

TELEFLEX INC
Form 10-Q
July 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 29, 2014

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 1-5353

TELEFLEX INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware 23-1147939
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification no.)

550 E. Swedesford Rd., Suite 400, Wayne, PA 19087
(Address of principal executive offices) (Zip Code)

(610) 225-6800

Edgar Filing: TELEFLEX INC - Form 10-Q

(Registrant's telephone number, including area code)

(None)

(Former Name, Former Address and Former Fiscal Year,

If Changed Since Last Report)

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

Indicate by check mark 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark 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.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

The registrant had 41,396,149 shares of common stock, \$1.00 par value, outstanding as of July 21, 2014.

TELEFLEX INCORPORATED

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JUNE 29, 2014

TABLE OF CONTENTS

| | Page |
|---|------|
| <u>PART I — FINANCIAL INFORMATION</u> | |
| Item 1: <u>Financial Statements (Unaudited):</u> | 2 |
| <u>Condensed Consolidated Statements of Income for the three and six months ended June 29, 2014 and June 30, 2013</u> | 2 |
| <u>Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 29, 2014 and June 30, 2013</u> | 3 |
| <u>Condensed Consolidated Balance Sheets as of June 29, 2014 and December 31, 2013</u> | 4 |
| <u>Condensed Consolidated Statements of Cash Flows for the six months ended June 29, 2014 and June 30, 2013</u> | 5 |
| <u>Condensed Consolidated Statements of Changes in Equity for the six months ended June 29, 2014 and June 30, 2013</u> | 6 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 7 |
| Item 2: <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 36 |
| Item 3: <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 46 |
| Item 4: <u>Controls and Procedures</u> | 46 |
| <u>PART II — OTHER INFORMATION</u> | |
| Item 1: <u>Legal Proceedings</u> | 48 |
| Item 1A: <u>Risk Factors</u> | 48 |
| Item 2: <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 48 |
| Item 3: <u>Defaults Upon Senior Securities</u> | 48 |
| Item 5: <u>Other Information</u> | 48 |
| Item 6: <u>Exhibits</u> | 49 |
| <u>SIGNATURES</u> | 50 |

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---|-----------|------------------|-----------|
| | June 29, | June 30, | June 29, | June 30, |
| | 2014 | 2013 | 2014 | 2013 |
| | (Dollars and shares in thousands, except per share) | | | |
| Net revenues | \$468,105 | \$420,059 | \$906,651 | \$831,936 |
| Cost of goods sold | 224,017 | 210,569 | 441,404 | 421,926 |
| Gross profit | 244,088 | 209,490 | 465,247 | 410,010 |
| Selling, general and administrative expenses | 146,843 | 116,253 | 287,140 | 243,203 |
| Research and development expenses | 14,870 | 16,524 | 28,932 | 31,531 |
| Restructuring and other impairment charges | 7,623 | 12,962 | 15,403 | 22,121 |
| Income from continuing operations before interest and taxes | 74,752 | 63,751 | 133,772 | 113,155 |
| Interest expense | 16,062 | 14,425 | 31,466 | 28,618 |
| Interest income | (146) | (157) | (333) | (314) |
| Income from continuing operations before taxes | 58,836 | 49,483 | 102,639 | 84,851 |
| Taxes on income from continuing operations | 10,006 | 6,082 | 18,540 | 13,749 |
| Income from continuing operations | 48,830 | 43,401 | 84,099 | 71,102 |
| Operating loss from discontinued operations | (1,594) | (1,026) | (1,619) | (1,784) |
| Tax benefit on loss from discontinued operations | (469) | (260) | (369) | (556) |
| Loss from discontinued operations | (1,125) | (766) | (1,250) | (1,228) |
| Net income | 47,705 | 42,635 | 82,849 | 69,874 |
| Less: Income from continuing operations attributable to | | | | |
| noncontrolling interest | 453 | 194 | 639 | 395 |
| Net income attributable to common shareholders | \$47,252 | \$42,441 | \$82,210 | \$69,479 |
| Earnings per share available to common shareholders: | | | | |
| Basic: | | | | |
| Income from continuing operations | \$1.17 | \$1.05 | \$2.02 | \$1.72 |
| Loss from discontinued operations | (0.03) | (0.02) | (0.03) | (0.03) |
| Net income | \$1.14 | \$1.03 | \$1.99 | \$1.69 |
| Diluted: | | | | |
| Income from continuing operations | \$1.04 | \$0.99 | \$1.81 | \$1.64 |
| Loss from discontinued operations | (0.02) | (0.01) | (0.03) | (0.03) |
| Net income | \$1.02 | \$0.98 | \$1.78 | \$1.61 |
| Dividends per share | \$0.34 | \$0.34 | \$0.68 | \$0.68 |

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | | |
|---|----------|----------|----------|----------|
| Weighted average common shares outstanding | | | | |
| Basic | 41,380 | 41,115 | 41,321 | 41,064 |
| Diluted | 46,392 | 43,429 | 46,071 | 43,238 |
| Amounts attributable to common shareholders: | | | | |
| Income from continuing operations, net of tax | \$48,377 | \$43,207 | \$83,460 | \$70,707 |
| Loss from discontinued operations, net of tax | (1,125) | (766) | (1,250) | (1,228) |
| Net income | \$47,252 | \$42,441 | \$82,210 | \$69,479 |

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | Three Months | | Six Months Ended | |
|--|------------------------|---------------|-------------------|-------------------|
| | Ended | | June 29, June 30, | June 29, June 30, |
| | June 29, 2014 | June 30, 2013 | 2014 | 2013 |
| | (Dollars in thousands) | | | |
| Net income | \$47,705 | \$42,635 | \$82,849 | \$69,874 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation, net of tax of \$(531) and \$4,461, \$(3,719) and \$(1,353) for the three and six month periods, respectively | 1,173 | (6,100) | 5,290 | (32,805) |
| Pension and other postretirement benefit plans adjustment, net of tax of \$206, \$519, \$709 and \$1,023 for the three and six month periods, respectively | 618 | 866 | 1,242 | 1,956 |
| Derivatives qualifying as hedges, net of tax of \$40, \$(111), \$82, and \$(7) for the three and six month periods, respectively | 73 | (192) | 143 | (12) |
| Other comprehensive income (loss), net of tax: | 1,864 | (5,426) | 6,675 | (30,861) |
| Comprehensive income | 49,569 | 37,209 | 89,524 | 39,013 |
| Less: comprehensive income attributable to non-controlling | | | | |
| interest | 455 | 2 | 707 | 244 |
| Comprehensive income attributable to common shareholders | \$49,114 | \$37,207 | \$88,817 | \$38,769 |

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | June 29, 2014 | December 31, 2013 |
|---|------------------------|----------------------|
| | (Dollars in thousands) | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$237,382 | \$ 431,984 |
| Accounts receivable, net | 301,720 | 295,290 |
| Inventories, net | 356,467 | 333,621 |
| Prepaid expenses and other current assets | 38,386 | 39,810 |
| Prepaid taxes | 47,641 | 36,504 |
| Deferred tax assets | 50,497 | 52,917 |
| Assets held for sale | 9,161 | 10,428 |
| Total current assets | 1,041,254 | 1,200,554 |
| Property, plant and equipment, net | 343,408 | 325,900 |
| Goodwill | 1,373,356 | 1,354,203 |
| Intangible assets, net | 1,233,905 | 1,255,597 |
| Investments in affiliates | 1,465 | 1,715 |
| Deferred tax assets | 944 | 943 |
| Other assets | 69,501 | 70,095 |
| Total assets | \$4,063,833 | \$ 4,209,007 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Current borrowings | \$362,273 | \$ 356,287 |
| Accounts payable | 73,533 | 71,967 |
| Accrued expenses | 80,040 | 74,868 |
| Current portion of contingent consideration | 2,959 | 4,131 |
| Payroll and benefit-related liabilities | 66,569 | 73,090 |
| Accrued interest | 9,991 | 8,725 |
| Income taxes payable | 21,817 | 23,821 |
| Other current liabilities | 35,308 | 22,231 |
| Total current liabilities | 652,490 | 635,120 |
| Long-term borrowings | 700,000 | 930,000 |
| Deferred tax liabilities | 517,433 | 514,715 |
| Pension and postretirement benefit liabilities | 102,194 | 109,498 |
| Noncurrent liability for uncertain tax provisions | 56,687 | 55,152 |
| Other liabilities | 50,650 | 48,506 |
| Total liabilities | 2,079,454 | 2,292,991 |
| Commitments and contingencies | | |
| Total common shareholders' equity | 1,982,277 | 1,913,527 |
| Noncontrolling interest | 2,102 | 2,489 |
| Total equity | 1,984,379 | 1,916,016 |
| Total liabilities and equity | \$4,063,833 | \$ 4,209,007 |

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | Six Months Ended | |
|--|------------------------|------------------|
| | June 29, 2014 | June 30, 2013 |
| | (Dollars in thousands) | |
| Cash Flows from Operating Activities of Continuing Operations | | |
| Net income | \$82,849 | \$69,874 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss from discontinued operations | 1,250 | 1,228 |
| Depreciation expense | 23,997 | 19,876 |
| Amortization expense of intangible assets | 32,102 | 24,551 |
| Amortization expense of deferred financing costs and debt discount | 7,716 | 7,533 |
| Changes in contingent consideration | (6,617) | (7,926) |
| Stock-based compensation | 5,726 | 5,766 |
| Deferred income taxes, net | 2,811 | (3,351) |
| Other | (2,142) | (8,243) |
| Changes in operating assets and liabilities, net of effects of acquisitions and disposals: | | |
| Accounts receivable | 640 | (18,084) |
| Inventories | (16,385) | (29,354) |
| Prepaid expenses and other current assets | 2,407 | 303 |
| Accounts payable and accrued expenses | (1,731) | 1,163 |
| Income taxes receivable and payable, net | (12,462) | (7,093) |
| Net cash provided by operating activities from continuing operations | 120,161 | 56,243 |
| Cash Flows from Investing Activities of Continuing Operations: | | |
| Expenditures for property, plant and equipment | (30,850) | (36,897) |
| Proceeds from sale of assets and investments | 4,139 | - |
| Payments for businesses and intangibles acquired, net of cash acquired | (28,535) | (36,954) |
| Investment in affiliates | (60) | (50) |
| Net cash used in investing activities from continuing operations | (55,306) | (73,901) |
| Cash Flows from Financing Activities of Continuing Operations: | | |
| Proceeds from long-term borrowings | 250,000 | - |
| Repayment of long-term borrowings | (480,000) | - |
| Debt issuance fees | (3,275) | - |
| Proceeds from share based compensation plans and the related tax impacts | 2,391 | 3,892 |
| Payments to noncontrolling interest shareholders | (1,094) | (736) |
| Payments for contingent consideration | - | (9,487) |
| Dividends | (28,093) | (27,944) |
| Net cash used in financing activities from continuing operations | (260,071) | (34,275) |

Edgar Filing: TELEFLEX INC - Form 10-Q

Cash Flows from Discontinued Operations:

| | | |
|--|----------|----------|
| Net cash used in operating activities | (1,531) | (1,437) |
| Net cash used in discontinued operations | (1,531) | (1,437) |

| | | |
|--|-----------|-----------|
| Effect of exchange rate changes on cash and cash equivalents | 2,145 | (2,251) |
| Net decrease in cash and cash equivalents | (194,602) | (55,621) |
| Cash and cash equivalents at the beginning of the period | 431,984 | 337,039 |
| Cash and cash equivalents at the end of the period | \$237,382 | \$281,418 |

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

| | Common Stock | | Additional | Retained | Accumulated Other Comprehensive Income | Treasury Stock | | Noncontrolling | Total |
|---|--------------|----------|--------------------|-------------|---|----------------|-------------|----------------|-------------|
| | Shares | Dollars | Paid In Capital | Earnings | (Loss) | Shares | Dollars | Interest | Equity |
| (Dollars and shares in thousands, except per share) | | | | | | | | | |
| Balance at December 31, 2012 | 43,102 | \$43,102 | \$394,384 | \$1,601,460 | \$(132,048) | 2,130 | \$(127,948) | \$2,587 | \$1,781,537 |
| Net income | | | | 69,479 | | | | 395 | 69,874 |
| Cash dividends (\$0.68 per share) | | | | (27,944) | | | | | (27,944) |
| Other comprehensive loss | | | | | (30,710) | | | (151) | (30,861) |
| Distributions to noncontrolling interest | | | | | | | | | |
| shareholders Shares issued under | | | | | | | | (736) | (736) |
| compensation plans | 97 | 97 | 7,007 | | | (51) | 2,507 | | 9,611 |
| Deferred compensation | | | (9) | | | (1) | 55 | | 46 |
| Balance at June 30, 2013 | 43,199 | \$43,199 | \$401,382 | \$1,642,995 | \$(162,758) | 2,078 | \$(125,386) | \$2,095 | \$1,801,527 |

| | Common Stock | | Additional | Retained | Accumulated Other Comprehensive Income | Treasury Stock | | Noncontrolling | Total |
|---|--------------|---------|--------------------|----------|---|----------------|---------|----------------|--------|
| | Shares | Dollars | Paid In Capital | Earnings | (Loss) | Shares | Dollars | Interest | Equity |
| (Dollars and shares in thousands, except per share) | | | | | | | | | |

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | | | | | | | |
|--|--------|----------|-----------|-------------|--------------|-------|-------------|----------|-------------|
| Balance at December 31, 2013 | 43,243 | \$43,243 | \$409,338 | \$1,696,424 | \$(110,855) | 2,064 | \$(124,623) | \$2,489 | \$1,916,016 |
| Net income | | | | 82,210 | | | | 639 | 82,849 |
| Cash dividends (\$0.68 per share) | | | | (28,093) | | | | | (28,093) |
| Other comprehensive income | | | | | 6,607 | | | 68 | 6,675 |
| Distributions to noncontrolling interest | | | | | | | | | |
| shareholders Shares issued under | | | | | | | | (1,094) | (1,094) |
| compensation plans | 144 | 144 | 5,237 | | (70) | 2,564 | | | 7,945 |
| Deferred compensation | | | | | (2) | 81 | | | 81 |
| Balance at June 29, 2014 | 43,387 | \$43,387 | \$414,575 | \$1,750,541 | \$(104,248) | 1,992 | \$(121,978) | \$2,102 | \$1,984,379 |

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

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 — Basis of presentation

We prepared the accompanying unaudited condensed consolidated financial statements of Teleflex Incorporated on the same basis as our annual consolidated financial statements.

In the opinion of management, our financial statements reflect all adjustments, which are of a normal recurring nature, necessary for the fair presentation of financial statements for interim periods in accordance with U.S. generally accepted accounting principles (GAAP) and with Rule 10-01 of SEC Regulation S-X, which sets forth the instructions for financial statements included in Form 10-Q. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In accordance with applicable accounting standards, the accompanying condensed consolidated financial statements do not include all of the information and footnote disclosures that are required to be included in our annual consolidated financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but, as permitted by Rule 10-01 of SEC Regulation S-X, does not include all disclosures required by GAAP for complete financial statements. Accordingly, our quarterly condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Effective January 1, 2014, the Company realigned its operating segments to reflect changes in the Company's internal financial reporting structure. See Note 14 for additional information on the Company's changed reporting structure.

The Company's share based compensation plan permits employees to elect to have shares withheld by the Company to satisfy their minimum statutory tax withholding obligations arising from the exercise or vesting of share based awards. The Company then remits, in cash, the withholding taxes to the appropriate tax authorities on behalf of the employee. For the six months ended June 29, 2014, the Company has classified such payments as a cash outflow from financing activities under the caption "Proceeds from share based compensation plans and the related tax impacts" within the condensed consolidated statement of cash flows. The Company views the activity as, in effect, a repurchase of the employee's shares. The Company's payments were previously reported as a cash outflow from operating activities; therefore, the Company reclassified the cash outflow for the six months ended June 30, 2013 of \$2.3 million to conform to the presentation for the six months ended June 29, 2014 within the condensed consolidated statement of cash flows as well as the condensed consolidating statement of cash flows included in Note 15. The Company's future filings incorporating financial periods prior to 2014 will also reflect this reclassification.

Additionally, the Company made certain revisions to the prior year condensed consolidating statements of cash flows included in the condensed consolidated guarantor financial information included in Note 15 to correct errors identified in the fourth quarter 2013.

As used in this report, the terms "we," "us," "our," "Teleflex" and the "Company" mean Teleflex Incorporated and its subsidiaries, unless the context indicates otherwise. The results of operations for the periods reported are not

necessarily indicative of those that may be expected for a full year.

Note 2 — New accounting standards

In April 2014, the Financial Accounting Standards Board (FASB) issued guidance for the reporting of discontinued operations. Under the new guidance, only those disposals of components of an entity that represent a strategic shift that has or will have a major effect on an entity's operations and financial results will be reported as discontinued operations in an entity's financial statements. In addition, the new guidance requires additional disclosures for discontinued operations designed to provide users of financial statements with more information about the assets, liabilities, revenues and expenses of discontinued operations. The new guidance also requires disclosures regarding disposals of a significant component of an entity that does not qualify for discontinued operations reporting. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 with early adoption permitted. The

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Company does not believe the adoption of this guidance will have a material impact on the Company's results of operations, cash flows or financial position.

