,320	) (6,118
Plan amendments and prior service cost	—	2,369	(86	) 2,283	1,857
Impact of foreign currency	—	2,355	—	2,355	1,931
Total	\$(16	) \$35,090	\$(1,306	) \$33,768	\$26,445

The accumulated benefit obligations at December 31, 2012 and 2011 were \$156.8 million and \$146.5 million, respectively, for the U.S. defined benefit pension plan and \$772.9 million and \$698.0 million, respectively, for all non-U.S. plans. Certain of the plans included within non-U.S. pension benefits have benefit obligations which exceed the fair value of plan assets. The projected benefit obligation, the accumulated benefit obligation and fair value of assets of these plans as of December 31, 2012 were \$798.7 million, \$772.9 million and \$731.0 million, respectively. The assumed discount rates and rates of increase in future compensation levels used in calculating the projected benefit obligations vary according to the economic conditions of the country in which the retirement plans are situated. The weighted average rates used for the purposes of the Company's plans are as follows:

	U.S.			Non-U.S.			
	2012	2011	2010	2012	2011	2010	
Discount rate	3.75	% 4.25	% 5.25	% 2.50	% 3.10	% 3.60	%
Compensation increase rate	n/a	n/a	n/a	1.60	% 1.75	% 2.20	%
Expected long-term rate of return on plan assets	7.75	% 8.00	% 8.00	% 4.89	% 4.80	% 4.94	%

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The assumed discount rates, rates of increase in future compensation levels and the long-term rate of return used in calculating the net periodic pension cost vary according to the economic conditions of the country in which the retirement plans are situated. The weighted average rates used for the purposes of the Company's plans are as follows:

	U.S.			Non-U.S.			
	2012	2011	2010	2012	2011	2010	
Discount rate	4.25	% 5.25	% 5.50	% 3.10	% 3.60	% 3.90	%
Compensation increase rate	n/a	n/a	n/a	1.75	% 2.20	% 2.20	%
Expected long-term rate of return on plan assets	8.00	% 8.00	% 8.25	% 4.80	% 4.94	% 5.20	%

Net periodic pension cost for the defined benefit plans includes the following components for the years ended December 31:

	U.S.			Non-U.S.		
	2012	2011	2010	2012	2011	2010
Service cost, net	\$455	\$331	\$264	\$15,011	\$13,699	\$12,819
Interest cost on projected benefit obligations	6,093	6,422	6,439	22,104	24,637	22,438
Expected return on plan assets	(6,965)	(7,499)	(6,906)	(32,989)	(34,325)	(29,354)
Recognition of actuarial losses/(gains)	7,664	5,103	5,297	210	(339)	(198)
Recognition of settlement/curtailment losses (gains)	—	—	—	—	—	59
Net periodic pension cost	\$7,247	\$4,357	\$5,094	\$4,336	\$3,672	\$5,764

Net periodic post-retirement benefit (credit)/cost for the U.S. post-retirement plan includes the following components for the years ended December 31:

	2012	2011	2010
Service cost	\$333	\$304	\$295
Interest cost on projected benefit obligations	539	731	757
Net amortization and deferral	(753)	(692)	(1,406)
Net periodic post-retirement benefit (credit)/cost	\$119	\$343	\$(354)

The amounts remaining in accumulated other comprehensive income (loss) that are expected to be recognized as a component of net periodic pension cost during 2013 are as follows:

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Benefits
Plan amendments and prior service costs	\$—	\$(3,942)	\$86
Actuarial losses (gains)	7,781	5,517	(988)
Total	\$7,781	\$1,575	\$(902)

The projected post-retirement benefit obligation was principally determined using discount rates of 3.75% in 2012, 4.25% in 2011 and 5.25% in 2010. Net periodic post-retirement benefit cost was principally determined using discount rates of 4.25% in 2012 and 5.25% in 2011, and 5.50% in 2010. The health care cost trend rate was 8.00% in 2012, 9.00% in 2011 and ranged 7.50% to 9.00% in 2010, decreasing to 5.00% in 2019.

