AMERICA MOVIL SAB DE CV/
Form F-3ASR
June 28, 2012
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As filed with the Securities and Exchange Commission on June 28, 2012

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

AMÉRICA MÓVIL, S.A.B. DE C.V.

(Exact name of registrant as specified in its charter)

America Mobile

(Translation of registrant s name into English)

United Mexican States

(State or other jurisdiction of incorporation or organization)

Not Applicable

(I.R.S. Employer Identification Number)

Lago Zurich 245

Edificio Telcel

Colonia Granada Ampliación

Delegación Miguel Hidalgo

11529, México D.F.

México

Telephone: (5255) 2581-4449

(Address and telephone number of registrant s principal executive offices)

CT Corporation System

111 Eighth Avenue, 13th Floor

New York, New York 10011

Telephone: (212) 894-8940

(Name, address and telephone number of agent for service)

Copies to:

Nicolas Grabar

Cleary Gottlieb Steen & Hamilton LLP

One Liberty Plaza

New York, New York 10006

(212) 225-2000

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box: ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box: x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box: ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee**
Debt securities			See Note(1)	
Warrants				
Guarantees of debt securities				

(1) The registrant is registering an indeterminate amount of securities for offer and sale from time to time at indeterminate offering prices. In reliance on Rules 456(b) and 457(r) under the Securities Act of 1933, as amended, the registrant is deferring payment of all of the registration fee relating to the registration of securities.

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PROSPECTUS

América Móvil, S.A.B. de C.V.

Debt Securities

Warrants

Guarantees

We may from time to time offer debt securities, warrants to purchase debt securities or guarantees of debt securities issued by others. This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. When we offer securities, the specific terms of the securities, the offering price and the specific manner in which they may be offered, will be described in supplements to this prospectus.

Investment in the securities involves risks. See Risk Factors beginning on page 4 of this prospectus.

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or any accompanying prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

THIS PROSPECTUS IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE *COMISIÓN NACIONAL BANCARIA Y DE VALORES* (THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION, OR CNBV). THE TERMS AND CONDITIONS OF ANY OFFER OF SECURITIES WILL BE NOTIFIED TO THE CNBV FOR INFORMATIONAL PURPOSES ONLY AND SUCH NOTICE DOES NOT CONSTITUTE A CERTIFICATION AS TO THE INVESTMENT VALUE OF THE SECURITIES OR OUR SOLVENCY. THE SECURITIES MAY NOT BE OFFERED OR SOLD IN MEXICO, ABSENT AN AVAILABLE EXCEPTION UNDER THE *LEY DEL MERCADO DE VALORES* (MEXICAN SECURITIES MARKET LAW). IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN CITIZEN WHO MAY ACQUIRE DEBT SECURITIES FROM TIME TO TIME, MUST RELY ON THEIR OWN EXAMINATION OF US.

June 28, 2012

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We are responsible for the information contained in this prospectus, any accompanying prospectus supplement and the documents incorporated by reference herein and therein. We have not authorized any person to give you any other information, and we take no responsibility for any other information that others may give you. This document may only be used where it is legal to sell these securities. You should not assume that the information contained in this prospectus, any accompanying prospectus supplement and the documents incorporated by reference is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. We are not making an offer of these securities in any state where the offer is not permitted.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC using a shelf registration process. Under this shelf process, América Móvil, S.A.B. de C.V. may from time to time offer debt securities, warrants to purchase debt securities or guarantees of debt securities issued by others.

As used in this prospectus, América Móvil, we, our and us refer to América Móvil, S.A.B. de C.V. and its consolidated subsidiaries, unless the context otherwise requires or unless otherwise specified.

This prospectus only provides a general description of the securities that we may offer. Each time we offer securities, we will prepare a prospectus supplement containing specific information about the particular offering and the terms of those securities. We may also add, update or change other information contained in this prospectus by means of a prospectus supplement or by incorporating by reference information we file with the SEC. The registration statement that we filed with the SEC includes exhibits that provide more detail on the matters discussed in this prospectus. Before you invest in any securities offered by this prospectus, you should read this prospectus, any related prospectus supplement and the related exhibits filed with the SEC, together with the additional information described under the headings Where You Can Find More Information and Incorporation of Certain Documents by Reference.

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FORWARD-LOOKING STATEMENTS

Some of the information contained or incorporated by reference in this prospectus may constitute forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Although we have based these forward-looking statements on our expectations and projections about future events, it is possible that actual events may differ materially from our expectations. In many cases, we include together with the forward-looking statements themselves a discussion of factors that may cause actual events to differ from our forward-looking statements. Examples of forward-looking statements include the following:

- projections of operating revenues, net income (loss), net income (loss) per share, capital expenditures, indebtedness levels, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to acquisitions, competition, regulation and rates;
- statements about our future economic performance or that of Mexico or other countries in which we operate;
- competitive developments in the telecommunications sector in each of the markets where we operate or into which we may expand;
- other factors and trends affecting the telecommunications industry generally and our financial condition in particular; and
- statements of assumptions underlying the foregoing statements.

We use words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, shoul expressions to identify forward-looking statements, but they are not the only way we identify such statements.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed under Risk Factors in our most recent annual report on 20-F, which is incorporated in this prospectus by reference, any reports on Form 6-K that may be incorporated in this prospectus by reference or a prospectus supplement, include economic and political conditions and government policies in Mexico, Brazil or elsewhere, inflation rates, exchange rates, regulatory developments, technological improvements, customer demand and competition. See Where You Can Find More Information for information about how to obtain a copy of these documents. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

You should evaluate any statements made by us in light of these important factors.

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AMÉRICA MÓVIL

América Móvil provides telecommunications services in 18 countries. América Móvil is the largest provider of wireless communications services in Latin America, based on the number of subscribers, with the largest market share in Mexico and the third-largest market share in Brazil. América Móvil also has major fixed-line operations in Mexico, Brazil and 12 other countries. As of March 31, 2012, América Móvil had 246.0 million wireless subscribers and 59.7 million fixed revenue generating units in the Americas.

América Móvil, S.A.B. de C.V. is a *sociedad anónima bursátil de capital variable* organized under the laws of Mexico with its principal executive offices at Lago Zurich 245, Edificio Telcel, Colonia Granada Ampliación, Delegación Miguel Hidalgo, 11529, México D.F., México. Our telephone number at this location is (5255) 2581-4449.

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RISK FACTORS

We have set forth risk factors in our most recent annual report on Form 20-F, which is incorporated by reference in this prospectus. We have also set forth below certain additional risk factors that relate specifically to securities we may offer using this prospectus. We may include further risk factors in more recent reports on Form 6-K incorporated in this prospectus by reference, or in a prospectus supplement. You should carefully consider all these risk factors in addition to the other information presented or incorporated by reference in this prospectus.

Risks Relating to Debt Securities

There may not be a liquid trading market

If an active market for our debt securities does not develop, the price of our debt securities and the ability of a holder of debt securities to find a ready buyer will be adversely affected. As a result, we cannot assure you as to the liquidity of any trading market for our debt securities.

Creditors of our subsidiaries will have priority over the holders of our debt securities in claims to assets of our subsidiaries

Our debt securities will be obligations of América Móvil and not any of our subsidiaries. We conduct substantially all of our business and hold substantially all of our assets through our subsidiaries. Claims of creditors of our subsidiaries, including trade creditors and bank and other lenders, will have priority over the holders of our debt securities in claims to assets of our subsidiaries. In addition, our ability to meet our obligations, including under our debt securities, will depend, in significant part, on our receipt of cash dividends, advances and other payments from our subsidiaries.

All of our outstanding debt securities that were issued in the Mexican and international markets through mid-September 2011 are unconditionally guaranteed by our subsidiary Radiomóvil Dipsa, S.A. de C.V. (Telcel). Accordingly, the holders of those outstanding debt securities will have priority over the holders of the unguaranteed debt securities offered by this prospectus with respect to claims to the assets of Telcel.

Judgments of Mexican courts enforcing our obligations under the debt securities would be payable only in Mexican pesos

If proceedings were brought in Mexico seeking to enforce in Mexico our obligations in respect of debt securities, we would be required to discharge our obligations in Mexico in Mexican pesos. Under the *Ley Monetaria de los Estados Unidos Mexicanos* (the Mexican Monetary Law), an obligation denominated in a currency other than Mexican pesos that is payable in Mexico may be satisfied in Mexican pesos at the rate of exchange in effect on the date of payment. This rate is currently determined by *Banco de México* and published in the Official Gazette of Mexico (*Diario Oficial de la Federación*). As a result, the amount paid by us in Mexican pesos to holders of debt securities may not be readily convertible into the amount of U.S. dollars or other currency that we are obligated to pay under the applicable indenture. In addition, our obligation to indemnify these holders against exchange losses may be unenforceable in Mexico.

Our obligations under the debt securities would be converted in the event of bankruptcy

Under Mexico s *Ley de Concursos Mercantiles* (Law on Mercantile Reorganization), if we were declared bankrupt or in *concurso mercantil* (bankruptcy reorganization), our obligations under our debt securities:

- would be converted into Mexican pesos and then from Mexican pesos into inflation-adjusted units, or *Unidades de Inversión*;

- would be satisfied at the time claims of all our creditors are satisfied;

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- would be subject to the outcome of, and priorities recognized in, the relevant proceedings;
- would cease to accrue interest; and
- would not be adjusted to take into account any depreciation of the Mexican peso against the U.S. dollar or other currency occurring after such declaration.

USE OF PROCEEDS

Unless otherwise disclosed in connection with a particular offering of securities, we intend to use the net proceeds from the sale of the securities for general corporate purposes.

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DESCRIPTION OF DEBT SECURITIES

Unless otherwise specified in the applicable prospectus supplement, our debt securities will be issued under a base indenture, dated as of June 28, 2012 (the base indenture), and supplemental indentures relating to particular series of debt securities (collectively, the indenture). The indenture is an agreement among us, The Bank of New York Mellon, as trustee, and any other applicable party thereto.

Our debt securities will not be guaranteed by any of our subsidiaries. All of our outstanding debt securities that were issued in the Mexican and international markets through mid-September 2011 are unconditionally guaranteed by Telcel.

The following section summarizes the material terms that are common to all series of debt securities issued by América Móvil under the indenture, unless otherwise indicated in this section or in the prospectus supplement relating to a particular series. We will describe the particular terms of each series of debt securities offered in a supplement to this prospectus.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture, including the definition of various terms used in the indenture. For example, we describe the meanings for only the more important terms that have been given special meanings in the indenture. We also include references in parentheses to some sections of the base indenture.

The indenture and the documents relating to each series of debt securities contain the full legal text of the matters summarized in this section. We have filed a copy of the base indenture with the SEC as an exhibit to the registration statement of which this prospectus forms a part. We will file a copy of the supplemental indentures relating to particular series of debt securities with the SEC. Upon request, we will provide you with a copy of the indenture. See Where You Can Find More Information for information concerning how to obtain a copy.

In this section, references to we, us and our are to América Móvil, S.A.B. de C.V. only and do not include our subsidiaries or affiliates. References to holders mean those who have debt securities registered in their names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in debt securities issued in book-entry form through The Depository Trust Company or in debt securities registered in street name. Owners of beneficial interests in debt securities should refer to Form of Debt Securities, Clearing and Settlement.

The debt securities will be issued in one or more series. The following discussion of provisions of the debt securities, including, among others, the discussion of provisions described under Optional Redemption, Defaults, Remedies and Waiver of Defaults, Modification and Waiver and Defeasance, applies to individual series of debt securities.