In May 2014, the FASB, in a joint effort with the International Accounting Standards Board, issued new accounting guidance to clarify the principles for recognizing revenue. The new guidance is designed to enhance the comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, and will affect any entity that enters into contracts with customers or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. The new guidance establishes principles for reporting information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of the new guidance is that an entity recognizes 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. The new guidance is effective prospectively for annual periods beginning after December 15, 2016, and interim periods within those years. Early application is not permitted. The Company is currently evaluating this guidance to determine the impact on the Company's results of operations, cash flows, and financial position.

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date or, in some cases where early adoption is permitted, in advance of the specified effective date. The Company has assessed the recently issued standards that are not yet effective and, unless otherwise discussed, believes these standards will not have a material impact on the Company's results of operations, cash flows or financial position.

Note 3 — Acquisitions

On February 3, 2014, the Company acquired Mayo Healthcare Pty Limited, ("Mayo Healthcare"), a distributor of medical devices and supplies primarily in the Australian market. The total fair value of consideration for the Mayo Healthcare acquisition was \$28.5 million, which included an initial payment of \$29.0 million in cash, partially offset by a \$0.5 million favorable working capital adjustment. Transaction expenses associated with the acquisition, which are included in selling, general and administrative expenses on the condensed consolidated statements of income were \$0.3 million for the six months ended June 29, 2014. The results of operations of the Mayo Healthcare business are included in the condensed consolidated statements of income from the acquisition date. For the three months ended June 29, 2014, the Company recorded revenue and income from continuing operations before taxes related to the Mayo Healthcare business of \$9.4 million and \$3.2 million, respectively. For the six months ended June 29, 2014, the Company recorded revenue and income from continuing operations before taxes related to the Mayo Healthcare business of \$13.5 million and \$3.8 million, respectively. Pro forma information is not presented as the Mayo Healthcare operations are not significant to the overall operations of the Company.

The following table presents the preliminary fair value determination of the assets acquired and liabilities assumed in the Mayo Healthcare acquisition.

Edgar Filing: TELEFLEX INC - Form 10-Q

| | (Dollars in thousands) |
|---------------------------------|---------------------------|
| Assets | |
| Current assets | \$ 10,393 |
| Property, plant and equipment | 306 |
| Customer lists intangible asset | 9,335 |
| Goodwill | 15,986 |
| Total assets acquired | 36,020 |
| Liabilities | |
| Current liabilities | 4,685 |
| Deferred tax liabilities | 2,800 |
| Liabilities assumed | 7,485 |
| Net assets acquired | \$ 28,535 |

The Company is continuing to evaluate the Mayo Healthcare acquisition. Further adjustments to the fair value determination may be necessary as a result of the Company's assessment of additional information related to the fair values of assets acquired and liabilities assumed, primarily with respect to deferred tax assets and liabilities and goodwill.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Among the acquired assets, customer lists have a useful life of 10 years. The goodwill resulting from the acquisition primarily reflects the synergies expected to be realized from integration of the acquired business. Goodwill and the step-up in basis of the intangible assets in connection with stock acquisitions such as the Mayo Healthcare acquisition are not deductible for tax purposes.

The Company made the following acquisitions during 2013, all of which were accounted for as business combinations:

- On December 2, 2013, the Company acquired Vidacare Corporation, (“Vidacare”), a provider of intraosseous, or inside the bone, access devices. This acquisition complements the Company’s vascular access and specialty product portfolios.
 - On June 11, 2013, the Company acquired the assets of Ultimate Medical Pty. Ltd. and its affiliates (“Ultimate”), a supplier of airway management devices and related products. This acquisition complements the Company’s anesthesia product portfolio.
 - On June 6, 2013, the Company acquired Eon Surgical, Ltd. (“Eon”), a developer of a minimally invasive microlaparoscopy surgical platform technology designed to enhance a surgeon’s ability to perform scarless surgery while producing better patient outcomes. This technology complements the Company’s surgical product portfolio.
- The total fair value of consideration for the 2013 acquisitions is estimated at \$307.0 million. The results of operations of the acquired businesses and assets are included in the consolidated statements of income from their respective acquisition dates. Pro forma information is not presented as the operations of the acquired businesses are not significant to the overall operations of the Company.

Note 4 — Restructuring and other impairment charges

2014 Manufacturing Footprint Realignment

On April 28, 2014, the Board of Directors approved a restructuring plan (the “2014 Manufacturing Footprint Realignment Plan”) involving the consolidation of operations and a related reduction in workforce at certain of the Company’s facilities, and will include the relocation of manufacturing operations from certain higher-cost locations to existing lower-cost locations. These actions commenced in the second quarter ended June 29, 2014 and are expected to be substantially completed by the end of 2017.

The Company estimates that it will incur aggregate pre-tax charges in connection with these restructuring activities of approximately \$42 to \$53 million, most of which are expected to be incurred prior to the end of 2016. In addition, the Company estimates that \$32 million to \$40 million of the aggregate pre-tax charges will result in future cash outlays, most of which are expected to be incurred prior to the end of 2016.

The following table provides a summary of the Company's current cost estimates by major type of cost associated with the 2014 Manufacturing Footprint Realignment Plan:

| Type of cost | Total estimated amount expected to be incurred |
|--|--|
| Termination benefits | \$12 million to \$15 million |
| Facility closure and other exit costs(1) | \$2 million to \$5 million |
| Accelerated depreciation charges | \$10 million to \$12 million |
| Other (2) | \$18 million to \$21 million |
| | \$42 million to \$53 million |

(1) Includes costs to transfer product lines among facilities and outplacement and employee relocation costs.

(2) Consists of other costs directly related to the Plan, including project management, legal and regulatory costs.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company recorded expenses of \$9.5 million for the three and six month ended June 29, 2014 related to the 2014 Manufacturing Footprint Realignment Plan. Of this amount, \$8.6 million related to termination benefits and was recorded as restructuring expense and \$0.9 million related to accelerated depreciation and other costs and was recorded as cost of sales. As of June 29, 2014, the Company has a restructuring reserve of \$8.6 million in connection with the 2014 Manufacturing Footprint Realignment Plan all of which relates to termination benefits.

As the program progresses, management will reevaluate the estimated costs set forth above, and may revise its estimates and the accounting charges relating to these actions, as appropriate, consistent with generally accepted accounting principles.

2014 European Restructuring Plan

On February 27, 2014, the Company committed to a restructuring plan (the “2014 European Restructuring Plan”), which impacts certain administrative functions in Europe and involves the consolidation of operations and a related reduction in workforce at certain of the Company’s European facilities.

The Company estimates that it will record pre-tax charges of approximately \$8 million to \$9 million in connection with implementing the 2014 European Restructuring Plan. The Company anticipates that substantially all of these charges will involve employee termination benefits that will result in future cash outlays. For the three months ended June 29, 2014 the Company reversed \$0.6 million of expense after determining certain termination benefit reserves would not be utilized. For the six months ended June 29, 2014, the Company incurred \$8.1 million of charges primarily related to termination benefits. As of June 29, 2014, the Company had a reserve of \$5.3 million in connection with this project. The Company expects to complete this program in 2014.

2014 Restructuring Charges

In June 2014, the Company initiated programs to consolidate locations in Australia and terminate certain European distributor agreements in an effort to reduce costs. As a result of these actions, the Company estimates that it will incur an aggregate of \$2 million to \$3 million in restructuring and other impairment charges over the term of these restructuring programs, of which \$1.8 million was incurred through June 29, 2014. These programs include costs related to termination benefits, contract termination costs and other exit costs. As of June 29, 2014, the Company has a reserve of \$0.4 million in connection with these programs. The Company expects to complete the programs in 2014.

LMA Restructuring Program

In connection with the acquisition of substantially all of the assets of LMA International N.V. (the “LMA business”) in 2012, the Company formulated a plan related to the integration of the LMA business and the Company’s other

businesses. The integration plan focuses on the closure of the LMA business' corporate functions and the consolidation of manufacturing, sales, marketing, and distribution functions in North America, Europe and Asia.

A reconciliation of the changes in accrued liabilities associated with the LMA restructuring program from December 31, 2013 through June 29, 2014 is set forth in the following table:

| | Termination Benefits | Facility Closure Costs | Contract Termination Costs | Other Exit Costs | Total |
|---------------------------------|-------------------------|------------------------------|----------------------------------|------------------------|----------|
| | (Dollars in thousands) | | | | |
| Balance at December 31, 2013 | \$ 552 | \$ 427 | \$ 3,686 | \$ 16 | \$ 4,681 |
| Subsequent accruals (reversals) | (29) | (112) | (3,231) | — | (3,372) |
| Cash payments | (494) | (317) | (70) | — | (881) |
| Foreign currency translation | — | 2 | (1) | 1 | 2 |
| Balance at June 29, 2014 | \$ 29 | \$ - | \$ 384 | \$ 17 | \$ 430 |

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

During the six months ended June 29, 2014, the Company reversed approximately \$3.2 million in contract termination costs related to the settlement of a terminated distributor agreement.

The Company does not expect to incur additional costs associated with this program. The Company expects to complete the program in 2015.

2013 Restructuring Charges

In 2013, the Company initiated programs to consolidate manufacturing facilities in North America and warehouse facilities in Europe and terminate certain European distributor agreements in an effort to reduce costs. As a result of these actions, the Company estimates that it will incur an aggregate of up to \$11.0 million in restructuring and other impairment charges over the term of these restructuring programs, of which \$10.8 million was incurred through June 29, 2014. These programs entail costs related to termination benefits, contract termination costs and charges related to post-closing obligations associated with its acquired businesses. As of June 29, 2014, the Company has a reserve of \$1.6 million in connection with these programs. The Company expects to complete the programs in 2015.

2012 Restructuring Charges

In 2012, the Company identified opportunities to improve its supply chain strategy by consolidating its three North American warehouses into one centralized warehouse; and lower costs and improve operating efficiencies through the termination of certain distributor agreements in Europe, the closure of certain North American facilities and workforce reductions. Aside from nominal facility closure costs anticipated in 2014, the Company does not expect to incur additional costs associated with this program. As of June 29, 2014, the Company has a reserve of \$0.6 million in connection with these projects. The Company expects to complete this program in 2015.

Impairment Charges

In the first quarter 2013, the Company recorded a \$4.5 million in-process research and development (IPR&D) charge pertaining to a research and development project associated with the acquisition of the assets of Axiom Technology Partners LLP because technological feasibility had not yet been achieved and the Company determined that the subject technology had no future alternative use.

There were no impairment charges recorded for the three and six months ended June 29, 2014 or for the three months ended June 30, 2013.

The restructuring and other impairment charges recognized for the three and six months ended June 29, 2014 and June 30, 2013 consisted of the following:

Three Months Ended June 29, 2014
(in thousands)

| | | | | |
|-------------------------|----------|-------------------------|---------------|-------|
| Termination Benefits | Facility | Contract Termination | Other Exit | Total |
|-------------------------|----------|-------------------------|---------------|-------|

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | Closure | Costs | | Costs |
|--|----------|---|-----------|-------------|--------|---------|
| | | | | | | |
| | | | | Costs | | |
| 2014 Manufacturing footprint realignment | \$ 8,577 | | \$ — | \$ — | \$ — | \$8,577 |
| 2014 European restructuring plan | (566) |) | — | 305 | 49 | (212) |
| 2014 Restructuring charges | 476 | | — | 1,174 | 131 | 1,781 |
| LMA restructuring program | (29) |) | (154) | (2,759) | — | (2,942) |
| 2013 Restructuring charges | 317 | | — | 57 | 22 | 396 |
| 2012 Restructuring charges | (9) |) | 34 | — | — | 25 |
| 2011 Restructuring plan | — | | (2) | — | — | (2) |
| Total restructuring and other impairment charges | \$ 8,766 | | \$ (122) | \$ (1,223) | \$ 202 | \$7,623 |

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Three Months Ended June 30, 2013

| (in thousands) | Facility | | | | |
|--|-------------|---------|-------------------|------------|----------|
| | Termination | Closure | Contract | Other | Total |
| | Benefits | Costs | Termination Costs | Exit Costs | |
| LMA restructuring program | \$ 802 | \$ 293 | \$ 2,839 | \$7 | \$3,941 |
| 2013 Restructuring charges | 1,131 | — | 3,391 | 2,828 | 7,350 |
| 2012 Restructuring charges | 1,216 | 102 | 293 | 5 | 1,616 |
| 2011 Restructuring plan | — | — | — | — | — |
| 2007 Arrow integration program | — | 55 | — | — | 55 |
| Total restructuring and other impairment charges | \$ 3,149 | \$ 450 | \$ 6,523 | \$2,840 | \$12,962 |

Six Months Ended June 29, 2014

| (in thousands) | Facility | | | | |
|--|-------------|---------|-------------------|------------|----------|
| | Termination | Closure | Contract | Other | Total |
| | Benefits | Costs | Termination Costs | Exit Costs | |
| 2014 Manufacturing footprint realignment | \$ 8,577 | \$ — | \$ — | \$— | \$8,577 |
| 2014 European restructuring plan | 7,752 | — | 305 | 49 | 8,106 |
| 2014 Restructuring charges | 476 | — | 1,174 | 131 | 1,781 |
| LMA restructuring program | (29) | (112) | (3,231) | — | (3,372) |
| 2013 Restructuring charges | 485 | — | 57 | 22 | 564 |
| 2012 Restructuring charges | (619) | 354 | — | — | (265) |
| 2011 Restructuring plan | — | 12 | — | — | 12 |
| Total restructuring and other impairment charges | \$ 16,642 | \$ 254 | \$ (1,695) | \$202 | \$15,403 |

Six Months Ended June 30, 2013

| (in thousands) | Facility | | | | |
|--|-------------|---------|-------------------|------------|----------|
| | Termination | Closure | Contract | Other | Total |
| | Benefits | Costs | Termination Costs | Exit Costs | |
| LMA restructuring program | \$ 2,826 | \$ 374 | \$ 3,281 | \$115 | \$6,596 |
| 2013 Restructuring charges | 1,552 | — | 3,391 | 2,887 | 7,830 |
| 2012 Restructuring charges | 2,666 | 102 | 293 | 5 | 3,066 |
| 2007 Arrow integration program | — | 135 | — | — | 135 |
| | 7,044 | 611 | 6,965 | 3,007 | 17,627 |
| Impairment charges | — | — | — | 4,494 | 4,494 |
| Total restructuring and other impairment charges | \$ 7,044 | \$ 611 | \$ 6,965 | \$7,501 | \$22,121 |

Termination benefits include employee severance and retention for terminated employees.

Facility closure costs include general operating costs incurred subsequent to production shut-down as well as equipment relocation and other associated costs.

Contract termination costs include costs associated with terminating existing leases and distributor agreements.

Other costs include legal, outplacement and employee relocation costs and other employee-related costs.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Restructuring and other impairment charges by reportable segment for the three and six months ended June 29, 2014 and June 30, 2013 are set forth in the following table:

| | Three Months Ended June 29, 2014 (Dollars in thousands) | | Six Months Ended June 29, 2014 June 30, 2013 (Dollars in thousands) | |
|--|---|----------|--|----------|
| Restructuring and other impairment charges | | | | |
| Vascular North America | \$5,887 | \$130 | \$5,962 | \$627 |
| Anesthesia/Respiratory North America | 1,151 | 762 | 1,178 | 2,669 |
| Surgical North America | — | 2,800 | — | 7,294 |
| EMEA | (1,575) | 7,913 | 6,315 | 9,207 |
| Asia | 519 | 147 | 597 | 245 |
| OEM | — | 588 | — | 588 |
| All other | 1,641 | 622 | 1,351 | 1,491 |
| Total restructuring and other impairment charges | \$7,623 | \$12,962 | \$15,403 | \$22,121 |

Note 5 — Inventories, net

Inventories as of June 29, 2014 and December 31, 2013 consisted of the following:

| | June 29, 2014 (Dollars in thousands) | December 31, 2013 (Dollars in thousands) |
|-------------------------|--|--|
| Raw materials | \$74,790 | \$70,209 |
| Work-in-process | 59,412 | 53,672 |
| Finished goods | 255,244 | 242,113 |
| | 389,446 | 365,994 |
| Less: Inventory reserve | (32,979) | (32,373) |
| Inventories, net | \$356,467 | \$333,621 |

Note 6 — Goodwill and other intangible assets, net

The following table provides information relating to changes in the carrying amount of goodwill by reportable segment for the six months ended June 29, 2014:

| | Anesthesia/ | | | | | | Total |
|---------------------------------|------------------------|---------------|---------------|------------|------------|------------|--------------|
| | Vascular | Respiratory | Surgical | | | All | |
| | North America | North America | North America | EMEA | Asia | Other | |
| | (Dollars in thousands) | | | | | | |
| Balance as of December 31, 2013 | | | | | | | |
| Goodwill | \$474,044 | \$ 167,195 | \$ 250,506 | \$ 373,417 | \$ 136,946 | \$ 284,223 | \$ 1,686,331 |
| Accumulated impairment losses | (219,527) | (107,073) | — | — | — | (5,528) | (332,128) |
| Goodwill related to | 254,517 | 60,122 | 250,506 | 373,417 | 136,946 | 278,695 | 1,354,203 |
| acquisitions | — | — | — | — | 15,986 | — | 15,986 |
| Translation adjustment | — | (82) | — | (279) | 3,636 | (108) | 3,167 |
| Balance as of June 29, 2014 | | | | | | | |
| Goodwill | 474,044 | 167,113 | 250,506 | 373,138 | 156,568 | 284,115 | 1,705,484 |
| Accumulated impairment losses | (219,527) | (107,073) | — | — | — | (5,528) | (332,128) |
| | \$254,517 | \$ 60,040 | \$ 250,506 | \$ 373,138 | \$ 156,568 | \$ 278,587 | \$ 1,373,356 |

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table provides information as of June 29, 2014 and December 31, 2013 regarding the gross carrying amount of, and accumulated amortization relating to, intangible assets, net:

| | Gross Carrying Amount | | Accumulated Amortization | |
|-------------------------------------|------------------------|--------------|--------------------------|--------------|
| | June 29, | December 31, | June 29, | December 31, |
| | 2014 | 2013 | 2014 | 2013 |
| | (Dollars in thousands) | | | |
| Customer relationships | \$ 638,315 | \$ 628,020 | \$(183,363) | \$(168,223) |
| In-process research and development | 68,786 | 68,786 | — | — |
| Intellectual property | 435,811 | 435,869 | (133,795) | (118,086) |
| Distribution rights | 16,761 | 16,797 | (14,726) | (14,592) |
| Trade names | 408,050 | 407,879 | (2,089) | (1,148) |
| Noncompete agreements | 337 | 337 | (182) | (42) |
| | \$ 1,568,060 | \$ 1,557,688 | \$(334,155) | \$(302,091) |

During the first quarter 2013, the Company recorded an IPR&D charge of \$4.5 million. See Note 4 for additional information.

