TELEFLEX INC
Form 10-Q
April 30, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 29, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission file number 1-5353

TELEFLEX INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	23-1147939 (I.R.S. employer identification no.)
550 E. Swedesford Rd., Suite 400, Wayne, PA (Address of principal executive offices)	19087 (Zip Code)

(610) 225-6800
(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 x 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 x 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	x		Accelerated filer	¨
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The registrant had 41,528,795 shares of common stock, $1.00 par value, outstanding as of April 20, 2015.

TELEFLEX INCORPORATED
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 29, 2015
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TELEFLEX INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended	
	March 29, 2015	March 30, 2014
	(Dollars and shares in thousands, except per share)	
Net revenues	$429,430	$438,546
Cost of goods sold	206,793	217,387
Gross profit	222,637	221,159
Selling, general and administrative expenses	139,697	140,297
Research and development expenses	12,884	14,062
Restructuring and impairment charges	4,448	7,780
Income from continuing operations before interest and taxes	65,608	59,020
Interest expense	17,172	15,404
Interest income	(169)	(187)
Income from continuing operations before taxes	48,605	43,803
Taxes on income from continuing operations	9,332	8,534
Income from continuing operations	39,273	35,269
Operating loss from discontinued operations	(499)	(25)
Taxes on loss from discontinued operations	204	100
Loss from discontinued operations	(703)	(125)
Net income	38,570	35,144
Less: Income from continuing operations attributable to noncontrolling interest	218	186
Net income attributable to common shareholders	$38,352	$34,958
Earnings per share available to common shareholders:		
Basic:		
Income from continuing operations	$0.94	$0.85
Loss from discontinued operations	(0.02)	—
Net income	$0.92	$0.85
Diluted:		
Income from continuing operations	$0.83	$0.77
Loss from discontinued operations	(0.02)	(0.01)
Net income	$0.81	$0.76
Dividends per share	$0.34	$0.34
Weighted average common shares outstanding		
Basic	41,469	41,262
Diluted	47,295	45,749
Amounts attributable to common shareholders:		
Income from continuing operations, net of tax	$39,055	$35,083
Loss from discontinued operations, net of tax	(703)	(125)
Net income	$38,352	$34,958

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

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TELEFLEX INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	Three Months Ended	
	March 29, 2015	March 30, 2014
	(Dollars in thousands)	
Net income	38,570	$35,144
Other comprehensive (loss) income, net of tax:		
Foreign currency translation, net of tax of $23,438 and $(3,189)	(83,090)	4,117
Pension and other postretirement benefit plans adjustment, net of tax of $(886) and $(503)	1,906	624
Derivatives qualifying as hedges, net of tax of $(25) and $(40)	44	70
Other comprehensive (loss) income, net of tax:	(81,140)	4,811
Comprehensive (loss) income	(42,570)	39,955
Less: comprehensive income attributable to non-controlling interest	279	252
Comprehensive (loss) income attributable to common shareholders	$(42,849)	$39,703

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

TELEFLEX INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 29, 2015	December 31, 2014
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$308,759	$303,236
Accounts receivable, net	284,827	273,704
Inventories, net	338,736	335,593
Prepaid expenses and other current assets	40,935	35,697
Prepaid taxes	33,993	40,256
Deferred tax assets	56,562	57,301
Assets held for sale	6,959	7,422
Total current assets	1,070,771	1,053,209
Property, plant and equipment, net	310,106	317,435
Goodwill	1,293,506	1,323,553
Intangible assets, net	1,183,549	1,216,720
Investments in affiliates	734	1,150
Deferred tax assets	1,119	1,178
Other assets	63,810	64,010
Total assets	$3,923,595	$3,977,255
LIABILITIES AND EQUITY		
Current liabilities		
Current borrowings	$401,565	$368,401
Accounts payable	75,310	64,100
Accrued expenses	71,905	72,383
Current portion of contingent consideration	7,462	11,276
Payroll and benefit-related liabilities	66,324	85,442
Accrued interest	12,855	9,169
Income taxes payable	17,558	13,768
Other current liabilities	11,446	10,360
Total current liabilities	664,425	634,899
Long-term borrowings	700,000	700,000
Deferred tax liabilities	426,768	451,541
Pension and postretirement benefit liabilities	162,595	167,241
Noncurrent liability for uncertain tax provisions	49,334	50,884
Other liabilities	59,871	58,991
Total liabilities	2,062,993	2,063,556
Commitments and contingencies		
Total common shareholders' equity	1,857,933	1,911,309
Noncontrolling interest	2,669	2,390
Total equity	1,860,602	1,913,699
Total liabilities and equity	$3,923,595	$3,977,255