General

Trustee

The trustee has the following two main roles:

- First, the trustee can enforce your rights against us if we default in respect of the debt securities. There are some limitations on the extent to which the trustee acts on your behalf, which we describe under Defaults, Remedies and Waiver of Defaults.

- Second, the trustee performs administrative duties for us, such as making interest payments and sending notices to holders of debt securities.

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Ranking of the Debt Securities

We are a holding company and our principal assets are shares that we hold in our subsidiaries. Our debt securities will not be secured by any of our assets or properties. As a result, by owning the debt securities, you will be one of our unsecured creditors. The debt securities will not be subordinated to any of our other unsecured debt obligations. In the event of a bankruptcy or liquidation proceeding against us, the debt securities would rank equally in right of payment with all our other unsecured and unsubordinated debt.

Claims of creditors of our subsidiaries, including trade creditors and bank and other lenders, will have priority over the holders of the debt securities in claims to assets of our subsidiaries. All of our outstanding debt securities that were issued in the Mexican and international markets through mid-September 2011 are unconditionally guaranteed by Telcel. Accordingly, the holders of those outstanding debt securities will have priority over the holders of the debt securities with respect to claims to the assets of Telcel.

Stated Maturity and Maturity

The day on which the principal amount of the debt securities is scheduled to become due is called the stated maturity of the principal. The principal may become due before the stated maturity by reason of redemption or acceleration after a default. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the maturity of the principal.

We also use the terms stated maturity and maturity to refer to the dates when interest payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the stated maturity of that installment. When we refer to the stated maturity or the maturity of the debt securities without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

Form and Denominations

The debt securities will be issued only in registered form without coupons and in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, unless otherwise specified in the applicable prospectus supplement. *(Section 302)*

Except in limited circumstances, the debt securities will be issued in the form of global debt securities. See Form of Debt Securities, Clearing and Settlement.

Further Issues

Unless otherwise specified in the applicable prospectus supplement, we reserve the right, from time to time without the consent of holders of the debt securities, to issue additional debt securities on terms and conditions identical to those of the debt securities (except for issue date, issue price and the date from which interest will accrue and, if applicable, first be paid), which additional debt securities will increase the aggregate principal amount of, and will be consolidated and form a single series with, the debt securities. *(Section 203)*

Payment Provisions

Payments on the Debt Securities

We will pay interest on the debt securities on the interest payment dates stated in the applicable prospectus supplement and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date.

For interest due on a debt security on an interest payment date, we will pay the interest to the holder in whose name the debt security is registered at the close of business on the regular record date relating to the interest payment date. For interest due at maturity but on a day that is not an interest payment date, we will pay the interest to the person or entity entitled to receive the principal of the debt security. For principal due on a debt security at maturity, we will pay the amount to the holder of the debt security against surrender of the debt security at the proper place of payment. *(Section 306)*

Unless otherwise specified in the applicable prospectus supplement, we will compute interest on debt securities bearing interest at a fixed rate on the basis of a 360-day year of twelve 30-day months.

The regular record dates relating to the interest payment dates for any debt security will be set forth in the applicable prospectus supplement.

Payments on Global Debt Securities. For debt securities issued in global form, we will make payments on the debt securities in accordance with the applicable procedures of the depositary as in effect from time to time. *(Section 1002)* Under those procedures, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in a global debt security. An indirect holder s right to receive those payments will be governed by the rules and practices of the depositary and its participants.

Payments on Certificated Debt Securities. For debt securities issued in certificated form, we will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at the holder s address shown on the trustee s records as of the close of business on the regular record date, and we will make all other payments by check to the paying agent described below, against surrender of the debt security. All payments by check may be made in next-day funds, that is, funds that become available on the day after the check is cashed. If we issue debt securities in certificated form, holders of debt securities in certificated form will be able to receive payments of principal and interest on their debt securities at the office of our paying agent maintained in New York City. *(Sections 202 and 306)*

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the day that is the next business day. Payments postponed to the next business day in this situation will be treated under the indenture as if they were made on the original due date. Postponement of this kind will not result in a default under the debt securities or the indenture. If interest on the debt securities is calculated on the basis of a 360-day year of twelve 30-day months, no interest will accrue on the postponed amount from the original due date to the next day that is a business day.

Business day means each Monday, Tuesday, Wednesday, Thursday and Friday that is (a) not a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order to close and (b) a day on which banks and financial institutions in Mexico are open for business with the general public. *(Section 101)*

Paying Agents

If we issue debt securities in certificated form, we may appoint one or more financial institutions to act as our paying agents, at whose designated offices the debt securities may be surrendered for payment at their maturity. We may add, replace or terminate paying agents from time to time; *provided* that if any debt securities are issued in certificated form, so long as such debt securities are outstanding, we will maintain a paying agent in New York City. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as a paying agent. We must notify you of changes in the paying agents as described under Notices.

Unclaimed Payments

All money paid by us to the trustee or any paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any paying agent or anyone else. *(Section 1003)*

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Payment of Additional Amounts

We are required by Mexican law to deduct Mexican withholding taxes from payments of interest to holders of debt securities who are not residents of Mexico for tax purposes as described under Taxation Mexican Tax Considerations.

We will pay to holders of the debt securities all additional amounts that may be necessary so that every net payment of interest or principal or premium to the holder will not be less than the amount provided for in the debt securities. By net payment, we mean the amount that we or our paying agent will pay the holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied with respect to that payment by a Mexican taxing authority.

Our obligation to pay additional amounts is, however, subject to several important exceptions. We will not pay additional amounts to or on behalf of any holder or beneficial owner, or to the trustee, for or on account of any of the following:

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder and Mexico (other than the mere receipt of a payment or the ownership or holding of a debt security);

- any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Mexico of the holder or any beneficial owner of the debt security if compliance is required by law, regulation or by an applicable income tax treaty to which Mexico is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders at least 30 calendar days notice prior to the first payment date with respect to which such certification, identification or reporting requirement is required to the effect that holders will be required to provide such information and identification;

- any taxes, duties, assessments or other governmental charges with respect to a debt security presented for payment more than 15 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such debt security would have been entitled to such additional amounts on presenting such debt security for payment on any date during such 15-day period;

- any estate, inheritance, gift or other similar tax, assessment or other governmental charge imposed with respect to the debt securities;

- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the debt securities;

- any payment on a debt security to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of such debt security;

- any taxes, duties, assessments or other governmental charges that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000, December 13, 2001, and January 21, 2003, or any law or agreement implementing or complying with, or introduced in order to conform to, such a directive; and

- any combination of the items in the bullet points above. (Section 1009)

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The limitations on our obligations to pay additional amounts described in the second bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a debt security, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice. *(Section 1009(a))*

Applicable Mexican regulations currently allow us to withhold at a reduced rate, provided that we comply with certain information reporting requirements. Accordingly, the limitations on our obligations to pay additional amounts described in the second bullet point above also will not apply unless (a) the provision of the information, documentation or other evidence described in the applicable bullet point is expressly required by the applicable Mexican regulations, (b) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican regulations on our own through reasonable diligence and (c) we otherwise would meet the requirements for application of the applicable Mexican regulations.

In addition, the limitation described in the second bullet point above does not require that any person, including any non-Mexican pension fund, retirement fund or financial institution, register with the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will remit the full amount of any Mexican taxes withheld to the applicable Mexican taxing authorities in accordance with applicable law. We will also provide the trustee with documentation satisfactory to the trustee evidencing the payment of Mexican taxes in respect of which we have paid any additional amounts. We will provide copies of such documentation to the holders of the debt securities or the relevant paying agent upon request. *(Section 1009(a))*

In the event that additional amounts actually paid with respect to the debt securities pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such debt securities, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such debt securities, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto. *(Section 1009(d))*

Any reference in this prospectus, the base indenture, any applicable supplemental indenture or the debt securities to principal, premium, if any, interest or any other amount payable in respect of the debt securities by us will be deemed also to refer to any additional amounts that may be payable with respect to that amount under the obligations referred to in this subsection. *(Section 1009(e))*

Optional Redemption

We will not be permitted to redeem the debt securities before their stated maturity, except as set forth below. The debt securities will not be entitled to the benefit of any sinking fund meaning that we will not deposit money on a regular basis into any separate account to repay your debt securities. In addition, you will not be entitled to require us to repurchase your debt securities from you before the stated maturity. *(Section 1101(a))*

Optional Redemption

If so indicated in the applicable prospectus supplement, we will be entitled, at our option, to redeem some or all of the outstanding debt securities from time to time at the redemption price set forth in the applicable prospectus supplement. If the debt securities are redeemable only on or after a specified date or upon the satisfaction of additional conditions, the prospectus supplement will specify the date or describe the conditions. In each case we will also pay you accrued and unpaid interest, if any, through the redemption date. Debt securities will stop bearing interest on the redemption date, even if you do not collect your money. *(Sections 301, 1101 and 1104)*

Redemption for Taxation Reasons

If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date on which the debt securities are issued, we would be obligated, after taking such measures as we may consider reasonable to avoid this requirement, to pay additional amounts in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to the debt securities (see Payment of Additional Amounts and Taxation Mexican Tax Considerations), then, at our option, all, but not less than all, of the debt securities may be redeemed at any time on giving not less than 30 nor more than 60 days notice, at a redemption price equal to 100% of the outstanding principal amount of the debt securities being redeemed, plus accrued and unpaid interest, any premium applicable in the case of a redemption prior to maturity and any additional amounts due thereon up to but not including the date of redemption; *provided*, *however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay these additional amounts if a payment on the debt securities were then due and (2) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect. *(Section 1101(c))*

Prior to the publication of any notice of redemption for taxation reasons, we will deliver to the trustee:

- a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right of redemption for taxation reasons have occurred; and

- an opinion of Mexican legal counsel (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such additional amounts as a result of such change or amendment. *(Section 1101(d))*

This notice, after it is delivered to the holders, will be irrevocable. *(Section 1102)*

Covenants

The following covenants will apply to us and certain of our subsidiaries for so long as any debt security remains outstanding. These covenants restrict our ability and the ability of these subsidiaries to enter into certain transactions. However, these covenants do not limit our ability to incur indebtedness or require us to comply with financial ratios or to maintain specified levels of net worth or liquidity.