In May 2012, the Company acquired Semprus BioSciences, a biomedical research and development company that developed a polymer surface treatment technology intended to reduce thrombus related complications. The Company experienced unexpected difficulties with respect to the development of the Semprus technology, which the Company is currently attempting to resolve through further research and testing. Failure to resolve these issues may result in a reduction of the expected future cash flows related to the Semprus technology and could result in the recognition of impairment charges with respect to the related assets, which could be material. As of June 29, 2014, the Company has recorded assets at risk of approximately \$41.0 million related to this investment.

Amortization expense related to intangible assets was \$16.1 million and \$12.1 million for the three months ended June 29, 2014 and June 30, 2013, respectively, and \$32.1 million and \$24.6 million for the six months ended June 29, 2014 and June 30, 2013, respectively. Estimated annual amortization expense for the remainder of 2014 and the next five succeeding years is as follows (dollars in thousands):

| | |
|------|-----------|
| 2014 | \$ 33,000 |
| 2015 | 55,500 |
| 2016 | 54,500 |
| 2017 | 54,000 |
| 2018 | 53,500 |

2019 51,000

Note 7 — Borrowings

The components of long-term debt at June 29, 2014 and December 31, 2013 are as follows:

14

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | June 29, | December 31, |
|---|------------------------|--------------|
| | 2014 | 2013 |
| | (Dollars in thousands) | |
| Senior Credit Facility: | | |
| Revolving credit facility, at a rate of 2.15% at June 29, | | |
| 2014, due 7/16/2018 | \$200,000 | \$680,000 |
| 3.875% Convertible Senior Subordinated Notes | 400,000 | 400,000 |
| 6.875% Senior Subordinated Notes due 2019 | 250,000 | 250,000 |
| 5.25% Senior Notes due 2024 | 250,000 | - |
| Total borrowings | 1,100,000 | 1,330,000 |
| Less: Unamortized debt discount on 3.875% Convertible | | |
| Senior Subordinated Notes | (42,427) | (48,413) |
| | 1,057,573 | 1,281,587 |
| Current portion of borrowings | (357,573) | (351,587) |
| | \$700,000 | \$930,000 |

5.25% Senior Notes

On May 21, 2014, the Company issued \$250.0 million of 5.25% Senior Notes due 2024 (the “2024 Notes”). The Company will pay interest on the 2024 Notes semi-annually on June 15 and December 15, commencing on December 15, 2014, at a rate of 5.25% per year. The 2024 Notes will mature on June 15, 2024, unless earlier redeemed or purchased by the Company at the holder’s option under specified circumstances following a Change of Control or Asset Sale (each as defined in the Indenture related to the 2024 Notes) or upon the Company’s election to exercise its optional redemption rights, as described below. The Company incurred transaction fees of approximately \$4.7 million, including underwriters’ discounts and commissions in connection with the offering of the 2024 Notes, which were recorded as a deferred asset and are being amortized over the term of the 2024 Notes. The Company used \$245.0 million of the proceeds to repay borrowings under its revolving credit facility.

The Company's obligations under the 2024 Notes are fully and unconditionally guaranteed, jointly and severally, by each of the Company’s existing and future wholly-owned domestic subsidiaries that is a guarantor or other obligor under the Company’s revolving credit facility and by certain of the Company’s other wholly-owned domestic subsidiaries.

At any time on or after June 15, 2019, the Company may, on one or more occasions, redeem some or all of the 2024 Notes at a redemption price of 102.625% of the principal amount of the 2024 Notes subject to redemption, declining, in annual increments of 0.875%, to 100% of the principal amount on June 15, 2022, plus accrued and unpaid

interest. In addition, at any time prior to June 15, 2019, the Company may, on one or more occasions, redeem some or all of the 2024 Notes at a redemption price equal to 100% of the principal amount of the 2024 Notes redeemed, plus a “make-whole” premium and any accrued and unpaid interest. The “make-whole” premium is the greater of (a) 1.0% of the principal amount of the 2024 Notes subject to redemption or (b) the excess, if any, over the principal amount of the 2024 Notes of the present value, on the redemption date of the sum of (i) the June 15, 2019 optional redemption price plus (ii) all required interest payments on the 2024 Notes through June 15, 2019 (other than accrued and unpaid interest to the redemption date), calculated based on a specified Treasury rate, generally for the period most nearly equal to the period from the redemption date to June 15, 2019, plus 50 basis points.

In addition, at any time prior to June 15, 2017, the Company may, on one or more occasions, redeem up to 35% of the aggregate principal amount of the 2024 Notes, using the proceeds of specified types of Company equity offerings and subject to specified conditions, at a redemption price equal to 105.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest.

The 2024 Notes contain covenants that, among other things, limit or restrict the Company’s ability, and the ability of its subsidiaries, to incur debt, create liens, consolidate, merge or dispose of certain assets, make certain investments, engage in acquisitions, pay dividends on, repurchase or make distributions in respect of capital stock and enter into swap agreements.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Classification of 3.875% Convertible Notes as a Current Liability

The Company's 3.875% Convertible Senior Subordinated Notes due 2017 (the "Convertible Notes") are convertible under certain circumstances, including in any fiscal quarter following an immediately preceding fiscal quarter in which the last reported sales price per share of our common stock for at least 20 days during a period of 30 consecutive trading days ending on the last day of such fiscal quarter exceeds 130% of the \$61.32 per share conversion price of the Convertible Notes (approximately \$79.72). Since the fourth quarter of 2013, the Company's closing stock price has exceeded the 130% threshold described above and, accordingly, the Convertible Notes have been classified as a current liability as of June 29, 2014 and December 31, 2013. The determination of whether or not the Convertible Notes are convertible under such circumstances is made each quarter until maturity or conversion. Consequently, the Convertible Notes may not be convertible in one or more future quarters if the common stock price-based contingent conversion threshold is not met in such quarters, in which case the Convertible Notes would again be classified as long-term debt unless another conversion event set forth in the Convertible Notes has occurred. The Company has elected a net settlement method to satisfy the conversion obligation, under which it may settle the principal amount of the Convertible Notes in cash and settle the excess of the conversion value of the Convertible Notes over the principal amount of the notes in shares; however, cash will be paid in lieu of fractional shares. While the Company believes it has sufficient liquidity to repay the principal amounts due through a combination of its existing cash on hand and borrowings under its credit facility, the Company's use of these funds could adversely affect our results of operations and liquidity. The classification of the Convertible Notes as a current liability had no impact on our financial covenants.

Fair Value of Long-Term Debt

The carrying amount of long-term debt reported in the consolidated balance sheet as of June 29, 2014 is \$1,057.6 million. The Company uses quoted market prices to estimate the fair value of its publicly traded debt. To estimate the fair value of debt for which there are no quoted market prices, the Company uses a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality and risk profile. The Company's implied credit rating is a factor in determining the market interest yield curve. The following table provides the fair value of the Company's debt as of June 29, 2014, categorized by fair value hierarchy level (see Note 10, "Fair value measurement," in the Company's annual report on Form 10-K for the year ended December 31, 2013 for further information):

| |
|--|
| Fair value of debt (Dollars in thousands) |
| Level 1 \$968,108 |

Level 2 457,051
Total \$1,425,159

Note 8 — Financial instruments

The Company uses derivative instruments for risk management purposes. Forward exchange contracts are used to manage foreign currency transaction exposure. These derivative instruments are designated as cash flow hedges and are recorded on the balance sheet at fair market value. The effective portion of the gains or losses on derivatives is reported as a component of other comprehensive income and thereafter is recognized in the condensed consolidated statement of income in the period or periods during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in the condensed consolidated statement of earnings in the period in which such gains and losses occur.

The following table presents the location and fair values of derivative instruments designated as hedging instruments in the condensed consolidated balance sheet as of June 29, 2014 and December 31, 2013:

| | |
|---------------------|----------------------|
| June 29, 2014 | December 31, 2013 |
| Fair Value | Fair Value |

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | (Dollars in thousands) | |
|---|------------------------|------|
| Asset derivatives: | | |
| Foreign exchange contracts: | | |
| Prepaid expenses and other current assets | \$ 902 | \$ — |
| Total asset derivatives | \$ 902 | \$ — |
| Liability derivatives: | | |
| Foreign exchange contracts: | | |
| Other current liabilities | \$ 621 | \$ — |
| Total liability derivatives | \$ 621 | \$ — |

The total notional amount for all open foreign exchange contracts as of June 29, 2014 is approximately \$42.6 million. As of December 31, 2013, the Company had no open forward rate exchange contracts.

The following table provides information as to the gains and losses attributable to derivatives in cash flow hedging relationships that were reported in other comprehensive income (“OCI”) for the three and six months ended June 29, 2014 and June 30, 2013:

| | After Tax Gain/(Loss) | | | |
|----------------------------|------------------------|----------|------------------|----------|
| | Recognized in OCI | | | |
| | Three Months Ended | | Six Months Ended | |
| | June 29, | June 30, | June 29, | June 30, |
| | 2014 | 2013 | 2014 | 2013 |
| | (Dollars in thousands) | | | |
| Foreign exchange contracts | \$73 | \$(192) | \$143 | \$(12) |
| Total | \$73 | \$(192) | \$143 | \$(12) |

See Note 10 for information on the location and amount of gains and losses attributable to derivatives that were reclassified from accumulated other comprehensive income (“AOCI”) to expense (income), net of tax.

There was no ineffectiveness related to the Company’s derivatives used during the three and six months ended June 29, 2014 and June 30, 2013.

Based on exchange rates at June 29, 2014, approximately \$0.1 million of unrealized gains, net of tax, within AOCI are expected to be reclassified from AOCI to the condensed consolidated statement of income during the remainder of 2014. However, the actual amount reclassified from AOCI could vary due to future changes in exchange rates.

Concentration of Credit Risk

Concentrations of credit risk with respect to trade accounts receivable is generally limited due to the Company's large number of customers and their diversity across many geographic areas. A portion of the Company's trade accounts receivable outside the United States, however, include sales to government-owned or supported healthcare systems in several countries which are subject to payment delays. Payment is dependent upon the financial stability and creditworthiness of those countries' economies.

In the ordinary course of business, the Company grants non-interest bearing trade credit to its customers on normal credit terms. In an effort to reduce its credit risk, the Company (i) establishes credit limits for all of its customer relationships, (ii) performs ongoing credit evaluations of its customers' financial condition, (iii) monitors the payment history and aging of its customers' receivables, and (iv) monitors open orders against an individual customer's outstanding receivable balance.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

An allowance for doubtful accounts is maintained for accounts receivable based on the Company's historical collection experience and expected collectability of the accounts receivable, considering the period an account is outstanding, the financial position of the customer and information provided by credit rating services. The adequacy of this allowance is reviewed each reporting period and adjusted as necessary. Our allowance for doubtful accounts was \$10.2 million and \$10.7 million at June 29, 2014 and December 31, 2013, respectively.

In light of the disruptions in global economic markets in recent years, the Company instituted enhanced measures, within countries where the Company has collectability concerns, to facilitate customer-by-customer risk assessment when estimating the allowance for doubtful accounts. Such measures include, among others, monthly credit control committee meetings, at which customer credit risks are identified after review of, among other things, accounts that exceed specified credit limits, payment delinquencies and other customer issues. In addition, for some of the Company's non-government customers, the Company instituted measures designed to reduce its risk exposures, including issuing dunning letters, reducing credit limits, requiring that payments accompany orders and instituting legal action with respect to delinquent accounts. With respect to government customers, the Company evaluates receivables for potential collection risks associated with the availability of government funding and reimbursement practices.

Some of the Company's customers, particularly in Europe, have extended or delayed payments for products and services already provided. Collectability concerns regarding the Company's accounts receivable from these customers, for the most part in Greece, Italy, Spain and Portugal, resulted in an increase in the allowance for doubtful accounts related to these countries. If the financial condition of these customers or the healthcare systems in these countries deteriorate such that the ability of an increasing number of customers to make payments is uncertain, additional allowances may be required in future periods. The aggregate net current and long-term accounts receivable for Spain, Italy, Greece and Portugal as a percentage of the Company's net current and long-term accounts receivable at June 29, 2014 and December 31, 2013 are as follows:

| | June 29, | December 31, |
|---|------------------------|--------------|
| | 2014 | 2013 |
| | (Dollars in thousands) | |
| Current and long-term accounts receivable (net of allowances of \$8.9 million and \$7.9 million at June 29, 2014 and December 31, 2013, respectively) in Spain, Italy, Greece and Portugal(1) | \$95,653 | \$ 97,852 |
| Percentage of total net current and long-term accounts receivable | 30.8 % | 31.0 % |

(1) The long-term portion of accounts receivable, net at June 29, 2014 and December 31, 2013 was \$12.7 million and \$17.6 million, respectively.

For the six months ended June 29, 2014 and June 30, 2013, net revenues from customers in Spain, Italy, Greece and Portugal were \$79.6 million and \$73.7 million, respectively.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 9 — Fair value measurement

For a description of the fair value hierarchy, see Note 10 to the Company's 2013 consolidated financial statements included in its annual report on Form 10-K for the year ended December 31, 2013.

The following tables provide information regarding the financial assets and liabilities measured at fair value on a recurring basis as of June 29, 2014 and December 31, 2013:

| | Total carrying value at June 29, 2014 (Dollars in thousands) | Quoted prices in active markets (Level 1) | Significant other observable Inputs (Level 2) | Significant unobservable Inputs (Level 3) |
|--------------------------------------|---|--|---|--|
| Investments in marketable securities | \$6,535 | \$ 6,535 | \$ — | \$ — |
| Derivative assets | 902 | — | 902 | — |
| Derivative liabilities | 621 | — | 621 | — |
| Contingent consideration liabilities | 13,696 | — | — | 13,696 |

| | Total carrying value at December 31, 2013 (Dollars in thousands) | Quoted prices in active markets (Level 1) | Significant other observable Inputs (Level 2) | Significant unobservable Inputs (Level 3) |
|--------------------------------------|--|--|---|--|
| Investments in marketable securities | \$6,150 | \$ 6,150 | \$ — | \$ — |
| Contingent consideration liabilities | 20,313 | — | — | 20,313 |

There were no transfers of financial assets or liabilities carried at fair value among Level 1, Level 2 or Level 3 within the fair value hierarchy during the six months ended June 29, 2014.

The following table provides information regarding changes in Level 3 financial liabilities related to contingent consideration in connection with various Company acquisitions during the six months ended June 29, 2014:

| | |
|-----------------------------|--|
| | Contingent consideration 2014 (Dollars in thousands) |
| Balance - December 31, 2013 | \$ 20,313 |
| Revaluations | (6,617) |
| Balance - June 29, 2014 | \$ 13,696 |

For the three and six months ended June 29, 2014, the Company recorded net reductions to contingent consideration liabilities of \$4.4 million and \$6.7 million, respectively, and for the three and six months ended June 30, 2013, the Company recorded reductions to contingent consideration liabilities of \$6.6 million and \$8.1 million, respectively. These reductions were the result of changes in probabilities associated with certain regulatory and sales milestones.

Valuation Techniques

The Company's financial assets valued based upon Level 1 inputs are comprised of investments in marketable securities held in trust, which are available to pay benefits under certain deferred compensation plans and other compensatory arrangements. The investment assets of the trust are valued using quoted market prices.

The Company's financial assets and financial liabilities valued based upon Level 2 inputs are comprised of foreign currency forward exchange contracts. The Company uses forward rate exchange contracts to manage currency transaction exposure. The fair value of the foreign currency forward exchange contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices. The Company has taken into account the creditworthiness of the counterparties in measuring fair value.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company's financial liabilities valued based upon Level 3 inputs are comprised of contingent consideration arrangements pertaining to the Company's acquisitions. The Company accounts for contingent consideration in accordance with applicable accounting guidance related to business combinations. In connection with several of its acquisitions, the Company agreed to pay contingent consideration upon the achievement of specified objectives, including receipt of regulatory approvals, achievement of sales targets and, in some instances, the passage of time (collectively, "milestone payments"), and therefore recorded contingent consideration liabilities at the time of the acquisitions. The Company is required to reevaluate the fair value of contingent consideration each reporting period based on new developments and record changes in fair value until such consideration is satisfied through payment upon the achievement of the specified objectives or is no longer payable due to failure to achieve the specified objectives.