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

TELEFLEX INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 29, 2015	March 30, 2014
	(Dollars in thousands)	
Cash Flows from Operating Activities of Continuing Operations		
Net income	$38,570	$35,144
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	703	125
Depreciation expense	10,915	11,580
Amortization expense of intangible assets	14,740	16,019
Amortization expense of deferred financing costs and debt discount	4,195	3,814
Changes in contingent consideration	382	(2,371)
Stock-based compensation	3,832	3,074
Deferred income taxes, net	1,085	3,515
Other	(4,294)	(3,105)
Changes in operating assets and liabilities, net of effects of acquisitions and disposals:		
Accounts receivable	(21,906)	5,966
Inventories	(14,578)	(7,473)
Prepaid expenses and other current assets	(4,756)	(6,027)
Accounts payable and accrued expenses	3,819	(16,129)
Income taxes receivable and payable, net	9,651	(2,214)
Net cash provided by operating activities from continuing operations	42,358	41,918
Cash Flows from Investing Activities of Continuing Operations:		
Expenditures for property, plant and equipment	(14,445)	(12,109)
Proceeds from sale of assets and investments	—	1,669
Payments for businesses and intangibles acquired, net of cash acquired	(7,375)	(28,991)
Investment in affiliates	—	(60)
Net cash used in investing activities from continuing operations	(21,820)	(39,491)
Cash Flows from Financing Activities of Continuing Operations:		
Proceeds from long-term borrowings	30,000	—
Repayment of long-term borrowings	(52)	—
Debt extinguishment, issuance and amendment fees	—	(90)
Net proceeds from share based compensation plans and the related tax impacts	(289)	323
Payments for contingent consideration	(3,989)	—
Dividends	(14,118)	(14,051)
Net cash provided by (used in) financing activities from continuing operations	11,552	(13,818)
Cash Flows from Discontinued Operations:		
Net cash used in operating activities	(1,126)	(1,167)
Net cash used in discontinued operations	(1,126)	(1,167)
Effect of exchange rate changes on cash and cash equivalents	(25,441)	2,223
Net decrease in cash and cash equivalents	5,523	(10,335)
Cash and cash equivalents at the beginning of the period	303,236	431,984
Cash and cash equivalents at the end of the period	$308,759	$421,649

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

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Common Stock		Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Noncontrolling Interest	Total Equity
	Shares	Dollars				Shares	Dollars		
	(Dollars and shares in thousands, except per share)								
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				34,958				186	35,144
Cash dividends ($0.34 per share)				(14,051)					(14,051)
Other comprehensive income					4,745			66	4,811
Shares issued under compensation plans	114	114	641			(68)	2,471		3,226
Deferred compensation						(2)	81		81
Balance at March 30, 2014	43,357	$43,357	$409,979	$1,717,331	$(106,110)	1,994	$(122,071)	$2,741	$1,945,227

	Common Stock		Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Noncontrolling Interest	Total Equity
	Shares	Dollars				Shares	Dollars		
	(Dollars and shares in thousands, except per share)								
Balance at December 31, 2014	43,420	$43,420	$422,394	$1,827,845	$(260,895)	1,981	$(121,455)	$2,390	$1,913,699
Net income				38,352				218	38,570
Cash dividends ($0.34 per share)				(14,118)					(14,118)
Other comprehensive (loss)income					(81,201)			61	(81,140)
Settlements of convertible notes			(22)				24		2
Settlements of note hedges associated with convertible notes			43				(43)		—

Shares issued under compensation plans	31	31	2,058			(55)	1,427		3,516
Deferred compensation						(1)	73		73
Balance at March 29, 2015	43,451	$43,451	$424,473	$1,852,079	$(342,096)	1,925	$(119,974)	$2,669	$1,860,602

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

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

In the opinion of management, the 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 the 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 the Company's annual consolidated financial statements. The year-end condensed consolidated balance sheet data was derived from the Company's 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, the Company's quarterly condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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 three months ended March 29, 2015, the Company classified such payments as a cash outflow from financing activities and are reflected in the line item “Proceeds from share-based compensation plans and the related tax impacts” within the condensed consolidated statement of cash flows (i.e., the payment by the Company of the withholding taxes offsets, in part, increases in cash flow from financing activities resulting from the proceeds of the exercise and vesting of share-based awards and tax benefits related to such exercise and vesting). In effect, the Company treats the activity as 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 outflows of $8.3 million from operating to financing activities for the three months ended March 30, 2014 to conform to the current period presentation within the condensed consolidated statement of cash flows as well as the condensed consolidating statement of cash flows included in Note 15.