Limitation on Liens

We may not, and we may not allow any of our restricted subsidiaries to, create, incur, issue or assume any liens on our restricted property to secure debt where the debt secured by such liens, plus the aggregate amount of our attributable debt and that of our restricted subsidiaries in respect of sale and leaseback transactions, would exceed an amount equal to an aggregate of 15% of our Consolidated Net Tangible Assets unless we secure the debt securities equally with, or prior to, the debt secured by such liens. This restriction will not, however, apply to the following:

- liens on restricted property acquired and existing on the date the property was acquired or arising after such acquisition pursuant to contractual commitments entered into prior to such acquisition;

- liens on any restricted property securing debt incurred or assumed for the purpose of financing its purchase price or the cost of its construction, improvement or repair; *provided* that such lien attaches to

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- the restricted property within 12 months of its acquisition or the completion of its construction, improvement or repair and does not attach to any other restricted property;

- liens existing on any restricted property of any restricted subsidiary prior to the time that the restricted subsidiary became a subsidiary of ours or liens arising after that time under contractual commitments entered into prior to and not in contemplation of that event;

- liens on any restricted property securing debt owed by a subsidiary of ours to us or to another of our subsidiaries; and

- liens arising out of the refinancing, extension, renewal or refunding of any debt described above, provided that the aggregate principal amount of such debt is not increased and such lien does not extend to any additional restricted property. *(Section 1006)*

Consolidated Net Tangible Assets means total consolidated assets less (1) all current liabilities, (2) all goodwill, (3) all trade names, trademarks, patents and other intellectual property assets and (4) all licenses, each as set forth on our most recent consolidated balance sheet and computed in accordance with International Financial Reporting Standards (IFRS). *(Section 101)*

Restricted property means (1) any exchange and transmission equipment, switches, cellular base stations, microcells, local links, repeaters and related facilities, whether owned as of the date of the indenture or acquired after that date, used in connection with the provision of telecommunications services in Mexico, including any land, buildings, structures and other equipment or fixtures that constitute any such facility, owned by us or our restricted subsidiaries and (2) any share of capital stock of any restricted subsidiary. *(Section 101)*

Restricted subsidiaries means our subsidiaries that own restricted property. *(Section 101)*

Limitation on Sales and Leasebacks

We may not, and we may not allow any of our restricted subsidiaries to, enter into any sale and leaseback transaction without effectively providing that the debt securities will be secured equally and ratably with or prior to the sale and leaseback transaction, unless:

- the aggregate principal amount of all debt then outstanding that is secured by any lien on any restricted property that does not ratably secure the debt securities (excluding any secured indebtedness permitted under Limitation on Liens) plus the aggregate amount of our attributable debt and the attributable debt of our restricted subsidiaries in respect of sale and leaseback transactions then outstanding (other than any sale and leaseback transaction permitted under the following bullet point) would not exceed an amount equal to 15% of our Consolidated Net Tangible Assets; or

- we or one of our restricted subsidiaries, within 12 months of the sale and leaseback transaction, retire an amount of our secured debt which is not subordinate to the debt securities in an amount equal to the greater of (1) the net proceeds of the sale or transfer of the property or other assets that are the subject of the sale and leaseback transaction and (2) the fair market value of the restricted property leased. *(Section 1008)*

Sale and leaseback transaction means an arrangement between us or one of our restricted subsidiaries and a bank, insurance company or other lender or investor where we or our restricted subsidiary leases a restricted property for an initial term of three years or more that was or will be sold by us or our restricted subsidiary to that lender or investor for a sale price of U.S.$1 million (or its equivalent in other currencies) or more. *(Section 101)*

Attributable debt means, with respect to any sale and leaseback transaction, the lesser of (1) the fair market value of the asset subject to such transaction and (2) the present value, discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with IFRS, of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges and contingent rents) during the term of the lease. *(Section 101)*

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Limitation on Sale of Capital Stock of Telcel

We may not, and we may not allow any of our subsidiaries to, sell, transfer or otherwise dispose of any shares of capital stock of Telcel if following such sale, transfer or disposition we would own, directly or indirectly, less than (1) 50% of the voting power of all of the shares of capital stock of Telcel and (2) 50% of all of the shares of capital stock of Telcel. *(Section 1007)*

Provision of Information

We will furnish the trustee with copies of our annual report and the information, documents and other reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), including our annual reports on Form 20-F and reports on Form 6-K, within 15 days after we file them with the SEC. In addition, we will make the same information, documents and other reports available, at our expense, to holders who so request in writing. *(Section 1005)*

In the event that, in the future, we are not required to file such information, documents or other reports pursuant to Section 13 or 15(d) of the Exchange Act, we will furnish on a reasonably prompt basis to the trustee and holders who so request in writing, substantially the same financial and other information that we would be required to include and file in an annual report on Form 20-F and reports on Form 6-K. *(Section 1005)*

If we become aware that a default or event of default or an event that with notice or the lapse of time would be an event of default has occurred and is continuing, as the case may be, we will deliver a certificate to the trustee describing the details thereof and the action we are taking or propose to take. *(Section 1004)*

Merger, Consolidation or Sale of Assets

We may not consolidate with or merge into any other person or, directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of our assets and properties and may not permit any person to consolidate with or merge into us, unless all of the following conditions are met:

- if we are not the successor person in the transaction, the successor is organized and validly existing under the laws of Mexico or the United States or any political subdivision thereof and expressly assumes our obligations under the debt securities or the indenture;

- immediately after the transaction, no default under the debt securities has occurred and is continuing. For this purpose, default under the debt securities means an event of default or an event that would be an event of default with respect to the debt securities if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. See Defaults, Remedies and Waiver of Defaults ; and

- we have delivered to the trustee an officer s certificate and opinion of counsel, each stating, among other things, that the transaction complies with the indenture. *(Section 801)*

If the conditions described above are satisfied, we will not have to obtain the approval of the holders in order to merge or consolidate or to sell or otherwise dispose of our properties and assets substantially as an entirety. In addition, these conditions will apply only if we wish to merge into or consolidate with another person or sell or otherwise dispose of all or substantially all of our assets and properties. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another person, any transaction that involves a change of control of our company, but in which we do not merge or consolidate, and any transaction in which we sell or otherwise dispose of less than substantially all our assets.

Defaults, Remedies and Waiver of Defaults

You will have special rights if an event of default with respect to the debt securities you hold occurs and is not cured, as described below.

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Events of Default

Each of the following will be an event of default with respect to the debt securities:

- we fail to pay interest on any debt security within 30 days after its due date;
- we fail to pay the principal or premium, if any, of any debt security on its due date;
- we remain in breach of any covenant in the indenture for the benefit of holders of the debt securities, for 60 days after we receive a notice of default (sent by the trustee or the holders of not less than 25% in principal amount of the debt securities) stating that we are in breach;
- we or Telcel experience a default or event of default under any instrument relating to debt having an aggregate principal amount exceeding U.S.$50 million (or its equivalent in other currencies) that constitutes a failure to pay principal or interest when due or results in the acceleration of the debt prior to its maturity;
- a final judgment is rendered against us or Telcel in an aggregate amount in excess of U.S.$50 million (or its equivalent in other currencies) that is not discharged or bonded in full within 30 days; or
- we or Telcel file for bankruptcy, or other events of bankruptcy, insolvency or reorganization or similar proceedings occur relating to us or Telcel.

Remedies Upon Event of Default

If an event of default with respect to the debt securities occurs and is not cured or waived, the trustee, at the written request of holders of not less than 25% in principal amount of the debt securities, may declare the entire principal amount of all the debt securities to be due and payable immediately, and upon any such declaration the principal, any accrued interest and any additional amounts shall become due and payable. If, however, an event of default occurs because of a bankruptcy, insolvency or reorganization relating to us or Telcel, the entire principal amount of all the debt securities and any accrued interest and any additional amounts will be automatically accelerated, without any action by the trustee or any holder and any principal, interest or additional amounts will become immediately due and payable. *(Section 502)*

Each of the situations described in the preceding paragraph is called an acceleration of the maturity of the debt securities. If the maturity of the debt securities is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in aggregate principal amount of the debt securities may cancel the acceleration for all the debt securities, provided that all amounts then due (other than amounts due solely because of such acceleration) have been paid and all other defaults with respect to the debt securities have been cured or waived. *(Section 502)*

If any event of default occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the indenture, and to use the same degree of care and skill in doing so, that a prudent person would use under the circumstances in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection, known as an indemnity, from expenses and liability. If the trustee receives an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the indenture with respect to the debt securities. *(Sections 512 and 603(e))*

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

you must give the trustee written notice that an event of default has occurred and the event of default has not been cured or waived;

the holders of not less than 25% in principal amount of the debt securities must make a written request that the trustee take action with respect to the debt securities because of the default and they or other

- holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action;

- the trustee must not have taken action for 60 days after the above steps have been taken; and

- during those 60 days, the holders of a majority in principal amount of the debt securities must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of the debt securities. *(Section 507)*

You will be entitled, however, at any time to bring a lawsuit for the payment of money due on your debt securities on or after its due date. *(Section 508)*

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity.

Waiver of Default

The holders of not less than a majority in principal amount of the debt securities may waive a past default for all the debt securities. If this happens, the default will be treated as if it had been cured. No one can waive a payment default on any debt security, however, without the approval of the particular holder of that debt security. *(Section 513)*

Modification and Waiver

There are three types of changes we can make to the indenture and the outstanding debt securities under the indenture.

Changes Requiring Each Holder s Approval

The following changes cannot be made without the approval of each holder of an outstanding debt security affected by the change:

- a change in the stated maturity of any principal or interest payment on a debt security;

- a reduction in the principal amount, the interest rate or the redemption price for a debt security;

- a change in the obligation to pay additional amounts;

- a change in the currency of any payment on a debt security other than as permitted by the debt security;

- a change in the place of any payment on a debt security;

- an impairment of the holder s right to sue for payment of any amount due on its debt security;

- a reduction in the percentage in principal amount of the debt securities needed to change the indenture or the outstanding debt securities under the indenture; and

- a reduction in the percentage in principal amount of the debt securities needed to waive our compliance with the indenture or to waive defaults. *(Section 902)*

Changes Not Requiring Approval

Some changes will not require the approval of holders of debt securities. These changes are limited to specific kinds of changes, like the addition of covenants, events of default or security, and other clarifications and changes that would not adversely affect the holders of outstanding debt securities under the indenture in any material respect. *(Section 901)*

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Changes Requiring Majority Approval

Any other change to the indenture or the debt securities will be required to be approved by the holders of a majority in principal amount of the debt securities affected by the change or waiver. The required approval must be given by written consent. *(Section 902)*

The same majority approval will be required for us to obtain a waiver of any of our covenants in the indenture. Our covenants include the promises we make about merging and creating liens on our interests, which we describe under Merger, Consolidation or Sale of Assets and Covenants. If the holders approve a waiver of a covenant, we will not have to comply with it. The holders, however, cannot approve a waiver of any provision in a particular debt security or the indenture, as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described under in Changes Requiring Each Holder s Approval, unless that holder approves the waiver. *(Section 1011)*

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Defeasance

We may, at our option, elect to terminate (1) all of our obligations with respect to the debt securities (legal defeasa-top:2px;padding-bottom:2px;">

25,979,508

26,514,311

Comprehensive income, net of tax (Note 9)
$
204,457

$
250,658

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED BALANCE SHEETS
As of June 30, 2018 and December 31, 2017
(In thousands, except share data)
(unaudited)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$183,190	$148,687
Trade accounts receivable, less allowances of $16,074 at June 30, 2018 and $15,549 at December 31, 2017	486,203	528,615
Inventories	270,047	255,390
Other current assets and prepaid expenses	63,867	74,031
Total current assets	1,003,307	1,006,723
Property, plant and equipment, net	678,706	668,271
Goodwill	536,407	539,838
Other intangible assets, net	219,858	226,718
Deferred tax assets, net	36,880	41,425
Other non-current assets	83,058	66,830
Total assets	$2,558,216	$2,549,805
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$170,865	$167,627
Accrued and other liabilities	145,892	152,834
Accrued compensation and related items	116,567	170,159
Deferred revenue and customer prepayments	126,835	107,166
Taxes payable	76,606	72,210
Short-term borrowings and current maturities of long-term debt	52,052	19,677
Total current liabilities	688,817	689,673
Long-term debt	1,020,420	960,170
Deferred tax liabilities, net	46,138	51,230
Other non-current liabilities	270,407	301,452
Total liabilities	2,025,782	2,002,525
Commitments and contingencies (Note 15)		
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 25,213,828 and 25,541,393 shares at June 30, 2018 and December 31, 2017, respectively	448	448
Additional paid-in capital	755,374	747,138
Treasury stock at cost (19,572,183 shares at June 30, 2018, and 19,244,618 shares at December 31, 2017)	(3,595,296)	(3,368,182)
Retained earnings	3,637,629	3,433,282
Accumulated other comprehensive loss	(265,721)	(265,406)
Total shareholders' equity	532,434	547,280
Total liabilities and shareholders' equity	$2,558,216	$2,549,805