It is estimated that milestone payments will occur in 2015 and may extend until 2018 or later. As of June 29, 2014, the range of undiscounted amounts the Company could be required to pay for contingent consideration arrangements is between zero and \$56.5 million. The Company determines the fair value of the liabilities for the contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration liability associated with future milestone payments is based on several factors including:

- estimated cash flows projected from the success of market launches;
- the estimated time and resources needed to complete the development of acquired technologies;
- the uncertainty of obtaining regulatory approvals within the required time periods; and
- the risk adjusted discount rate for fair value measurement.

The following table provides information regarding the valuation techniques and inputs used in determining the fair value of assets or liabilities categorized as Level 3 measurements as of June 29, 2014:

| | Valuation Technique | Unobservable Input | Range (Weighted Average) |
|--------------------------|----------------------|------------------------|--------------------------|
| Contingent consideration | Discounted cash flow | Discount rate | 1.6%—10% (8.6%) |
| | | Probability of payment | 0%—100% (32.0%) |

As of June 29, 2014, of the \$13.7 million of total recorded liabilities for contingent consideration, the Company has recorded approximately \$3.0 million in Current portion of contingent consideration and the remaining \$10.7 million in Other liabilities.

Note 10 — Changes in shareholders' equity

In 2007, the Company's Board of Directors authorized the repurchase of up to \$300 million of outstanding Company common stock. Repurchases of Company stock under the Board authorization may be made from time to time in the open market and may include privately-negotiated transactions as market conditions warrant and subject to regulatory considerations. The stock repurchase program has no expiration date and the Company's ability to execute on the program will depend on, among other factors, cash requirements for acquisitions, cash generated from operations, debt repayment obligations, market conditions and regulatory requirements. In addition, under the Company's senior credit

agreements, the Company is subject to certain restrictions relating to its ability to repurchase shares in the event the Company's consolidated leverage ratio (generally, the ratio of Consolidated Total Indebtedness to Consolidated EBITDA, as defined in the senior credit agreements) exceeds certain levels, which may limit the Company's ability to repurchase shares under this Board authorization. Through June 29, 2014, no shares have been purchased under this Board authorization.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table provides a reconciliation of basic to diluted weighted average shares outstanding:

| | Three Months Ended | | Six Months Ended | |
|--|-----------------------|--------|---------------------|--------|
| | June | June | June | June |
| | 29, | 30, | 29, | 30, |
| | 2014 | 2013 | 2014 | 2013 |
| | (Shares in thousands) | | | |
| Basic | 41,380 | 41,115 | 41,321 | 41,064 |
| Dilutive effect of share based awards | 413 | 374 | 442 | 384 |
| Dilutive effect of 3.875% Convertible Notes and warrants | 4,599 | 1,940 | 4,308 | 1,790 |
| Diluted | 46,392 | 43,429 | 46,071 | 43,238 |

Weighted average shares that were antidilutive and therefore not included in the calculation of earnings per share were approximately 6.4 million and 6.5 million for the three and six months ended June 29, 2014 respectively, and approximately 7.9 million for both the three and six month periods ended June 30, 2013, respectively.

The Convertible Notes are included in the diluted net income per share calculation only during periods in which the average market price of our common stock was above the applicable conversion price of the Convertible Notes, or \$61.32 per share, and, therefore, the impact of conversion would not be anti-dilutive. In these periods, under the treasury stock method, we calculate the number of shares issuable under the terms of the Convertible Notes based on the average market price of the stock during the period, and include that number in the total diluted shares outstanding for the period.

In connection with the issuance of the Convertible Notes, the Company entered into convertible note hedge and warrant agreements. The convertible note hedge economically reduces the dilutive impact of the Convertible Notes. However, because applicable accounting guidance requires the Company to separately analyze the impact of the convertible note hedge agreements and the impact of the warrant agreements on diluted weighted average shares outstanding, the impact of the convertible note hedge agreements are excluded from the calculation of earnings per share because it would be anti-dilutive. The anti-dilutive shares associated with the convertible note hedges are 2.7 million and 2.6 million for the three and six months ended June 29, 2014, respectively and 1.5 million and 1.4 million for the three and six months ended June 30, 2013, respectively. The treasury stock method is applied when the warrants are in-the-money, assuming the proceeds from the exercise of the warrants are used to repurchase shares based on the average stock price during the period. The strike price of the warrants is approximately \$74.65 per share of common stock. Shares issuable upon exercise of the warrants that were included in the total diluted shares outstanding were 1.9 million and 1.7 million for the three and six months ended June 29, 2014, respectively and 0.4 million and 0.3 million for the three and six months ended June 30, 2013, respectively.

For additional information regarding the convertible notes and convertible note hedge and warrant agreements see Note 8 to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2013.

Edgar Filing: TELEFLEX INC - Form 10-Q

The following tables provide information relating to the changes in accumulated other comprehensive income (loss), net of tax, for the six months ended June 29, 2014 and June 30, 2013:

| | Cash Flow Hedges (Dollars in thousands) | Pension and Other Postretirement Benefit Plans | Foreign Currency Translation Adjustment | Accumulated Other Comprehensive Income (Loss) |
|-----------------------------------|--|---|--|--|
| Balance at December 31, 2013 | \$— | \$ (97,037 |) \$ (13,818 |) \$ (110,855 |
| Other comprehensive income (loss) | | | | |
| before reclassifications | 233 | (256 |) 5,222 | 5,199 |
| Amounts reclassified from | | | | |
| accumulated other | | | | |
| comprehensive income (loss) | (90) | 1,498 | — | 1,408 |
| Net current-period other | | | | |
| comprehensive income | 143 | 1,242 | 5,222 | 6,607 |
| Balance at June 29, 2014 | \$ 143 | \$ (95,795 |) \$ (8,596 |) \$ (104,248 |

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | Cash Flow Hedges (Dollars in thousands) | Pension and Other Postretirement Benefit Plans | Foreign Currency Translation Adjustment | Accumulated Other Comprehensive Income (Loss) |
|-----------------------------------|--|---|--|--|
| Balance at December 31, 2012 | \$(381) | \$ (127,257) | \$ (4,410) | \$ (132,048) |
| Other comprehensive income (loss) | | | | |
| before reclassifications | 362 | (452) | (32,654) | (32,744) |
| Amounts reclassified from | | | | |
| accumulated other | | | | |
| comprehensive income (loss) | (374) | 2,408 | — | 2,034 |
| Net current-period other | | | | |
| comprehensive income (loss) | (12) | 1,956 | (32,654) | (30,710) |
| Balance at June 30, 2013 | \$(393) | \$ (125,301) | \$ (37,064) | \$ (162,758) |

The following table provides information relating to the reclassifications of losses/(gain) in accumulated other comprehensive income into expense/(income), net of tax, for the three and six months ended June 29, 2014 and June 30, 2013:

| | Three Months Ended | | Six Months Ended | |
|--|------------------------|-------------|---------------------|-------------|
| | June 29, | June 30, | June 29, | June 30, |
| | 2014 | 2013 | 2014 | 2013 |
| | (Dollars in thousands) | | | |
| Gains and losses on foreign exchange contracts: | | | | |
| Cost of goods sold | \$(52) | \$(194) | \$(129) | \$(696) |
| Total before tax | (52) | (194) | (129) | (696) |
| Tax expense | 5 | 95 | 39 | 322 |
| Net of tax | \$(47) | \$(99) | \$(90) | \$(374) |
| Amortization of pension and other postretirement | | | | |

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | | |
|------------------------------|---------|---------|---------|---------|
| benefit items: | | | | |
| Actuarial losses/(gains) (1) | \$1,103 | \$1,618 | \$2,205 | \$3,764 |
| Prior-service costs(1) | (6) | (6) | (11) | (11) |
| Transition obligation(1) | — | 1 | - | 2 |
| Total before tax | 1,097 | 1,613 | 2,194 | 3,755 |
| Tax expense | (382) | (660) | (696) | (1,347) |
| Net of tax | \$715 | \$953 | \$1,498 | \$2,408 |

Total reclassifications, net of tax \$668 \$854 \$1,408 \$2,034

(1) These accumulated other comprehensive income components are included in the computation of net benefit cost of pension and other postretirement benefit plans (see Note 12 for additional information).

Note 11 — Taxes on income from continuing operations

| Three Months | | Six Months | |
|--------------|------|------------|------|
| Ended | | Ended | |
| June | June | June | June |
| 29, | 30, | 29, | 30, |
| 2014 | 2013 | 2014 | 2013 |

Effective income tax rate 17.0% 12.3% 18.1% 16.2%

The effective income tax rate for the three and six months ended June 29, 2014 was 17.0% and 18.1%, respectively and 12.3% and 16.2% for the three and six months ended June 30, 2013, respectively. The effective tax rate for the three and six months ended June 29, 2014 benefited from a shift in the mix of taxable income to foreign jurisdictions that have lower statutory rates. Nevertheless, the effective tax rate for the three and six months ended June 30, 2013 was lower, reflecting the realization of net tax benefits resulting from the resolution of a foreign tax matter and the expiration of statutes of limitation for a US state matter.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 12 — Pension and other postretirement benefits

The Company has a number of defined benefit pension and postretirement plans covering eligible U.S. and non-U.S. employees. The defined benefit pension plans are noncontributory. The benefits under these plans are based primarily on years of service and employees' pay near retirement. The Company's funding policy for U.S. plans is to contribute annually, at a minimum, amounts required by applicable laws and regulations. Obligations under non-U.S. plans are systematically provided for by depositing funds with trustees or by book reserves. As of June 29, 2014, the Company's U.S. defined benefit pension plans and the Company's other postretirement benefit plans, except certain postretirement benefit plans covering employees subject to a collective bargaining agreement, are frozen.

The Company and certain of its subsidiaries provide medical, dental and life insurance benefits to pensioners and survivors. The associated plans are unfunded and approved claims are paid from Company funds.

Net benefit cost of pension and postretirement benefit plans consisted of the following:

| | Pension | | Other Postretirement Benefits | | Pension | | Other Postretirement Benefits | |
|--------------------------------|------------------------|----------|-------------------------------|----------|------------------|----------|-------------------------------|----------|
| | Three Months Ended | | Three Months Ended | | Six Months Ended | | Six Months Ended | |
| | June 29, | June 30, | June 29, | June 30, | June 29, | June 30, | June 29, | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | (Dollars in thousands) | | | | | | | |
| Service cost | \$447 | \$464 | \$ 138 | \$ 161 | \$897 | \$929 | \$276 | \$325 |
| Interest cost | \$4,486 | 4,142 | \$ 596 | 542 | 8,969 | 8,281 | 1,193 | 1,541 |
| Expected return on plan assets | \$(6,264) | (5,774) | \$ — | — | (12,524) | (11,544) | — | — |
| Net amortization and deferral | \$1,070 | 1,414 | \$ 27 | 202 | 2,141 | 2,824 | 53 | 932 |
| Net benefit expense (income) | \$(261) | \$246 | \$ 761 | \$ 905 | \$(517) | \$490 | \$1,522 | \$2,798 |

The Company's pension contributions are expected to be approximately \$9.4 million during 2014, of which \$2.3 million and \$4.7 million were made during the three and six months ended June 29, 2014, respectively.

Note 13 — Commitments and contingent liabilities

Operating leases: The Company uses various leased facilities and equipment in its operations. The terms for these leased assets vary depending on the terms of the applicable lease agreement. At June 29, 2014, the Company had no residual value guarantee obligations related to its operating leases.

As of June 29, 2014, the Company recorded \$24.8 million in property, plant and equipment representing the estimated fair value of the Company's percentage of the costs to construct a building under a build-to-suit lease. The build-to-suit lease was entered into in August 2013 and amended in March of 2014 and relates to a U.S. operating facility. Construction on the build-to-suit facility commenced in September 2013 and is expected to be completed in October 2014. The estimated fair value of the Company's percentage of the construction costs to complete the build-to-suit lease is approximately \$28.3 million. For accounting purposes, the Company is deemed the owner of the asset during the construction period and is required to record the estimated fair value of the Company's percentage of the construction costs as construction in progress during the construction period and a related liability in the same amount. These amounts do not reflect the Company's cash obligations, but represent the landlord's costs to construct the Company's portion of the building and tenant improvements. Based on current expectations, the Company believes that there are no continuing involvement requirements that would prohibit the Company from derecognizing the assets and related liabilities upon commencement of the respective lease terms.

Environmental: The Company is subject to contingencies as a result of environmental laws and regulations that in the future may require the Company to take further action to correct the effects on the environment of prior disposal practices or releases of chemical or petroleum substances by the Company or other parties. Much of this liability results from the U.S. Comprehensive Environmental Response, Compensation and Liability Act, often referred to as Superfund, the U.S. Resource Conservation and Recovery Act and similar state laws. These laws require the Company to undertake certain investigative and remedial activities at sites where the Company conducts or once conducted operations or at sites where Company-generated waste was disposed.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Remediation activities vary substantially in duration and cost from site to site. These activities, and their associated costs, depend on the mix of unique site characteristics, evolving remediation technologies, the regulatory agencies involved and their enforcement policies, as well as the presence or absence of other potentially responsible parties. At June 29, 2014 and December 31, 2013, the Company has recorded \$2.2 million and \$2.5 million, respectively, in accrued liabilities and \$5.4 million and \$5.8 million, respectively, in other liabilities relating to these matters. Considerable uncertainty exists with respect to these liabilities and, if adverse changes in circumstances occur, the potential liability may exceed the amount accrued as of June 29, 2014. The time frame, over which the accrued amounts may be paid out, based on past history, is estimated to be 15-20 years.

Litigation: The Company is a party to various lawsuits and claims arising in the normal course of business. These lawsuits and claims include actions involving product liability, intellectual property, employment and environmental matters. As of June 29, 2014 and December 31, 2013, the Company has recorded reserves of approximately \$5.0 million and \$6.8 million, respectively, in connection with such contingencies, representing what it believes to be a better estimate of the cost than any other amount within the range of estimated possible losses that will be incurred to resolve these matters. Based on information currently available, advice of counsel, established reserves and other resources, the Company does not believe that any such actions are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or liquidity. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to our business, financial condition, results of operations or liquidity.

Tax audits and examinations: The Company and its subsidiaries are routinely subject to tax examinations by various taxing authorities. As of July 29, 2014, the most significant tax examinations in process are in Austria, Canada, the Czech Republic, Germany and the United States. In conjunction with these examinations and as a regular and routine practice, the Company may establish reserves or adjust existing reserves with respect to uncertain tax positions. Accordingly, developments occurring with respect to these examinations, including resolution of uncertain tax positions, could result in increases or decreases to the Company's recorded tax liabilities, which could impact the Company's financial results.

Other: The Company has various purchase commitments for materials, supplies and items of permanent investment incident to the ordinary conduct of its business. On average, such commitments are not at prices in excess of current market prices.

Note 14 — Business segment information

An operating segment is a component of the Company (a) that engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and (c) for which discrete financial information is available. The Company does not evaluate its operating segments using discrete asset information.

Effective January 1, 2014, the Company realigned its operating segments due to changes in the Company's internal financial reporting structure. The Company's North American Vascular, Anesthesia/Respiratory and Surgical businesses, which previously comprised much of the former Americas reportable segment, are now separate reportable

segments. As a result, the Company now has six reportable segments: Vascular North America, Anesthesia/Respiratory North America, Surgical North America, EMEA, Asia and OEM. Certain operating segments are not material and are therefore included in the “All other” line item in tabular presentations of segment information. Additionally, the Company made changes to the allocation methodology of certain costs, including manufacturing variances and research and development costs, among the businesses to improve accountability, which resulted in changes to the previously reported segment profitability. All prior comparative periods have been restated to reflect these changes.