The health care cost trend rate assumption has a significant effect on the accumulated post-retirement benefit obligation and net periodic post-retirement benefit cost. A one-percentage-point change in health care cost trend rates would have the following effects:

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	One-Percentage-Point Increase	One-Percentage-Point Decrease	
Effect on total of service and interest cost components	\$83	\$(74)
Effect on post-retirement benefit obligation	\$818	\$(735)

The Company's overall asset investment strategy is to achieve long-term growth while minimizing volatility by widely diversifying among asset types and strategies. Target asset allocations and investment return criteria are established by the pension committee or designated officers of each plan. Target asset allocation ranges for the U.S. pension plan include 30-50% equity securities, 15-35% fixed income securities and 25-45% other types of investments.

International plan assets relate primarily to the Company's Swiss plan with target allocations of 25-45% in equities, 35-55% in fixed income securities and 15-25% in other types of investments. Actual results are monitored against targets and the trustees are required to report to the members of each plan, including an analysis of investment performance on an annual basis at a minimum. Day-to-day asset management is typically performed by third-party asset managers, reporting to the pension committees or designated officers.

The long-term rate of return on plan asset assumptions used to determine pension expense under U.S. GAAP are generally based on estimated future returns for the target investment mix determined by the trustees as well as historical investment performance.

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The following table presents the fair value measurement of the Company's plan assets by hierarchy level:

Asset Category:	December 31, 2012				December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs for Identical Assets (Level 2)	Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs for Identical Assets (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and Cash Equivalents	\$ 141,020	\$—	\$—	\$ 141,020	\$ 96,071	\$—	\$—	\$ 96,071
Equity Securities:								
Mettler-Toledo Stock	3,284	—	—	3,284	3,725	—	—	3,725
Equity Mutual Funds:								
U.S. ⁽¹⁾	25,880	21,268	—	47,148	30,923	20,149	—	51,072
International ⁽²⁾	37,982	46,312	—	84,294	37,565	40,693	—	78,258
Emerging Markets ⁽³⁾	36,449	5,704	—	42,153	31,712	4,333	—	36,045
Fixed Income Securities:								
Corporate/Government Bonds ⁽⁴⁾	66,331	—	—	66,331	62,041	—	—	62,041
Fixed Income Mutual Funds:								
Insurance Contracts ⁽⁵⁾	—	23,015	1,726	24,741	—	15,208	1,661	16,869
Core Bond ⁽⁶⁾	147,853	35,980	—	183,833	132,430	32,231	—	164,661
Real Asset Mutual Funds:								
Real Estate ⁽⁷⁾	62,172	—	—	62,172	65,021	—	—	65,021
Commodities ⁽⁸⁾	30,976	3,775	22,986	57,737	24,582	4,258	21,816	50,656
Other Types of Investments:								
Global Allocation Funds ⁽⁹⁾	29,504	8,572	—	38,076	28,555	7,040	—	35,595
Multi-Strategy Fund of Hedge Funds ⁽¹⁰⁾	—	—	74,985	74,985	—	—	78,650	78,650
Convertible Preferred Equity Certificates ⁽¹¹⁾	—	—	—	—	—	—	14,366	14,366
	\$ 581,451	\$ 144,626	\$ 99,697	\$ 825,774	\$ 512,625	\$ 123,912	\$ 116,493	\$ 753,030

(1) Represents primarily large capitalization equity mutual funds tracking the S&P 500 Index.

(2) Represents all capitalization core and value equity mutual funds located primarily in Switzerland, the United Kingdom and Canada.

(3)

Represents core and growth mutual funds and funds of mutual funds invested in emerging markets primarily in Eastern Europe, Latin America and Asia.