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Six months ended June 30, 2018 and twelve months ended December 31, 2017
(In thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-in	Treasury	Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Capital	Stock	Earnings	Income (Loss)	
Balance at December 31, 2016	26,020,234	$ 448	$ 730,556	$ (3,006,771)	$ 3,065,708	$ (354,998)	$ 434,943
Exercise of stock options and restricted stock units	270,413	—	—	38,586	(9,937)	—	28,649
Repurchases of common stock	(749,254)	—	—	(399,997)	—	—	(399,997)
Effect of accounting change	—	—	—	—	1,539	—	1,539
Share-based compensation	—	—	16,582	—	—	—	16,582
Net earnings	—	—	—	—	375,972	—	375,972
Other comprehensive income (loss), net of tax	—	—	—	—	—	89,592	89,592
Balance at December 31, 2017	25,541,393	$ 448	$ 747,138	$ (3,368,182)	$ 3,433,282	$ (265,406)	$ 547,280
Exercise of stock options and restricted stock units	68,653	—	—	10,385	(425)	—	9,960
Repurchases of common stock	(396,218)	—	—	(237,499)	—	—	(237,499)
Share-based compensation	—	—	8,236	—	—	—	8,236
Net earnings	—	—	—	—	204,772	—	204,772
Other comprehensive income (loss), net of tax (Note 9)	—	—	—	—	—	(315)	(315)
Balance at June 30, 2018	25,213,828	$ 448	$ 755,374	$ (3,595,296)	$ 3,637,629	$ (265,721)	$ 532,434

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Six months ended June 30, 2018 and 2017
(In thousands)
(unaudited)

	June 30, 2018	June 30, 2017
Cash flows from operating activities:		
Net earnings	$204,772	$194,046
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	18,606	15,919
Amortization	23,705	20,294
Deferred tax benefit	(10,109)	(3,840)
Share-based compensation	8,236	7,793
Gain on facility sale	—	(3,394)
Other	(1,200)	230
Increase (decrease) in cash resulting from changes in:		
Trade accounts receivable, net	34,509	23,541
Inventories	(19,959)	(21,164)
Other current assets	844	(235)
Trade accounts payable	5,425	(7,176)
Taxes payable	1,268	(9,058)
Accruals and other	(49,338)	(11,579)
Net cash provided by operating activities	216,759	205,377
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	4,530	10,209
Purchase of property, plant and equipment	(61,586)	(48,529)
Acquisitions	(500)	(697)
Net hedging settlements on intercompany loans	7,042	(1,033)
Net cash used in investing activities	(50,514)	(40,050)
Cash flows from financing activities:		
Proceeds from borrowings	603,180	672,921
Repayments of borrowings	(502,524)	(615,162)
Proceeds from stock option exercises	9,960	16,935
Repurchases of common stock	(237,499)	(249,949)
Other financing activities	(1,635)	(7,205)
Net cash used in financing activities	(128,518)	(182,460)
Effect of exchange rate changes on cash and cash equivalents	(3,224)	4,793
Net increase (decrease) in cash and cash equivalents	34,503	(12,340)
Cash and cash equivalents:		
Beginning of period	148,687	158,674
End of period	$183,190	$146,334

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

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2018 – Unaudited
(In thousands, except share data, unless otherwise stated)

1. BASIS OF PRESENTATION

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

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include all entities in which the Company has control, which are its wholly-owned subsidiaries. The interim consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The accompanying interim consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates. A discussion of the Company's critical accounting policies is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

All intercompany transactions and balances have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Trade Accounts Receivable

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

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2018 – Unaudited (Continued)
(In thousands, except share data, unless otherwise stated)

Inventories

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

Inventories consisted of the following:

	June 30, 2018	December 31, 2017
Raw materials and parts	$121,265	$ 118,790
Work-in-progress	50,186	43,035
Finished goods	98,596	93,565
	$270,047	$ 255,390

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 and quantitative factors to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount. 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 of benefit. 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".

Other intangible assets consisted of the following:

	June 30, 2018			December 31, 2017		
	Gross Amount	Accumulated Amortization	Intangibles, Net	Gross Amount	Accumulated Amortization	Intangibles, Net
Customer relationships	$197,817	$ (45,864)	$ 151,953	$198,527	$ (41,794)	$ 156,733
Proven technology and patents	70,156	(40,720)	29,436	70,311	(38,890)	31,421
Tradenames (finite life)	4,494	(2,817)	1,677	4,518	(2,807)	1,711
Tradenames (indefinite life)	35,520	—	35,520	35,562	—	35,562
Other	3,631	(2,359)	1,272	3,490	(2,199)	1,291
	$311,618	$ (91,760)	$ 219,858	$312,408	$ (85,690)	$ 226,718

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2018 – Unaudited (Continued)
(In thousands, except share data, unless otherwise stated)

The Company recognized amortization expense associated with the above intangible assets of $3.5 million and $2.5 million for the three months ended June 30, 2018 and 2017, respectively and $7.1 million and $5.0 million for the six months ended June 30, 2018 and 2017, respectively. The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at $14.0 million for 2018, $13.4 million for 2019, $13.1 million for 2020, $12.5 million for 2021, $12.0 million for 2022 and $11.8 million for 2023. Purchased intangible amortization was $3.3 million, $2.5 million after tax, and $2.3 million, $1.5 million after tax, for the three months ended June 30, 2018 and 2017, respectively and $6.7 million, $5.0 million after tax, and $4.6 million, $3.0 million after tax, for the six months ended June 30, 2018 and 2017, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of $8.4 million and $7.7 million for the three months ended June 30, 2018 and 2017, respectively and $16.5 million and $15.2 million for the six months ended June 30, 2018 and 2017, respectively.

Revenue Recognition

Product revenue is recognized from contracts with customers when a customer has obtained control of a product. The Company considers control to have transferred upon shipping terms. To the extent the Company’s contracts have a separate performance obligation, revenue related to any post-shipment performance obligation is deferred until completed. Shipping and handling costs charged to customers are included in total net sales and the associated expense is a component of cost of sales. Certain products are also sold through indirect distribution channels whereby the distributor assumes any further obligations to the end customer. Revenue is recognized on these distributor arrangements upon transfer of control to the distributor. Contracts do not contain variable pricing arrangements that are retrospective, except for rebate programs. Rebates are estimated based on expected sales volumes and offset against revenue at the time such revenue is recognized. 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. The provisions for estimated returns and rebates are immaterial to the consolidated financial statements.

Certain of the Company’s arrangements include separate performance obligations, primarily related to installation. Such performance obligations are accounted for separately when the deliverables have stand-alone value and the satisfaction of the undelivered performance obligations is probable and within the Company's control. The allocation of revenue between the performance obligations is based on the observable standalone selling prices at the time of the sale in accordance with a number of factors including service technician billing rates, time to install and geographic location.

Software is generally not considered a distinct performance obligation with the exception of a few small software applications. The Company does not sell software products without the related hardware instrument as the software is embedded in the product. 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.

Service revenue not under contract is recognized upon the completion of the service performed. Revenue from spare parts sold on a stand-alone basis is recognized when control is transferred to the customer, which is generally at the time of shipment or delivery. Revenue from service contracts is recognized ratably over the contract period using a time-based method. 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.

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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 obligations are 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.
Share-Based Compensation
The Company recognizes share-based compensation expense within selling, general and administrative in the consolidated statements of operations and other comprehensive income with a corresponding offset to additional paid-in capital in the consolidated balance sheet. The Company recorded $3.9 million and $8.2 million of share-based compensation expense for the three and six months ended June 30, 2018, respectively, compared to $3.9 million and $7.8 million for the corresponding periods in 2017.
Research and Development
Research and development costs primarily consist of salaries, consulting and other costs. The Company expenses these costs as incurred.

Recent Accounting Pronouncements
On January 1, 2018 the Company retrospectively implemented ASU 2017-7 to ASC 715 "Compensation - Retirement Benefits," which requires the Company to report the non-service cost components of net periodic benefit cost (pension cost) in other charges (income), net. These amounts were previously reported in selling, general, and administrative, cost of sales and research and development in the consolidated statement of operations. Nonservice pension benefits were $1.5 million and $1.1 million for the three months ended June 30, 2018 and 2017, respectively, and $3.1 million and $1.9 million and for the six months ended June 30, 2018 and 2017, respectively.
In February 2016, the FASB issued ASU 2016-02 to ASC 842 "Leases." The accounting guidance primarily requires lessees to recognize most leases on their balance sheet as a right to use asset and a lease liability, with the exception of short term leases. A lessee will continue to recognize lease expense on a straight-line basis for leases classified as operating leases. The guidance becomes effective for fiscal years beginning after December 15, 2018. The Company's primary leasing arrangements are related to leased facilities and vehicle fleet leases. The Company is currently evaluating the impact of this guidance.
In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income". The accounting update provided entities with guidance on how to reclassify certain stranded tax effects from accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act, which was a tax bill enacted by the U.S. government in December 2017. The new guidance is effective for the year beginning January 1, 2019 and the Company is still evaluating the impact on the financial statements.

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3. REVENUE

On January 1, 2018, the Company adopted ASC 606 "Revenue from Contracts with Customers" and all the related amendments using the modified retrospective method, whereby the adoption does not impact any prior periods. The effect of adopting the new standard did not require any cumulative effect adjustment to retained earnings as of January 1, 2018. There was no impact to our consolidated statements of operations, balance sheet, or statement of cash flows as of and for the period ended June 30, 2018.

The Company disaggregates revenue from contracts with customers by product, service, timing of revenue recognition and geography. A summary by the Company's reportable segments follows for the three and six months ended June 30, 2018:

Three months ended June 30, 2018	U.S. Operations	Swiss Operations	Western European Operations	Chinese Operations	Other Operations	Total
Product Revenue	$ 191,511	$ 25,163	$ 124,336	$ 119,709	$ 101,757	$562,476
Service Revenue:						
Point in time	49,985	4,919	33,081	10,885	24,969	123,839
Over time	9,978	2,072	16,355	2,678	4,598	35,681
Total	$ 251,474	$ 32,154	$ 173,772	$ 133,272	$ 131,324	$721,996

Six months ended June 30, 2018	U.S. Operations	Swiss Operations	Western European Operations	Chinese Operations	Other Operations	Total
Product Revenue	$ 364,012	$ 50,728	$ 241,268	$ 224,002	$ 193,412	$1,073,422
Service Revenue:						
Point in time	97,605	9,748	62,966	18,012	49,208	237,539
Over time	19,602	4,143	34,910	5,188	8,013	71,856
Total	$ 481,219	$ 64,619	$ 339,144	$ 247,202	$ 250,633	$1,382,817

A summary of revenue by major geographic destination for the three and six months ended June 30 follows:

	Three months ended June 30, 2018	Six months ended June 30, 2018
Americas	$274,328	$526,607
Europe	220,718	426,558
Asia / Rest of World	226,950	429,652
Total	$721,996	$1,382,817

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The Company's global revenue mix by product category is laboratory (51% of sales), industrial (41% of sales) and retail (8% of sales). The Company's product revenue by reportable segment is proportionately similar to the Company's global mix except the Company's Swiss Operations is largely comprised of laboratory products while the Company's Chinese Operations has a slightly higher percentage of industrial products. A summary of the Company's revenue by product category for the three and six months ended June 30, 2018 is as follows:

	Three months ended June 30, 2018	Six months ended June 30, 2018
Laboratory	$361,726	$706,885
Industrial	305,277	567,933
Retail	54,993	107,999
Total	$721,996	$1,382,817

The payment terms in the Company's contracts with customers do not exceed one year and therefore contracts do not contain a significant financing component. In most cases, after appropriate credit evaluations, payments are due in arrears and are recognized as receivables. Unbilled revenue is recorded when performance obligations have been satisfied, but the Company does not have right to receive payment. Unbilled revenue as of June 30, 2018 was $16.7 million and is included within accounts receivable. Deferred revenue and customer prepayments are recorded when cash payments are received or due in advance of the performance obligation being satisfied. Deferred revenue primarily includes prepaid service contracts, as well as deferred installation.
Changes in the components of deferred revenue and customer prepayments during the period are as follows:

	Deferred Revenue and Customer Pre-payments
Beginning balances as of December 31, 2017	$ 107,166
Customer pre-payments/deferred revenue	282,446
Revenue recognized	(260,280)
Foreign currency translation	(2,497)
Ending balance as of June 30, 2018	$ 126,835

The Company generally expenses sales commissions when incurred because the amortization period is one year or less. These costs are recorded within selling, general, and administrative expenses. The Company has not disclosed the value of unsatisfied performance obligations other than customer prepayments and deferred revenue above as most contracts have an expected length of one year or less and amounts greater than one year are immaterial.

