UNITED STATES CELLULAR CORP
Form 8-K
April 20, 2011

FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 15, 2011

UNITED STATES CELLULAR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**1-9712**	**62-1147325**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

8410 West Bryn Mawr, Suite 700, Chicago, Illinois	**60631**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(773) 399-8900**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

The information set forth below under Item 8.01 is incorporated herein to the extent applicable.

Item 8.01. Other Events

On April 18, 2011, United States Cellular Corporation (U.S. Cellular) issued a press release announcing (i) the appointment of Carter S. Elenz as Executive Vice President - Sales and Customer Service, effective April 15, 2011, and (ii) the expected appointment of Alan D. Ferber as Executive Vice President Chief Strategy and Brand Officer, pursuant to an action by the U.S. Cellular Board of Directors expected to be taken on May 17, 2011. A copy of such press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits:

In accordance with the provisions of Item 601 of Regulation S-K, any Exhibits filed or furnished herewith are set forth on the Exhibit Index attached hereto.

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, thereto duly authorized.

United States Cellular Corporation

(Registrant)

Date: April 20, 2011

By: /s/ Steven T. Campbell
Steven T. Campbell

Executive Vice President Finance,

Chief Financial Officer and Treasurer

EXHIBIT INDEX

The following Exhibits are filed or furnished herewith as noted below.

Exhibit No.	Description
99.1	Press Release dated April 18, 2011

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December 31,

2014

2013

Principal

Interest

Principal

Interest
(in thousands except percentage amounts)

Balance

Rate

Balance

Rate

Private placement notes $250 million due February 2016

$
175,689

4.1
%

$
252,370

4.1
%
Fixed rate senior notes $300 million due August 2016

299,861

2.8
%

299,775

2.8
%
Term loan Swiss francs denominated due September 2016

65,399

1.1
%

72,829

1.1
%
Term loan Japanese yen denominated due September 2019

104,705

0.9
%

119,213

1.0
%
Term loan $175 million due August 2020

166,250

1.4
%

175,000

1.4
%
Fixed rate senior notes $450 million due August 2021

448,965

4.1
%

448,809

4.1
%
Other borrowings, various currencies and rates

1,843

2,838

$
1,262,712

$
1,370,834

Less: Current portion

(included in “Notes payable and current portion of long-term debt” on the Consolidated Balance Sheets)

109,830

204,656

Long-term portion

$
1,152,882

$
1,166,178

The Company has a $500.0 million five-year revolving credit agreement with participation from twelve banks, which expires in July 2019. The revolving credit agreement contains a number of covenants and two financial ratios, which the Company is required to satisfy. The most restrictive of these covenants pertain to asset dispositions and prescribed ratios of indebtedness to total capital and operating income excluding depreciation and amortization to interest expense. A breach of any such covenants or restrictions would result in a default under the existing borrowing documentation that would permit the lenders to declare all borrowings under such documentation to be immediately due and payable and, through cross default provisions, would entitle the Company’s other lenders to accelerate their loans. At December 31, 2014, the Company was in compliance with these covenants.

In February 2014, the Company paid the first required payment of $75.0 million under the Private Placement Notes by issuing commercial paper. The second required payment is due in February 2015; accordingly, $100.0 million has been classified as current on the Consolidated Balance Sheets. The Company intends to use available cash, commercial paper and the revolving credit facilities to pay the 2015 payment.

The Company paid the first annual principal amortization of $8.8 million representing a 5% mandatory principal amortization due in each of the first six years under the terms of the $175.0 million Term Loan with a final maturity of

August 26, 2020. An amount of $8.8 million will be due in August 2015 and has been classified as current on the Consolidated Balance Sheets.

On July 23, 2014, the Company entered into an Amended and Extended Revolving Credit Agreement to replace the 2011 Revolving Credit Agreement dated August 27, 2011, that had provided for a multi-currency revolving credit facility in an aggregate amount of up to $500 million through July 27, 2016. The new Credit Agreement provides for a new five year, $500 million multi-currency revolving credit facility through July 23, 2019 (the "Facility") to provide working capital from time to time for the Company and for other general corporate purposes. The Facility is unsecured and contains certain affirmative and negative covenants relating to the Company's operations and financial condition, including prescribed leverage and interest coverage ratios. The Facility contains customary events of default. Upon the occurrence of an event of default, all outstanding borrowings under the Credit Agreement may be accelerated and become immediately due and payable. At December 31, 2014, there were no outstanding borrowings, in the form of issued commercial paper, under the multi-currency revolving facility.

On September 29, 2014, the Company entered into a Samurai Loan Agreement to replace the maturing Samurai Loan Agreement dated August 27, 2011, in an aggregate amount of Japanese yen 12.6 billion, through September 29, 2014. The new Samurai Loan Agreement provides for a new five year, Japanese yen 12.6 billion term loan through September 30, 2019 (the "Samurai Loan"). The Samurai Loan is designated as a net investment hedge. The Samurai Loan is unsecured and contains certain affirmative and negative covenants relating to the Company's operations and financial condition, including prescribed leverage and interest coverage ratios. The Samurai Loan contains customary events of default. Upon the occurrence of an event of default, all outstanding borrowings under the Samurai Loan may be accelerated and become immediately due and payable.

The term loans and private placement notes ("PPN") contain certain affirmative and negative covenants relating to the Company's operations and financial condition. At December 31, 2014, the Company was in compliance with all debt covenants.

At December 31, 2014, the Company had $560.6 million borrowings available under unused lines of credit, including lines available under its short-term arrangements and revolving credit agreement.

