METTLER TOLEDO INTERNATIONAL INC/
Form 10-Q
July 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED June 30, 2016, OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____________ TO ________________
Commission File Number: 1-13595
Mettler-Toledo International Inc.

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices)
(Zip Code)

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

(Registrant's telephone number, including area code)

not applicable

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

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

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

post such files). Yes X No ___
Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer. X Accelerated filer __ Non-accelerated filer __ (Do not check if a smaller reporting company)Smaller reporting company __

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

The Registrant had 26,489,610 shares of Common Stock outstanding at June 30, 2016.

METTLER-TOLEDO INTERNATIONAL INC.
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Three months ended June 30, 2016 and 2015
(In thousands, except share data)
(unaudited)

	June 30, 2016	June 30, 2015
Net sales		
Products	$ 470,605	$ 449,702
Service	137,681	132,355
Total net sales	608,286	582,057
Cost of sales		
Products	183,322	183,127
Service	77,388	76,018
Gross profit	347,576	322,912
Research and development	30,701	29,794
Selling, general and administrative	187,798	174,808
Amortization	8,655	7,634
Interest expense	6,872	6,942
Restructuring charges	2,205	1,720
Other charges (income), net	8,173	(33)
Earnings before taxes	103,172	102,047
Provision for taxes	23,584	24,490
Net earnings	$ 79,588	$ 77,557
Basic earnings per common share:		
Net earnings	$ 2.99	$ 2.79
Weighted average number of common shares	26,631,015	27,843,905
Diluted earnings per common share:		
Net earnings	$ 2.93	$ 2.73
Weighted average number of common and common equivalent shares	27,143,284	28,460,336
Comprehensive income, net of tax (Note 9)	$ 56,630	$ 99,337

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

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METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Six months ended June 30, 2016 and 2015
(In thousands, except share data)
(unaudited)

	June 30, 2016	June 30, 2015
Net sales		
Products	$ 883,897	$ 862,606
Service	264,063	255,152
Total net sales	1,147,960	1,117,758
Cost of sales		
Products	349,179	347,793
Service	151,298	148,248
Gross profit	647,483	621,717
Research and development	59,674	58,255
Selling, general and administrative	356,719	347,846
Amortization	17,079	15,162
Interest expense	13,452	13,667
Restructuring charges	3,085	2,627
Other charges (income), net	7,889	(850)
Earnings before taxes	189,585	185,010
Provision for taxes	44,323	44,402
Net earnings	$ 145,262	$ 140,608
Basic earnings per common share:		
Net earnings	$ 5.42	$ 5.03
Weighted average number of common shares	26,781,154	27,978,814
Diluted earnings per common share:		
Net earnings	$ 5.32	$ 4.91
Weighted average number of common and common equivalent shares	27,283,012	28,611,637
Comprehensive income, net of tax (Note 9)	$ 129,136	$ 156,132

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

METTLER-TOLEDO INTERNATIONAL INC.
INTERIM CONSOLIDATED BALANCE SHEETS
As of June 30, 2016 and December 31, 2015
(In thousands, except share data)
(unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$114,646	$98,887
Trade accounts receivable, less allowances of $13,918 at June 30, 2016 and $14,435 at December 31, 2015	407,972	411,420
Inventories	234,006	214,383
Current deferred tax assets, net	70,940	67,483
Other current assets and prepaid expenses	72,696	70,642
Total current assets	900,260	862,815
Property, plant and equipment, net	514,312	517,229
Goodwill	444,278	446,284
Other intangible assets, net	114,002	115,252
Non-current deferred tax assets, net	22,958	22,873
Other non-current assets	65,937	52,186
Total assets	$2,061,747	$2,016,639
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Trade accounts payable	$131,888	$142,075
Accrued and other liabilities	120,278	127,645
Accrued compensation and related items	108,001	136,414
Deferred revenue and customer prepayments	117,906	88,829
Taxes payable	69,178	63,241
Current deferred tax liabilities	22,912	22,435
Short-term borrowings and current maturities of long-term debt	20,945	14,488
Total current liabilities	591,108	595,127
Long-term debt	693,263	575,138
Non-current deferred tax liabilities	78,034	71,365
Other non-current liabilities	207,380	194,552
Total liabilities	1,569,785	1,436,182
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 26,489,610 and 27,090,118 shares at June 30, 2016 and December 31, 2015, respectively	448	448
Additional paid-in capital	715,971	697,570
Treasury stock at cost (18,296,401 shares at June 30, 2016, and 17,695,893 shares at December 31, 2015)	(2,776,454)	(2,543,229)
Retained earnings	2,834,772	2,692,317
Accumulated other comprehensive income (loss)	(282,775)	(266,649)
Total shareholders’ equity	491,962	580,457