4. FINANCIAL INSTRUMENTS

The Company has limited involvement with derivative financial instruments and does not use them for trading purposes. The Company enters into certain interest rate swap agreements in order to manage its exposure to changes in interest rates. The amount of the Company's fixed obligation interest payments may change based upon the expiration dates of its interest rate swap agreements and the level and composition of its debt. The Company also enters into certain foreign currency forward contracts to limit the Company's exposure to currency fluctuations on the respective hedged items. As also mentioned in Note 7, the Company has designated its euro denominated debt as a hedge of a portion of its net investment in euro-denominated foreign operations. For additional disclosures on the fair value of financial instruments, see Note 5 to the interim consolidated financial statements.

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Cash Flow Hedges

In June 2017, the Company entered into a cross currency swap arrangement designated as a cash flow hedge. The agreement converts $100 million of borrowings under the Company's credit facility into synthetic Swiss franc debt which allows the Company to effectively change the floating rate LIBOR-based interest payment to a fixed Swiss franc income of 0.01%. The swap began in June 2017 and matures in June 2019.

The Company has an interest rate swap agreement designated as a cash flow hedge. The agreement is a swap which has the effect of changing the floating rate LIBOR-based interest payments associated with $50 million of borrowings under the Company’s credit facility to a fixed obligation of 2.52%. The swap began in October 2015 and matures in October 2020.

In March 2015, the Company entered into a forward-starting interest rate swap agreement. The agreement is a swap which has the effect of changing the floating rate LIBOR-based interest payments associated with $100 million of borrowings under the Company's credit agreement to a fixed obligation of 2.25% beginning in February 2017 and matures in February 2022.

The Company's cash flow hedges are recorded gross at fair value in the consolidated balance sheet at June 30, 2018 and December 31, 2017, respectively, and disclosed in Note 5 to the consolidated financial statements. Amounts reclassified into other comprehensive income and the effective portions of the cash flow hedges are further disclosed in Note 9 to the consolidated financial statements. A derivative gain of $3.1 million based upon interest rates and foreign currency rates at June 30, 2018, is expected to be reclassified from other comprehensive income (loss) to earnings in the next twelve months. Through June 30, 2018, no hedge ineffectiveness has occurred in relation to the cash flow hedges.

Other Derivatives

The Company enters into foreign currency forward contracts in order to economically hedge short-term trade and non-trade intercompany balances largely denominated in Swiss franc, other major European currencies, and the Chinese Renminbi 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 are recorded at fair value in the consolidated balance sheet at June 30, 2018 and December 31, 2017, respectively, and disclosed in Note 5. The Company recognized in other charges (income), a net loss of $1.5 million and a net gain of $0.1 million during the three months ended June 30, 2018 and 2017, respectively, and a net gain of $4.2 million and $1.9 million during the six months ended June 30, 2018 and 2017, respectively. The gains and losses are primarily offset by the underlying transaction gains and losses on the related intercompany balances. At June 30, 2018 and December 31, 2017, these contracts had a notional value of $407.1 million and $394.8 million, respectively.

5. FAIR VALUE MEASUREMENTS

At June 30, 2018 and December 31, 2017, the Company had derivative assets totaling $4.5 million and $1.9 million in both periods, respectively, and derivative liabilities totaling $2.7 million and $2.4 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

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and counterparty credit risk in determining fair value and determined these adjustments were insignificant at June 30, 2018 and December 31, 2017.

At June 30, 2018 and December 31, 2017, the Company had $13.4 million and $5.6 million of cash equivalents, respectively, the fair value of which is determined through quoted and corroborated prices in active markets. The fair value of cash equivalents approximates cost.

The fair value of the Company's fixed interest rate debt was estimated using Level 2 inputs, primarily discounted cash flow models, based on estimated current rates offered for similar debt under current market conditions for the Company. The fair value of the Company's debt exceeds the carrying value by approximately $0.5 million as of June 30, 2018.

The fair value of the contingent consideration obligation of $30.9 million relating to the Biotix acquisition as of June 30, 2018 is based on the Company's forecast of future results. The fair value measurements are based on significant inputs not observable in the market and thus represent a Level 3 measurement.

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 June 30, 2018 and December 31, 2017:

	June 30, 2018				December 31, 2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$13,402	$ —	$13,402	$ —	$5,616	$ —	$5,616	$ —
Interest rate swap agreements	1,727	—	1,727	—	—	—	—	—
Cross currency swap agreement	1,849	—	1,849	—	—	—	—	—
Foreign currency forward contracts not designated as hedging instruments	925	—	925	—	1,912	—	1,912	—
Total	$17,903	$ —	$17,903	$ —	$7,528	$ —	$7,528	$ —
Liabilities:								
Interest rate swap agreements	$—	$ —	$—	$ —	$1,292	$ —	$1,292	$ —
Cross currency swap agreement	—	—	—	—	106	—	106	—
Foreign currency forward contracts not designated as hedging instruments	2,720	—	2,720	—	986	—	986	—
Total	$2,720	$ —	$2,720	$ —	$2,384	$ —	$2,384	$ —

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6. INCOME TAXES

The Company's reported tax rate was 22.4% and 19.9% during the three months ended June 30, 2018 and 2017, respectively and 21.6% and 19.4% during the six months ended June 30, 2018 and 2017, respectively. The provision for taxes is based upon using the Company's projected annual effective tax rate of 22.0% before non-recurring discrete tax items for the three and six months periods ended June 30, 2018. The difference between the Company's projected annual effective tax rate of 22.0% and the reported tax rate is related to the timing of excess tax benefits associated with stock option exercises.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") significantly revised U.S. corporate income tax law. The Act includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective for taxable years beginning after December 31, 2017, and the implementation of a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries ("Transition Tax") that is payable over a period of up to eight years.

The Company's accounting for the Act is based upon reasonable estimates, however, the estimates may change upon the finalization of the Act's implementation and additional interpretive guidance from regulatory authorities. Among other things, the Company needs to complete its analysis of historical foreign earnings and related taxes paid and its analysis of foreign cash equivalents. In addition, the Company needs to complete its analysis of deemed repatriation of deferred foreign income and related.

7. DEBT

Debt consisted of the following at June 30, 2018:

	June 30, 2018		
	U.S. Dollar	Other Principal Trading Currencies	Total
$50 million Senior Notes, interest 3.67%, due December 17, 2022	50,000	—	50,000
$50 million Senior Notes, interest 4.10%, due September 19, 2023	50,000	—	50,000
$125 million Senior Notes, interest 3.84%, due September 19, 2024	125,000	—	125,000
$125 million Senior Notes, interest 4.24%, due June 25, 2025	125,000	—	125,000
EUR 125 million Senior Notes, interest 1.47%, due June 17, 2030	—	145,163	145,163
Debt issuance costs, net	(994)	(342)	(1,336)
Total Senior Notes	349,006	144,821	493,827
$1.1 billion Credit Agreement, interest at LIBOR plus 87.5 basis points	469,719	56,874	526,593
Other local arrangements	359	51,693	52,052
Total debt	819,084	253,388	1,072,472
Less: current portion	(359)	(51,693)	(52,052)
Total long-term debt	$818,725	$201,695	$1,020,420

Credit Agreement

On June 15, 2018 the Company entered into an amended $1.1 billion Credit Agreement (the "Credit Agreement"), which amended its $800 million Amended and Restated Credit Agreement (the "Prior Credit Agreement"). As of June 30, 2018, the Company had $566.9 million of availability remaining under its 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 June 15, 2023. 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 set at LIBOR plus 87.5 basis points as of June 15, 2018. The Company must also pay facility fees that are tied to its leverage ratio. The Credit Agreement contains covenants that are the same as those contained in the prior Credit Agreement, with which the Company was in compliance as of June 30, 2018. The Company is required to maintain a ratio of funded debt to Consolidated EBITDA of 3.5 to1.0 or less and an interest coverage ration of 3.5 to 1.0 or greater. The Credit Agreement also places certain limitations on the 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 $0.1 million of debt extinguishment costs during 2018 related to the Prior Credit Agreement. The Company capitalized $2.0 million in financing fees during 2018 associated with the Credit Agreement which will be amortized to interest expense through 2023.

Other Local Arrangements

In April 2018, two of the Company's non-U.S. pension plans issued loans totaling $39.6 million (Swiss franc 38 million) to a wholly owned subsidiary of the Company. The loans have the same terms and conditions which include an interest rate of Swiss franc LIBOR plus 87.5 basis points and a maturity date of April 2019 and a one year renewal term and, as such, are classified as short-term debt on the Company's consolidated balance sheet. The proceeds were used to repay outstanding amounts on the Company's credit facility.

1.47% Euro Senior Notes

The Company has designated the 1.47% Euro Senior Notes as a hedge of a portion of its net investment in euro-denominated foreign subsidiaries to reduce foreign currency risk associated with the net investment in these operations. Changes in the carrying value of this debt resulting from fluctuations in the euro to U.S. dollar exchange rate are recorded as foreign currency translation adjustments within other comprehensive income (loss). The unrealized gain (loss) recorded in other comprehensive income (loss) related to this net investment hedge was a gain of $10.1 million and loss $7.1 million for the three months ended June 30, 2018 and 2017, respectively, and a gain of $4.6 million and a loss $10.5 million for the six months periods ended June 30, 2018 and 2017, respectively.

8. SHARE REPURCHASE PROGRAM AND TREASURY STOCK

The Company has a share repurchase program of which there was $345.9 million of remaining common shares to be repurchased under the program as of June 30, 2018. 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 27.1 million shares since the inception of the program in 2004 through June 30, 2018. During the six months ended June 30, 2018 and 2017, the Company spent $237.5 million and $249.9 million on the repurchase of 396,218 shares and 505,593 shares at an average price per share of $599.40 and $494.35, respectively. The Company also reissued 68,653 shares and 153,413 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2018 and 2017, respectively.