The table below reflects the contractual maturity dates of the various borrowings at December 31, 2014:

(in thousands)	
2015	$109,830
2016	449,910
2017	8,882
2018	8,918
2019	122,285
2020 and beyond	562,887
	$1,262,712

NOTE 13 - EQUITY

At December 31, 2014, the Company had authorization to maintain up to 34.0 million shares of treasury stock under its stock repurchase program as approved by the Board of Directors. Under its stock repurchase program, the Company purchased 3,271,628 shares and 2,685,796 shares during 2014 and 2013, respectively, at an average price of $49.88 and $43.94, respectively. The Company held 21.9 million and 20.5 million of treasury stock shares at December 31, 2014 and 2013, respectively. During 2014, the Company repurchased outstanding shares at a value of $163.2 million. The Company also received proceeds of $49.0 million primarily as a result of 1.5 million stock options exercised during the year ended December 31, 2014. During 2013, the Company repurchased outstanding shares at a value of $118.0 million. The Company also received proceeds of $66.9 million primarily as a result of 2.3 million stock options exercised during the year ended December 31, 2013. It is the Company’s practice to issue shares from treasury stock when options are exercised. The tax benefit realized for the options exercised during the year ended December 31, 2014 and 2013 is $2.1 million and $2.4 million, respectively.

The following table represents total outstanding shares for the years ended December 31:

(in thousands)	Common Shares	Treasury Shares	Outstanding Shares
Balance at December 31, 2011	162,776	(21,144)	141,632
Shares issued	—	1,688	1,688
Repurchase of common stock at cost	—	(998)	(998)
Balance at December 31, 2012	162,776	(20,454)	142,322
Shares issued	—	2,605	2,605
Repurchase of common stock at cost	—	(2,686)	(2,686)
Balance at December 31, 2013	162,776	(20,535)	142,241
Shares issued	—	1,875	1,875
Repurchase of common stock at cost	—	(3,272)	(3,272)

Balance at December 31, 2014	162,776	(21,932)	140,844

The Company maintains the 2010 Equity Incentive Plan (the "Plan") under which it may grant non-qualified stock options ("NQSO"), incentive stock options, restricted stock, restricted stock units ("RSU") and stock appreciation rights, collectively referred to as "Awards." Awards are granted at exercise prices that are equal to the closing stock price on the date of grant. The Company authorized grants under the Plan of 13.0 million shares of common stock, plus any unexercised portion of cancelled or terminated stock options granted under the DENTSPLY International Inc. 2002 Equity Incentive Plan, as amended, subject to adjustment as follows: each January, if 7% of the total outstanding common shares of the Company exceed 13.0 million, the excess becomes available for grant under the Plan. No more than 2.5 million shares may be awarded as restricted stock and RSU, and

no key employee may be granted restricted stock and RSU in excess of approximately 0.2 million shares of common stock in any calendar year. The number of shares available for grant under the 2010 Plan at December 31, 2014 is 8.2 million.

Stock options granted become exercisable over a period of three years after the date of grant at the rate of one-third per year and generally expire ten years after the date of grant under these plans. RSU vest 100% on the third anniversary of the date of grant and are subject to a service condition, which requires grantees to remain employed by the Company during the three-year period following the date of grant. Under the terms of the RSU, the three-year period is referred to as the restricted period. RSU and the rights under the award may not be sold, assigned, transferred, donated, pledged or otherwise disposed of during the three-year restricted period prior to vesting. In addition to the service condition, certain key executives are granted RSU subject to performance requirements during the first year of the RSU award. If actual performance against the goals is not met the RSU granted is adjusted to reflect the achievement level. Upon the expiration of the applicable restricted period and the satisfaction of all conditions imposed, all restrictions imposed on RSU will lapse, and one share of common stock will be issued as payment for each vested RSU. All awards become immediately exercisable upon death, disability or qualified retirement. Awards are expensed as compensation over their respective vesting periods or to the eligible retirement date if shorter.

The following table represents total stock based compensation expense and the tax related benefit for the years ended:

	December 31,		
(in thousands)	2014	2013	2012
Stock option expense	$8,838	$10,554	$11,126
RSU expense	15,399	13,059	9,644
Total stock based compensation expense	$24,237	$23,613	$20,770
Related deferred income tax benefit	$6,744	$6,057	$5,775

There were 1.8 million non-qualified stock options unvested at December 31, 2014. The remaining unamortized compensation cost related to non-qualified stock options is $9.4 million, which will be expensed over the weighted average remaining vesting period of the options, or 1.3 years. The unamortized compensation cost related to RSU is $19.9 million, which will be expensed over the remaining weighted average restricted period of the RSU, or 1.2 years.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of each option awarded. The following table sets forth the average assumptions used to determine compensation cost for the Company’s NQSO issued during the years ended:

	December 31,					
	2014		2013		2012	
Weighted average fair value per share	$9.41		$9.30		$8.91	
Expected dividend yield	0.59	%	0.53	%	0.57	%
Risk-free interest rate	1.61	%	0.87	%	0.93	%
Expected volatility	21.6	%	24.7	%	26.0	%
Expected life (years)	5.13		4.98		5.10	

The total intrinsic value of options exercised for the years ended December 31, 2014, 2013 and 2012 was $28.8 million, $34.3 million and $21.1 million, respectively.

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The following table summarizes the NQSO transactions for the year ended December 31, 2014:

	Outstanding			Exercisable		
(in thousands, except per share amounts)	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
December 31, 2013	8,295	$35.04	$111,450	6,225	$33.67	$92,200
Granted	929	45.27				
Exercised	(1,539)	31.89				
Cancelled	(4)	45.04				
Forfeited	(58)	41.26				
December 31, 2014	7,623	$36.87	$124,988	5,775	$35.05	$105,210

The weighted average remaining contractual term of all outstanding options is 5.6 years and the weighted average remaining contractual term of exercisable options is 4.7 years.