Total liabilities and shareholders' equity	$2,061,747	$2,016,639

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, 2016 and twelve months ended December 31, 2015
(In thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-in	Treasury	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Stock	Earnings	Income (Loss)	Total
Balance at December 31, 2014	28,243,007	$ 448	$ 670,418	$ (2,095,656)	$ 2,357,334	$ (212,949)	$ 719,595
Exercise of stock options and restricted stock units	403,908	—	—	47,393	(17,837)	—	29,556
Repurchases of common stock	(1,556,797)	—	—	(494,966)	—	—	(494,966)
Tax benefit resulting from exercise of certain employee stock options	—	—	12,929	—	—	—	12,929
Share-based compensation	—	—	14,223	—	—	—	14,223
Net earnings	—	—	—	—	352,820	—	352,820
Other comprehensive income (loss), net of tax	—	—	—	—	—	(53,700)	(53,700)
Balance at December 31, 2015	27,090,118	$ 448	$ 697,570	$ (2,543,229)	$ 2,692,317	$ (266,649)	$ 580,457
Exercise of stock options and restricted stock units	131,737	—	—	16,772	(2,807)	—	13,965
Repurchases of common stock	(732,245)	—	—	(249,997)	—	—	(249,997)
Tax benefit resulting from exercise of certain employee stock options	—	—	11,152	—	—	—	11,152
Share-based compensation	—	—	7,249	—	—	—	7,249
Net earnings	—	—	—	—	145,262	—	145,262
Other comprehensive income (loss), net of tax (Note 9)	—	—	—	—	—	(16,126)	(16,126)
Balance at June 30, 2016	26,489,610	$ 448	$ 715,971	$ (2,776,454)	$ 2,834,772	$ (282,775)	$ 491,962

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, 2016 and 2015
(In thousands)
(unaudited)

	June 30, 2016	June 30, 2015
Cash flows from operating activities:		
Net earnings	$145,262	$140,608
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	16,116	16,658
Amortization	17,079	15,162
Deferred tax benefit	(8,852)	(2,681)
Excess tax benefits from share-based payment arrangements	(11,152)	(1,278)
Share-based compensation	7,249	6,981
Non-cash pension settlement charge	8,189	—
Other	(101)	89
Increase (decrease) in cash resulting from changes in:		
Trade accounts receivable, net	5,189	21,764
Inventories	(20,029)	(18,659)
Other current assets	(3,519)	(959)
Trade accounts payable	(8,673)	(7,593)
Taxes payable	5,351	7,836
Accruals and other	(884)	(14,143)
Net cash provided by operating activities	151,225	163,785
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	218	127
Purchase of property, plant and equipment	(28,858)	(35,923)
Acquisitions	(4,329)	(300)
Net hedging settlements on intercompany loans	1,075	(12,811)
Net cash used in investing activities	(31,894)	(48,907)
Cash flows from financing activities:		
Proceeds from borrowings	392,560	493,450
Repayments of borrowings	(269,684)	(313,923)
Proceeds from stock option exercises	13,965	17,738
Repurchases of common stock	(249,997)	(247,473)
Excess tax benefits from share-based payment arrangements	11,152	1,278
Other financing activities	(680)	(854)
Net cash used in financing activities	(102,684)	(49,784)
Effect of exchange rate changes on cash and cash equivalents	(888)	(1,048)
Net increase (decrease) in cash and cash equivalents	15,759	64,046
Cash and cash equivalents:		
Beginning of period	98,887	85,263
End of period	$114,646	$149,309

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, 2016 – 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, 2015.

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, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016.

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, 2015.