- (4) Represents investments in high-grade corporate and government bonds located in Switzerland and the European Union.
- (5) Represents fixed and variable rate annuity contracts provided by insurance companies.
- (6) Represents fixed income mutual funds invested in the U.S., the United Kingdom, Switzerland and European government bonds, high-grade corporate bonds, mortgage-backed securities and collateralized mortgage obligations.
- (7) Represents mutual funds invested in real estate located primarily in Switzerland.
- (8) Represents commodity funds invested across a broad range of sectors.
- (9) Represents mutual funds invested globally in both equities and fixed income securities.
- (10) Represents primarily equity investments to profit from long and short equity positions, economic and government driven events and relative value and tactical trading strategies.
- (11) Represents preferred equity certificates of a wholly-owned subsidiary.

The fair value of the Company's stock and corporate and government bonds are valued at the year end closing price as reported on the securities exchange on which they are traded. Mutual funds are valued

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at the exchange-listed year end closing price or at the net asset value of shares held by the fund at the end of the year. Insurance contracts are valued by discounting the related cash flows using a current year end market rate or at cash surrender value, which is presumed to equal fair value. Funds of hedge funds are valued at the net asset value of shares held by the fund at the end of the year.

The following table presents a rollforward of activity for the years ended December 31, 2012 and 2011 for level 3 asset categories:

	Multi- Strategy Fund of Hedge Funds	Commodities	Insurance Contract	Convertible Preferred Equity Certificates	Total
Balance at December 31, 2010	\$56,398	\$20,836	\$1,556	\$14,245	\$93,035
Actual return on plan assets:					
Related to assets held at end of year	2,704	987	34	669	4,394
Related to assets sold during the year	112	—	3	—	115
Purchases	23,534	—	151	—	23,685
Sales	(2,928)	—	(37)	(563)	(3,528)
Impact of foreign currency	(1,170)	(7)	(46)	15	(1,208)
Balance at December 31, 2011	\$78,650	\$21,816	\$1,661	\$14,366	\$116,493
Actual return on plan assets:					
Related to assets held at end of year	1,099	533	31	—	1,663
Related to assets sold during the year	317	—	3	2,240	2,560
Purchases	8,638	—	161	—	8,799
Sales	(15,418)	—	(165)	(16,636)	(32,219)
Impact of foreign currency	1,699	637	35	30	2,401
Balance at December 31, 2012	\$74,985	\$22,986	\$1,726	\$—	\$99,697

There were no transfers between level 2 and level 3 assets during the years ended December 31, 2012 and 2011.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Benefits Net of Subsidy
2013	\$6,732	\$42,390	\$856
2014	7,003	42,151	863
2015	7,241	42,597	867
2016	7,484	44,416	832
2017	7,849	44,676	830
2018-2022	43,339	228,874	4,018

The Company made a voluntary incremental pension contribution of \$1.0 million in 2012 and \$5.0 million in 2010, respectively, to increase the funded status of its U.S. pension plan. The Company does not expect to receive any refunds from its benefit plans during 2013.

In 2013, the Company expects to make employer pension contributions of approximately \$3.1 million and \$22.5 million to its U.S. and non-U.S. pension plan and employer contributions of approximately \$1.0 million to its U.S. post-retirement medical plan.

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14. TAXES

The sources of the Company's earnings before taxes were as follows for the years ending December 31:

	2012	2011	2010
United States	\$32,296	\$(6,758)	) \$41,470
Non-United States	350,305	355,935	266,043
Earnings before taxes	\$382,601	\$349,177	\$307,513

The provisions for taxes consist of:

	Current	Deferred	Total
Year ended December 31, 2012:			
United States federal	\$—	\$12,341	\$12,341
State and local	1,372	87	1,459
Non-United States	84,962	(7,008)	) 77,954
Total	\$86,334	\$5,420	\$91,754
Year ended December 31, 2011:			
United States federal	\$—	\$(9,111)	) \$(9,111)
State and local	1,512	(482)	) 1,030
Non-United States	75,580	12,185	87,765
Total	\$77,092	\$2,592	\$79,684
Year ended December 31, 2010:			
United States federal	\$—	\$15,760	\$15,760
State and local	1,402	713	2,115
Non-United States	69,905	(12,415)	) 57,490
Total	\$71,307	\$4,058	\$75,365