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 May 2014, the Financial Accounting Standards Board (FASB), in a joint effort with the International Accounting Standards Board (IASB), 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. In April 2015, the FASB proposed to defer the effective date of the new guidance. If the proposal is finalized, the guidance will become effective prospectively for annual periods beginning after December 15, 2017 and interim periods within those years; early application would be permitted for annual periods beginning after December 15, 2016. The Company is currently evaluating this guidance to determine the impact on the Company’s results of operations, cash flows and financial position.

In April 2015, FASB issued guidance for the reporting of debt issuance costs within the balance sheet. Under the new guidance, debt issuance costs are to be presented in the balance sheet as a direct deduction from the associated debt liability, consistent with the presentation of a debt discount. Currently, debt issuance costs are presented as a deferred charge (i.e., an asset) on the balance sheet. In addition to providing uniform treatment for debt issuance costs and debt discounts, the guidance is consistent with other FASB guidance, which states that debt issuance costs are similar to debt discounts because they reduce the proceeds of borrowing (thereby increasing the effective interest rate) and cannot be an asset because they provide no future economic benefit. The new guidance is effective for fiscal years beginning after December 15, 2015 with early adoption permitted, and is required to be applied on a retrospective basis. The Company does not believe that the adoption of this guidance will have a material impact on the Company’s 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 above, 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 January 20, 2015, the Company acquired Human Medics Co., Ltd., (“Human Medics”), a distributor of medical devices and supplies primarily in the Korean market and accounted for the acquisition as a business combination. The total fair value of consideration was $8.9 million, which included an initial payment of $7.4 million in cash and $1.8 million in future obligations, partially offset by a $0.3 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 three months ended March 29, 2015.

The Company made the following acquisitions during 2014, which were accounted for as business combinations:

- 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.
- On December 2, 2014, the Company acquired the assets of Mini-Lap Technologies, Inc. ("Mini-Lap"), a developer of micro-laparoscopic instrumentation, which complements the Company's surgical product portfolio.

The total fair value of consideration for the 2014 acquisitions was $66.3 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 impairment charges

2015 Restructuring Plans

During the first quarter 2015, the Company committed to programs associated with the reorganization of certain of its businesses as discussed in Note 14 and the consolidation of certain facilities in North America. The Company estimates that it will record pre-tax charges of $6 million to $7 million related to these programs, which represent employee termination benefits, contract termination costs and facility closure and other exit costs and will result in future cash outlays. For the three months ended March 29, 2015, the Company recorded charges of $4.2 million related to these programs. As of March 29, 2015, the Company has a reserve of $4.1 million related to these plans.

2014 Manufacturing Footprint Realignment Plan

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 the relocation of manufacturing operations from certain higher-cost locations to existing lower-cost locations. These actions commenced in the 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 $37 million to $44 million, of which an estimated $26 million to $31 million are expected to result in future cash outlays. Most of these charges 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 expense associated with the 2014 Manufacturing Footprint Realignment Plan:

Type of expense	Total estimated amount expected to be incurred
Termination benefits	$11 million to $13 million
Facility closure and other exit costs	$2 million to $3 million
Accelerated depreciation charges	$10 million to $11 million
Other	$14 million to $17 million
	$37 million to $44 million

The Company recorded expenses of $2.3 million for the three months ended March 29, 2015 related to the 2014 Manufacturing Footprint Realignment Plan. Of this amount, $0.2 million was recorded as restructuring expense for the three months ended March 29, 2015, and $2.1 million related to accelerated depreciation and certain other costs resulting from the plan and was included in cost of goods sold. The Company incurred net aggregate restructuring and impairment charges over the term of this program of $9.4 million. Additionally, the Company incurred net aggregate accelerated depreciation and certain other costs, which were included in cost of sales, over the term of this program of $7.1 million. As of March 29, 2015, the Company has a restructuring reserve of $8.8 million in connection with this plan, all of which relates to termination benefits.

As the 2014 Manufacturing Footprint Realignment Plan progresses, management will reevaluate the estimated expenses set forth above, and may revise its estimates, 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 recorded nominal charges for the three months ended March 29, 2015 with respect to this program. The Company incurred net aggregate restructuring and impairment charges over the term of this program of $7.8 million. As of March 29, 2015, the Company had a reserve of $0.4 million in connection with the 2014 European Restructuring Plan. The Company expects to complete this plan in 2015.