The Company’s Vascular North America, Anesthesia/Respiratory North America, Surgical North America, EMEA and Asia reportable segments design, manufacture and distribute medical devices primarily used in critical care, surgical applications and cardiac care and generally serve two end markets: hospitals and healthcare providers, and home health. The products of these segments are most widely used in the acute care setting for a range of diagnostic and therapeutic procedures and in general and specialty surgical applications. The Company’s OEM segment designs, manufactures and supplies devices and instruments for other medical device manufacturers.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables present the Company's segment results for the three and six months ended June 29, 2014 and June 30, 2013:

| | Three Months Ended | | Six Months Ended | |
|--|------------------------|-----------|------------------|-----------|
| | June | June | June | June |
| | 29, 2014 | 30, 2013 | 29, 2014 | 30, 2013 |
| | (Dollars in thousands) | | | |
| Revenue | | | | |
| Vascular North America | \$64,187 | \$56,746 | \$126,694 | \$113,420 |
| Anesthesia/Respiratory North America | 55,049 | 58,516 | 109,763 | 116,690 |
| Surgical North America | 37,969 | 37,749 | 73,200 | 74,437 |
| EMEA | 154,670 | 137,842 | 304,914 | 280,260 |
| Asia | 62,539 | 50,409 | 112,142 | 92,777 |
| OEM | 36,610 | 32,110 | 69,791 | 63,448 |
| All other | 57,081 | 46,687 | 110,147 | 90,904 |
| Consolidated net revenues | \$468,105 | \$420,059 | \$906,651 | \$831,936 |
| | | | | |
| | Three Months | | Six Months Ended | |
| | Ended | June | June | June |
| | June | 30, 2013 | 29, 2014 | 30, 2013 |
| | (Dollars in thousands) | | | |
| Operating Profit | | | | |
| Vascular North America | \$9,988 | \$6,326 | \$19,381 | \$11,352 |
| Anesthesia/Respiratory North America | 6,293 | 9,264 | 11,980 | 14,942 |
| Surgical North America | 14,366 | 13,651 | 24,914 | 27,313 |
| EMEA | 30,080 | 21,226 | 56,961 | 44,468 |
| Asia | 17,096 | 13,971 | 29,932 | 26,067 |
| OEM | 8,296 | 7,734 | 14,900 | 14,094 |
| All other | 10,355 | 9,507 | 20,121 | 11,522 |
| Total segment operating profit (1) | 96,474 | 81,679 | 178,189 | 149,758 |
| Unallocated expenses (2) | (21,722) | (17,928) | (44,417) | (36,603) |
| Income from continuing operations before | | | | |
| Interest and taxes | \$74,752 | \$63,751 | \$133,772 | \$113,155 |

(1) Segment operating profit includes segment net revenues from external customers reduced by its standard cost of goods sold, adjusted for fixed manufacturing cost absorption variances, selling, general and administrative expenses, research and development expenses and an allocation of corporate expenses.

(2)

Unallocated expenses primarily include manufacturing variances, with the exception of fixed manufacturing cost absorption variances, and restructuring and other impairment charges.

| | Three Months | | Six Months Ended | |
|--|------------------------|----------|------------------|----------|
| | Ended | | June | |
| | June | June | June | June |
| | 29, 2014 | 30, 2013 | 29, 2014 | 30, 2013 |
| | (Dollars in thousands) | | | |
| Depreciation and Amortization | | | | |
| Vascular North America | \$8,066 | \$6,875 | \$15,921 | \$13,434 |
| Anesthesia/Respiratory North America | 3,708 | 2,874 | 8,136 | 6,715 |
| Surgical North America | 1,666 | 2,678 | 4,035 | 5,232 |
| EMEA | 9,673 | 6,843 | 18,610 | 13,994 |
| Asia | 2,305 | 1,203 | 4,143 | 2,415 |
| OEM | 1,608 | 1,213 | 3,064 | 2,361 |
| All other | 5,376 | 3,933 | 9,906 | 7,809 |
| Consolidated depreciation and amortization | \$32,402 | \$25,619 | \$63,815 | \$51,960 |

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Geographic Data

The following table provides total net revenues for the three and six months ended June 29, 2014 and June 30, 2013 and total net property, plant and equipment by geographic region as of June 29, 2014 and December 31, 2013:

| | Three Months Ended | | Six Months Ended | |
|---|------------------------|-----------|------------------|-----------|
| | June | June | June | June |
| | 29, 2014 | 30, 2013 | 29, 2014 | 30, 2013 |
| | (Dollars in thousands) | | | |
| Net revenue (based on selling location) | | | | |
| United States | \$228,349 | \$210,833 | \$444,810 | \$418,347 |
| Other Americas | 15,188 | 14,527 | 29,958 | 28,678 |
| Germany | 35,264 | 32,708 | 69,254 | 66,459 |
| Other Europe | 138,929 | 108,068 | 273,713 | 214,754 |
| All other | 50,375 | 53,923 | 88,916 | 103,698 |
| | \$468,105 | \$420,059 | \$906,651 | \$831,936 |

| | June 29, | December |
|-----------------------------------|------------------------|-----------|
| | 2014 | 31, 2013 |
| | (Dollars in thousands) | |
| Net property, plant and equipment | | |
| United States | \$198,266 | \$203,985 |
| Other Americas | 12,160 | 12,350 |
| Germany | 12,129 | 12,135 |
| Other Europe | 80,075 | 61,891 |
| All other | 40,778 | 35,539 |
| | \$343,408 | \$325,900 |

Note 15 —Condensed consolidated guarantor financial information

In June 2011, Teleflex Incorporated (referred to below as “Parent Company”) issued \$250 million of 6.875% senior subordinated notes through a registered public offering. The notes are guaranteed, jointly and severally, by certain of

the Parent Company's subsidiaries (each, a "Guarantor Subsidiary" and collectively, the "Guarantor Subsidiaries"). The guarantees are full and unconditional, subject to certain customary release provisions. Each Guarantor Subsidiary is directly or indirectly 100% owned by the Parent Company. The Company's condensed consolidating statements of income and comprehensive income (loss) for the three and six months ended June 29, 2014 and June 30, 2013, condensed consolidating balance sheets as of June 29, 2014 and December 31, 2013 and condensed consolidating statements of cash flows for the six months ended June 29, 2014 and June 30, 2013, provide consolidated information for:

- a. Parent Company, the issuer of the guaranteed obligations;
- b. Guarantor Subsidiaries, on a combined basis;
- c. Non-guarantor subsidiaries, on a combined basis; and
- d. Parent Company and its subsidiaries on a consolidated basis.

The same accounting policies as described in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 are used by the Parent Company and each of its subsidiaries in connection with the condensed consolidated financial information, except for the use by the Parent Company and Guarantor Subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Consolidating entries and eliminations in the following condensed consolidated financial statements represent adjustments to (a) eliminate intercompany transactions between or among the Parent Company, the Guarantor Subsidiaries and the Non-guarantor subsidiaries, (b) eliminate the investments in subsidiaries and (c) record consolidating entries.

The Company adjusted the 2013 condensed consolidating statement of cash flows included within the guarantor financial information to correctly present dividends received from subsidiaries as an operating activity. The corrections had no impact on the consolidated financial information, but only resulted in reclassifications among the parent, guarantor subsidiaries, non-guarantor subsidiaries and eliminations. The Company does not consider the errors to be material to the previously issued consolidated financial statements.

The following table illustrates the increase/(decrease) to the previously reported amounts for the six months ended June 30, 2013:

| | Six Months Ended June 30, 2013 | | | | Condensed |
|--|--------------------------------|--------------|---------------|--------------|-----------|
| | Parent | Guarantor | Non-Guarantor | | |
| | Company Subsidiaries | Subsidiaries | Eliminations | Consolidated | |
| | (Dollars in thousands) | | | | |
| Cash Flows from Operating Activities of Continuing | | | | | |
| Operations | \$ 1,200 | \$ 46,389 | \$ 3,738 | \$ (51,327) | \$ — |
| Cash Flows from Financing Activities of Continuing | | | | | |
| Operations: | | | | | |
| Intercompany transactions | (1,200) | (28,989) | 30,189 | — | — |
| Intercompany dividends paid | — | (17,400) | (33,927) | 51,327 | — |
| Cash Flows from Financing Activities of Continuing | | | | | |
| Operations | \$(1,200) | \$(46,389) | \$(3,738) | \$ 51,327 | \$ — |

The Company will also revise the previously reported interim condensed consolidating statements of cash flows for the nine months ended September 29, 2013 when presented in future filings.

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

| | Three Months Ended June 29, 2014 | | | | |
|---|----------------------------------|---------------------------|-------------------------------|---------------|---------------------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Condensed Consolidated |
| | (Dollars in thousands) | | | | |
| Net revenues | \$- | \$ 290,280 | \$ 317,651 | \$ (139,826) | \$ 468,105 |
| Cost of goods sold | - | 176,028 | 177,009 | (129,020) | 224,017 |
| Gross profit | - | 114,252 | 140,642 | (10,806) | 244,088 |
| Selling, general and administrative expenses | 11,025 | 76,575 | 59,135 | 108 | 146,843 |
| Research and development expenses | - | 12,885 | 1,985 | - | 14,870 |
| Restructuring and other impairment charges | - | 8,679 | (1,056) | - | 7,623 |
| Income (loss) from continuing operations | | | | | |
| before interest, and taxes | (11,025) | 16,113 | 80,578 | (10,914) | 74,752 |
| Interest expense | 35,155 | (20,740) | 1,647 | - | 16,062 |
| Interest income | - | - | (146) | - | (146) |
| Income (loss) from continuing operations | | | | | |
| before taxes | (46,180) | 36,853 | 79,077 | (10,914) | 58,836 |
| Taxes (benefit) on income (loss) from continuing operations | (15,710) | 13,535 | 14,344 | (2,163) | 10,006 |
| Equity in net income of consolidated subsidiaries | 78,802 | 57,250 | 98 | (136,150) | - |
| Income from continuing operations | 48,332 | 80,568 | 64,831 | (144,901) | 48,830 |
| Operating loss from discontinued operations | (1,594) | - | - | - | (1,594) |
| Taxes (benefit) on income (loss) from discontinued operations | (514) | - | 45 | - | (469) |
| Loss from discontinued operations | (1,080) | - | (45) | - | (1,125) |
| Net income | 47,252 | 80,568 | 64,786 | (144,901) | 47,705 |
| Less: Income from continuing operations | | | | | |
| attributable to noncontrolling interests | - | - | 453 | - | 453 |
| Net income attributable to common shareholders | 47,252 | 80,568 | 64,333 | (144,901) | 47,252 |
| Other comprehensive income (loss) attributable | 1,862 | (2,607) | (2,264) | 4,871 | 1,862 |

to common shareholders
Comprehensive income attributable

| | | | | | |
|------------------------|----------|-----------|-----------|---------------|-----------|
| to common shareholders | \$49,114 | \$ 77,961 | \$ 62,069 | \$ (140,030) | \$ 49,114 |
|------------------------|----------|-----------|-----------|---------------|-----------|

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | Three Months Ended June 30, 2013 | | | | |
|---|----------------------------------|---------------------------|-------------------------------|--------------|---------------------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Condensed Consolidated |
| | (Dollars in thousands) | | | | |
| Net revenues | \$- | \$ 248,012 | \$ 239,147 | \$ (67,100) | \$ 420,059 |
| Cost of goods sold | - | 143,732 | 136,322 | (69,485) | 210,569 |
| Gross profit | - | 104,280 | 102,825 | 2,385 | 209,490 |
| Selling, general and administrative expenses | 14,899 | 59,336 | 42,418 | (400) | 116,253 |
| Research and development expenses | - | 14,082 | 2,442 | - | 16,524 |
| Restructuring and other impairment charges | - | 1,511 | 11,451 | - | 12,962 |
| Income (loss) from continuing operations before | | | | | |
| interest, and taxes | (14,899) | 29,351 | 46,514 | 2,785 | 63,751 |
| Interest expense | 33,655 | (21,017) | 1,787 | - | 14,425 |
| Interest income | 3 | - | (160) | - | (157) |
| Income (loss) from continuing operations | | | | | |
| before taxes | (48,557) | 50,368 | 44,887 | 2,785 | 49,483 |
| Taxes (benefit) on income (loss) from continuing | | | | | |
| operations | (17,287) | 13,729 | 9,515 | 125 | 6,082 |
| Equity in net income of consolidated subsidiaries | 74,433 | 31,599 | - | (106,032) | - |
| Income from continuing operations | 43,163 | 68,238 | 35,372 | (103,372) | 43,401 |
| Operating loss from discontinued operations | (1,026) | - | - | - | (1,026) |
| Taxes (benefit) on income (loss) from discontinued operations | (304) | - | 44 | - | (260) |
| Loss from discontinued operations | (722) | - | (44) | - | (766) |
| Net income | 42,441 | 68,238 | 35,328 | (103,372) | 42,635 |
| Less: Income from continuing operations | | | | | |
| attributable to noncontrolling interests | - | - | 194 | - | 194 |
| Net income attributable to common | | | | | |
| shareholders | 42,441 | 68,238 | 35,134 | (103,372) | 42,441 |
| Other comprehensive income (loss) attributable | | | | | |
| to common shareholders | (5,234) | (1,224) | (3,559) | 4,783 | (5,234) |
| Comprehensive income attributable | \$37,207 | \$ 67,014 | \$ 31,575 | \$ (98,589) | \$ 37,207 |

to common shareholders

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | Six Months Ended June 29, 2014 | | | | |
|--|--------------------------------|---------------------------|-------------------------------|---------------|---------------------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Condensed Consolidated |
| | (Dollars in thousands) | | | | |
| Net revenues | \$- | \$ 552,705 | \$ 566,088 | \$ (212,142) | \$ 906,651 |
| Cost of goods sold | - | 328,396 | 314,882 | (201,874) | 441,404 |
| Gross profit | - | 224,309 | 251,206 | (10,268) | 465,247 |
| Selling, general and administrative expenses | 21,803 | 157,970 | 107,056 | 311 | 287,140 |
| Research and development expenses | - | 24,895 | 4,037 | - | 28,932 |
| Restructuring and other impairment charges | - | 8,491 | 6,912 | - | 15,403 |
| Income (loss) from continuing operations | | | | | |
| before interest, and taxes | (21,803) | 32,953 | 133,201 | (10,579) | 133,772 |
| Interest expense | 68,881 | (40,647) | 3,232 | - | 31,466 |
| Interest income | - | - | (333) | - | (333) |
| Income (loss) from continuing operations | | | | | |
| before taxes | (90,684) | 73,600 | 130,302 | (10,579) | 102,639 |
| Taxes (benefit) on income (loss) from continuing | | | | | |
| operations | (31,130) | 30,753 | 23,176 | (4,259) | 18,540 |
| Equity in net income of consolidated subsidiaries | 142,926 | 100,358 | 192 | (243,476) | - |
| Income from continuing operations | 83,372 | 143,205 | 107,318 | (249,796) | 84,099 |
| Operating loss from discontinued operations | (1,619) | - | - | - | (1,619) |
| Taxes (benefit) on income (loss) from discontinued operations | (457) | - | 88 | - | (369) |
| Loss from discontinued operations | (1,162) | - | (88) | - | (1,250) |
| Net income | 82,210 | 143,205 | 107,230 | (249,796) | 82,849 |
| Less: Income from continuing operations | | | | | |
| attributable to noncontrolling interests | - | - | 639 | - | 639 |
| Net income attributable to common | | | | | |
| shareholders | 82,210 | 143,205 | 106,591 | (249,796) | 82,210 |
| Other comprehensive income attributable to common shareholders | 6,607 | 4,621 | 6,259 | (10,880) | 6,607 |
| Comprehensive income attributable to common shareholders | \$88,817 | \$ 147,826 | \$ 112,850 | \$ (260,676) | \$ 88,817 |

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | Six Months Ended June 30, 2013 | | | | |
|--|--------------------------------|---------------------------|-------------------------------|---------------|---------------------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Condensed Consolidated |
| | (Dollars in thousands) | | | | |
| Net revenues | \$- | \$ 502,868 | \$ 469,952 | \$ (140,884) | \$ 831,936 |
| Cost of goods sold | - | 296,436 | 267,895 | (142,405) | 421,926 |
| Gross profit | - | 206,432 | 202,057 | 1,521 | 410,010 |
| Selling, general and administrative expenses | 31,827 | 126,492 | 85,090 | (206) | 243,203 |
| Research and development expenses | - | 27,089 | 4,442 | - | 31,531 |
| Restructuring and other impairment charges | - | 9,278 | 12,843 | - | 22,121 |
| Income (loss) from continuing operations before interest, and taxes | (31,827) | 43,573 | 99,682 | 1,727 | 113,155 |
| Interest expense | 67,190 | (42,144) | 3,572 | - | 28,618 |
| Interest income | (3) | - | (311) | - | (314) |
| Income (loss) from continuing operations before taxes | (99,014) | 85,717 | 96,421 | 1,727 | 84,851 |
| Taxes (benefit) on income (loss) from continuing operations | (35,746) | 27,980 | 20,739 | 776 | 13,749 |
| Equity in net income of consolidated subsidiaries | 134,253 | 65,749 | - | (200,002) | - |
| Income from continuing operations | 70,985 | 123,486 | 75,682 | (199,051) | 71,102 |
| Operating loss from discontinued operations | (2,152) | - | 368 | - | (1,784) |
| Taxes (benefit) on income (loss) from discontinued operations | (646) | - | 90 | - | (556) |
| Loss from discontinued operations | (1,506) | - | 278 | - | (1,228) |
| Net income (loss) | 69,479 | 123,486 | 75,960 | (199,051) | 69,874 |
| Less: Income from continuing operations attributable to noncontrolling interests | - | - | 395 | - | 395 |
| Net income (loss) attributable to common shareholders | 69,479 | 123,486 | 75,565 | (199,051) | 69,479 |
| Other comprehensive income attributable to common shareholders | (30,710) | (33,350) | (27,372) | 60,722 | (30,710) |
| Comprehensive income (loss) attributable | \$ 38,769 | \$ 90,136 | \$ 48,193 | \$ (138,329) | \$ 38,769 |

to common shareholders

31

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEETS

| | June 29, 2014 | | | | |
|---|------------------------|---------------------------|-------------------------------|----------------|---------------------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Condensed Consolidated |
| | (Dollars in thousands) | | | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$31,283 | \$3,235 | \$202,864 | \$- | \$237,382 |
| Accounts receivable, net | 1,192 | 10,588 | 286,779 | 3,161 | 301,720 |
| Accounts receivable from consolidated | | | | | |
| subsidiaries | 40,046 | 2,750,172 | 263,688 | (3,053,906) | - |
| Inventories, net | - | 208,536 | 173,908 | (25,977) | 356,467 |
| Prepaid expenses and other current assets | 13,916 | 5,175 | 19,295 | - | 38,386 |
| Prepaid taxes | 30,402 | - | 17,239 | - | 47,641 |
| Deferred tax assets | 20,136 | 19,051 | 11,314 | (4) | 50,497 |
| Assets held for sale | 2,901 | 1,034 | 5,226 | - | 9,161 |
| Total current assets | 139,876 | 2,997,791 | 980,313 | (3,076,726) | 1,041,254 |
| Property, plant and equipment, net | 3,939 | 193,017 | 146,452 | - | 343,408 |
| Goodwill | - | 703,258 | 670,098 | - | 1,373,356 |
| Intangibles assets, net | - | 722,652 | 511,253 | - | 1,233,905 |
| Investments in affiliates | 5,637,719 | 1,354,463 | 21,374 | (7,012,091) | 1,465 |
| Deferred tax assets | 33,425 | - | 4,454 | (36,935) | 944 |
| Notes receivable and other amounts due from | | | | | |
| consolidated subsidiaries | 963,322 | 978,447 | - | (1,941,769) | - |
| Other assets | 29,319 | 7,628 | 32,554 | - | 69,501 |
| Total assets | \$6,807,600 | \$6,957,256 | \$2,366,498 | \$(12,067,521) | \$4,063,833 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Current borrowings | \$357,573 | \$- | \$4,700 | \$- | \$362,273 |
| Accounts payable | 5,582 | 34,483 | 33,468 | - | 73,533 |
| Accounts payable to consolidated | | | | | |
| subsidiaries | 2,661,371 | 190,790 | 201,745 | (3,053,906) | - |
| Accrued expenses | 17,280 | 18,855 | 43,905 | - | 80,040 |
| Current portion of contingent consideration | - | 2,959 | - | - | 2,959 |
| Payroll and benefit-related liabilities | 16,472 | 14,501 | 35,596 | - | 66,569 |