The provisions for tax expense for the years ending December 31, 2012, 2011 and 2010 differed from the amounts computed by applying the United States federal income tax rate of 35% to the earnings before taxes as a result of the following:

	2012	2011	2010
Expected tax	\$133,910	\$122,212	\$107,630
United States state and local income taxes, net of federal income tax benefit	1,459	1,030	2,115
Change in valuation allowance	—	—	(3,229)
Other non-United States income taxes at other than a 35% rate	(44,288)	) (36,814)	) (26,639)
Resolution of prior year tax matters	(365)) (3,478)) (5,757)
Other, net	1,038	(3,266)) 1,245
Total provision for taxes	\$91,754	\$79,684	\$75,365

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below at December 31, 2012:

	2012	2011
Deferred tax assets:		
Inventory	\$20,615	\$22,530
Accrued and other liabilities	67,426	64,003
Accrued post-retirement benefit and pension costs	62,980	57,320
Net operating loss and tax credit carryforwards	39,018	47,148
Other	17,938	13,761
Total deferred tax assets	207,977	204,762
Less valuation allowance	(23,177)	(34,738)
Total deferred tax assets less valuation allowance	184,800	170,024
Deferred tax liabilities:		
Inventory	3,788	4,087
Property, plant and equipment	47,172	45,549
Rainin intangibles amortization	54,507	47,804
Prepaid post-retirement benefit and pension costs	39,593	38,778
International earnings	10,458	8,067
Total deferred tax liabilities	155,518	144,285
Net deferred tax (liability) asset	\$29,282	\$25,739
A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:		
	2012	2011
Unrecognized tax benefits at beginning of year	\$20,150	\$19,407
Increases related to current tax positions	2,470	3,852
Decreases related to prior year tax positions	(378)	(35)
Foreign currency translation (decreases) increases to prior year tax positions	58	(34)
Decreases relating to taxing authority settlements	(128)	(83)
Decreases resulting from a lapse of the applicable statute of limitations	(4,392)	(2,957)
Unrecognized tax benefits at end of year	\$17,780	\$20,150

Included in the balance of unrecognized tax benefits at December 31, 2012 and 2011 were \$14 million in both periods of tax benefits that if recognized, would reduce the Company's effective tax rate. The Company recognizes accrued amounts of interest and penalties related to its uncertain tax positions as part of its income tax expense within its consolidated statement of operations. The amount of accrued interest and penalties included within other non-current liabilities within the Company's consolidated balance sheet as of December 31, 2012 and 2011 was \$1.3 million and \$1.8 million, respectively.

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

The Company has recorded valuation allowances related to certain of its deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets. The potential

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decrease or increase of the valuation allowance in the near term is dependent on the future ability of the Company to realize the deferred tax assets that are affected by the future profitability of operations in various worldwide jurisdictions. The \$11.6 million and \$9.9 million decrease in the total valuation allowance during 2012 and 2011, respectively, are primarily attributable to changes in the foreign tax credit carryforward and foreign currency fluctuation differences.

The deferred tax assets and valuation allowance as of December 31, 2012 do not include certain deferred tax assets that arose directly from (or the use of which was postponed by) tax deductions related to equity compensation in excess of compensation expense recorded. Shareholders' equity will be increased by \$15.8 million if and when such deferred tax assets are ultimately realized and the related valuation allowance is reduced.

At December 31, 2012, the Company has various U.S. state net operating losses and various foreign net operating losses that have various expiration periods.

The Company plans to repatriate earnings from China, Switzerland, Germany, the United Kingdom and certain other countries in future years and believes that there will be no additional cost associated with the repatriation of such foreign earnings other than withholding taxes. All other undistributed earnings are considered to be permanently reinvested.

During the third quarter of 2011 and 2010, the Company recorded discrete tax items resulting in a net tax benefit of \$3.8 million and \$5.2 million respectively, primarily related to the favorable resolution of certain prior year tax matters.