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9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents changes in accumulated other comprehensive income by component for the six months ended June 30, 2018 and 2017:

	Currency Translation Adjustment, Net of Tax	Net Unrealized Gain (Loss) on Cash Flow Hedging Arrangements, Net of Tax	Pension and Post-Retirement Benefit Related Items, Net of Tax	Total
Balance at December 31, 2017	$ (31,340)	$ (1,081)	$ (232,985)	$(265,406)
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) cash flow hedging arrangements	—	1,782	—	1,782
Foreign currency translation adjustment	(13,894)	—	3,865	(10,029)
Amounts recognized from accumulated other comprehensive income (loss), net of tax	—	682	7,250	7,932
Net change in other comprehensive income (loss), net of tax	(13,894)	2,464	11,115	(315)
Balance at June 30, 2018	$ (45,234)	$ 1,383	$ (221,870)	$(265,721)

	Currency Translation Adjustment, Net of Tax	Net Unrealized Gain (Loss) on Cash Flow Hedging Arrangements, Net of Tax	Pension and Post-Retirement Benefit Related Items, Net of Tax	Total
Balance at December 31, 2016	$ (115,322)	$ (2,232)	$ (237,444)	$(354,998)
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) cash flow hedging arrangements	—	(2,016)	—	(2,016)
Foreign currency translation adjustment	61,299	—	(11,960)	49,339
Amounts recognized from accumulated other comprehensive income (loss), net of tax	—	1,824	7,465	9,289
Net change in other comprehensive income (loss), net of tax	61,299	(192)	(4,495)	56,612
Balance at June 30, 2017	$ (54,023)	$ (2,424)	$ (241,939)	$(298,386)

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

	Three months ended June 30,		
	2018	2017	Location of Amounts Recognized in Earnings
Effective portion of (gains) / losses on cash flow hedging arrangements:			
Interest rate swap agreements	$158	$505	Interest expense
Cross currency swap agreement	4,098	1,412	(a)
Total before taxes	4,256	1,917	
Provision for taxes	360	305	Provision for taxes
Total, net of taxes	$3,896	$1,612	
Recognition of defined benefit pension and post-retirement items:			
Recognition of actuarial losses and prior service cost, before taxes	$4,687	$5,054	(b)
Provision for taxes	1,123	1,301	Provision for taxes
Total, net of taxes	$3,564	$3,753	

(a) The cross currency swap reflects an unrealized loss of $4.8 million recorded in other charges (income) that was offset by the underlying unrealized gain on the hedged debt. The cross currency swap also reflects a realized gain of $0.7 million recorded in interest expense.
(b) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and post-retirement cost. See Note 11 for additional details for the three months ended June 30, 2018 and 2017.

	Six months ended June 30,		
	2018	2017	Location of Amounts Recognized in Earnings
Effective portion of (gains) / losses on cash flow hedging arrangements:			
Interest rate swap agreements	$435	$849	Interest expense
Cross currency swap agreement	387	1,412	(a)
Total before taxes	822	2,261	
Provision for taxes	140	437	Provision for taxes
Total, net of taxes	$682	$1,824	
Recognition of defined benefit pension and post-retirement items:			
Recognition of actuarial losses and prior service cost, before taxes	$9,498	$10,093	(b)
Provision for taxes	2,248	2,628	Provision for taxes
Total, net of taxes	$7,250	$7,465	

(a) The cross currency swap reflects an unrealized loss of $1.8 million recorded in other charges (income) that was offset by the underlying unrealized gain on the hedged debt. The cross currency swap also reflects a realized gain of $1.4 million recorded in interest expense.
(b) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and post-retirement cost. See Note 12 for additional details for the six months ended June 30, 2018 and 2017.

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

	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Net earnings	$111,468	$101,580	$204,772	$194,046
Other comprehensive income (loss), net of tax	(29,205)	32,734	(315)	56,612
Comprehensive income, net of tax	$82,263	$134,314	$204,457	$250,658

10. EARNINGS PER COMMON SHARE

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

	2018	2017
Three months ended	567,969	688,155
Six months ended	596,106	673,068

Outstanding options and restricted stock units to purchase or receive 56,419 shares of common stock for the three month period ended June 30, 2018 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. For the three months ended June 30, 2017, there were no anti-dilutive outstanding options or restricted stock units. Options and restricted stock units to purchase or receive 56,380 and 75,182 for the six month period ended June 30, 2018 and 2017, respectively, have been excluded from the calculation of diluted weighted average of common and common equivalent shares as such options and restricted stock units would be anti-dilutive.

11. NET PERIODIC BENEFIT COST

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

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other U.S. Post-retirement Benefits		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Service cost, net	$272	$141	$3,744	$3,952	$—	$—	4,016	4,093
Interest cost on projected benefit obligations	1,061	1,094	2,131	2,053	16	18	3,208	3,165
Expected return on plan assets	(1,732)	(1,684)	(7,688)	(7,629)	—	—	(9,420)	(9,313)
Recognition of prior service cost	—	—	(1,727)	(974)	(93)	(195)	(1,820)	(1,169)
Recognition of actuarial losses/(gains)	1,451	1,639	5,369	5,058	(313)	(474)	6,507	6,223
Net periodic pension cost/(credit)	$1,052	$1,190	$1,829	$2,460	$(390)	$(651)	$2,491	$2,999

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

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other U.S. Post-retirement Benefits		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Service cost, net	$544	$282	$7,664	$7,976	$—	$—	8,208	8,258
Interest cost on projected benefit obligations	2,122	2,188	4,354	4,122	32	36	6,508	6,346
Expected return on plan assets	(3,464)	(3,368)	(15,675)	(15,014)	—	—	(19,139)	(18,382)
Recognition of prior service cost	—	—	(3,521)	(2,797)	(186)	(390)	(3,707)	(3,187)
Recognition of actuarial losses/(gains)	2,902	3,278	10,929	10,950	(626)	(948)	13,205	13,280
Net periodic pension cost/(credit)	$2,104	$2,380	$3,751	$5,237	$(780)	$(1,302)	$5,075	$6,315

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the Company expects to make employer contributions of approximately $25.9 million to its non-U.S. pension plans during the year ended December 31, 2018. This estimate may change based upon several factors, including fluctuations in currency exchange rates, actual returns on plan assets and changes in legal requirements.

12. RESTRUCTURING CHARGES

For the three and six months ended June 30, 2018, the Company has incurred $7.3 million and $11.7 million of restructuring expenses which primarily relates to employee and other cost costs associated with the consolidation of facilities. Liabilities related to restructuring activities are included in accrued and other liabilities in the consolidated balance sheet. A rollforward of the Company's accrual for restructuring activities for the six months ended June 30, 2018 is as follows:

	Total
Balance at December 31, 2017	$10,620
Restructuring charges	11,734
Cash payments and utilization	(13,409)
Impact of foreign currency	(130)
Balance at June 30, 2018	$8,815

13. OTHER CHARGES (INCOME), NET

Other charges (income), net includes non-service pension costs (benefits), (gains) losses from foreign currency transactions and related hedging activities, interest income and other items. Nonservice pension benefits were $1.5 million and $1.1 million for the three months ended June 30, 2018 and 2017, respectively, and $3.1 million and $1.9 million and for the six months ended June 30, 2018 and 2017, respectively. Other charges (income), net for the six months ended June 30, 2017 also includes a one-time gain of $3.4 million relating to the sale of a facility in Switzerland in connection with the Company's initiative to consolidate certain Swiss operations into a new facility.

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14. SEGMENT REPORTING

As disclosed in Note 17 to the Company's consolidated financial statements for the year ended December 31, 2017, the Company has determined there are five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other.

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

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

For the three months ended June 30, 2018	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	As of June 30, 2018 Goodwill
U.S. Operations	$251,474	$23,487	$274,961	$42,006	$409,470
Swiss Operations	32,154	148,959	181,113	47,737	21,787
Western European Operations	173,772	45,141	218,913	27,333	89,412
Chinese Operations	133,272	58,588	191,860	65,884	678
Other (a)	131,324	1,463	132,787	17,642	15,060
Eliminations and Corporate (b)	—	(277,638)	(277,638)	(31,316)	—
Total	$721,996	$—	$721,996	$169,286	$536,407

For the six months ended June 30, 2018	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	$481,219	$47,153	$528,372	$76,251
Swiss Operations	64,619	292,541	357,160	93,712
Western European Operations	339,144	86,153	425,297	45,615
Chinese Operations	247,202	118,995	366,197	125,437
Other (a)	250,633	3,103	253,736	31,523
Eliminations and Corporate (b)	—	(547,945)	(547,945)	(63,706)
Total	$1,382,817	$—	$1,382,817	$308,832

(a) Other includes reporting units in Eastern Europe, Latin America, Southeast Asia and other countries.

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

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For the three months ended June 30, 2017	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit	As of June 30, 2017 Goodwill
U.S. Operations	$238,831	$23,092	$261,923	$45,147	$357,782
Swiss Operations	32,287	131,347	163,634	37,950	22,544
Western European Operations	151,161	43,883	195,044	24,709	87,388
Chinese Operations	108,092	57,036	165,128	54,127	653
Other (a)	123,285	2,129	125,414	15,181	15,390
Eliminations and Corporate (b)	—	(257,487)	(257,487)	(29,708)	—
Total	$653,656	$—	$653,656	$147,406	$483,757

For the six months ended June 30, 2017	Net Sales to External Customers	Net Sales to Other Segments	Total Net Sales	Segment Profit
U.S. Operations	$454,184	$45,505	$499,689	$83,969
Swiss Operations	62,034	258,899	320,933	73,968
Western European Operations	298,484	86,825	385,309	49,427
Chinese Operations	198,873	109,969	308,842	98,787
Other (a)	234,648	3,726	238,374	28,289
Eliminations and Corporate (b)	—	(504,924)	(504,924)	(60,501)
Total	$1,248,223	$—	$1,248,223	$273,939

(a) Other includes reporting units in Eastern Europe, Latin America, Southeast Asia and other countries.
(b) Eliminations and Corporate includes the elimination of inter-segment transactions and certain corporate expenses and intercompany investments, which are not included in the Company's operating segments.

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

	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Earnings before taxes	$143,602	$126,847	$261,041	$240,695
Amortization	11,970	10,249	23,705	20,294
Interest expense	8,309	8,171	16,668	15,912
Restructuring charges	7,321	4,023	11,734	5,455
Other charges (income), net	(1,916)	(1,884)	(4,316)	(8,417)
Segment profit	$169,286	$147,406	$308,832	$273,939

During the three months ended June 30, 2018, restructuring charges of $7.3 million were recognized, of which $6.4 million, $0.3 million, $0.5 million, and $0.1 million related to the Company's U.S., Swiss, Western European and Other Operations, respectively. Restructuring charges of $4.0 million were recognized during the three months ended June 30, 2017, of which $2.2 million, $0.5 million, $0.7 million and $0.6 million, related to the Company's U.S., Swiss, and Western European Operations, respectively. Restructuring charges of $11.7 million were recognized during the six months ended June 30, 2018, of which $10.0 million, $0.7 million, $0.9 million, and $0.1 million related to the Company's U.S., Swiss, Western European, and Other Operations, respectively. Restructuring charges of

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$5.5 million were recognized during the six months ended June 30, 2017, of which $3.0 million, $0.9 million, $0.7 million, $0.1 million and $0.8 million related to the Company's U.S., Swiss, Western European, Chinese and Other Operations, respectively.

15. CONTINGENCIES

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

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

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

General

Our interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year ending December 31, 2018.

Changes in local currency 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.

We also include in the discussion below disclosures of immaterial qualitative factors that are not quantified. Although the impact of such factors is not considered material, we believe these disclosures can be useful in evaluating our operating results.

Results of Operations – Consolidated

The following tables set forth certain items from our interim consolidated statements of operations for the three and six month periods ended June 30, 2018 and 2017 (amounts in thousands).