The following table summarizes information about NQSO outstanding for the year ended December 31, 2014:

(in thousands, except per share amounts and life)		Outstanding			Exercisable	
Range of Exercise Prices		Number Outstanding at December 31, 2014	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2014	Weighted Average Exercise Price
20.01	- 30.00	1,288	3.3	$26.54	1,288	$26.54
30.01	- 40.00	3,839	5.6	35.87	3,453	35.57
40.01	- 50.00	2,496	6.9	43.75	1,034	43.93
		7,623	5.6	$36.87	5,775	$35.05

The following table summarizes the unvested RSU transactions for the year ended December 31, 2014:

	Unvested Restricted Stock Units	
(in thousands, except per share amounts)	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2013	1,131	$38.81
Granted	447	45.20
Vested	(282)	36.60
Forfeited	(119)	40.90
Unvested at December 31, 2014	1,177	$41.55

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NOTE 14 - INCOME TAXES

The components of income before income taxes from operations are as follows:

(in thousands)	December 31, 2014	2013	2012
United States	$59,628	$58,383	$67,668
Foreign	344,745	310,952	263,011
	$404,373	$369,335	$330,679

The components of the provision for income taxes from operations are as follows:

(in thousands)	December 31, 2014	2013	2012
Current:			
U.S. federal	$(12,771)	$10,340	$23,412
U.S. state	(295)	4,660	2,788
Foreign	76,702	66,306	69,954
Total	$63,636	$81,306	$96,154
Deferred:			
U.S. federal	$32,250	$(28,941)	$(128,832)
U.S. state	(9,861)	(1,377)	11,730
Foreign	(4,905)	1,162	29,868
Total	$17,484	$(29,156)	$(87,234)
	$81,120	$52,150	$8,920

The reconciliation of the U.S. federal statutory tax rate to the effective rate for the years ended is as follows:

	December 31, 2014	2013	2012
Statutory U. S. federal income tax rate	35.0 %	35.0 %	35.0 %
Effect of:			
State income taxes, net of federal benefit	0.7	0.7	0.7
Federal benefit of R&D and foreign tax credits	(10.5)	(5.9)	(7.2)
Tax effect of international operations	(3.2)	(10.2)	(7.4)
Net effect of tax audit activity	3.1	1.9	(0.6)
Tax effect of enacted statutory rate changes	(0.3)	0.1	(3.7)
Federal tax on unremitted earnings of certain foreign subsidiaries	(0.1)	—	0.1
Valuation allowance adjustments	(2.1)	(0.6)	12.0
Tax effect of enacted U.S. federal legislation	—	(2.6)	—
Foreign outside basis differences	—	(1.5)	(26.5)
Other	(2.5)	(2.8)	0.3
Effective income tax rate on operations	20.1 %	14.1 %	2.7 %

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The tax effect of significant temporary differences giving rise to deferred tax assets and liabilities are as follows:

(in thousands)	December 31, 2014 Deferred Tax Asset	December 31, 2014 Deferred Tax Liability	December 31, 2013 Deferred Tax Asset	December 31, 2013 Deferred Tax Liability
Commission and bonus accrual	$5,939	$—	$5,793	$—
Employee benefit accruals	47,567	—	46,740	—
Inventory	21,018	—	21,941	—
Identifiable intangible assets	—	338,714	—	374,240
Insurance premium accruals	4,791	—	4,402	—
Miscellaneous accruals	11,084	—	10,089	—
Other	33,902	—	35,734	—
Unrealized losses included in AOCI	26,837	—	32,908	—
Property, plant and equipment	—	41,425	—	49,368
Product warranty accruals	1,186	—	1,069	—
Foreign tax credit and R&D carryforward	104,805	—	48,450	—
Restructuring and other cost accruals	1,703	—	956	—
Sales and marketing accrual	6,830	—	5,768	—
Taxes on unremitted earnings of foreign subsidiaries	—	2,120	—	2,506
Tax loss carryforwards and other tax attributes	320,187	—	389,614	—
Valuation allowance	(253,247)	—	(228,846)	—
	$332,602	$382,259	$374,618	$426,114

Deferred tax assets and liabilities are included in the following Consolidated Balance Sheet line items:

(in thousands)	December 31, 2014	2013
Assets		
Prepaid expenses and other current assets	$78,744	$86,929
Other noncurrent assets, net	41,882	104,385
Liabilities		
Income taxes payable	4,732	4,416
Deferred income taxes	165,551	238,394

The Company has $104.4 million of foreign tax credit carryforwards at December 31, 2014, of which $43.6 million will expire in 2023 and $60.8 million will expire in 2024.

The deferred tax asset recorded during 2012 for foreign outside basis differences in a wholly owned subsidiary was realized as a deduction for U.S. income tax purposes during 2013. The deferred tax asset remaining at December 31, 2014 is now reflected as a U.S. federal income tax loss carryforward of $170.7 million which will expire in 2033. The Company also has tax loss carryforwards related to certain foreign and domestic subsidiaries of approximately $1.0 billion at December 31, 2014, of which $504.8 million expires at various times through 2034 and $505.0 million may be carried forward indefinitely. Included in deferred income tax assets at December 31, 2014 are tax benefits totaling $236.6 million, before valuation allowances, for the tax loss carryforwards.

The Company has recorded $164.1 million of valuation allowance to offset the tax benefit of net operating losses and $89.1 million of valuation allowance for other deferred tax assets. The Company has recorded these valuation allowances due to the uncertainty that these assets can be realized in the future.

Federal and state tax loss carryforwards that result from the exercise of employee stock options are not recorded on the Company's Consolidated Balance Sheets. These tax loss carryforwards are accounted for as a credit to additional paid-in capital

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when realized through a reduction in income taxes payable. The amount incurred for tax loss carryforwards, both federal and state, at December 31, 2014 and 2013 was $14.5 million and $17.2 million, respectively.

The Company has provided federal income taxes on certain undistributed earnings of its foreign subsidiaries that the Company anticipates will be repatriated. Deferred federal income taxes have not been provided on $1.3 billion of cumulative earnings of foreign subsidiaries that the Company has determined to be permanently reinvested. It is not practicable to estimate the amount of tax that might be payable on these permanently reinvested earnings.

Tax Contingencies

The Company applies a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company recognizes in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

The total amount of gross unrecognized tax benefits at December 31, 2014 is approximately $30.7 million, of this total, approximately $18.5 million represents the amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate. It is reasonably possible that certain amounts of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date of the Company’s consolidated financial statements. Final settlement and resolution of outstanding tax matters in various jurisdictions during the next twelve months could include unrecognized tax benefits of approximately $15.0 million. Of this total, approximately $3.7 million represents the amount of unrecognized tax benefits that, if recognized would affect the effective income tax rate. In addition, expiration of statutes of limitation in various jurisdictions during the next 12 months could include unrecognized tax benefits of approximately $0.8 million.