All intercompany transactions and balances have been eliminated.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Trade Accounts Receivable

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

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At June 30, 2016 – 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, 2016	December 31, 2015
Raw materials and parts	$101,369	$ 98,252
Work-in-progress	41,433	35,100
Finished goods	91,204	81,031
	$234,006	$ 214,383

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, 2016			December 31, 2015		
	Gross Amount	Accumulated Amortization	Intangibles, Net	Gross Amount	Accumulated Amortization	Intangibles, Net
Customer relationships	$98,867	$ (32,577)	$ 66,290	$98,175	$ (30,836)	$ 67,339
Proven technology and patents	54,520	(34,060)	20,460	52,938	(32,444)	20,494
Tradename (finite life)	4,289	(2,212)	2,077	4,200	(2,158)	2,042
Tradename (indefinite life)	24,788	—	24,788	24,814	—	24,814
Other	2,143	(1,756)	387	2,111	(1,548)	563
	$184,607	$ (70,605)	$ 114,002	$182,238	$ (66,986)	$ 115,252

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The Company recognized amortization expense associated with the above intangible assets of $1.7 million and $1.6 million for the three months ended June 30, 2016 and 2015, respectively and $3.5 million and $3.1 million for the six months ended June 30, 2016 and 2015, respectively. The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at $6.8 million for 2016, $6.5 million for 2017, $6.2 million for 2018, $5.9 million for 2019, $5.6 million for 2020 and $5.3 million for 2021. Purchased intangible amortization was $1.5 million, $1.0 million after tax, and $1.4 million, $0.9 million after tax, for the three months ended June 30, 2016 and 2015, respectively and $3.2 million, $2.1 million after tax, and $2.8 million, $1.9 million after tax, for the six months ended June 30, 2016 and 2015, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of $6.9 million and $6.0 million for the three months ended June 30, 2016 and 2015, respectively and $13.4 million and $11.9 million for the six months ended June 30, 2016 and 2015, respectively.

Revenue Recognition

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

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

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

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

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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 $3.6 million and $7.2 million of share-based compensation expense for the three and six months ended June 30, 2016, respectively, compared to $3.5 million and $7.0 million for the corresponding periods in 2015.

Research and Development

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

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, to ASC 606 "Revenue from Contracts with Customers." ASU 2014-09 provides authoritative guidance clarifying the principles for recognizing revenue and developing a common revenue standard for U.S. GAAP. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Additionally, the guidance requires improved disclosure to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The guidance becomes effective for the Company for the year beginning January 1, 2018. We are currently evaluating the impact the adoption of this guidance will have on the Company's consolidated results of operations, financial position, and disclosures.

In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers," which amends ASU 2014-09. The ASU provides guidance for assessing collectability, presentation of sales taxes, noncash considerations, and completed contract modifications at transition. The guidance becomes effective for the Company for the year beginning January 1, 2018. We are currently evaluating the impact the adoption of this guidance will have on the Company's consolidated results of operations, financial position, and disclosures.

In May 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers," which amends ASU 2014-09. The ASU provides guidance for identifying performance obligations as they pertain to immaterial promised goods or services, shipping and handling activities, and identifying when promises represent performance obligations. The guidance becomes effective for the Company for the year beginning January 1, 2018. We are currently evaluating the impact the adoption of this guidance will have on the Company's consolidated results of operations, financial position, and disclosures.

In March 2016, the FASB issued ASU 2016-09, to ASC 718 "Compensation - Stock Compensation." The guidance allows for the simplification related to several aspects of the accounting for share-based payment transactions, including income tax consequences, the accounting for forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance can be applied either on a retrospective or prospective basis and becomes effective for annual periods beginning after December 15, 2016. We are currently evaluating the impact the adoption of this guidance will have on the Company's consolidated results of operations, financial position, and disclosures.

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 and must be applied on a retrospective basis with early adoption permitted. The Company is currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

In November 2015, the FASB issued ASU 2015-17, to ASC 740 "Income Taxes." The guidance simplifies the balance sheet classification of deferred taxes. The new guidance requires that all deferred tax balances be presented as non-current. This change, which can be early adopted, conforms U.S. GAAP to IFRS. The guidance becomes effective for the Company for the year beginning January 1, 2017. The adoption of this guidance would have reduced current assets and increased non-current assets by approximately $70.9 million and reduced current liabilities and increased non-current liabilities by approximately $22.9 million on the Company's consolidated balance sheet at June 30, 2016.