As of December 31, 2012, the major jurisdictions for which the Company is subject to examinations are Germany for years after 2007, the United States after 2008, France after 2009, Switzerland after 2008, the United Kingdom after 2009 and China after 2009. Additionally, the Company is currently under examination in various taxing jurisdictions in which it conducts business operations. While the Company has not yet received any material assessments from these taxing authorities, the Company believes that adequate amounts of taxes and related interest and penalties have been provided for any adverse adjustments as a result of these examinations and that the ultimate outcome of these examinations will not result in a material impact on the Company's consolidated results of operations or financial position.

15. RESTRUCTURING CHARGES

During 2012, we initiated additional cost reduction measures in response to global economic conditions. For the year ending December 31, 2012, we have incurred \$16.7 million of restructuring expenses which primarily comprise severance 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 years ended December 31, 2012 and 2011 is as follows:

	Employee Related	Other	Total
Balance at December 31, 2010	\$7,721	\$135	\$7,856
Restructuring charges	5,190	722	5,912
Cash payments / utilization	(5,540	) (757	) (6,297
Impact of foreign currency	98	—	98
Balance at December 31, 2011	\$7,469	\$100	\$7,569
Restructuring charges	14,652	2,035	16,687
Cash payments / utilization	(10,746	) (1,845	) (12,591
Impact of foreign currency	280	—	280
Balance at December 31, 2012	\$11,655	\$290	\$11,945

16. OTHER CHARGES (INCOME), NET

Other charges (income), net consists primarily of interest income, (gains) losses from foreign currency transactions and other items. Other charges (income), net for the year ending December 31, 2010 include a \$4.4 million (\$3.8 million after-tax) charge associated with the sale of the Company's retail software business for in-store item and inventory management solutions. This amount was partially offset by a benefit from unrealized contingent consideration from a previous acquisition totaling \$1.2 million (\$1.2 million after-tax).

17. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain of its facilities and equipment under operating leases. The future minimum lease payments under non-cancelable operating leases are as follows at December 31, 2012:

2013	\$33,248
2014	26,497
2015	16,875
2016	11,044
2017	6,943
Thereafter	8,103
Total	\$102,710

Rent expense for operating leases amounted to \$36.7 million, \$34.3 million and \$34.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Legal

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

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18. SEGMENT REPORTING

The Company has five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other. U.S. Operations represent certain of the Company's marketing and producing organizations located in the United States. Western European Operations include the Company's marketing and producing organizations in Western Europe, excluding operations located in Switzerland. Swiss Operations include marketing and producing organizations located in Switzerland as well as extensive R&D operations that are responsible for the development, production and marketing of precision instruments, including weighing, analytical and measurement technologies for use in a variety of industrial and laboratory applications. Chinese Operations represent the Company's marketing and producing organizations located in China. The Company's market organizations are geographically focused and are responsible for all aspects of the Company's sales and service. Operating segments that exist outside these reportable segments are included in Other.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on segment profit for segment reporting (gross profit less research and development and selling, general and administrative expenses, before amortization, interest expense, restructuring charges, other charges (income), net and taxes). Inter-segment sales and transfers are priced to reflect consideration of market conditions and the regulations of the countries in which the transferring entities are located. The following tables show the operations of the Company's operating segments:

For the Year Ended December 31, 2012	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Depreciation	Total Assets	Purchase of Property, Plant and Equipment	Goodwill
U.S. Operations	\$699,361	\$78,759	\$778,120	\$138,894	\$5,799	\$1,128,902	\$(10,988)	\$307,933
Swiss Operations	124,362	406,485	530,847	133,691	7,194	921,253	(5,529)	23,684
Western European Operations	644,361	101,952	746,313	95,523	4,947	985,011	(5,504)	105,522
Chinese Operations	432,255	123,669	555,924	125,217	5,567	630,671	(9,872)	717
Other ^(a)	441,189	6,538	447,727	48,857	2,653	238,095	(5,542)	14,495
Eliminations and Corporate ^(b)	—	(717,403)	(717,403)	(97,683)	7,261	(1,786,532)	(58,153)	—
Total	\$2,341,528	\$—	\$2,341,528	\$444,499	\$33,421	\$2,117,400	\$(95,588)	\$452,351