The total amount of accrued interest and penalties were $8.9 million and $7.9 million at December 31, 2014 and 2013, respectively. The Company has consistently classified interest and penalties recognized in its consolidated financial statements as income taxes based on the accounting policy election of the Company. During the years ended December 31, 2014 and 2013, the Company recognized income tax expense of $1.9 million and $1.7 million respectively, related to interest and penalties. During the year ended December 31, 2012, the Company recognized income tax benefit in the amount of $0.9 million related to interest and penalties.

The Company is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The significant jurisdictions include the U.S., Germany, Sweden and Switzerland. The Company has substantially concluded all U.S. federal income tax matters for years through 2010. The company is currently under audit for the tax year 2011. The tax years 2012 and 2013 are subject to future potential tax audit adjustments. The Company has concluded audits in Germany through the tax year 2008 and is currently under audit for the years 2009 through 2011. The Company is under audit in Sweden for the tax year 2013. The taxable years that remain open for Sweden are 2009 through 2013. The taxable years that remain open for Switzerland are 2004 through 2013.

The Company had the following activity recorded for unrecognized tax benefits:

	December 31,		
(in thousands)	2014	2013	2012
Unrecognized tax benefits at beginning of period	$17,997	$12,264	$14,956
Gross change for prior period positions	5,083	2,471	(3,029)
Gross change for current year positions	179	4,517	268
Decrease due to settlements and payments	(249)	—	—
Decrease due to statute expirations	(568)	(1,381)	—

Increase due to effect of foreign currency translation	—	126	69
Decrease due to effect from foreign currency translation	(624)	—	—
Unrecognized tax benefits at end of period	$21,818	$17,997	$12,264

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NOTE 15 - BENEFIT PLANS

Defined Contribution Plans

The DENTSPLY Employee Stock Ownership Plan ("ESOP") and 401(k) plans are designed to have contribution allocations of eligible compensation, with a targeted 3% going into the ESOP in Company stock and a targeted 3% going into the 401(k) as a non-elective contribution in cash. The Company sponsors an employee 401(k) savings plan for its U.S. workforce to which enrolled participants may contribute up to Internal Revenue Service defined limits. The ESOP is a non-contributory defined contribution plan that covers substantially all of the U.S. based non-union employees of the Company. All future ESOP allocations will come from a combination of forfeited shares and shares acquired in the open market. The share allocation will be accounted at fair value at the point of allocation, which is normally year-end. In addition to these plans, the Company also maintains various other U.S. and non-U.S. defined contribution and non-qualified deferred compensation plans. The annual expense, net of forfeitures, were $25.4 million, $25.8 million and $26.1 million for 2014, 2013 and 2012, respectively.

Defined Benefit Plans

The Company maintains a number of separate contributory and non-contributory qualified defined benefit pension plans for certain union and salaried employee groups in the United States. Pension benefits for salaried plans are based on salary and years of service; hourly plans are based on negotiated benefits and years of service. Annual contributions to the pension plans are sufficient to satisfy minimum funding requirements. Pension plan assets are held in trust and consist mainly of common stock and fixed income investments. The Company's funding policy for its U.S. plans is to make contributions that are necessary to maintain the plans on a sound actuarial basis and to meet the minimum funding standards prescribed by law. The Company may, at its discretion, contribute amounts in excess of the minimum required contribution.

In addition to the U.S. plans, the Company maintains defined benefit pension plans for certain employees in Austria, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland and Taiwan. These plans provide benefits based upon age, years of service and remuneration. Other foreign plans are not significant individually or in the aggregate. Substantially all of the German and Sweden plans are unfunded book reserve plans. Most employees and retirees outside the U.S. are covered by government health plans.

Defined Benefit Pension Plan Assets

The primary investment strategy is to ensure that the assets of the plans, along with anticipated future contributions, will be invested in order that the benefit entitlements of employees, pensioners and beneficiaries covered under the plan can be met when due with high probability. Pension plan assets consist mainly of common stock and fixed income investments. The target allocations for defined benefit plan assets are 30% to 65% equity securities, 30% to 65% fixed income securities, 0% to 15% real estate, and 0% to 25% in all other types of investments. Equity securities include investments in companies located both in and outside the U.S. Equity securities do not include common stock of the Company. Fixed income securities include corporate bonds of companies from diversified industries, government bonds, mortgage notes and pledge letters. Other types of investments include investments in mutual funds, common trusts, insurance contracts, hedge funds and real estate. These plan assets are not recorded on the Company's Consolidated Balance Sheet as they are held in trust or other off-balance sheet investment vehicles.

The defined benefit pension plan assets in the U.S. are held in trust and the investment policies of the plans are generally to invest the plans assets in equities and fixed income investments. The objective is to achieve a long-term rate of return in excess of 4% while at the same time mitigating the impact of investment risk associated with investment categories that are expected to yield greater than average returns. In accordance with the investment

policies of the U.S. plans, the plans assets were invested in the following investment categories: interest-bearing cash, registered investment companies (e.g. mutual funds), common/collective trusts, master trust investment accounts and insurance company general accounts. The investment objective is for assets to be invested in a manner consistent with the fiduciary standards of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The defined benefit pension plan assets maintained in Austria, France, Germany, Japan, Norway, the Netherlands, Switzerland and Taiwan all have separate investment policies but generally have an objective to achieve a long-term rate of return in excess of 4% while at the same time mitigating the impact of investment risk associated with investment categories that are expected to yield greater than average returns. In accordance with the investment policies for the plans outside the U.S., the plans' assets were invested in the following investment categories: interest-bearing cash, U.S. and foreign equities, foreign fixed income securities (primarily corporate and government bonds), insurance company contracts, real estate and hedge funds.

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Postemployment Healthcare

The Company sponsors postemployment healthcare plans that cover certain union and salaried employee groups in the U.S. and is contributory, with retiree contributions adjusted annually to limit the Company's contribution for participants who retired after June 1, 1985. The plans for postemployment healthcare have no plan assets. The Company also sponsors unfunded non-contributory postemployment medical plans for a limited number of union employees and their spouses and retirees of a discontinued operation.