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | | | |
|--|-------------|-------------|--------------|----------------|-------------|
| Accrued interest | 9,989 | - | 2 | - | 9,991 |
| Income taxes payable | - | - | 21,817 | - | 21,817 |
| Other current liabilities | 635 | 29,153 | 5,524 | (4) | 35,308 |
| Total current liabilities | 3,068,902 | 290,741 | 346,757 | (3,053,910) | 652,490 |
| Long-term borrowings | 700,000 | - | - | - | 700,000 |
| Deferred tax liabilities | - | 491,345 | 63,022 | (36,934) | 517,433 |
| Pension and other postretirement benefit liabilities | 50,913 | 33,555 | 17,726 | - | 102,194 |
| Noncurrent liability for uncertain tax positions | 12,649 | 17,394 | 26,644 | - | 56,687 |
| Notes payable and other amounts due from consolidated subsidiaries | 973,020 | 872,248 | 104,242 | (1,949,510) | - |
| Other liabilities | 19,839 | 17,986 | 12,825 | - | 50,650 |
| Total liabilities | 4,825,323 | 1,723,269 | 571,216 | (5,040,354) | 2,079,454 |
| Total common shareholders' equity | 1,982,277 | 5,233,987 | 1,793,180 | (7,027,167) | 1,982,277 |
| Noncontrolling interest | - | - | 2,102 | - | 2,102 |
| Total equity | 1,982,277 | 5,233,987 | 1,795,282 | (7,027,167) | 1,984,379 |
| Total liabilities and equity | \$6,807,600 | \$6,957,256 | \$ 2,366,498 | \$(12,067,521) | \$4,063,833 |

32

TELEFLEX INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | December 31, 2013 | | | | |
|---|------------------------|---------------------------|-------------------------------|-----------------|---------------------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Condensed Consolidated |
| | (Dollars in thousands) | | | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$42,749 | \$ 14,500 | \$ 374,735 | \$- | \$ 431,984 |
| Accounts receivable, net | 1,822 | 10,948 | 279,048 | 3,472 | 295,290 |
| Accounts receivable from consolidated | | | | | |
| subsidiaries | 42,865 | 2,623,314 | 214,469 | (2,880,648) | - |
| Inventories, net | - | 211,165 | 138,165 | (15,709) | 333,621 |
| Prepaid expenses and other current assets | 15,200 | 6,870 | 17,740 | - | 39,810 |
| Prepaid taxes | 27,487 | - | 9,017 | - | 36,504 |
| Deferred tax assets | 20,218 | 22,472 | 10,230 | (3) | 52,917 |
| Assets held for sale | 1,669 | 3,503 | 5,256 | - | 10,428 |
| Total current assets | 152,010 | 2,892,772 | 1,048,660 | (2,892,888) | 1,200,554 |
| Property, plant and equipment, net | 14,189 | 188,455 | 123,256 | - | 325,900 |
| Goodwill | - | 797,671 | 556,532 | - | 1,354,203 |
| Intangibles assets, net | - | 962,243 | 293,354 | - | 1,255,597 |
| Investments in affiliates | 5,489,676 | 1,478,429 | 21,382 | (6,987,772) | 1,715 |
| Deferred tax assets | 35,877 | - | 4,476 | (39,410) | 943 |
| Notes receivable and other amounts due from | | | | | |
| consolidated subsidiaries | 1,049,344 | 873,105 | 14,169 | (1,936,618) | - |
| Other assets | 24,574 | 7,447 | 38,074 | - | 70,095 |
| Total assets | \$6,765,670 | \$ 7,200,122 | \$ 2,099,903 | \$(11,856,688) | \$ 4,209,007 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities | | | | | |
| Notes payable | \$351,587 | \$- | \$ 4,700 | \$- | \$ 356,287 |
| Accounts payable | 2,194 | 45,802 | 23,971 | - | 71,967 |
| Accounts payable to consolidated | | | | | |
| subsidiaries | 2,644,296 | 147,957 | 88,395 | (2,880,648) | - |
| Accrued expenses | 15,569 | 21,120 | 38,179 | - | 74,868 |
| Current portion of contingent consideration | - | 4,131 | - | - | 4,131 |
| Payroll and benefit-related liabilities | 15,976 | 21,818 | 35,296 | - | 73,090 |
| Accrued interest | 8,720 | - | 5 | - | 8,725 |
| Income taxes payable | - | - | 23,821 | - | 23,821 |
| Other current liabilities | 9,646 | 7,517 | 5,072 | (4) | 22,231 |
| Total current liabilities | 3,047,988 | 248,345 | 219,439 | (2,880,652) | 635,120 |

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | | | |
|--|-------------|-------------|-------------|----------------|-------------|
| Long-term borrowings | 930,000 | - | - | - | 930,000 |
| Deferred tax liabilities | - | 496,228 | 57,896 | (39,409) | 514,715 |
| Pension and other postretirement benefit | | | | | |
| liabilities | 57,406 | 33,777 | 18,315 | - | 109,498 |
| Noncurrent liability for uncertain tax | | | | | |
| positions | 11,389 | 17,241 | 26,522 | - | 55,152 |
| Notes payable and other amounts due from | | | | | |
| consolidated subsidiaries | 785,476 | 957,451 | 197,173 | (1,940,100) | - |
| Other liabilities | 19,884 | 16,221 | 12,401 | - | 48,506 |
| Total liabilities | 4,852,143 | 1,769,263 | 531,746 | (4,860,161) | 2,292,991 |
| Total common shareholders' equity | 1,913,527 | 5,430,859 | 1,565,668 | (6,996,527) | 1,913,527 |
| Noncontrolling interest | - | - | 2,489 | - | 2,489 |
| Total equity | 1,913,527 | 5,430,859 | 1,568,157 | (6,996,527) | 1,916,016 |
| Total liabilities and equity | \$6,765,670 | \$7,200,122 | \$2,099,903 | \$(11,856,688) | \$4,209,007 |

TELEFLEX INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

| | Six Months Ended June 29, 2014 | | | | |
|--|--------------------------------|---------------------------|-------------------------------|--------------|---------------------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Condensed Consolidated |
| | (Dollars in thousands) | | | | |
| Net cash (used in) provided by operating | | | | | |
| activities from continuing operations | \$(49,306) | \$ 277,376 | \$ (33,864) | \$ (74,045) | \$ 120,161 |
| Cash Flows from Investing Activities of | | | | | |
| Continuing Operations: | | | | | |
| Expenditures for property, plant and equipment | (2,019) | (14,080) | (14,751) | - | (30,850) |
| Proceeds from sale of assets and investments | 1,669 | 2,470 | - | - | 4,139 |
| Payments for businesses and intangibles | | | | | |
| acquired, net of cash acquired | - | - | (28,535) | - | (28,535) |
| Investments in affiliates | (60) | - | - | - | (60) |
| Intercompany dividends received | - | - | 229,782 | (229,782) | - |
| Net cash used in investing activities | | | | | |
| from continuing operations | (410) | (11,610) | 186,496 | (229,782) | (55,306) |
| Cash Flows from Financing Activities of | | | | | |
| Continuing Operations: | | | | | |
| Proceeds from long-term borrowings | 250,000 | - | - | - | 250,000 |
| Repayment of long-term borrowings | (480,000) | - | - | - | (480,000) |
| Debt issuance fees | (3,275) | - | - | - | (3,275) |
| Proceeds from share based compensation | | | | | |
| plans and the related tax impacts | 2,391 | - | - | - | 2,391 |
| Payments to noncontrolling interest shareholders | | | | | |
| Dividends | (28,093) | - | (1,094) | - | (1,094) |
| Intercompany transactions | 298,758 | (277,031) | (21,727) | - | - |
| Intercompany dividends paid | - | - | (303,827) | 303,827 | - |
| Net cash provided by (used in) financing | | | | | |
| activities from continuing operations | 39,781 | (277,031) | (326,648) | 303,827 | (260,071) |
| Cash Flows from Discontinued Operations: | | | | | |
| Net cash used in operating activities | (1,531) | - | - | - | (1,531) |
| Net cash used in discontinued operations | (1,531) | - | - | - | (1,531) |
| Effect of exchange rate changes on cash and | - | - | 2,145 | - | 2,145 |

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | | | |
|---|-----------|-----------|------------|------|------------|
| cash equivalents | | | | | |
| Net decrease in cash and cash equivalents | (11,466) | (11,265) | (171,871) | - | (194,602) |
| Cash and cash equivalents at the beginning of | | | | | |
| the period | 42,749 | 14,500 | 374,735 | - | 431,984 |
| Cash and cash equivalents at the end of the | | | | | |
| period | \$31,283 | \$ 3,235 | \$ 202,864 | \$ - | \$ 237,382 |

| | Six Months Ended June 30, 2013 | | | | Condensed |
|--|--------------------------------|---------------------------|-------------------------------|--------------|--------------|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| | (Dollars in thousands) | | | | |
| Net cash (used in) provided by operating | | | | | |
| activities from continuing operations | \$(58,665) | \$ 92,513 | \$ 73,722 | \$ (51,327) | \$ 56,243 |
| Cash Flows from Investing Activities of | | | | | |
| Continuing Operations: | | | | | |
| Expenditures for property, plant and equipment | (711) | (28,617) | (7,569) | - | (36,897) |
| Payments for businesses and intangibles | | | | | |
| acquired, net of cash acquired | - | 1,500 | (38,454) | - | (36,954) |
| Investments in affiliates | (50) | - | - | - | (50) |
| Net cash used in investing activities | | | | | |
| from continuing operations | (761) | (27,117) | (46,023) | - | (73,901) |
| Cash Flows from Financing Activities of | | | | | |
| Continuing Operations: | | | | | |
| Proceeds from share based compensation | | | | | |
| plans and the related tax impacts | 3,892 | - | - | - | 3,892 |
| Payments to noncontrolling interest | | | | | |
| shareholders | - | - | (736) | - | (736) |
| Payments for contingent consideration | - | (7,922) | (1,565) | - | (9,487) |
| Dividends | (27,944) | - | - | - | (27,944) |
| Intercompany transactions | 41,548 | (42,063) | 515 | - | - |
| Intercompany dividends paid | - | (17,400) | (33,927) | 51,327 | - |
| Net cash provided by (used in) | | | | | |
| financing activities from | | | | | |
| continuing operations | 17,496 | (67,385) | (35,713) | 51,327 | (34,275) |
| Cash Flows from Discontinued Operations: | | | | | |
| Net cash used in operating activities | (837) | - | (600) | - | (1,437) |
| Net cash used in discontinued operations | (837) | - | (600) | - | (1,437) |
| Effect of exchange rate changes on cash and | | | | | |
| cash equivalents | - | - | (2,251) | - | (2,251) |
| Net decrease in cash and cash equivalents | (42,767) | (1,989) | (10,865) | - | (55,621) |
| Cash and cash equivalents at the beginning of | | | | | |
| the period | 70,860 | 1,989 | 264,190 | - | 337,039 |
| Cash and cash equivalents at the end of the | \$28,093 | \$ - | \$ 253,325 | \$ - | \$ 281,418 |

period

35

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

Forward-Looking Statements

All statements made in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "will," "would," "guidance," "potential," "continue," "project," "forecast," "confident," "prospects" and similar expressions typically are used to identify forward-looking statements. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about our business and the industry and markets in which we operate. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied by these forward-looking statements due to a number of factors, including changes in business relationships with and purchases by or from major customers or suppliers; delays or cancellations in shipments; demand for and market acceptance of new and existing products; our ability to integrate acquired businesses into our operations, realize planned synergies and operate such businesses profitably in accordance with expectations; our ability to effectively execute our restructuring programs; competitive market conditions and resulting effects on revenues and pricing; increases in raw material costs that cannot be recovered in product pricing; and global economic factors, including currency exchange rates, interest rates and sovereign debt issues; difficulties entering new markets; and general economic conditions. For a further discussion of the risks relating to our business, see Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. We expressly disclaim any obligation to update these forward-looking statements, except as otherwise specifically stated by us or as required by law or regulation.

Overview

Teleflex is a global provider of medical technology products that enhance clinical benefits, improve patient and provider safety and reduce total procedural costs. We primarily design, develop, manufacture and supply single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications. We sell our products to hospitals and healthcare providers in more than 150 countries through a combination of our direct sales force and distributors. Because our products are used in numerous markets and for a variety of procedures, we are not dependent upon any one end-market or procedure.

We are focused on achieving consistent, sustainable and profitable growth by increasing our market share and improving our operating efficiencies through:

- the development of new products and product line extensions;
- the investment in new technologies and broadening their applications;
- the expansion of the use of our products in existing markets, as well as the introduction of our products into new geographic markets;
- achieving economies of scale as we continue to expand, by leveraging our direct sales force and distribution network with new products, and increasing efficiencies in our manufacturing and distribution facilities; and
- the broadening of our product portfolio through select acquisitions, licensing arrangements and partnerships that enhance, extend or expedite our development initiatives or our ability to increase our market share.

We also evaluate our portfolio of products and businesses on an ongoing basis to ensure alignment with our overall objectives. Based on our evaluation, we may identify opportunities to expand our margins through strategic divestitures of existing businesses and product lines that do not meet our objectives. In addition, we may seek to optimize our overall facility footprint through restructuring initiatives to further reduce our cost base and enhance our competitive position. See restructuring and other impairment charges under “Results of Operations” for a discussion of our current restructuring programs.

On February 3, 2014, we acquired Mayo Healthcare Pty Limited, (“Mayo Healthcare”), a distributor of medical devices and supplies primarily for the Australian market. See Note 3 to the condensed consolidated financial statements included in this report for a discussion of the acquisition.

During 2013, we acquired:

Vidacare Corporation (“Vidacare”), a provider of intraosseous, or inside the bone, access devices, which complements the vascular access and specialty product portfolios;

36

the assets of Ultimate Medical Pty. Ltd. and its affiliates (“Ultimate”), a supplier of airway management devices with a variety of laryngeal mask airways and other related products, which complement our anesthesia product portfolio; and Eon Surgical, Ltd., a developer of a minimally invasive microlaparoscopy surgical platform technology designed to enhance a surgeon’s ability to perform scarless surgery while producing better patient outcomes, which complements our surgical product portfolio.

Change in Reporting Segments

Effective January 1, 2014, we realigned our operating segments due to changes in the Company’s internal financial reporting structure. Specifically, our North American Vascular, Anesthesia/Respiratory and Surgical businesses, which previously comprised much of our former Americas reportable segment, are now separate reportable segments. As a result, we now have six reportable segments: Vascular North America, Anesthesia/Respiratory North America, Surgical North America, EMEA, Asia and OEM. Certain operating segments are not material and are therefore included in the “All other” line item in tabular presentations of segment information. Additionally, we made changes to the allocation methodology of certain costs, including manufacturing variances and research and development costs, among our businesses to improve accountability, which resulted in changes to the previously reported segment profitability. All prior comparative periods have been restated to reflect these changes.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

In our Annual Report on Form 10-K for the year ended December 31, 2013, we provided disclosure regarding our critical accounting estimates, which are reflective of significant judgments and uncertainties, are important to the presentation of our financial condition and results of operations and could potentially result in materially different results under different assumptions and conditions.