For the Year Ended December 31, 2011	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Depreciation	Total Assets	Purchase of Property, Plant and Equipment	Goodwill
	\$665,245	\$80,013	\$745,258	\$121,398	\$5,757	\$1,037,176	\$(6,926)	\$307,485

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U.S. Operations													
Swiss Operations	143,520	411,788	555,308	113,997	7,581	794,319	(8,178)	22,986				
Western European Operations	692,348	107,585	799,933	99,969	5,065	971,825	(4,962	)	101,899			
Chinese Operations	388,592	126,550	515,142	120,857	4,920	366,450	(15,601	)	710			
Other ^(a)	419,623	6,348	425,971	50,045	2,161	331,613	(4,088	)	14,663			
Eliminations and Corporate ^(b)	—	(732,284)	(732,284)	(107,763)	6,205	(1,297,909)	(58,745)	—
Total	\$2,309,328	\$—	\$2,309,328	\$398,503	\$31,689	\$2,203,474	\$(98,500)	\$447,743				

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For the Year Ended December 31, 2010	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	Depreciation	Total Assets	Purchase of Property, Plant and Equipment	Goodwill
U.S. Operations	\$618,809	\$60,847	\$679,656	\$121,013	\$5,828	\$912,758	\$(9,204)	\$306,138
Swiss Operations	113,488	343,003	456,491	96,568	6,405	754,419	(11,870)	20,579
Western European Operations	600,933	91,322	692,255	85,120	4,649	922,043	(3,509)	93,236
Chinese Operations	298,637	105,906	404,543	92,969	5,138	353,285	(13,605)	678
Other ^(a)	336,311	4,338	340,649	35,166	1,854	199,100	(2,024)	14,068
Eliminations and Corporate ^(b)	—	(605,416)	(605,416)	(79,394)	5,812	(858,542)	(33,731)	—
Total	\$1,968,178	\$—	\$1,968,178	\$351,442	\$29,686	\$2,283,063	\$(73,943)	\$434,699

(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 as well as certain corporate expenses and intercompany investments, which are not included in the Company's operating segments.

A reconciliation of earnings before taxes to segment profit follows:

	2012	2011	2010
Earnings before taxes	\$382,601	\$349,177	\$307,513
Amortization	21,357	17,808	14,842
Interest expense	22,764	23,226	20,057
Restructuring charges	16,687	5,912	4,866
Other charges (income), net	1,090	2,380	4,164
Segment profit	\$444,499	\$398,503	\$351,442

During 2012 restructuring charges of \$16.7 million were recognized, of which \$1.7 million, \$5.7 million, \$7.8 million, \$1.1 million, and \$0.4 million relate to the Company's U.S., Swiss, Western European, Chinese, and Other operations, respectively. The cumulative amount of restructuring charges recognized under the program totaled \$65.2 million as of December 31, 2012, of which \$11.9 million, \$8.4 million, \$34.0 million, \$2.7 million, \$7.0 million and \$1.2 million relate to the Company's U.S., Swiss, Western European, Chinese, Other and Corporate operations, respectively.

The Company sells precision instruments, including weighing instruments and certain analytical and measurement technologies, and related services to a variety of customers and industries. None of these customers account for more than 1% of net sales. Service revenues are primarily derived from repair and other services including regulatory compliance qualification, calibration, certification and preventative maintenance.

A breakdown of the Company's sales by product category for the years ended December 31 follows:

	2012	2011	2010
Laboratory	\$1,071,299	\$1,047,319	\$914,419
Industrial	1,063,653	1,038,871	841,057

Retail	206,576	223,138	212,702
Total net sales	\$2,341,528	\$2,309,328	\$1,968,178

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In certain circumstances, our operating segments sell directly into other geographies. A breakdown of net sales to external customers by geographic customer destination and property, plant and equipment, net for the years ended December 31 follows:

	Net Sales			Property, Plant and Equipment, Net	
	2012	2011	2010	2012	2011
United States	\$643,902	\$612,643	\$574,625	\$66,720	\$57,424
Other Americas	161,853	159,756	130,851	4,332	3,758
Total Americas	805,755	772,399	705,476	71,052	61,182
Germany	183,859	200,062	170,468	25,761	26,266
France	123,007	136,589	124,330	6,781	4,743
United Kingdom	62,389	66,321	59,347	6,103	6,155
Switzerland	65,430	79,376	57,047	275,901	245,376
Other Europe	355,266	379,784	317,044	7,410	7,015
Total Europe	789,951	862,132	728,236	321,956	289,555
China	422,894	379,791	291,115	69,784	54,125
Rest of World	322,928	295,006	243,351	6,629	5,145
Total Asia/Rest of World	745,822	674,797	534,466	76,413	59,270
Total	\$2,341,528	\$2,309,328	\$1,968,178	\$469,421	\$410,007

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19. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for the years ended December 31, 2012 and 2011 are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012				
Net sales	\$535,400	\$570,283	\$578,553	\$657,292
Gross profit	277,102	299,008	308,157	356,788
Net earnings	\$52,327	\$61,704	\$72,183	\$104,633
Basic earnings per common share:				
Net earnings	\$1.66	\$1.97	\$2.34	\$3.43
Weighted average number of common shares	31,531,915	31,267,660	30,846,062	30,532,491
Diluted earnings per common share:				
Net earnings	\$1.62	\$1.93	\$2.28	\$3.35
Weighted average number of common and common equivalent shares	32,386,924	32,038,928	31,599,081	31,271,377
Market price per share:				
High	\$189.67	\$185.08	\$177.44	\$195.00
Low	\$152.19	\$150.57	\$148.68	\$161.80
2011				
Net sales	\$498,766	\$561,088	\$601,114	\$648,360
Gross profit	261,507	296,191	314,417	346,159
Net earnings	\$46,827	\$60,188	\$68,196	\$94,282
Basic earnings per common share:				
Net earnings	\$1.45	\$1.88	\$2.15	\$2.99
Weighted average number of common shares	32,290,595	31,997,850	31,760,270	31,542,400
Diluted earnings per common share:				
Net earnings	\$1.41	\$1.82	\$2.09	\$2.91
Weighted average number of common and common equivalent shares	33,291,632	33,013,887	32,664,482	32,387,459
Market price per share:				
High	\$177.07	\$191.95	\$175.28	\$167.13
Low	\$147.23	\$157.13	\$131.91	\$130.12

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Schedule II — Valuation and Qualifying Accounts (in thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at the Beginning of Period	Column C			Balance at End of Period
		Additions (1)	(2)	-Deductions-	
		Charged to Costs and Expenses	Charged to Other Accounts Note (A)	Note (B)	
Accounts receivable — allowance for doubtful accounts:					
Year ended December 31, 2012	\$ 12,317	\$ 2,106	\$ 267	\$ 570	\$ 14,120
Year ended December 31, 2011	\$ 11,536	\$ 1,933	\$ (220	) \$ 932	\$ 12,317
Year ended December 31, 2010	\$ 12,399	\$ 436	\$ (61	) \$ 1,238	\$ 11,536
Deferred tax valuation allowance:					
Year ended December 31, 2012	\$ 34,738	\$ —	\$ 4,764	\$ 16,325	\$ 23,177
Year ended December 31, 2011	\$ 44,669	\$ —	\$ 912	\$ 10,843	\$ 34,738
Year ended December 31, 2010	\$ 59,586	\$ —	\$ 5,342	\$ 20,259	\$ 44,669

Note (A)

For accounts receivable, amounts comprise currency translation adjustments.

For deferred tax valuation allowance in 2012, 2011 and 2010, amounts relate primarily to changes in foreign tax credit carryforwards and foreign currency differences recorded through other comprehensive income.

Note (B)

For accounts receivable, amounts represent excess of uncollectible balances written off over recoveries of accounts previously written off.

For deferred tax valuation allowance, reductions relate primarily to a decrease of recorded foreign tax credit and research and development tax credits.