Reconciliations of changes in the defined benefit and postemployment healthcare plans' benefit obligations, fair value of assets and statement of funded status are as follows:

	Pension Benefits		Other Postemployment Benefits	
	December 31,		December 31,	
(in thousands)	2014	2013	2014	2013
Change in Benefit Obligation				
Benefit obligation at beginning of year	$359,416	$355,766	$11,936	$14,218
Service cost	13,982	14,863	249	234
Interest cost	11,104	9,901	530	464
Participant contributions	3,984	3,968	467	515
Actuarial losses (gains)	114,412	(20,727)	1,444	(2,708)
Plan amendments	71	—	—	11
Acquisitions/Divestitures	—	30	—	—
Effect of exchange rate changes	(54,376)	8,248	—	—
Other	2,582	(524)	—	—
Plan curtailments and settlements	(292)	(1,669)	—	—
Benefits paid	(14,008)	(10,440)	(712)	(798)
Benefit obligation at end of year	$436,875	$359,416	$13,914	$11,936
Change in Plan Assets				
Fair value of plan assets at beginning of year	$143,165	$124,884	$—	$—
Actual return on assets	13,560	9,658	—	—
Effect of exchange rate changes	(14,825)	2,377	—	—
Employer contributions	11,658	12,718	245	283
Participant contributions	3,984	3,968	467	515
Benefits paid	(14,008)	(10,440)	(712)	(798)
Fair value of plan assets at end of year	$143,534	$143,165	$—	$—
Funded status at end of year	$(293,341)	$(216,251)	$(13,914)	$(11,936)

The amounts recognized in the accompanying Consolidated Balance Sheets, net of tax effects, are as follows:

		Pension Benefits		Other Postemployment Benefits	
	Location On The	December 31,		December 31,	
(in thousands)	Consolidated Balance Sheet	2014	2013	2014	2013
Other noncurrent assets, net	Other noncurrent assets, net	$12	$23	$—	$—
Deferred tax asset	Other noncurrent assets, net	43,067	19,618	1,162	605
Total assets		$43,079	$19,641	$1,162	$605
Current liabilities	Accrued liabilities	(4,916)	(5,097)	(627)	(491)
Other noncurrent liabilities	Other noncurrent liabilities	(288,437)	(211,177)	(13,287)	(11,445)
Deferred tax liability	Deferred income taxes	(546)	(644)	—	—
Total liabilities		$(293,899)	$(216,918)	$(13,914)	$(11,936)
Accumulated other comprehensive income	Accumulated other comprehensive loss	111,725	48,957	1,848	961
Net amount recognized		$(139,095)	$(148,320)	$(10,904)	$(10,370)

Amounts recognized in AOCI consist of:

	Pension Benefits		Other Postemployment Benefits	
	December 31,		December 31,	
(in thousands)	2014	2013	2014	2013
Net actuarial loss	$156,447	$70,615	$3,002	$1,557
Net prior service cost	(2,201)	(2,684)	8	9
Before tax AOCI	$154,246	$67,931	$3,010	$1,566
Less: Deferred taxes	42,521	18,974	1,162	605
Net of tax AOCI	$111,725	$48,957	$1,848	$961

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,	
(in thousands)	2014	2013
Projected benefit obligation	$435,124	$357,459
Accumulated benefit obligation	397,159	330,215
Fair value of plan assets	141,771	141,186

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Components of net periodic benefit cost:

	Pension Benefits			Other Postemployment Benefits		
(in thousands)	2014	2013	2012	2014	2013	2012
Service cost	$13,982	$14,863	$12,178	$249	$234	$195
Interest cost	11,104	9,901	10,600	530	464	490
Expected return on plan assets	(5,402)	(4,998)	(4,727)	—	—	—
Amortization of prior service (credit) cost	(126)	(133)	(138)	1	2	—
Amortization of net actuarial loss	2,775	5,150	1,995	—	303	264
Curtailment and settlement loss (gains)	74	(1,600)	(303)	—	—	—
Net periodic benefit cost	$22,407	$23,183	$19,605	$780	$1,003	$949

Other changes in plan assets and benefit obligations recognized in AOCI:

	Pension Benefits			Other Postemployment Benefits		
(in thousands)	2014	2013	2012	2014	2013	2012
Net actuarial loss (gain)	$88,607	$(23,364)	$55,662	$1,445	$(2,709)	$1,601
Net prior service cost (credit)	357	(37)	(161)	—	11	—
Amortization	(2,649)	(5,017)	(1,857)	(1)	(305)	(264)
Total recognized in AOCI	$86,315	$(28,418)	$53,644	$1,444	$(3,003)	$1,337
Total recognized in net periodic benefit cost and AOCI	$108,722	$(5,235)	$73,249	$2,224	$(2,000)	$2,286

The estimated net loss, prior service cost and transition obligation for the defined benefit plans that will be amortized from AOCI into net periodic benefit cost over the next fiscal year are $8.2 million. There will be an immaterial amount of estimated net loss and prior service credit for the other postemployment plans that will be amortized from AOCI into net periodic benefit cost over the next fiscal year.

The amounts in AOCI that are expected to be amortized as net expense (income) during fiscal year 2015 are as follows:

(in thousands)	Pension Benefits	Other Postemployment Benefits
Amount of net prior service (credit) cost	$(129)	$ 2
Amount of net loss	8,331	168

The weighted average assumptions used to determine benefit obligations for the Company’s plans, principally in foreign locations, at December 31, 2014, 2013 and 2012 are as follows:

	Pension Benefits			Other Postemployment Benefits		
	2014	2013	2012	2014	2013	2012
Discount rate	1.8%	3.2%	2.8%	4.3%	4.8%	3.5%
Rate of compensation increase	2.6%	2.7%	2.7%	n/a	n/a	n/a
Health care cost trend pre 65	n/a	n/a	n/a	8.0%	8.5%	8.0%

Health care cost trend post 65	n/a	n/a	n/a	7.0 %	7.5 %	8.0 %
Ultimate health care cost trend	n/a	n/a	n/a	5.0 %	5.0 %	5.0 %
Years until trend is reached pre 65	n/a	n/a	n/a	8.0	8.0	7.0
Years until ultimate trend is reached post 65	n/a	n/a	n/a	7.0	8.0	7.0

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The weighted average assumptions used to determine net periodic benefit cost for the Company's plans, principally in foreign locations, for the years ended December 31, 2014, 2013 and 2012 are as follows:

	Pension Benefits			Other Postemployment Benefits		
	2014	2013	2012	2014	2013	2012
Discount rate	3.2 %	2.8 %	4.0 %	4.8 %	3.5 %	4.0 %
Expected return on plan assets	3.8 %	4.3 %	4.1 %	n/a	n/a	n/a
Rate of compensation increase	2.7 %	2.7 %	2.8 %	n/a	n/a	n/a
Health care cost trend	n/a	n/a	n/a	8.5 %	8.5 %	8.0 %
Ultimate health care cost trend	n/a	n/a	n/a	5.0 %	5.0 %	5.0 %
Years until ultimate trend is reached	n/a	n/a	n/a	8.0	8.0	7.0
Measurement Date	12/31/2014	12/31/2013	12/31/2012	12/31/2014	12/31/2013	12/31/2012

To develop the assumptions for the expected long-term rate of return on assets, the Company considered the current level of expected returns on risk free investments (primarily U.S. government bonds), the historical level of the risk premium associated with the other asset classes in which the assets are invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocations to develop the assumptions for the expected long-term rate of return on assets.

Assumed health care cost trend rates have an impact on the amounts reported for postemployment benefits. An ongoing one percentage point change in assumed healthcare cost trend rates would have had the following effects for the year ended December 31, 2014:

	Other Postemployment Benefits	
(in thousands)	1% Increase	1% Decrease
Effect on total of service and interest cost components	$229	$(169)
Effect on postemployment benefit obligation	2,680	(2,058)

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Fair Value Measurements of Plan Assets

The fair value of the Company's pension plan assets at December 31, 2014 is presented in the table below by asset category. Approximately 81% of the total plan assets are categorized as Level 1, and therefore, the values assigned to these pension assets are based on quoted prices available in active markets. For the other category levels, a description of the valuation is provided in Note 1, Significant Accounting Policies, under the "Fair Value Measurement" heading.

	December 31, 2014			
(in thousands)	Total	Level 1	Level 2	Level 3
Assets Category				
Cash and cash equivalents	$9,613	$9,613	$—	$—
Equity securities:				
U. S.	1,065	1,065	—	—
International	38,090	38,090	—	—
Fixed income securities:				
Fixed rate bonds (a)	53,427	53,427	—	—
Other types of investments:				
Mutual funds (b)	3,783	3,783	—	—
Real estate mutual funds	10,311	10,311	—	—
Common trusts (c)	9,542	—	9,542	—
Insurance contracts	15,518	—	3,615	11,903
Hedge funds	1,847	—	—	1,847
Real estate	338	—	—	338
Total	$143,534	$116,289	$13,157	$14,088

	December 31, 2013			
(in thousands)	Total	Level 1	Level 2	Level 3
Assets Category				
Cash and cash equivalents	$15,231	$15,231	$—	$—
Equity securities:				
U. S.	929	929	—	—
International	37,904	37,904	—	—
Fixed income securities:				
Fixed rate bonds (a)	51,066	51,066	—	—
Other types of investments:				
Mutual funds (b)	3,367	3,367	—	—
Real estate mutual funds	8,906	8,906	—	—
Common trusts (c)	10,100	—	6,802	3,298
Insurance contracts	13,240	—	3,739	9,501
Hedge funds	2,046	—	—	2,046
Real estate	376	—	—	376
Total	$143,165	$117,403	$10,541	$15,221

(a) This category includes fixed income securities invested primarily in Swiss bonds, foreign bonds denominated in Swiss francs, foreign currency bonds, mortgage notes and pledged letters.

(b) This category includes mutual funds balanced between moderate-income generation and moderate capital appreciation with investment allocations of approximately 50% equities and 50% fixed income investments.

(c)

This category includes common/collective funds with investments in approximately 65% equities and 35% in fixed income investments.

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The following table provides a reconciliation from December 31, 2013 to December 31, 2014 for the plans assets categorized as Level 3. During the year ended December 31, 2014, $3.4 million assets were transferred in or out of the Level 3 category.

(in thousands)	Changes within Level 3 Category for Year Ended December 31, 2014				
	Common Trust	Insurance Contracts	Hedge Funds	Real Estate	Total
Balance at December 31, 2013	$3,298	$9,501	$2,046	$376	$15,221
Actual return on plan assets:					
Relating to assets still held at the reporting date	—	3,382	11	—	3,393
Relating to assets sold during the period	169	—	—	—	169
Purchases, sales and settlements, net	(83)	652	—	—	569
Transfers in and/or (out)	(3,384)	—	—	—	(3,384)
Effect of exchange rate changes	—	(1,632)	(210)	(38)	(1,880)
Balance at December 31, 2014	$—	$11,903	$1,847	$338	$14,088

The following tables provide a reconciliation from December 31, 2012 to December 31, 2013 for the plans assets categorized as Level 3. No assets were transferred in or out of the Level 3 category during the year ended December 31, 2013.

(in thousands)	Changes within Level 3 Category for Year Ended December 31, 2013				
	Common Trust	Insurance Contracts	Hedge Funds	Real Estate	Total
Balance at December 31, 2012	$2,708	$8,334	$1,311	$367	$12,720
Actual return on plan assets:					
Relating to assets still held at the reporting date	409	421	82	—	912
Relating to assets sold during the period	99	—	—	—	99
Purchases, sales and settlements, net	82	637	596	—	1,315
Effect of exchange rate changes	—	109	57	9	175
Balance at December 31, 2013	$3,298	$9,501	$2,046	$376	$15,221

Fair values for Level 3 assets are determined as follows:

Common Trusts and Hedge Funds: The investments are valued using the net asset value provided by the administrator of the trust or fund, which is based on the fair value of the underlying securities.

Real Estate: Investment is stated by its appraised value.

Insurance Contracts: The value of the asset represents the mathematical reserve of the insurance policies and is calculated by the insurance firms using their own assumptions.

Cash Flows

In 2015, the Company expects to make contributions and direct benefit payments of $11.4 million to its defined benefit pension plans and $0.6 million to its postemployment medical plans.