Health Care Reform

On March 23, 2010 the Patient Protection and Affordable Care Act was signed into law. This legislation will have a significant impact on our business. For medical device companies such as Teleflex, the expansion of medical insurance coverage should lead to greater utilization of the products we manufacture, but this legislation also contains provisions designed to contain the cost of healthcare, which could negatively affect pricing of our products. In addition, commencing in 2013, the legislation imposed a 2.3% excise tax on sales of medical devices. For the three months ended June 29, 2014 and June 30, 2013, the medical device excise tax was \$3.3 million and \$2.8 million, respectively, and \$6.2 million and \$5.7 million for the six months ended June 29, 2014 and June 30, 2013, respectively, and is included in selling, general and administrative expenses.

Certain Regulatory Matters

In March 2014, we received a warning letter from the U.S. Food and Drug Administration (FDA) alleging certain violations of the Quality System Regulation, or QSR, observed during a September 2013 inspection of our Arlington Heights, Illinois manufacturing facility. FDA’s concerns relate to failure to appropriately establish and maintain certain manufacturing, corrective and preventive action, and process validation procedures. In May 2014, the FDA returned to the Arlington Heights facility and re-issued its inspectional observations from the March 2014 warning letter and also required that we report to the FDA a field corrective action we took with respect to a product manufactured at our Arlington Heights facility, which we did. We have provided detailed responses and updates to

the FDA as to our corrective actions, and continue to work to address the issues identified by the FDA. Until the violations are corrected, and those corrective actions are accepted and verified by FDA's re-inspection, we may be subject to additional enforcement action by the FDA. Additionally, the warning letter states that requests for Certificates to Foreign Governments related to products manufactured at the Arlington Heights facility will not be granted until the violations have been corrected.

Results of Operations

Certain financial information is presented on a rounded basis, which may cause minor differences.

Net Revenues

| | Three Months Ended | | Six Months Ended | |
|-----------------------|--------------------|----------|------------------|----------|
| | June 29 | June 30, | June 29, | June 30, |
| | 2014 | 2013 | 2014 | 2013 |
| (Dollars in millions) | | | | |
| Net Revenues | \$468.1 | \$420.1 | \$906.7 | \$831.9 |

Net revenues for the three months ended June 29, 2014 increased 11.4% to \$468.1 million from \$420.1 million for the three months ended June 30, 2013. The \$48.0 million increase in net revenues is largely due to the businesses acquired during 2013 and 2014, which generated net revenues of \$27.0 million, including \$21.3 million, \$4.6 million and \$1.1 million generated by Vidacare, Mayo Healthcare and Ultimate, respectively. Net revenues further benefited from price increases of \$8.1 million, primarily in the EMEA and Asia segments, the favorable impact of foreign currency exchange rates of \$5.5 million, higher sales volumes of \$4.3 million, primarily in the EMEA and OEM segments and new product sales of \$3.1 million, primarily in the Vascular North America and Anesthesia/Respiratory North America segments.

Net revenues for the six months ended June 29, 2014 increased 9.0% to \$906.7 million from \$831.9 million for the six months ended June 30, 2013. The \$74.8 million increase in net revenues is largely due to the businesses acquired during 2013 and 2014, which generated net revenues of \$50.2 million, including \$41.5 million, \$6.5 million and \$2.2 million generated by Vidacare, Mayo Healthcare and Ultimate, respectively. Net revenues further benefited from price increases of \$12.5 million, primarily in the EMEA and Asia segments, new product sales of \$6.4 million, primarily in the Vascular North America and Anesthesia/Respiratory North America segments and the favorable impact of foreign currency exchange rates of \$7.5 million.

Gross profit

| | Three Months Ended | | Six Months Ended | |
|-----------------------|--------------------|----------|------------------|---------|
| | June 29, | June 30, | June 29, | June 30 |
| | 2014 | 2013 | 2014 | 2013 |
| (Dollars in millions) | | | | |
| Gross profit | \$244.1 | \$209.5 | \$465.2 | \$410.0 |
| Percentage of sales | 52.1 | % 49.9 | % 51.3 | % 49.3 |

Edgar Filing: TELEFLEX INC - Form 10-Q

For the three and six month periods ended June 29, 2014 gross profit as a percentage of revenues increased 2.2% and 2.0%, respectively, compared to the corresponding prior year periods. The increase for the three and six month periods ended June 29, 2014 reflects the benefit of higher margin sales from recent acquisitions including Vidacare, Mayo Healthcare and Ultimate, price increases, primarily in the EMEA and Asia segments, the favorable impact of foreign currency exchange rates and increases in new product sales, primarily in the Vascular North America and Anesthesia/Respiratory North America segments. These improvements in gross profit were partially offset by higher raw materials and manufacturing costs.

Selling, general and administrative

| | Three Months Ended | | Six Months Ended | |
|-------------------------------------|-----------------------|----------|------------------|----------|
| | June 29, | June 30, | June 29, | June 30, |
| | 2014 | 2013 | 2014 | 2013 |
| | (Dollars in millions) | | | |
| Selling, general and administrative | \$146.8 | \$116.3 | \$287.1 | \$243.2 |
| Percentage of sales | 31.4 | % 27.7 | % 31.7 | % 29.2 |
| 38 | | | | |

Selling, general and administrative expenses increased \$30.5 million for the three months ended June 29, 2014 compared to the three months ended June 30, 2013. The increase is principally due to \$11.6 million of expenses associated with acquired businesses, primarily Vidacare, Mayo Healthcare and Ultimate, \$6.6 million of higher general and administrative costs primarily due to increases in employee related expenses, higher amortization expense of \$3.9 million, the majority of which relates to the amortization of Vidacare intangibles; \$2.2 million of higher IT related costs, primarily associated with the ongoing maintenance of enterprise resource planning software systems; and the unfavorable impact of foreign currency exchange rates of \$1.5 million. The increase in selling, general and administrative expenses was also affected by a \$2.2 million lower benefit from reductions in contingent consideration in the second quarter of 2014 as compared to the second quarter of 2013.

Selling, general and administrative expenses increased \$43.9 million for the six months ended June 29, 2014 compared to the six months ended June 30, 2013. The increase is primarily due to \$26.8 million of expenses associated with acquired businesses, primarily Vidacare, Mayo Healthcare and Ultimate, higher amortization expense of \$7.5 million, the majority of which relates to the amortization of Vidacare intangibles; \$4.2 million of higher IT related costs primarily associated with the ongoing maintenance of enterprise resource planning software systems; \$1.7 million of increased spending in sales and marketing; and the \$1.6 million unfavorable impact of foreign currency exchange rates. The increase in selling general and administrative expenses was also affected by a \$1.4 million lower benefit from contingent consideration reserve reductions for the six months ended June 29, 2014 as compared to the six months ended June 30, 2013.

Research and development

| Three Months Ended | | Six Months Ended | |
|--------------------|----------|------------------|----------|
| June 29, | June 30, | June 29, | June 30, |
| 2014 | 2013 | 2014 | 2013 |

(Dollars in millions)

| | | | | |
|--------------------------|--------|--------|--------|--------|
| Research and development | \$14.9 | \$16.5 | \$28.9 | \$31.5 |
| Percentage of sales | 3.2 | % 3.9 | % 3.2 | % 3.8 |

The decline in research and development expenses for the three month and six months ended June 29, 2014 reflects reduced development and new product-related activity as compared to the three and six months ended June 30, 2013. Research and development expenses during the three and six months ended June 30, 2013 reflect the development of late-stage technologies we acquired in 2012 as well as certain product launches that occurred during the second half of 2013.

Restructuring and other impairment charges

| Three Months Ended | | Six Months Ended | |
|--------------------|----------|------------------|----------|
| June 29, | June 30, | June 29, | June 30, |
| 2014 | 2013 | 2014 | 2013 |

(Dollars in millions)

Restructuring and other impairment charges \$7.6 \$13.0 \$15.4 \$22.1

On April 28, 2014, our Board of Directors approved a restructuring plan that involves the consolidation of certain facilities and a related reduction in workforce. We estimate that we will incur aggregate pre-tax charges in connection with these restructuring activities of approximately \$42 million to \$53 million, of which we expect to incur approximately \$22 million to \$23 million in 2014 and most of the balance prior to the end of 2016. We estimate that \$32 million to \$40 million of these charges will result in future cash outlays, of which we expect approximately \$9 million to \$11 million will be made in 2014 and most of the balance will be made prior to the end of 2016. Additionally, we expect to incur aggregate capital expenditures of approximately \$24 million to \$30 million under the restructuring plan, of which \$10 million to \$15 million will be incurred during 2014. We currently expect to achieve annualized savings of \$28 million to \$35 million once the restructuring is fully implemented, and currently expect that we will begin to realize savings beginning in 2015.

For the three and six months ended June 29, 2014, we recorded \$7.6 and \$15.4 million, respectively, in restructuring and other asset impairment charges. For the three months ended June 29, 2014, we incurred \$8.6 million of charges pertaining to termination benefits in connection with our 2014 manufacturing footprint realignment restructuring program and \$2.5 million of charges pertaining to termination benefits, contract termination and other exit costs associated with other restructuring activities initiated in 2014 and 2013. These charges were partially offset by a \$3.5 million reversal of expense, which was primarily related to the settlement of a terminated European distributor agreement associated with our LMA restructuring program. For the six months ended June 29, 2014, we incurred \$8.6 million of charges pertaining to termination benefits in connection with our 2014 manufacturing footprint realignment restructuring program; \$8.1 million of charges primarily related to termination benefits associated with our 2014 European restructuring program; and \$2.3 million of charges pertaining to termination benefits, contract termination and other exit costs associated with other restructuring activities initiated in 2014 and 2013. These charges were partially offset by \$3.6 million of reversals of expense, which was primarily related to the settlement of a terminated European distributor agreement associated with our LMA restructuring program.

During the three and six months ended June 30, 2013, we recorded \$13.0 million and \$22.1 million, respectively, in restructuring and impairment charges. For the three months ended June 30, 2013, we incurred \$3.9 million of charges pertaining to termination benefits, contract termination costs and facility closure and other costs incurred in connection with our LMA restructuring program, approximately \$6.3 million primarily related to termination benefit and contract termination costs associated with other restructuring activities initiated in 2012 and 2013 and \$2.8 million of charges related to expected post-closing obligations associated with acquired businesses. For the six months ended June 30, 2013, we recorded a \$4.5 million write-off of an in-process research and development project associated with the Axiom acquisition, \$6.6 million pertaining to termination benefits, contract termination costs and facility closure and other costs incurred in connection with our LMA restructuring program; \$8.2 million primarily related to termination benefit and contract termination costs associated with other restructuring activities initiated in 2012 and 2013; and \$2.8 million of charges related to expected post-closing obligations associated with acquired businesses.

For additional information regarding our restructuring programs, see Note 4 to our condensed consolidated financial statements included in this report.

Interest expense

| | Three Months Ended | | Six Months Ended | |
|-------------------------------|--------------------|----------|------------------|----------|
| | June 29, | June 30, | June 29, | June 30, |
| | 2014 | 2013 | 2014 | 2013 |
| (Dollars in millions) | | | | |
| Interest expense | \$16.1 | \$14.4 | \$31.5 | \$28.6 |
| Average interest rate on debt | 4.1 | % 4.1 | % 3.8 | % 4.1 |

The increase in interest expense for the three and six months ended June 29, 2014 compared to the corresponding periods in 2013 reflects an increase of \$131 million and \$205 million in average outstanding debt, respectively.

Taxes on income from continuing operations

Three Months Ended Six Months Ended

Edgar Filing: TELEFLEX INC - Form 10-Q

| | | | |
|----------|----------|----------|----------|
| June 29, | June 30, | June 29, | June 30, |
| 2014 | 2013 | 2014 | 2013 |

Effective income tax rate 17.0 % 12.3 % 18.1 % 16.2 %

The effective income tax rate for the three and six months ended June 29, 2014 was 17.0% and 18.1%, respectively and 12.3% and 16.2% for the three and six months ended June 30, 2013, respectively. The effective tax rate for the three and six months ended June 29, 2014 benefited from a shift in the mix of taxable income to foreign jurisdictions that have lower statutory rates. Nevertheless, the effective tax rate for the three and six months ended June 30, 2013 was lower, reflecting the realization of net tax benefits resulting from the resolution of a foreign tax matter and the expiration of statutes of limitation for a U.S. state matter.

Segment Financial Information

| | Three Months Ended | | | Six Months Ended | | |
|--------------------------------------|-----------------------|---------------|------------------------|-----------------------|---------------|------------------------|
| | | | | | | |
| | June 29, 2014 | June 30, 2013 | % Increase/ (Decrease) | June 29, 2014 | June 30, 2013 | % Increase/ (Decrease) |
| | (Dollars in millions) | | | (Dollars in millions) | | |
| Segment Revenue | | | | | | |
| Vascular North America | \$64.2 | \$56.8 | 13.1 | \$126.7 | \$113.4 | 11.7 |
| Anesthesia/Respiratory North America | 55.0 | 58.5 | (5.9) | 109.8 | 116.7 | (5.9) |
| Surgical North America | 38.0 | 37.8 | 0.6 | 73.2 | 74.4 | (1.7) |
| EMEA | 154.7 | 137.8 | 12.2 | 304.9 | 280.3 | 8.8 |
| Asia | 62.5 | 50.4 | 24.1 | 112.2 | 92.8 | 20.9 |
| OEM | 36.6 | 32.1 | 14.0 | 69.8 | 63.4 | 10.0 |
| All other | 57.1 | 46.7 | 22.3 | 110.1 | 90.9 | 21.2 |
| Segment net revenues | \$468.1 | \$420.1 | 11.4 | \$906.7 | \$831.9 | 9.0 |

| | Three Months Ended | | | Six Months Ended | | |
|--------------------------------------|-----------------------|---------------|------------------------|-----------------------|---------------|------------------------|
| | | | | | | |
| | June 29, 2014 | June 30, 2013 | % Increase/ (Decrease) | June 29, 2014 | June 30, 2013 | % Increase/ (Decrease) |
| | (Dollars in millions) | | | (Dollars in millions) | | |
| Segment Operating Profit | | | | | | |
| Vascular North America | \$10.0 | \$6.3 | 57.9 | \$19.4 | \$11.4 | 70.7 |
| Anesthesia/Respiratory North America | 6.3 | 9.3 | (32.1) | 12.0 | 14.9 | (19.8) |
| Surgical North America | 14.4 | 13.7 | 5.2 | 24.9 | 27.3 | (8.8) |
| EMEA | 30.0 | 21.2 | 41.7 | 57.0 | 44.5 | 28.1 |
| Asia | 17.1 | 14.0 | 22.4 | 29.9 | 26.1 | 14.8 |
| OEM | 8.3 | 7.7 | 7.3 | 14.9 | 14.1 | 5.7 |
| All other | 10.4 | 9.5 | 8.9 | 20.1 | 11.5 | 74.6 |
| Segment operating profit (1) | \$96.5 | \$81.7 | 18.1 | \$178.2 | \$149.8 | 19.0 |

(1) See Note 14 of our condensed consolidated financial statements included in this report for a reconciliation of segment operating profit to our condensed consolidated income from continuing operations before interest and taxes.

The following is a discussion of our segment operating results.

Comparison of the three and six months ended June 29, 2014 and June 30, 2013

Vascular North America

Vascular North America net revenues for the three months ended June 29, 2014 were \$64.2 million, an increase of 13.1% compared to the prior year period. The increase was primarily due to Vidacare product sales of \$6.5 million and increases in new product sales of \$1.0 million. Vascular net revenues for the six months ended June 29, 2014 were \$126.7 million, an increase of 11.7% compared to the prior year period. The increase is primarily due to Vidacare product sales of \$12.3 million and increases in new product sales of \$2.2 million, which were partially offset by lower sales volumes of existing products of \$1.1 million.

Vascular North America operating profit for the three months ended June 29, 2014 was \$10.0 million, an increase of 57.9% compared to the prior year period. The increase was primarily due to operating profit generated by Vidacare product sales, lower research and development and marketing expense and increases in higher margin new product sales, which were partially offset by higher sales commissions. Vascular operating profit for the six months ended June 29, 2014 was \$19.4 million, an increase of 70.7% compared to the prior year period resulting from operating profit generated by Vidacare product sales, increases in higher margin new product sales and lower research and development and marketing expense. These increases were partially offset by higher sales commissions.

Anesthesia/Respiratory North America

Anesthesia/Respiratory North America net revenues for the three months ended June 29, 2014 were \$55.0 million, a decrease of 5.9% compared to the prior year period. The decrease is primarily attributable to declines in sales volumes of existing products of \$4.4 million, which were partially offset by increases in new product sales of \$0.6 million and price increases of \$0.4 million. Anesthesia/Respiratory North America net revenues for the six months ended June 29, 2014 were \$109.8 million, a decrease of 5.9% compared to the prior year period. The decrease is primarily attributable to declines in sales volumes of existing products of \$8.8 million, which were partially offset by new product sales of \$1.3 million and price increases of \$0.8 million.

Anesthesia/Respiratory North America operating profit for the three months ended June 29, 2014 was \$6.3 million, a decrease of 32.1% compared to the prior year period. The decline is primarily attributable to reductions in sales of higher margin products and higher employee related costs, which was partially offset by savings resulting from the continued integration of our LMA business. Anesthesia/Respiratory North America operating profit for the six months ended June 29, 2014 was \$12.0 million, a decrease of 19.8% compared to the prior year period. The decrease is primarily attributable to sales volume reductions related to higher margin products, which were partially offset by lower warehouse and freight charges and the continued integration of our LMA business.