	Three months ended June 30,				Six months ended June 30,			
	2018		2017		2018		2017	
	(unaudited)	%	(unaudited)	%	(unaudited)	%	(unaudited)	%
Net sales	$721,996	100.0	$653,656	100.0	$1,382,817	100.0	$1,248,223	100.0
Cost of sales	309,371	42.8	278,044	42.5	595,259	43.0	529,222	42.4
Gross profit	412,625	57.2	375,612	57.5	787,558	57.0	719,001	57.6
Research and development	35,315	4.9	32,582	5.0	70,028	5.1	63,782	5.1
Selling, general and administrative	208,024	28.8	195,624	29.9	408,698	29.6	381,280	30.5
Amortization	11,970	1.7	10,249	1.6	23,705	1.7	20,294	1.6
Interest expense	8,309	1.2	8,171	1.3	16,668	1.2	15,912	1.3
Restructuring charges	7,321	1.0	4,023	0.6	11,734	0.8	5,455	0.4
Other charges (income), net	(1,916)	(0.3)	(1,884)	(0.3)	(4,316)	(0.3)	(8,417)	(0.6)
Earnings before taxes	143,602	19.9	126,847	19.4	261,041	18.9	240,695	19.3
Provision for taxes	32,134	4.5	25,267	3.9	56,269	4.1	46,649	3.8
Net earnings	$111,468	15.4	$101,580	15.5	$204,772	14.8	$194,046	15.5

Net sales

Net sales were $722.0 million and $653.7 million for the three months ended June 30, 2018, and 2017, and $1.4 billion and $1.2 billion for the six months ended June 30, 2018 and June 30, 2017, respectively. This represents an increase of 10% and 11% in U.S. dollars for the three and six months ended June 30, 2018. Excluding the effect of currency exchange rates fluctuations, or in local currencies, net sales increased 7% and 6% for the three and six months ended June 30, 2018. The Biotix acquisition contributed approximately 1.5% to local currency net sales for both the three and six months ended June 30, 2018. These results compare to 10% and 11% local currency growth for the three and six months ended June 30, 2017 of which the Troemner acquisition contributed approximately 2% and 1%, respectively. Global market conditions were generally favorable during the first half of 2018 and we continue to benefit from the execution of our global sales and marketing programs, our robust product portfolio, and investments in our field resources. However, we remain cautious as market conditions are subject to change and economic uncertainties exist in certain regions of the world. We will also face a difficult prior period comparison in China during the second half of 2018.

Net sales by geographic destination for the three and six months ended June 30, 2018 in U.S. dollars increased in the Americas 4% and 5%, in Europe 14% and 13%, and in Asia/Rest of World 15% and 16%, respectively. Our net sales by geographic destination for the three and six months ended June 30, 2018 in local currencies increased in the Americas 4% and 5%, in Europe 7% and 3%, and in Asia/Rest of World 9% and 10%, respectively. The Biotix acquisition contributed approximately 2.5% to our local currency net sales growth in the Americas for both the three and six months ended June 30, 2018. A discussion of sales by operating segment is included below.

As described in Note 17 to our consolidated financial statements for the year ended December 31, 2017, our net sales comprise product sales of precision instruments and related services. Service revenues are primarily derived from repair and other services, including regulatory compliance qualification, calibration, certification, preventative maintenance and spare parts.

Net sales of products increased 10% in U.S. dollars and 6% in local currencies for the three months ended June 30, 2018 and increased 11% in U.S. dollars and 6% in local currencies for the six months ended June 30, 2018, compared to the corresponding periods in 2017. The Biotix acquisition contributed approximately 2% to our net sales of products for both the three and six months ended June 30, 2018. Service revenue (including spare parts) increased by 13% in U.S. dollars and 10% in local currencies for the three months ended June 30, 2018 and increased 11% in U.S. dollars and 6% in local currencies for the six months ended June 30, 2018, compared to the corresponding periods in 2017.

Net sales of our laboratory products and services, which represented approximately 51% of our total net sales increased 14% in U.S. dollars and 10% in local currencies for the three months ended June 30, 2018, and increased 15% in U.S. dollars and 10% in local currencies for the six months ended June 30, 2018. The local currency increase in net sales of our laboratory products includes solid growth in most product categories, especially process analytics. The Biotix acquisition also contributed approximately 3% to our growth of laboratory products and services for both the three and six months ended June 30, 2018.

Net sales of our industrial products and services, which represented approximately 41% of our total net sales increased 6% in U.S. dollars and 3% in local currencies for the three months ended June 30, 2018, and increased 6% in U.S. dollars and 1% in local currencies for the six months ended June 30, 2018. The local currency increase in net sales of our industrial products includes strong growth in core-industrial, offset in part by a decline in product inspection which had strong growth in the prior year comparable periods.

Net sales in our food retailing products and services, which represented approximately 8% of our total net sales increased 11% in U.S. dollars and 6% in local currencies for the three months ended June 30, 2018, and increased 9% in U.S. dollars and 3% in local currencies for the six months ended June 30, 2018. Food retailing included strong project activity in the Americas, offset by reduced net sales in Europe which had strong growth in the prior year six month period.

Gross profit

Gross profit as a percentage of net sales was 57.2% and 57.5% for the three months ended June 30, 2018 and 2017, and 57.0% and 57.6% for the six months ended June 30, 2018 and 2017, respectively.

Gross profit as a percentage of net sales for products was 60.6% and 61.1% for the three months ended June 30, 2018 and 2017, respectively, and 60.5% and 61.4% for the six months ended June 30, 2018 and 2017, respectively.

Gross profit as a percentage of net sales for services (including spare parts) was 45.1% and 44.3% for the three months ended June 30, 2018 and 2017, respectively, and 44.7% and 44.5% for the six months ended June 30, 2018 and 2017, respectively.

The decrease in gross profit as a percentage of net sales for the three and six months ended June 30, 2018 was primarily due to the impact of foreign currency translation, initial costs associated with a new manufacturing facility and the Biotix acquisition, offset in part by favorable price realization.

Research and development and selling, general and administrative expenses

Research and development expenses as a percentage of net sales was 4.9% and 5.0% for the three months ended June 30, 2018 and 2017, and was 5.1% for both the six months ended June 30, 2018 and 2017, respectively. Research and development expenses increased 9% in U.S. dollars and increased 6% in local currencies for the three months ended June 30, 2018, and increased 10% in U.S. dollars and increased 6% in local currencies for the six months ended June 30, 2018, respectively, compared to the corresponding periods in 2017 relating to increased project activity.

Selling, general and administrative expenses as a percentage of net sales were 28.8% and 29.9% for the three months ended June 30, 2018 and 2017, and was 29.6% and 30.5% for the six months ended June 30, 2018 and 2017, respectively. Selling, general and administrative expenses increased 6% in U.S. dollars and 3% in local currencies for the three months ended June 30, 2018, and increased 7% in U.S. dollars and 3% in local currencies for the six months ended June 30, 2018. The local currency increase includes investments in our field sales organization and growth initiatives, offset in part by benefits from our cost savings initiatives.

Amortization, interest expense, other charges (income), net and taxes

Amortization expense was $12.0 million and $10.2 million for the three months ended June 30, 2018 and 2017, respectively, and $23.7 million and $20.3 million for the six months ended June 30, 2018 and 2017, respectively.

Interest expense was $8.3 million and $8.2 million for the three months ended June 30, 2018 and 2017, respectively, and $16.7 million and $15.9 million for the six months ended June 30, 2018 and 2017, respectively.

Other charges (income), net includes non-service pension costs (benefits), (gains) losses from foreign currency transactions and related hedging activities, interest income and other items. Nonservice pension benefits was $1.5 million and $1.1 million for the three months ended June 30, 2018 and 2017, respectively, and $3.1 million and $1.9 million and for the six months ended June 30, 2018 and 2017, respectively. Other charges (income), net for the six months ended June 30, 2017 also includes a one-time gain of $3.4 million relating to the sale of a facility in Switzerland in connection with the our initiative to consolidate certain Swiss operations into a new facility.

Our reported tax rate was 22.4% and 19.9% during the three months ended June 30, 2018 and 2017, respectively and 21.6% and 19.4% during the six months ended June 30, 2018 and 2017, respectively. The increase in our reported tax rate for the three and six month periods is related to the timing of excess tax benefits associated with stock option exercises. The provision for taxes is based upon using our projected annual effective tax rate of 22.0% before non-recurring discrete tax items for the three and six months periods ended June 30, 2018. The difference between our projected annual effective tax rate of 22.0% and our reported tax rate is related to the timing of excess tax benefits associated with stock option exercises.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") significantly revised U.S.corporate income tax law. The Act includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective for taxable years beginning after December 31, 2017, and the implementation of a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries ("Transition Tax") that is payable over a period of up to eight years.
Our accounting for the Act is based upon reasonable estimates, however, our estimates may change upon the finalization of the Act's implementation and additional interpretive guidance from regulatory authorities. Among other things, we need to complete our analysis of historical foreign earnings and related taxes paid and our analysis of foreign cash equivalents. In addition, we need to complete our analysis of deemed repatriation of deferred foreign income and related state tax effects. We will complete our accounting for the above tax effects of the Act during 2018 as provided in SAB 118 and will reflect any adjustments to our provisional amounts as an adjustment to the provision for taxes in the reporting period in which the amounts are finally determined.

Results of Operations – by Operating Segment

The following is a discussion of the financial results of our operating segments. We currently have five reportable segments: U.S. Operations, Swiss Operations, Western European Operations, Chinese Operations and Other. A more detailed description of these segments is outlined in Note 17 to our consolidated financial statements for the year ended December 31, 2017.
U.S. Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	%	2018	2017	%
Total net sales	$274,961	$261,923	5 %	$528,372	$499,689	6 %
Net sales to external customers	$251,474	$238,831	5 %	$481,219	$454,184	6 %
Segment profit	$42,006	$45,147	(7)%	$76,251	$83,969	(9)%

Total net sales and net sales to external customers both increased 5% for the three months ended June 30, 2018 compared with the corresponding period in 2017. Total net sales and net sales to external customers both increased 6% for the six months ended June 30, 2018 compared with the corresponding period in 2017. Net sales to external customers benefited approximately 4% from the Biotix acquisition for the three and six month periods ended June 30, 2018. The increase in total net sales and net sales to external customers for the three and six months ended June 30, 2018 reflects solid results in our laboratory products. We also experienced strong growth in retail due to the timing of project activity, offset in part by a decrease in product inspection related to particularly strong growth in the prior year periods.
Segment profit decreased $3.1 million and $7.7 million for the three and six months ended June 30, 2018, respectively, compared to the corresponding periods in 2017, primarily due to initial costs associated with a new manufacturing facility and continued investments in our field sales and service organization offset in part by benefits from our margin expansion initiatives.
Swiss Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	%[1)]	2018	2017	%[1)]
Total net sales	$181,113	$163,634	11 %	$357,160	$320,933	11%
Net sales to external customers	$32,154	$32,287	— %	$64,619	$62,034	4 %
Segment profit	$47,737	$37,950	26 %	$93,712	$73,968	27%

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

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Total net sales increased 11% in U.S. dollars and 10% in local currency for the three months ended June 30, 2018, and increased 11% in U.S. dollars and 8% in local currency for the six months ended June 30, 2018 compared to the corresponding periods in 2017. Net sales to external customers were flat in U.S. dollars and decreased 1% in local currency for the three months ended June 30, 2018 and increased 4% in U.S. dollars and 2% in local currency for the six months ended June 30, 2018, compared to the corresponding periods in 2017. Local currency net sales to external customers for the three months ended June 30, 2018 includes strong growth in our core-industrial products, offset by a decrease in laboratory products. The increase in net sales to external customers for the six months ended June 30, 2018 includes growth in most product categories, especially core-industrial products.
Segment profit increased $9.8 million and $19.7 million for the three and six month periods ended June 30, 2018, compared to the corresponding periods in 2017. Segment profit during the three and six months ended June 30, 2018 includes the impact of increased net sales volume, our margin expansion initiatives and favorable foreign currency translation, offset in part by higher research and development activity.