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Estimated Future Benefit Payments

(in thousands)	Pension Benefits	Other Postemployment Benefits
2015	$9,885	$641
2016	10,477	624
2017	10,211	616
2018	13,069	627
2019	13,444	597
2020-2024	75,590	2,800

The above table reflects the total employer contributions and benefits expected to be paid from the plan and does not include the participants' share of the cost.

NOTE 16 - RESTRUCTURING AND OTHER COSTS

Restructuring Costs

Restructuring costs of $9.9 million, $12.0 million and $17.8 million for 2014 , 2013 and 2012, respectively, are reflected in "Restructuring and other costs" in the Consolidated Statement of Operations and the associated liabilities are recorded in "Accrued liabilities" and "Other noncurrent liabilities" in the Consolidated Balance Sheets. These costs consist of employee severance benefits, payments due under operating contracts, and other restructuring costs.

During 2014, the Company initiated several restructuring plans primarily related to closing locations as a result of integration activities to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. These restructuring costs were offset by changes in estimates of $3.0 million, related to adjustments to the cost of initiatives in prior years.

During 2013 the Company initiated several restructuring plans primarily related to closing locations as a result of integration activities as the Company realigned certain implant and implant related businesses to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. These restructuring costs were offset by changes in estimates of $2.3 million, related to adjustments to the cost of initiatives in prior years.

During 2012, the Company initiated several restructuring plans primarily related to the closure and/or consolidation of certain production and selling facilities in Europe to better leverage the Company's resources by reducing costs and obtaining operational efficiencies. These restructuring costs were offset by changes in estimates of $0.8 million related to adjustments to the cost of initiatives in prior years.

At December 31, 2014, the Company's restructuring accruals were as follows:

(in thousands)	Severances 2012 and Prior Plans	2013 Plans	2014 Plans	Total
Balance at December 31, 2013	$1,282	$5,764	$—	$7,046
Provisions and adjustments	178	352	7,603	8,133
Amounts applied	(900)	(4,309)	(2,080)	(7,289)
Change in estimates	(387)	(1,029)	(461)	(1,877)
Balance at December 31, 2014	$173	$778	$5,062	$6,013

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(in thousands)	Lease/Contract Terminations 2012 and Prior Plans	2013 Plans	2014 Plans	Total
Balance at December 31, 2013	$748	$98	$—	$846
Provisions and adjustments	11	226	1,779	2,016
Amounts applied	(132)	(211)	(113)	(456)
Change in estimates	$(92)	(113)	(30)	(235)
Balance at December 31, 2014	$535	$—	$1,636	$2,171

(in thousands)	Other Restructuring Costs 2012 and Prior Plans	2013 Plans	2014 Plans	Total
Balance at December 31, 2013	$58	$658	$—	$716
Provisions and adjustments	41	57	2,672	2,770
Amounts applied	(74)	(407)	(1,002)	(1,483)
Change in estimates	—	(308)	(621)	(929)
Balance at December 31, 2014	$25	$—	$1,049	$1,074

The following table provides the cumulative amounts for the provisions and adjustments and amounts applied for all the plans by segment:

(in thousands)	December 31, 2013	Provisions and Adjustments	Amounts Applied	Change in Estimates	December 31, 2014
Dental Consumable and Certain International Businesses	$656	$4,242	$(1,017)	$(418)	$3,463
Dental Specialty and Laboratory and Certain Global Distribution Businesses	6,333	7,163	(6,349)	(2,254)	4,893
Healthcare and Emerging Markets Businesses	1,245	1,154	(1,260)	(304)	835
All Other	374	360	(602)	(65)	67
Total	$8,608	$12,919	$(9,228)	$(3,041)	$9,258

At December 31, 2013, the Company’s restructuring accruals were as follows:

(in thousands)	Severances 2011 and Prior Plans	2012 Plans	2013 Plans	Total
Balance at December 31, 2012	$1,495	$11,412	$—	$12,907
Provisions and adjustments	—	1,314	8,615	9,929
Amounts applied	(1,069)	(9,832)	(2,615)	(13,516)
Change in estimates	$(24)	(2,014)	(236)	(2,274)
Balance at December 31, 2013	$402	$880	$5,764	$7,046

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(in thousands)	Lease/Contract Terminations 2011 and Prior Plans	2012 Plans	2013 Plans	Total
Balance at December 31, 2012	$792	$682	$—	$1,474
Provisions and adjustments	—	77	1,999	2,076
Amounts applied	(136)	(626)	(1,887)	(2,649)
Change in estimates	$—	(41)	(14)	(55)
Balance at December 31, 2013	$656	$92	$98	$846

(in thousands)	Other Restructuring Costs 2012 Plans	2013 Plans	Total
Balance at December 31, 2012	$94	$—	$94
Provisions and adjustments	957	1,383	2,340
Amounts applied	(994)	(716)	(1,710)
Change in estimates	1	(9)	(8)
Balance at December 31, 2013	$58	$658	$716

The following table provides the cumulative amounts for the provisions and adjustments and amounts applied for all the plans by segment:

(in thousands)	December 31, 2012	Provisions and Adjustments	Amounts Applied	Change in Estimates	December 31, 2013
Dental Consumable and Certain International Businesses	$1,537	$12	$(378)	$(515)	$656
Dental Specialty and Laboratory and Certain Global Distribution Businesses	12,938	11,692	(16,475)	(1,822)	6,333
Healthcare and Emerging Markets Businesses	—	1,950	(705)	—	1,245
All Other	—	691	(317)	—	374
Total	$14,475	$14,345	$(17,875)	$(2,337)	$8,608

Other Costs

For the year ended December 31, 2014, the Company recorded other costs of $1.2 million, which were primarily the result of legal settlements.

For the year ended December 31, 2013, the Company recorded other costs of $1.4 million, which included $2.4 million impairments of certain previously acquired technologies offset by income from legal settlements.

For the year ended December 31, 2012, the Company recorded other costs of $7.9 million, including $5.2 million impairments of certain previously acquired technologies and the impact of the U.S. presidential executive order updating trade sanctions. On October 9, 2012, President Obama issued an executive order making it illegal for non-U.S. subsidiaries of U.S. companies to engage in certain transactions involving Iran without a license. The Company reserved appropriate allowances against accounts receivable in its controlled foreign subsidiaries and has discontinued such sales activities. There can be no assurance as to when such sales may be resumed to this region.