In May 2015, the FASB issued ASU 2015-07, to ASC 820 "Fair Value Measurements." ASU 2015-07 removes the requirement to categorize investments using the net asset value per share method within the fair value hierarchy. The Company will adopt the guidance in the fourth quarter of 2016, which will have an immaterial impact on the consolidated financial statements.

3. ACQUISITIONS

In May 2016, the Company entered into an agreement to acquire substantially all of the assets of Henry Troemner, LLC, a leading supplier of lab equipment, weights and weight calibration based in the United States. Total consideration for the acquisition is approximately $96 million. The acquisition is expected to be consummated in the third quarter of 2016 and will be funded by the Company's existing Credit Agreement.

In 2016, the Company consummated acquisitions totaling $4.3 million, which included additional cash consideration of $0.5 million. Goodwill recorded in connection with the acquisitions totaled $2.0 million. The Company also recorded $1.2 million of identified intangibles primarily pertaining to customer relationships in connection with the acquisitions, which will be amortized on a straight-line basis over 10 years.

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.

Cash Flow Hedges

In July 2012, the Company began entering into foreign currency forward contracts, designated as cash flow hedges, to hedge certain forecasted intercompany sales denominated in euro with its Swiss-based business. In January 2015, prior to the Swiss National Bank's abandonment of its previously established exchange rate of 1.20 Swiss franc per euro, the Company increased the notional amount of the cash flow hedges to a total notional value and average forward rate of Euro 86 million and 1.21 for contracts that matured in 2015 and Euro 67 million and 1.19 for contracts that mature in 2016. The notional amount of foreign currency forward contracts outstanding at June 30, 2016 were $40.1 million (Euro 36.3 million) and $73 million (Euro 67 million) at December 31, 2015. The gross amount recognized in other comprehensive income (loss) during the three month periods ended June 30, 2016 and 2015 was a gain of $0.3 million and $1.4 million, respectively. The gross amount recognized in other comprehensive income (loss) during the six month periods ended June 30, 2016 and 2015 was a loss of $0.2 million and a gain $24.2 million, respectively.

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 in forecasted 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 will change the floating rate LIBOR-based interest payments associated with $100 million in forecasted 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, 2016 and December 31, 2015, 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 $2.1 million based upon interest rates and foreign currency rates at June 30, 2016, is expected to be reclassified from other comprehensive income (loss) to earnings in the next twelve months. Through June 30, 2016, 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, 2016 and June 30, 2015, respectively, and disclosed in Note 5. The Company recognized in other charges (income), a net loss of $1.7 million and $0.2 million during the three months ended June 30, 2016 and 2015, respectively, and a net loss of $0.6 million and $9.5 million during the six months ended June 30, 2016 and 2015, respectively. The gains and losses are primarily offset by the underlying transaction gains and losses on the related intercompany balances. At June 30, 2016 and June 30, 2015, these contracts had a notional value of $348.4 million and $318.7 million, respectively.

5. FAIR VALUE MEASUREMENTS

At June 30, 2016 and December 31, 2015, the Company had derivative assets totaling $5.3 million and $8.2 million, respectively, and derivative liabilities totaling $12.0 million and $4.7 million, respectively. The fair values of the interest rate swap agreements, foreign currency forward contracts designated as cash flow hedges and foreign currency forward contracts that economically hedge short-term intercompany balances are estimated based upon inputs from current valuation information obtained from dealer quotes and priced with observable market assumptions and appropriate valuation adjustments for credit risk. The Company has evaluated the valuation methodologies used to develop the fair values by dealers in order to determine whether such valuations are representative of an exit price in the Company’s principal market. In addition, the Company uses an internally developed model to perform testing on the valuations received from brokers. The Company has also considered both its own credit risk and counterparty credit risk in determining fair value and determined these adjustments were insignificant at June 30, 2016 and December 31, 2015.

At June 30, 2016 and December 31, 2015, the Company had $19.7 million and $18.8 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 $31.6 million as of June 30, 2016. The carrying value of the Company's debt exceeds the fair value by approximately $9.2 million as of December 31, 2015.