Surgical North America

Surgical North America net revenues for the three months ended June 29, 2014 were \$38.0 million, an increase of 0.6% compared to the prior year period. The increase is primarily attributable to price increases of \$0.7 million, which were partially offset by declines in sales volumes of existing products of \$0.5 million. Surgical North America net revenues for the six months ended June 29, 2014 were \$73.2 million, a decrease of 1.7% compared to the prior year period. The decrease is primarily attributable to sales volume declines of existing products of \$2.1 million and the unfavorable impact of foreign currency of \$0.6 million, which were partially offset by price increases of \$1.1 million.

Surgical North America operating profit for the three months ended June 29, 2014 was \$14.4 million, an increase of 5.2% compared to the prior year period. The increase is primarily attributable to increased sales of higher margin products and improved pricing as well as reductions to inventory reserves resulting from lower inventory levels and a write-off recorded in the second quarter 2013. Surgical North America operating profit for the six months ended June 29, 2014 was \$24.9 million, a decrease of 8.8% compared to the prior year period. The decrease is primarily attributable to marketing and research and development expenses related to the businesses acquired. In addition, Surgical North America operating profit for the six months ended June 30, 2013 reflected the favorable impact of a reduction in contingent consideration that occurred in the first quarter of 2013. These factors were partially offset by reductions in inventory reserves resulting from lower inventory levels and a write-off recorded in the second quarter 2013 and the impact of increased pricing.

EMEA

EMEA net revenues for the three months ended June 29, 2014 were \$154.7 million, an increase of 12.2% compared to the prior year period. The increase is primarily attributable to favorable foreign currency fluctuations of \$6.8 million,

existing product sales volume increases of \$4.6 million, Vidacare product sales of \$3.8 million and an increase of \$1.1 million attributable to our distributor-to-direct sales conversions in several countries. EMEA net revenues for the six months ended June 29, 2014 were \$304.9 million, an increase of 8.8% compared to the prior year period. The increase is primarily attributable to favorable foreign currency fluctuations of \$11.1 million, Vidacare product sales of \$9.3 million, increases of \$2.3 million resulting from our distributor-to-direct sales conversions in several countries, higher new product sales of \$1.0 million and existing product sales volume increase of \$1.0 million.

EMEA segment operating profit for the three months ended June 29, 2014 was \$30.0 million, an increase 41.7% compared to the prior year period. The increase is primarily attributable to sales margin increases resulting from our distributor-to-direct sales conversions in several countries, operating profit generated by Vidacare product sales and lower manufacturing costs. EMEA segment operating profit for the six months ended June 29, 2014 was \$57.0 million, an increase 28.1% compared to the prior year period. The increase is primarily attributable to operating profit generated by Vidacare product sales, sales margin increases resulting from our distributor-to-direct sales conversions in several countries, lower manufacturing and warehouse and freight costs and reductions in marketing expense resulting from the 2014 European restructuring initiative, which were partially offset by higher employee related costs.

Asia

Asia net revenues for the three months ended June 29, 2014 were \$62.5 million, an increase of 24.1% compared to the prior year period. The increase is primarily attributable to net revenues generated from recent acquisitions, including \$4.6 million, \$1.1 million and \$0.8 million generated by Mayo Healthcare, Ultimate and Vidacare, respectively. The change in net revenues also reflects price increases of \$5.7 million, primarily in China and India, and unfavorable foreign exchange fluctuations of \$0.6 million. Asia net revenues for the six months ended June 29, 2014 were \$112.2 million, an increase of 20.9% compared to the prior year period. The increase is primarily attributable to net revenues generated from recent acquisitions, including \$6.5 million, \$2.0 million and \$1.3 million generated by Mayo Healthcare, Ultimate and Vidacare, respectively. The change in net revenues also reflects price increases of \$8.8 million, primarily in China and India, increases in existing product sales volumes of \$2.1 million, increases in new product sales of \$0.5 million and unfavorable foreign exchange fluctuations of \$1.9 million.

Asia segment operating profit for the three months ended June 29, 2014 was \$17.1 million, an increase of 22.4% compared to the prior year period. The increase is primarily attributable to the operating profit generated by the businesses acquired including Mayo Healthcare, Ultimate and Vidacare, which were partially offset by higher employee related costs. Asia segment operating profit for the six months ended June 29, 2014 was \$29.9 million, an increase of 14.8% compared to the prior year period. The increase is primarily attributable to the operating profit generated by the businesses acquired including Mayo Healthcare, Ultimate and Vidacare, and improved pricing, which were partially offset by higher general and administrative expenses including employee related expenses.

OEM

OEM and Development Services (“OEM”) net revenues for the three months ended June 29, 2014 were \$36.6 million, an increase of 14% compared to the prior year period. The increase is primarily attributable to higher sales volumes of \$4.6 million, which were partially offset by price declines of \$0.8 million. OEM net revenues for the six months ended June 29, 2014 were \$69.8 million, an increase of 10.0% compared to the prior year period. The increase is primarily attributable to higher sales volumes of existing products of \$6.8 million, which were partially offset by price declines of \$1.4 million.

OEM segment operating profit for the three months ended June 29, 2014 was \$8.3 million, an increase of 7.3% compared to the prior year period. OEM segment operating profit for the six months ended June 29, 2014 was \$14.9 million, an increase of 5.7% compared to the prior year period. The increase for the three and six months ended June 29, 2014 is primarily attributable to increases in sales volumes of existing products, partially offset by declines in pricing and reductions in sales of higher margin products.

All Other

The increases in net revenues and operating profit for our other businesses for the three and six months ended June 29, 2014 compared to the prior year periods were primarily due to sales of Vidacare products. The operating profit increases were partially offset by higher software maintenance expenses.

Liquidity and Capital Resources

On May 21, 2014, we issued \$250.0 million of 5.25% Senior Notes due 2024 (the “2024 Notes”). We will pay interest on the 2024 Notes semi-annually on June 15 and December 15, commencing on December 15, 2014, at a rate of 5.25% per year. The 2024 Notes will mature on June 15, 2024, unless earlier redeemed. We incurred transaction fees of approximately \$4.7 million, including underwriters’ discounts and commissions in connection with the offering of the 2024 Notes. We used \$245.0 million of the proceeds to repay borrowings under our revolving credit facility. See Note 7 to the condensed consolidated financial statements included in this report for additional information.

We believe our cash flow from operations, available cash and cash equivalents, borrowings under our revolving credit facility and sales of accounts receivable under our securitization program will enable us to fund our operating requirements, capital expenditures and debt obligations for the next 12 months and the foreseeable future.

We have net cash provided by United States-based operating activities as well as non-United States sources of cash available to help fund our debt service requirements in the United States. In April 2014, we repatriated \$230 million of cash from our non-United States subsidiaries in connection with the integration of the Vidacare business into our existing organizational structure. On April 28, 2014, we used the repatriated cash to partially fund a \$235 million repayment of a portion of the outstanding principal amount of borrowings under our revolving credit facility.

To date, we have not experienced significant payment defaults by our customers, and we have sufficient lending commitments in place to enable us to fund our anticipated additional operating needs. However, although there have been recent improvements, the domestic and global financial markets remain volatile and the global credit markets are constrained, which creates risk that our customers and suppliers may be unable to access liquidity. Consequently, we continue to monitor our credit risk, particularly related to countries in Europe. As of June 30, 2014, our net current and long-term accounts receivables from publicly funded hospitals in Italy, Spain, Portugal and Greece were \$61 million compared to \$63.1 million as of December 31, 2013. For the six months ended June 29, 2014 and June 30, 2013, net revenues from these countries were approximately 8.8% and 9.0%, respectively, of total net revenues, and average days that current and long-term accounts receivables were outstanding were 238 and 297 days, respectively. As of June 29, 2014 and December 31, 2013 net current and long-term accounts receivables from these countries were approximately 30.8% and 31.0%, respectively, of our consolidated net current and long-term accounts receivables. If economic conditions in these countries deteriorate, we may experience significant credit losses related to the public hospital systems in these countries. Moreover, if global economic conditions generally deteriorate, we may experience further delays in customer payments, reductions in our customers’ purchases and higher credit losses, which could have a material adverse effect on our results of operations and cash flows in 2014 and beyond.

Cash Flows

Cash flows from operating activities from continuing operations provided net cash of approximately \$120.2 million for the first six months of 2014 compared to \$56.2 million during the first six months of 2013. The \$64.0 million increase is primarily due to favorable changes in working capital items including accounts receivable and inventories as well as an \$8.9 million decrease in contributions to domestic pension plans in the first six months of 2014 as compared to the first six months of 2013. Accounts receivable decreased \$0.6 million during the six months ended June 29, 2014, as compared to an \$18.1 million increase during the six months ended June 30, 2013, primarily due to \$8.0 million collected from the Spanish government in 2014 and increased collections in Italy due to a government financing project. Inventories increased \$16.4 million during the six months ended June 29, 2014, as compared to a \$29.4 million increase during the six months ended June 30, 2013, primarily due to ramp-up activities to increase stock levels in 2013 in anticipation of certain business units converting to an enterprise resource planning system.

Net cash used in investing activities from continuing operations was \$55.3 million for the six months ended June 29, 2014, reflecting net payments for businesses acquired of \$28.5 million and capital expenditures of \$30.9 million, partially offset by \$4.1 million in proceeds related to the sale of the corporate aircraft and other assets held for sale. See "Restructuring and Impairment Charges" above for a discussion of anticipated capital expenditures under a restructuring plan approved by our Board of Directors in April 2014.

Net cash used in financing activities from continuing operations was \$260.0 million for the six months ended June 29, 2014, which included repayments of outstanding debt totaling \$480.0 million related to our revolving credit facility, which was partially offset by proceeds from additional borrowings of \$250.0 million, including the issuance of our 2024 Notes. Net cash used in financing activities also included dividend payments of \$28.1 million and underwriters' discounts and commissions of \$3.3 million, which were paid in connection with the issuance of the 2024 Notes. Also included in net cash used in financing activities were cash inflows associated with proceeds from the exercise and vesting of share based awards issued under our stock compensation plans of \$5.3 million and excess tax benefits of \$5.4 million realized related to the exercise or vesting of those awards, which were partially offset by tax withholdings of \$8.4 million remitted by the Company on behalf of employees for share based payment awards exercised or vested during the six months ended June 29, 2014. See Note 1 to the condensed consolidated financial statements included in this report for a discussion of the reclassification of tax withholding payments related to share-based awards from a cash outflow from operating activities to a cash outflow from financing activities.

Stock Repurchase Program

In 2007, our Board of Directors authorized the repurchase of up to \$300 million of our outstanding common stock. Repurchases of our stock under the Board authorization may be made from time to time in the open market and may include privately-negotiated transactions as market conditions warrant and subject to regulatory considerations. The stock repurchase program has no expiration date and our ability to execute on the program will depend on, among other factors, cash requirements for acquisitions, cash generated from operations, debt repayment obligations, market conditions and regulatory requirements. In addition, under our senior credit agreements, we are subject to certain restrictions relating to our ability to repurchase shares in the event our consolidated leverage ratio (generally, the ratio of consolidated total indebtedness to consolidated EBITDA, as defined in the senior credit agreements) exceeds certain levels, which may limit our ability to repurchase shares under this Board authorization. Through June 29, 2014, no shares have been purchased under this Board authorization.

Net Debt to Total Capital Ratio

The following table provides our net debt to total capital ratio:

| | June 29, | December 31, |
|--------------------------------------|-----------------------|--------------|
| | 2014 | 2013 |
| | (Dollars in millions) | |
| Net debt includes: | | |
| Current borrowings | \$362.3 | \$ 356.3 |
| Long-term borrowings | 700.0 | 930.0 |
| Unamortized debt discount | 42.4 | 48.4 |
| Total debt | 1,104.7 | 1,334.7 |
| Less: Cash and cash equivalents | 237.4 | 432.0 |
| Net debt | \$867.3 | \$ 902.7 |
| Total capital includes: | | |
| Net debt | \$867.3 | \$ 902.7 |
| Total common shareholders' equity | 1,982.3 | 1,913.5 |
| Total capital | \$2,849.6 | \$ 2,816.2 |
| Percent of net debt to total capital | 30 | % 32 |
| | | % |

Our 3.875% Convertible Senior Subordinated Notes due 2017 (the “Convertible Notes”) are convertible under certain circumstances, including in any fiscal quarter following an immediately preceding fiscal quarter in which the last reported sales price of our common stock for at least 20 days during a period of 30 consecutive trading days ending on the last day of such fiscal quarter exceeds 130% of the conversion price of the notes (approximately \$79.72). Since the fourth quarter 2013, our closing stock price has exceeded the 130% threshold described above and, accordingly, the Convertible Notes have been classified as a current liability as of June 29, 2014 and December 31, 2013. The determination of whether or not the Convertible Notes are convertible under such circumstances is made each quarter until maturity or conversion. Consequently, the Convertible Notes may not be convertible in one or more future quarters if the common stock price-based contingent conversion threshold is not met in such quarters, in which case the Convertible Notes would again be classified as long-term debt unless another conversion event set forth in the Convertible Notes has occurred. We have elected a net settlement method to satisfy our conversion obligation, under which we may settle the principal amount of the Convertible Notes in cash and settle the excess of the conversion value of the Convertible Notes over the principal amount of the notes in shares; however, cash will be paid in lieu of fractional shares. While we believe we have sufficient liquidity to repay the principal amounts due through a combination of our existing cash on hand and borrowings under our credit facility, our use of these funds could adversely affect our results of operations and liquidity. The classification of the Convertible Notes as a current liability had no impact on our financial covenants.

Our senior credit agreement and the indentures under which we issued our 5.25% senior notes due 2024 and our 6.875% senior subordinated notes due 2019 (collectively, the “senior notes”) contain covenants that, among other things, limit or restrict our ability, and the ability of our subsidiaries, to incur debt, create liens, consolidate, merge or dispose of certain assets, make certain investments, engage in acquisitions, pay dividends on, repurchase or make distributions in respect of capital stock and enter into swap agreements. Our senior credit agreement also requires us to maintain a consolidated leverage ratio of not more than 4.0:1 and a consolidated interest coverage ratio (generally, Consolidated EBITDA to Consolidated Interest Expense, each as defined in the senior credit agreement) of not less than 3.50:1 as of the last day of any period of four consecutive fiscal quarters calculated in accordance with the definitions and methodology set forth in the senior credit agreement. The obligations under the senior credit agreement and the senior notes are guaranteed (subject to certain exceptions) by substantially all of our material domestic subsidiaries, and the obligations under the senior credit agreement are (subject to certain exceptions and limitations) secured by a pledge on substantially all of the equity interests owned by us and each guarantor.

New Accounting Standards

See Note 2 to the condensed consolidated financial statements included in the report on Form 10-Q for a discussion on recently issued accounting standards, including estimated effects, if any, on our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See the information set forth in Part II, Item 7A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various lawsuits and claims arising in the normal course of business. These lawsuits and claims include actions involving product liability, intellectual property, employment and environmental matters. As of June 29, 2014 and December 31, 2013, the Company has recorded reserves of approximately \$5 million and \$6.8 million, respectively, in connection with such contingencies, representing what it believes to be a better estimate of the cost than any other amount within the range of estimated possible losses that will be incurred to resolve these matters. Based on information currently available, advice of counsel, established reserves and other resources, the Company does not believe that any such actions are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or liquidity. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to our business, financial condition, results of operations or liquidity.

Item 1A. Risk Factors

There have been no significant changes in risk factors for the quarter ended June 29, 2014. See the information set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are filed as part of this report:

| Exhibit No. | Description |
|-------------|-------------|
|-------------|-------------|

- | | |
|-------|---|
| *4.1 | —Indenture, dated May 21, 2014, by and among Teleflex Incorporated (the “Company”), the guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to the Company’s 5.25% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to the Company’s Form 8-K filed on May 22, 2014). |
| *4.2 | —Form of 5.25% Senior Notes due 2024 (included in Exhibit 4.1). |
| *4.3 | —Registration Rights Agreement, dated May 21, 2014, by and among the Company, the guarantors named therein and the other parties thereto, relating to the Company’s 5.25% Senior Notes due 2024 (incorporated by reference to Exhibit 4.3 to the Company’s Form 8-K filed on May 22, 2014). |
| 31.1 | —Certification of Chief Executive Officer, pursuant to Rule 13a–14(a) under the Securities Exchange Act of 1934. |
| 31.2 | —Certification of Chief Financial Officer, pursuant to Rule 13a–14(a) under the Securities Exchange Act of 1934. |
| 32.1 | —Certification of Chief Executive Officer, pursuant to Rule 13a–14(b) under the Securities Exchange Act of 1934. |
| 32.2 | —Certification of Chief Financial Officer, pursuant to Rule 13a–14(b) under the Securities Exchange Act of 1934. |
| 101.1 | —The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 29, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income for the three and six months ended June 29, 2014 and June 30, 2013; (ii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 29, 2014 and June 30, 2013; (iii) the Condensed Consolidated Balance Sheets as of June 29, 2014 and December 31, 2013; (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 29, 2014 and June 30, 2013; (v) the Condensed Consolidated Statements of Changes in Equity for the six months ended June 29, 2014 and June 30, 2013; and (vi) Notes to Condensed Consolidated Financial Statements. |

*Each such exhibit has previously been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

SIGNATURES

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.

TELEFLEX INCORPORATED

By: /s/ Benson F. Smith
Benson F. Smith
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Thomas E. Powell
Thomas E. Powell
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: July 30, 2014