METTLER TOLEDO INTERNATIONAL INC/
Form 10-Q
November 06, 2015

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 SEPTEMBER 30, 2015, 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 27,356,838 shares of Common Stock outstanding at September 30, 2015.

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 September 30, 2015 and 2014
(In thousands, except share data)
(unaudited)

	September 30, 2015	September 30, 2014
Net sales		
Products	$469,548	$488,829
Service	134,606	140,271
Total net sales	604,154	629,100
Cost of sales		
Products	188,673	206,227
Service	75,952	79,322
Gross profit	339,529	343,551
Research and development	29,711	30,352
Selling, general and administrative	175,546	186,499
Amortization	7,767	7,198
Interest expense	7,029	5,991
Restructuring charges	2,561	1,050
Other charges (income), net	(8)	625
Earnings before taxes	116,923	111,836
Provision for taxes	28,062	26,840
Net earnings	$88,861	$84,996
Basic earnings per common share:		
Net earnings	$3.23	$2.96
Weighted average number of common shares	27,547,734	28,732,152
Diluted earnings per common share:		
Net earnings	$3.16	$2.89
Weighted average number of common and common equivalent shares	28,113,287	29,408,614
Comprehensive income, net of tax (Note 9)	$48,248	$44,540

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
Nine months ended September 30, 2015 and 2014
(In thousands, except share data)
(unaudited)

	September 30, 2015	September 30, 2014
Net sales		
Products	$1,332,154	$1,379,655
Service	389,758	408,900
Total net sales	1,721,912	1,788,555
Cost of sales		
Products	536,466	586,883
Service	224,200	237,304
Gross profit	961,246	964,368
Research and development	87,966	91,974
Selling, general and administrative	523,392	541,793
Amortization	22,929	21,575
Interest expense	20,696	17,613
Restructuring charges	5,188	4,447
Other charges (income), net	(858)	1,348
Earnings before taxes	301,933	285,618
Provision for taxes	72,464	68,549
Net earnings	$229,469	$217,069
Basic earnings per common share:		
Net earnings	$8.24	$7.47
Weighted average number of common shares	27,833,541	29,056,663
Diluted earnings per common share:		
Net earnings	$8.07	$7.30
Weighted average number of common and common equivalent shares	28,443,478	29,747,321
Comprehensive income, net of tax (Note 9)	$204,380	$176,076

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 September 30, 2015 and December 31, 2014
(In thousands, except share data)
(unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$123,299	$85,263
Trade accounts receivable, less allowances of $15,704 at September 30, 2015 and $15,961 at December 31, 2014	390,540	435,648
Inventories	225,542	204,531
Current deferred tax assets, net	62,754	62,341
Other current assets and prepaid expenses	66,180	61,647
Total current assets	868,315	849,430
Property, plant and equipment, net	513,568	511,462
Goodwill	448,342	444,085
Other intangible assets, net	114,355	112,784
Non-current deferred tax assets, net	27,206	30,273
Other non-current assets	81,760	61,076
Total assets	$2,053,546	$2,009,110
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$136,565	$145,896
Accrued and other liabilities	126,684	120,530
Accrued compensation and related items	120,843	136,107
Deferred revenue and customer prepayments	88,547	82,219
Taxes payable	76,255	59,297
Current deferred tax liabilities	23,460	18,677
Short-term borrowings and current maturities of long-term debt	21,061	116,164
Total current liabilities	593,415	678,890
Long-term debt	601,731	335,790
Non-current deferred tax liabilities	63,883	56,727
Other non-current liabilities	208,165	218,108
Total liabilities	1,467,194	1,289,515
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 27,356,838 and 28,243,007 shares at September 30, 2015 and December 31, 2014, respectively	448	448
Additional paid-in capital	682,184	670,418
Treasury stock at cost (17,429,173 shares at September 30, 2015 and 16,543,004 shares at December 31, 2014)	(2,434,460)	(2,095,656)
Retained earnings	2,576,218	2,357,334
Accumulated other comprehensive income (loss)	(238,038)	(212,949)
Total shareholders' equity	586,352	719,595