Other 2014 Restructuring Programs

In June 2014, the Company initiated programs to consolidate locations in Australia and terminate certain distributor agreements in an effort to reduce costs. As a result of these actions, the Company expects to incur aggregate restructuring and impairment charges over the term of these restructuring programs of approximately $4 million, of which, $3.6 million was incurred through March 29, 2015. These programs include costs related to termination benefits, contract termination costs and other exit costs. As of March 29, 2015, the Company had a reserve of $0.9 million in connection with these programs. The Company expects to complete the programs in 2015.

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 commenced a program (the "LMA Restructuring Program") related to the integration of the LMA business and the Company’s other businesses. The program 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.

As of March 29, 2015, the Company incurred net aggregate restructuring and impairment charges over the term of this program of $11.3 million. The Company expects future restructuring expenses associated with this program, if any, to be nominal. As of March 29, 2015, the Company had a reserve of $0.1 million associated with this program. The Company expects to complete the program in 2015.

2013 Restructuring Charges

In 2013, the Company initiated restructuring programs to consolidate administrative and 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 has incurred an aggregate of $11.1 million in restructuring and impairment charges over the term of these restructuring programs. These programs entail costs related to termination benefits, contract termination costs and charges related to post-closing obligations associated with its acquired businesses. Future restructuring expenses associated with these programs are expected to be nominal. As of March 29, 2015, the Company has a reserve of $0.8 million in connection with these programs. The Company expects to complete the programs in 2015.

2012 Restructuring Program

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. As of March 29, 2015, the Company has incurred net aggregate restructuring and impairment charges of $6.4 million over the term of this program, and expect future restructuring expenses associated with the program, if any, to be nominal. As of March 29, 2015, the Company has a reserve of $0.5 million in connection with the program. The Company expects to complete this program in 2015.

Impairment Charges

There were no impairment charges recorded for the three months ended March 29, 2015 or March 30, 2014.

TELEFLEX INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Unaudited)

The restructuring and impairment charges recognized for the three months ended March 29, 2015 and March 30, 2014 consisted of the following:

Three Months Ended March 29, 2015

(in thousands)	Termination Benefits	Facility Closure Costs	Contract Termination Costs	Other Exit Costs	Total
2015 Restructuring programs	$3,550	$67	$ 621	$—	$4,238
2014 Manufacturing footprint realignment plan	137	22	—	4	163
2014 European restructuring plan	9	—	—	17	26
Other 2014 restructuring programs	—	—	49	—	49
LMA restructuring program	—	—	(31)	—	(31)
2013 Restructuring programs	3	—	—	—	3
Total restructuring and impairment charges	$3,699	$89	$ 639	$21	$4,448

Three Months Ended March 30, 2014

(in thousands)	Termination Benefits	Facility Closure Costs	Contract Termination Costs	Other Exit Costs	Total
LMA restructuring program	$—	$42	$ (472)	$—	$(430)
2014 European restructuring program	8,318	—	—	—	8,318
2013 Restructuring programs	168	—	—	—	168
2012 Restructuring program	(610)	320	—	—	(290)
2011 Restructuring program	—	14	—	—	14
Total restructuring and impairment charges	$7,876	$376	$ (472)	$—	$7,780

Termination benefits include estimated employee retention, severance and benefit payments 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)
(Unaudited)

Restructuring and impairment charges by reportable segment for the three months ended March 29, 2015 and March 30, 2014 are set forth in the following table:

	Three Months Ended	
	March 29, 2015	March 30, 2014
	(Dollars in thousands)	
Restructuring and impairment charges		
Vascular North America	$830	$14
Anesthesia/Respiratory North America	(40)	27
Surgical North America	23	—
EMEA	(32)	7,889
Asia	—	78
OEM	—	—
All other	3,667	(228)
Total restructuring and impairment charges	$4,448	$7,780

Note 5 — Inventories, net

Inventories as of March 29, 2015 and December 31, 2014 consisted of the following:

	March 29, 2015	December 31, 2014
	(Dollars in thousands)	
Raw materials	$70,285	$68,191
Work-in-process	57,205	58,526
Finished goods	244,814	242,750
	372,304	369,467
Less: inventory reserve	(33,568)	(33,874)
Inventories, net	$338,736	$335,593

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 three months ended March 29, 2015:

	Vascular North America	Anesthesia/ Respiratory North America	Surgical North America	EMEA	Asia	All Other	Total
	(Dollars in thousands)						
Balance as of December 31, 2014							
Goodwill	$459,696	$166,514	$250,912	$339,029	$144,712	$294,818	$1,655,681
Accumulated impairment losses	(219,527)	(107,073)	—	—	—	(5,528)	(332,128)
	240,169	59,441	250,912	339,029	144,712	289,290	1,323,553
Goodwill related to acquisitions	—	—	—	—			