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

A fair value hierarchy has been established that categorizes these inputs into three levels:

Level 1: Quoted prices in active markets for identical assets and liabilities
Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities
Level 3: Unobservable inputs

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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, 2016 and December 31, 2015:

	June 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$19,675	$ —	$19,675	$ —	$18,755	$ —	$18,755	$ —
Foreign currency forwards contracts designed as cash flow hedges	3,888	—	3,888	—	7,056	—	7,056	—
Foreign currency forward contracts not designated as hedging instruments	1,368	—	1,368	—	1,166	—	1,166	—
Total	$24,931	$ —	$24,931	$ —	$26,977	$ —	$26,977	$ —
Liabilities:								
Interest rate swap agreements	$10,167	$ —	$10,167	$ —	$4,092	$ —	$4,092	$ —
Foreign currency forward contracts not designated as hedging instruments	1,866	—	1,866	—	625	—	625	—
Total	$12,033	$ —	$12,033	$ —	$4,717	$ —	$4,717	$ —

6. INCOME TAXES

The provision for taxes is based upon using the Company's projected annual effective tax rate of 24% before discrete items for both the three and six month periods ended June 30, 2016 and 2015.

7. DEBT

Debt consisted of the following at June 30, 2016:

	June 30, 2016		
	U.S. Dollar	Other Principal Trading Currencies	Total
3.67% $50 million Senior Notes due December 17, 2022	50,000	—	50,000
4.10% $50 million Senior Notes due September 19, 2023	50,000	—	50,000
3.84% $125 million Senior Notes due September 19, 2024	125,000	—	125,000
4.24% $125 million Senior Notes due June 25, 2025	125,000	—	125,000
1.47% EUR 125 million Senior Notes due June 17, 2030	—	138,183	138,183
Debt issuance costs, net	(1,344)	(399)	(1,743)
Total Senior Notes	348,656	137,784	486,440
$800 million Credit Agreement, interest at LIBOR plus 87.5 basis points	157,952	48,871	206,823
Other local arrangements	—	20,945	20,945
Total debt	506,608	207,600	714,208
Less: current portion	—	(20,945)	(20,945)
Total long-term debt	$506,608	$186,655	$693,263

As of June 30, 2016, the Company had $588.6 million of availability remaining under its Credit Agreement.

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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 $2.0 million and $0.5 million for the three months ended June 30, 2016 and 2015, respectively, and a loss of $1.6 million and a gain $0.5 million for the six months periods ended June 30, 2016 and 2015, respectively.

8. SHARE REPURCHASE PROGRAM AND TREASURY STOCK

The Company has a share repurchase program of which there was $1.2 billion common shares remaining to be repurchased under the program as of June 30, 2016. 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 25.4 million shares since the inception of the program in 2004 through June 30, 2016. During the six months ended June 30, 2016 and 2015, the Company spent $250.0 million and $247.5 million on the repurchase of 732,245 shares and 777,248 shares at an average price per share of $341.39 and $318.38, respectively. The Company also reissued 131,737 shares and 233,593 shares held in treasury for the exercise of stock options and restricted stock units during the six months ended June 30, 2016 and 2015, respectively.

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents changes in accumulated other comprehensive income by component for the six months ended June 30, 2016 and 2015:

	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, 2015	$ (57,394)	$ 3,016	$ (212,271)	$ (266,649)
Other comprehensive income (loss), net of tax:				
Amounts recognized in accumulated other comprehensive income (loss), net of tax	—	(3,692)	(4,546)	(8,238)
Foreign currency translation adjustment	(15,350)	(556)	(810)	(16,716)
Amounts recognized from accumulated other comprehensive income (loss), net of tax	—	(2,007)	10,835	8,828
Net change in other comprehensive income (loss), net of tax	(15,350)	(6,255)	5,479	(16,126)
Balance at June 30, 2016	$ (72,744)	$ (3,239)	$ (206,792)	$ (282,775)