Total liabilities and shareholders’ equity	$2,053,546	$2,009,110

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
Nine months ended September 30, 2015 and twelve months ended December 31, 2014
(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, 2013	29,487,075	$448	$653,250	$(1,721,030)	$2,037,420	$(35,036)	$935,052
Exercise of stock options and restricted stock units	373,431	—	—	39,374	(18,327)	—	21,047
Repurchases of common stock	(1,617,499)	—	—	(414,000)	—	—	(414,000)
Tax benefit resulting from exercise of certain employee stock options	—	—	3,557	—	—	—	3,557
Share-based compensation	—	—	13,611	—	—	—	13,611
Net earnings	—	—	—	—	338,241	—	338,241
Other comprehensive income (loss), net of tax	—	—	—	—	—	(177,913)	(177,913)
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	281,627	—	—	32,419	(10,585)	—	21,834
Repurchases of common stock	(1,167,796)	—	—	(371,223)	—	—	(371,223)
Tax benefit resulting from exercise of certain employee stock options	—	—	1,418	—	—	—	1,418
Share-based compensation	—	—	10,348	—	—	—	10,348
Net earnings	—	—	—	—	229,469	—	229,469
Other comprehensive income (loss), net of tax (Note 9)	—	—	—	—	—	(25,089)	(25,089)
Balance at September 30, 2015	27,356,838	$448	$682,184	$(2,434,460)	$2,576,218	$(238,038)	$586,352

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
Nine months ended September 30, 2015 and 2014
(In thousands)
(unaudited)

	September 30, 2015	September 30, 2014
Cash flows from operating activities:		
Net earnings	$229,469	$217,069
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	24,978	25,469
Amortization	22,929	21,575
Deferred tax benefit	(3,245)	(6,102)
Excess tax benefits from share-based payment arrangements	(1,418)	(10,459)
Share-based compensation	10,348	9,784
Other	165	99
Increase (decrease) in cash resulting from changes in:		
Trade accounts receivable, net	26,123	43,313
Inventories	(27,014)	(18,024)
Other current assets	402	9,714
Trade accounts payable	(5,355)	(13,180)
Taxes payable	17,449	(9,391)
Accruals and other	(5,005)	8,371
Net cash provided by operating activities	289,826	278,238
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	281	433
Purchase of property, plant and equipment	(56,756)	(61,408)
Acquisitions	(10,969)	(3,385)
Net hedging settlements on intercompany loans	(5,563)	182
Net cash used in investing activities	(73,007)	(64,178)
Cash flows from financing activities:		
Proceeds from borrowings	550,002	512,977
Repayments of borrowings	(374,891)	(438,529)
Proceeds from stock option exercises	21,834	14,045
Repurchases of common stock	(371,223)	(296,476)
Excess tax benefits from share-based payment arrangements	1,418	10,459
Debt issuance costs	(432)	(941)
Acquisition contingent consideration paid	(572)	—
Net cash used in financing activities	(173,864)	(198,465)
Effect of exchange rate changes on cash and cash equivalents	(4,919)	(1,158)
Net increase (decrease) in cash and cash equivalents	38,036	14,437
Cash and cash equivalents:		
Beginning of period	85,263	111,874
End of period	$123,299	$126,311

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 September 30, 2015 – 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, 2014.

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 nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year ending December 31, 2015.

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, 2014.

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 September 30, 2015 – 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:

	September 30, 2015	December 31, 2014
Raw materials and parts	$101,655	$97,969
Work-in-progress	42,184	34,973
Finished goods	81,703	71,589
	$225,542	$204,531

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:

	September 30, 2015			December 31, 2014		
	Gross Amount	Accumulated Amortization	Intangibles, Net	Gross Amount	Accumulated Amortization	Intangibles, Net
Customer relationships	$98,211	$(29,836)	$68,375	$98,325	$(28,159)	$70,166
Proven technology and patents	50,349	(31,957)	18,392	45,588	(30,761)	14,827
Tradename (finite life)	4,215	(2,250)	1,965	4,140	(1,786)	2,354
Tradename (indefinite life)	24,805	—	24,805	24,947	—	24,947
Other	2,109	(1,291)	818	1,573	(1,083)	490
	$179,689	$(65,334)	$114,355	$174,573	$(61,789)	$112,784

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METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2015 – Unaudited (Continued)
(In thousands, except share data, unless otherwise stated)

The Company recognized amortization expense associated with the above intangible assets of $1.5 million and $1.6 million for the three months ended September 30, 2015 and 2014, respectively and $4.7 million and $4.8 million for the nine months ended September 30, 2015 and 2014, respectively. The annual aggregate amortization expense based on the current balance of other intangible assets is estimated at $6.2 million for 2015, $6.1 million for 2016, $5.7 million for 2017, $5.5 million for 2018, $5.2 million for 2019 and $4.9 million for 2020. Purchased intangible amortization was $1.3 million, $0.9 million after tax, and $1.5 million, $1.0 million after tax, for the three months ended September 30, 2015 and 2014, respectively and $4.2 million, $2.9 million after tax, and $4.2 million, $2.8 million after tax, for the nine months ended September 30, 2015 and 2014, respectively.