Western European Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	%1)	2018	2017	%1)
Total net sales	$218,913	$195,044	12%	$425,297	$385,309	10 %
Net sales to external customers	$173,772	$151,161	15%	$339,144	$298,484	14 %
Segment profit	$27,333	$24,709	11%	$45,615	$49,427	(8)%

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

Total net sales increased 12% in U.S. dollars and 4% in local currencies for the three months ended June 30, 2018 and increased 10% in U.S. dollars and decreased 1% in local currencies for the six months ended June 30, 2018, compared to the corresponding periods in 2017. Net sales to external customers increased 15% in U.S. dollars and increased 7% in local currencies for the three months ended June 30, 2018, and increased 14% in U.S. dollars and 2% in local currencies for the six months ended June 30, 2018, compared to the corresponding periods in 2017. Local currency net sales to external customers for the three and six months ended June 30, 2018 includes solid growth in most product categories, offset in part by declines in food retailing which faced very strong project activity in the prior six month period ended June 30, 2017.

Segment profit increased $2.6 million and decreased $3.8 million for the three and six month periods ended June 30, 2018, respectively, compared to the corresponding periods in 2017. The increase in segment profit for the three month period ended June 30, 2018 includes increased net sales volume, our margin expansion initiatives, and favorable currency translation, partially offset by higher research and development activity and an inter-segment product transfer. The decrease in segment profit for the six months ended June 30, 2018 also includes roll-in costs associated with our Blue Ocean program.

Chinese Operations (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	%1)	2018	2017	%1)
Total net sales	$191,860	$165,128	16%	$366,197	$308,842	19%
Net sales to external customers	$133,272	$108,092	23%	$247,202	$198,873	24%
Segment profit	$65,884	$54,127	22%	$125,437	$98,787	27%

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

Total net sales increased 16% in U.S. dollars and 8% in local currency for the three months ended June 30, 2018 and increased 19% in U.S. dollars and 10% local currency for the six months

ended June 30, 2018, compared to the corresponding periods in 2017. Net sales to external customers increased 23% in U.S. dollars and 15% in local currency for the three months ended June 30, 2018 and increased 24% in U.S. dollars and 16% local currency during the six months ended June 30, 2018, compared to the corresponding periods in 2017. The increase in local currency net sales to external customers during the three and six months ended June 30, 2018 reflects very strong growth in most product categories, especially laboratory products. While Chinese market conditions are currently favorable we will face difficult prior period comparisons during the remainder of 2018 due to our strong performance in 2017. In addition to the tough comparisons the Chinese economy has historically been volatile and market conditions may change unfavorably due to various factors.

Segment profit increased $11.8 million and $26.7 million for the three and six month periods ended June 30, 2018, respectively, compared to the corresponding periods in 2017. The increase in segment profit for the three and six months ended June 30, 2018 includes increased local currency net sales volume and benefits from our margin expansion and cost savings initiatives, and favorable foreign currency translation.

Other (amounts in thousands)

	Three months ended June 30,			Six months ended June 30,		
	2018	2017	%1)	2018	2017	%1)
Total net sales	$132,787	$125,414	6 %	$253,736	$238,374	6 %
Net sales to external customers	$131,324	$123,285	7 %	$250,633	$234,648	7 %
Segment profit	$17,642	$15,181	16%	$31,523	$28,289	11%

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

Total net sales increased 6% in U.S. dollars and 3% in local currencies for the three months ended June 30, 2018 and increased 6% in U.S. dollars and 2% in local currencies for the six months ended June 30, 2018, compared to the corresponding periods in 2017. Net sales to external customers increased 7% in U.S. dollars and 4% in local currencies for the three months ended June 30, 2018 and increased 7% in U.S. dollars and 2% in local currencies for the six months ended June 30, 2018, compared to the corresponding periods in 2017. Local currency sales growth reflects growth in laboratory products offset by declines in food retailing and product inspection related which had strong project activity in the prior year periods.

Segment profit increased $2.5 million and $3.2 million for the three and six months ended June 30, 2018, respectively, compared to the corresponding periods in 2017.The increase in segment profit is primarily due to benefits from our margin expansion initiatives and favorable foreign currency translation, offset in part by increased sales and service investments.

Liquidity and Capital Resources

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

Cash provided by operating activities totaled $216.8 million during the six months ended June 30, 2018, compared to $205.4 million in the corresponding period in 2017. The increase in 2018 is primarily related to higher net income of $10.7 million, offset in part by a Transition Tax payment of $4.2 million (see below).

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 $61.6 million for the six months ended June 30, 2018 compared to $48.5 million in the corresponding period in 2017. The increase is primarily related to investments in manufacturing facilities. We expect to make net investments in new or expanded manufacturing facilities of $20 million to $30 million over the next two years.

In 2017, we recorded a provisional one-time charge of $72 million for the estimated income tax effect of the Transition Tax associated with the Tax Cuts and Jobs Act of which $59 million is expected to be paid over a period of up to eight years. In April 2018, we paid our first Transition Tax payment of $4.2 million.

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 any applicable withholding taxes. All other undistributed earnings are considered to be permanently reinvested. As of June 30, 2018, we have an immaterial amount of cash and cash equivalents outside the United States where undistributed earnings are considered permanently reinvested. Accordingly, we believe the tax impact associated with repatriating our undistributed foreign earnings will not have a material effect on our liquidity.

Senior Notes and Credit Facility Agreement

Our debt consisted of the following at June 30, 2018:

	June 30, 2018		
	U.S. Dollar	Other Principal Trading Currencies	Total
$50 million Senior Notes, interest 3.67%, due December 17, 2022	50,000	—	50,000
$50 million Senior Notes, interest 4.10%, due September 19, 2023	50,000	—	50,000
$125 million Senior Notes, interest 3.84%, due September 19, 2024	125,000	—	125,000
$125 million Senior Notes, interest 4.24%, due June 25, 2025	125,000	—	125,000
EUR 125 million Senior Notes, interest 1.47%, due June 17, 2030	—	145,163	145,163
Debt issuance costs, net	(994)	(342)	(1,336)
Total Senior Notes	349,006	144,821	493,827
$1.1 billion Credit Agreement, interest at LIBOR plus 87.5 basis points	469,719	56,874	526,593
Other local arrangements	359	51,693	52,052
Total debt	819,084	253,388	1,072,472
Less: current portion	(359)	(51,693)	(52,052)
Total long-term debt	$818,725	$201,695	$1,020,420

On June 15, 2018 we entered into an amended $1.1 billion Credit Agreement (the "Credit Agreement"), which amended our $800 million Amended and Restated Credit Agreement (the "Prior Credit Agreement"), that is further described in Note 7 of our consolidated financial statements.

As of June 30, 2018, approximately $566.9 million was available under the Credit Agreement. Changes in exchange rates between the currencies in which we generate cash flows and the currencies in which our borrowings are denominated affect our liquidity. In addition, because we borrow in a variety of currencies, our debt balances fluctuate due to changes in exchange rates.

In April 2018, two of our non-U.S. pension plans issued loans totaling $39.6 million (Swiss franc 38 million) to our wholly owned subsidiary. The loans have the same terms and conditions which include an interest rate of Swiss franc LIBOR plus 87.5 basis points and a maturity date of April 2019 and a one year renewal term and, as such, are classified as short-term debt on our consolidated balance sheet. The proceeds were used to repay outstanding amounts on our credit facility.

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

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

Share Repurchase Program

We have a share repurchase program of which there was $345.9 million of remaining common share to be repurchased under the program as of June 30, 2018. The share repurchases are expected to be funded from cash generated from operating activities, borrowings, and existing cash balances. Repurchases will be made through open market transactions, and the amount and timing of purchases will depend on business and market conditions, stock price, trading restrictions, the level of acquisition activity, and other factors.

We have purchased 27.1 million shares since the inception of the program through June 30, 2018. During the six months ended June 30, 2018 and 2017, we spent $237.5 million and $249.9 million on the repurchase of 396,218 and 505,593 shares at an average price per share of $599.40 and $494.35, respectively. We also reissued 68,653 shares and 153,413 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2018 and 2017, respectively.

Effect of Currency on Results of Operations

Our earnings are affected by changing exchange rates. We are most sensitive to changes in the exchange rates between the Swiss franc, euro, and U.S. dollar. We have more Swiss franc expenses than we do Swiss franc sales because we develop and manufacture products in Switzerland that we sell globally, and have a number of corporate functions located in Switzerland. When the Swiss franc strengthens against our other trading currencies, particularly the U.S. dollar and euro, our earnings go down. We also have significantly more sales in the euro than we do expenses. When the euro weakens against the U.S. dollar and Swiss franc, our earnings also go down. We estimate a 1% strengthening of the Swiss franc against the euro would reduce our earnings before tax by approximately $1.6 million to $1.8 million annually.

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. The most significant of these currency exposures is the Chinese Renminbi. The impact on our earnings before tax of the Chinese Renminbi weakening 1% against the U.S. dollar is a reduction of approximately $1.1 million to $1.3 million annually.

In addition to the effects of exchange rate movements on operating profits, our debt levels can fluctuate due to changes in exchange rates, particularly between the U.S. dollar and the Swiss franc. Based on our outstanding debt at June 30, 2018, 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 $28.2 million in the reported U.S. dollar value of our debt.

Forward-Looking Statements Disclaimer

You should not rely on forward-looking statements to predict our actual results. Our actual results or performance may be materially different than reflected in forward-looking statements because of various risks and uncertainties. You can identify forward-looking statements by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “pla
“anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or “continue”.

We make forward-looking statements about future events or our future financial performance, including earnings and sales growth, earnings per share, strategic plans and contingency plans, growth opportunities or economic downturns, our ability to respond to changes in market conditions, planned research and development efforts and product introductions, adequacy of facilities, access to and the costs of raw materials, shipping and supplier costs, gross margins, customer demand, our competitive position , capital expenditures, cash flow, tax-related matters, compliance with laws, and effects of acquisitions.

Our forward-looking statements may not be accurate or complete, and we do not intend to update or revise them in light of actual results. New risks also periodically arise. Please consider the risks and factors that could cause our results to differ materially from what is described in our forward-looking statements. See in particular “Factors Affecting Our Future Operating Results” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2017 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2018, there was no material change in the information provided under Item 7A in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and 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 Chief Financial Officer, have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. None
Item 1A. Risk Factors.
For the six months ended June 30, 2018 there were no material changes from risk factors disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Approximate Dollar Value (in thousands) of Shares that may yet be Purchased under the Program
April 1 to April 30, 2018	64,793	$570.74	64,793	$ 427,691
May 1 to May 31, 2018	76,198	$561.87	76,198	$ 384,876
June 1 to June 30, 2018	67,347	$578.38	67,347	$ 345,922
Total	208,338	$569.97	208,338	$ 345,922

The Company has a share repurchase program of which there is $345.9 million of remaining to repurchase common shares as of June 30, 2018. We have purchased 27.1 million shares since the inception of the program through June 30, 2018.
During the six months ended June 30, 2018 and 2017, we spent $237.5 million and $249.9 million on the repurchase of 396,218 and 505,593 shares at an average price per share of $599.40 and $494.35, respectively. We also reissued 68,653 shares and 153,413 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2018 and 2017, respectively.

Item 3. Defaults Upon Senior Securities. None
Item 5. Other information. None
Item 6. Exhibits. See Exhibit Index below.

SIGNATURE

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

		Mettler-Toledo International Inc.	
Date:	July 27, 2018	By:	/s/ Shawn P. Vadala
			Shawn P. Vadala Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
10.57*	Employment agreement between Gerhard Keller and Mettler-Toledo International Inc., dated as of April 27, 2018
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002
32*	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

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