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	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, 2014	$ (4,960)	$ (1,944)	$ (206,045)	$(212,949)
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on cash flow hedging arrangements	—	19,932	—	19,932
Foreign currency translation adjustment	(1,655)	(817)	(2,655)	(5,127)
Amounts recognized from accumulated other comprehensive income (loss), net of tax	—	(4,321)	5,040	719
Net change in other comprehensive income (loss), net of tax	(1,655)	14,794	2,385	15,524
Balance at June 30, 2015	$ (6,615)	$ 12,850	$ (203,660)	$(197,425)

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, 2016	2015	Location of Amounts Recognized in Earnings
Effective portion of (gains) / losses on cash flow hedging arrangements:			
Interest rate swap agreements	$262	$771	Interest expense
Foreign currency forward contracts	(1,498)	(3,532)	Cost of sales - products
Total before taxes	(1,236)	(2,761)	
Provision for taxes	(206)	(427)	Provision for taxes
Total, net of taxes	$(1,030)	$(2,334)	
Recognition of defined benefit pension and post-retirement items:			
Recognition of actuarial losses, settlement loss and prior service cost, before taxes	$12,008	$3,428	(a)
Provision for taxes	4,110	911	Provision for taxes
Total, net of taxes	$7,898	$2,517	

(a) 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 and six months ended June 30, 2016 and 2015.

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	Six months ended June 30,		
	2016	2015	Location of Amounts Recognized in Earnings
Effective portion of (gains) / losses on cash flow hedging arrangements:			
Interest rate swap agreements	$526	$1,535	Interest expense
Foreign currency forward contracts	(2,931)	(6,623)	Cost of sales - products
Total before taxes	(2,405)	(5,088)	
Provision for taxes	(398)	(767)	Provision for taxes
Total, net of taxes	$(2,007)	$(4,321)	
Recognition of defined benefit pension and post-retirement items:			
Recognition of actuarial losses, settlement loss and prior service cost, before taxes	$15,968	$6,869	(a)
Provision for taxes	5,133	1,829	Provision for taxes
Total, net of taxes	$10,835	$5,040	

(a) 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 and six months ended June 30, 2016 and 2015.

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

	Three Months Ended		Six Months Ended	
	2016	2015	2016	2015
Net earnings	$79,588	$77,557	$145,262	$140,608
Other comprehensive income (loss), net of tax	(22,958)	21,780	(16,126)	15,524
Comprehensive income, net of tax	$56,630	$99,337	$129,136	$156,132

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:

	2016	2015
Three months ended	512,269	616,431
Six months ended	501,858	632,823

Outstanding options and restricted stock units to purchase or receive 84,392 and 95,535 shares of common stock for the three month periods ended June 30, 2016 and 2015, respectively, and options and restricted stock units to purchase or receive 108,361 and 95,725 for the six month periods ended June 30, 2016 and 2015, 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.

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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	
	2016	2015	2016	2015	2016	2015	2016	2015
Service cost, net	$145	$208	$4,153	$4,711	$—	$—	$4,298	$4,919
Interest cost on projected benefit obligations	1,072	1,608	2,673	3,515	19	35	3,764	5,158
Expected return on plan assets	(1,945)	(2,394)	(8,341)	(9,340)	—	—	(10,286)	(11,734)
Recognition of prior service cost	—	—	(1,278)	(984)	(469)	(469)	(1,747)	(1,453)
Recognition of actuarial losses/(gains)	1,902	1,907	4,563	3,817	(673)	(843)	5,792	4,881
Settlement charge	7,963	—	—	—	—	—	7,963	—
Net periodic pension cost/(credit)	$9,137	$1,329	$1,770	$1,719	$(1,123)	$(1,277)	$9,784	$1,771

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Service cost, net	$262	$417	$8,383	$9,456	$ —	$ —	$8,645	$9,873
Interest cost on projected benefit obligations	2,364	3,216	5,345	7,069	38	69	7,747	10,354
Expected return on plan assets	(4,044)	(4,788)	(16,681)	(18,639)	—	—	(20,725)	(23,427)
Recognition of prior service cost	—	—	(2,556)	(1,957)	(938)	(938)	(3,494)	(2,895)
Recognition of actuarial losses/(gains)	3,792	3,814	9,053	7,635	(1,346)	(1,685)	11,499	9,764
Settlement charge	7,963	—	—	—	—			