In addition to the above amortization, the Company recorded amortization expense associated with capitalized software of $6.2 million and $5.5 million for the three months ended September 30, 2015 and 2014, respectively and $18.1 million and $16.7 million for the nine months ended September 30, 2015 and 2014, respectively.

Revenue Recognition

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

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

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

Warranty

The Company generally offers one-year warranties on most of its products. Estimated 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 $3.4 million and $10.3 million of share-based compensation expense for the three and nine months ended September 30, 2015, respectively, compared to $3.3 million and $9.8 million for the corresponding periods in 2014.

Research and Development

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

3. ACQUISITIONS

In September 2015, the Company consummated acquisitions totaling $16.6 million, including the acquisition of a real-time monitoring water purity technology for an estimated aggregate purchase price of $14.7 million that will be integrated into the Company's process analytics product offering. The Company may be required to pay additional cash consideration related to an earn-out period. Goodwill recorded in connection with the acquisition totaled $8.7 million, which is included in the Company's U.S. Operations segment. The Company also recorded $6.8 million of identified intangibles primarily pertaining to technology 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. The notional amount of foreign currency forward contracts outstanding at September 30, 2015 were $29.9 million (Euro 26.7 million) for contracts that mature in 2015 and $74.5 million (Euro 66.5 million) for contracts that mature in 2016. The notional amount of foreign currency forward contracts outstanding at December 31, 2014 was $87.0 million (Euro 72.0 million) for contracts that mature in 2015. The amount recognized in other comprehensive income (loss) during the three months period ended September 30, 2015 and 2014 was a loss of $6.1 million and a gain of $0.5 million, respectively. The amount recognized in other comprehensive income (loss) during the nine months period ended September 30, 2015 and 2014 was a gain of $18.1 million and $0.9 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 $100 million in forecasted borrowings under the Company's credit facility to a fixed obligation of 3.24%. The swap began in October 2010 and matures in October 2015.

In June 2013, the Company entered into a forward-starting interest rate swap agreement, designated as a cash flow hedge. The agreement will change the floating rate LIBOR-based interest payments associated with $50 million in forecasted borrowings under the Company's credit agreement to a fixed obligation of 2.52% beginning in October 2015 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 September 30, 2015 and December 31, 2014, respectively, and disclosed in Note 5. Amounts reclassified into other comprehensive income and the effective portions of the cash flow hedges are further disclosed in Note 9. A derivative gain of $5.0 million based upon interest rates and foreign currency rates at September 30, 2015, is expected to be reclassified from other comprehensive income (loss) to earnings in the next 12 months. Through September 30, 2015, 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 September 30, 2015 and December 31, 2014, respectively, and disclosed in Note 5. The Company recognized in other charges (income), a net gain of $4.7 million and a net loss of $2.0 million during the three months ended September 30, 2015 and 2014, respectively, and a net loss of $4.8 million and $3.0 million during the nine months ended September 30, 2015 and 2014, respectively. The gains and losses are primarily offset by the underlying transaction gains on the related intercompany balances. At September 30, 2015 and December 31, 2014, these contracts had a notional value of $335.5 million and $325.4 million, respectively.

5. FAIR VALUE MEASUREMENTS

At September 30, 2015 and December 31, 2014, the Company had derivative assets totaling $10.1 million and $2.2 million, respectively, and derivative liabilities totaling $6.5 million and $5.6 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

METTLER-TOLEDO INTERNATIONAL INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At September 30, 2015 – Unaudited (Continued)
(In thousands, except share data, unless otherwise stated)

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 September 30, 2015 and December 31, 2014.
At September 30, 2015 and December 31, 2014, the Company had $17.3 million and $14.2 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 carrying value of the Company's debt exceeds the fair value by approximately $6.9 million as of September 30, 2015. The fair value of the Company's debt exceeds the carrying value by approximately $17.8 million as of December 31, 2014, respectively.
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 September 30, 2015 and December 31, 2014:

	September 30, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$17,326	$—	$17,326	$—	$14,188	$—	$14,188	$—
Foreign currency forwards contracts designed as cash flow hedges	9,182	—	9,182	—	567	—	567	—
Foreign currency forward contracts not designated as hedging instruments	880	—	880	—	1,611	—	1,611	—
Total	$27,388	$—	$27,388	$—	$16,366	$—	$16,366	$—
Liabilities:								
Interest rate swap agreements	$5,746	$—	$5,746	$—	$3,768	$—	$3,768	$—
Foreign currency forward contracts not designated as hedging instruments	782	—	782	—	1,799	—	1,799	—
Total	$6,528	$—	$6,528	$—	$5,567	$—	$5,567	$—

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6. INCOME TAXES

The provision for taxes is based upon using the Company's projected annual effective tax rate of 24% for both the three and nine month periods ended September 30, 2015 and 2014.

7. DEBT

Debt consisted of the following at September 30, 2015:

	September 30, 2015		
	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 125m Senior Notes due July 17, 2030	—	139,962	139,962
$800 million Credit Agreement, interest at LIBOR plus 75 basis points	100,000	11,769	111,769
Other local arrangements	283	20,778	21,061
Total debt	450,283	172,509	622,792
Less: current portion	(283)	(20,778)	(21,061)
Total long-term debt	$450,000	$151,731	$601,731

As of September 30, 2015, the Company had $683.4 million of availability remaining under its Credit Agreement. The Company was in compliance with its covenants at September 30, 2015.

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 recorded in other comprehensive income (loss) related to this net investment hedge was $0.3 million for the periods ended September 30, 2015.

4.24% Senior Notes

In June 2014, the Company entered into an agreement to issue and sell $250 million of ten-year Senior Notes in a private placement. The Company issued $125 million with a fixed interest rate of 3.84% ("3.84% Senior Notes") in September 2014 and issued an additional $125 million with a fixed interest rate of 4.24% ("4.24% Senior Notes") in June 2015. The Senior Notes are senior unsecured obligations of the Company. The 4.24% Senior Notes were used to repay $100 million of 6.30% Senior Notes which were due June 25, 2015.

8. SHARE REPURCHASE PROGRAM AND TREASURY STOCK

As of September 30, 2015, the Company had $107.2 million of remaining availability under the Company's share repurchase program. In November 2015, the Company's Board of Directors authorized an additional $1.5 billion to the share repurchase program. The share repurchases are expected to be

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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 24.2 million shares since the inception of the program through September 30, 2015. During the nine months ended September 30, 2015 and 2014, the Company spent $371.2 million and $296.5 million on the repurchase of 1,167,796 shares and 1,186,215 shares at an average price per share of $317.86 and $249.91, respectively. The Company also reissued 281,627 shares and 246,551 shares held in treasury for the exercise of stock options and restricted stock units during the nine months ended September 30, 2015 and 2014, respectively.

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents changes in accumulated other comprehensive income by component for the nine months ended September 30, 2015 and 2014:

	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	—	13,547	—	13,547
Foreign currency translation adjustment	(40,823)	(1,832)	3,146	(39,509)
Amounts recognized from accumulated other comprehensive income (loss), net of tax	—	(6,082)	6,955	873
Net change in other comprehensive income (loss), net of tax	(40,823)	5,633	10,101	(25,089)
Balance at September 30, 2015	$(45,783)	$3,689	$ (195,944)	$(238,038)

	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, 2013	$77,915	$(2,433)	$ (110,518)	$(35,036)
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on cash flow hedging arrangements	—	(445)	—	(445)
Foreign currency translation adjustment	(47,483)	30	4,644	(42,809)
Amounts recognized from accumulated other comprehensive income (loss), net of tax	—	1,075	1,186	2,261
Net change in other comprehensive income (loss), net of tax	(47,483)	660	5,830	(40,993)
Balance at September 30, 2014	$30,432	$(1,773)	$ (104,688)	$(76,029)

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

	Three months ended September 30,		
	2015	2014	Location of Amounts Recognized in Earnings
Effective portion of (gains) / losses on cash flow hedging arrangements:			
Interest rate swap agreements	$777	$787	Interest expense
Foreign currency forward contracts	(2,816)	(247)	Cost of sales - products
Total before taxes	(2,039)	540	
Provision for taxes	(278)	253	Provision for taxes
Total, net of taxes	$(1,761)	$287	
Recognition of defined benefit pension and post-retirement items:			
Recognition of actuarial losses, plan amendments and prior service cost, before taxes	$2,675	$719	(a)
Provision for taxes	761	313	Provision for taxes
Total, net of taxes	$1,914	$406	

(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 nine months ended September 30, 2015 and 2014.

	Nine months ended September 30,		
	2015	2014	Location of Amounts Recognized in Earnings
Effective portion of (gains) / losses on cash flow hedging arrangements:			
Interest rate swap agreements	$2,312	$2,333	Interest expense
Foreign currency forward contracts	(9,439)	(453)	Cost of sales - products
Total before taxes	(7,127)	1,880	
Provision for taxes	(1,045)	805	Provision for taxes
Total, net of taxes	$(6,082)	$1,075	
Recognition of defined benefit pension and post-retirement items:			
Recognition of actuarial losses, plan amendments and prior service cost, before taxes	$9,545	$2,131	(a)
Provision for taxes	2,590	945	Provision for taxes
Total, net of taxes	$6,955	$1,186	

(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 nine months ended September 30, 2015 and 2014.

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

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Net earnings	$88,861	$84,996	$229,469	$217,069
Other comprehensive income (loss), net of tax	(40,613)	(40,456)	(25,089)	(40,993)
Comprehensive income, net of tax	$48,248	$44,540	$204,380	$176,076

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 nine month periods ended September 30, solely relating to outstanding stock options and restricted stock units:

	2015	2014
Three months ended	565,553	676,462
Nine months ended	609,937	690,658

Outstanding options and restricted stock units to purchase or receive 95,832 and 105,570 shares of common stock for the three month periods ended September 30, 2015 and 2014, respectively, and options and restricted stock units to purchase or receive 95,884 and 135,858 for the nine month periods ended September 30, 2015 and 2014, 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 September 30:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other U.S. Post-retirement Benefits		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Service cost, net	$211	$223	$4,772	$3,856	$—	$43	$4,983	$4,122
Interest cost on projected benefit obligations	1,607	1,599	3,554	5,380	35	60	5,196	7,039
Expected return on plan assets	(2,395)	(2,137)	(9,228)	(9,372)	—	—	(11,623)	(11,509)
Recognition of prior service cost	—	—	(1,675)	(1,009)	(469)	(195)	(2,144)	(1,204)
Recognition of actuarial losses/(gains)	1,906	1,200	3,756	1,082	(843)	(359)	4,819	1,923
Net periodic pension cost/(credit)	$1,329	$885	$1,179	$(63)	$(1,277)	$(451)	$1,231	$371

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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 nine months ended September 30:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other U.S. Post-retirement Benefits		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Service cost, net	$628	$669	$14,228	$11,741	$—	$129	$14,856	$12,539
Interest cost on projected benefit obligations	4,823	4,797	10,623	16,383	104	180	15,550	21,360
Expected return on plan assets	(7,183)	(6,411)	(27,867)	(28,512)	—	—	(35,050)	(34,923)
Recognition of prior service cost	—	—	(3,632)	(3,079)	(1,408)	(585)	(5,040)	(3,664)
Recognition of actuarial losses/(gains)	5,720	3,600	11,393	3,272	(2,528)	(1,077)	14,585	5,795
Net periodic pension cost/(credit)	$3,988	$2,655	$4,745	$(195)	$(3,832)	$(1,353)	$4,901	$1,107

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, the Company expects to make employer contributions of approximately $19.6 million to its non-U.S. pension plans and employer contributions of approximately $0.7 million to its U.S. post-retirement medical plan during the year ended December 31, 2015. These estimates 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 nine months ended September 30, 2015, the Company has incurred $2.6 million and $5.2 million, respectively of restructuring expenses which primarily comprised of employee-related costs. Liabilities related to restructuring activities are included in accrued and other liabilities in the consolidated balance sheet.
A rollforward of the Company’s accrual for restructuring activities for the nine months ended September 30, 2015 is as follows:

	Total
Balance at December 31, 2014	$8,436
Restructuring charges	5,188
Cash payments and utilization	(3,602)
Impact of foreign currency	(574)
Balance at September 30, 2015	$9,448