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NOTE 17 - FINANCIAL INSTRUMENTS AND DERIVATIVES
Derivative Instruments and Hedging Activities
The Company's activities expose it to a variety of market risks, which primarily include the risks related to the effects of changes in foreign currency exchange rates, interest rates and commodity prices. These financial exposures are monitored and managed by the Company as part of its overall risk management program. The objective of this risk management program is to reduce the volatility that these market risks may have on the Company's operating results and equity. The Company employs derivative financial instruments to hedge certain anticipated transactions, firm commitments, or assets and liabilities denominated in foreign currencies. Additionally, the Company utilizes interest rate swaps to convert variable rate debt to fixed rate debt and to convert fixed rate debt to variable rate debt, cross currency basis swaps to convert debt denominated in one currency to another currency and commodity swaps to fix certain variable raw material costs.

Derivative Instruments Designated as Hedging
Cash Flow Hedges
The following table summarizes the notional amounts of cash flow hedges by derivative instrument type at December 31, 2014 and the notional amounts expected to mature during the next 12 months, with a discussion of the various cash flow hedges by derivative instrument type following the table:

(in thousands)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	$359,864	$273,380
Interest rate swaps	170,103	—
Commodity contracts	2,228	2,228
Total derivative instruments designated as cash flow hedges	$532,195	$275,608

Foreign Exchange Risk Management
The Company uses a layered hedging program to hedge select anticipated foreign currency cash flows to reduce volatility in both cash flows and reported earnings of the consolidated Company. The Company accounts for the designated foreign exchange forward contracts as cash flow hedges. As a result, the Company records the fair value of the contracts primarily through AOCI based on the tested effectiveness of the foreign exchange forward contracts. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be deferred in AOCI and released and recorded on the Consolidated Statements of Operations in the same period that the hedged transaction is recorded. The time value component of the fair value of the derivative is deemed ineffective and is reported currently in "Other expense (income), net" on the Consolidated Statements of Operations in the period which it is applicable. Any cash flows associated with these instruments are included in cash from operating activities on the Consolidated Statements of Cash Flows. The Company hedges various currencies, with the most significant activity occurring in euros, Swedish kronor, Canadian dollars, and Swiss francs.

These foreign exchange forward contracts generally have maturities up to 18 months and the counterparties to the transactions are typically large international financial institutions.

Interest Rate Risk Management
The Company uses interest rate swaps to convert a portion of its variable interest rate debt to fixed interest rate debt. At December 31, 2014, the Company has two groups of significant interest rate swaps. On September 29, 2014, the Company replaced the maturing 12.6 billion Japanese yen variable interest rate debt facility with a new variable rate facility for the same amount. In addition, the Company settled existing swaps that converted the underlying variable interest rate on the matured facility and issued new interest rate swaps with notional amounts totaling 12.6 billion

Japanese yen, which effectively converts the underlying variable interest rate on the new facility to a fixed interest rate of 0.9% for a term of five-years ending September 2019. Another swap has a notional amount of 65.0 million Swiss francs, and effectively converts the underlying variable interest rate of a Swiss franc denominated loan to a fixed interest rate of 0.7% for an initial term of five years, ending in September 2016.

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The Company enters into interest rate swap contracts infrequently as they are only used to manage interest rate risk on long-term debt instruments and not for speculative purposes. Any cash flows associated with these instruments are included in cash from operating activities on the Consolidated Statements of Cash Flows.

Commodity Risk Management

The Company enters into precious metal commodity swap contracts to effectively fix certain variable raw material costs typically for up to 18 months. These swaps are used to stabilize the cost of components used in the production of certain products. The Company generally accounts for the commodity swaps as cash flow hedges. As a result, the Company records the fair value of the contracts primarily through AOCI based on the tested effectiveness of the commodity swaps. The Company measures the effectiveness of cash flow hedges of anticipated transactions on a spot-to-spot basis rather than on a forward-to-forward basis. Accordingly, the spot-to-spot change in the derivative fair value will be deferred in AOCI and released and recorded on the Consolidated Statements of Operations in the same period that the hedged transaction is recorded. The time value component of the fair value of the derivative is deemed ineffective and is reported currently in “Interest expense” on the Consolidated Statements of Operations in the period which it is applicable. Any cash flows associated with these instruments are included in cash from operating activities on the Consolidated Statements of Cash Flows.

The following tables summarize the amount of gains (losses) recorded in AOCI in the Consolidated Balance Sheets and income (expense) in the Company’s Consolidated Statements of Operations related to all cash flow hedges for the years ended December 31, 2014 and 2013:

	December 31, 2014			
(in thousands)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Ineffective Portion Recognized in Income (Expense)
Effective Portion:				
Interest rate swaps	$(668)	Interest expense	$(3,704)	—
Foreign exchange forward contracts	4,324	Cost of products sold	(6,362)	—
Foreign exchange forward contracts	518	SG&A expenses	(95)	—
Commodity contracts	(243)	Cost of products sold	(526)	—
Ineffective Portion:				
Foreign exchange forward contracts	—	Other expense (income), net	—	$28
Commodity contracts	—	Interest expense	—	(29)
Total in cash flow hedging	$3,931		$(10,687)	$(1)

	December 31, 2013			
(in thousands)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Effective Portion Reclassified from AOCI into Income (Expense)	Ineffective Portion Recognized in Income (Expense)
Effective Portion:				
Interest rate swaps	$(166)	Interest expense	$(3,681)	—
Foreign exchange forward contracts	(6,550)	Cost of products sold	1,184	—

Foreign exchange forward contracts	(294)	SG&A expenses	(147)	—
Commodity contracts	(1,004)	Cost of products sold	(288)	—
Ineffective Portion:				
Foreign exchange forward contracts	—	Other expense (income), net	—	$666
Commodity contracts	—	Interest expense	—	(56)
Total for cash flow hedging	$(8,014)		$(2,932)	$610

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Overall, the derivatives designated as cash flow hedges are considered to be highly effective. At December 31, 2014, the Company expects to reclassify $0.6 million of deferred net losses on cash flow hedges recorded in AOCI to the Consolidated Statements of Operations during the next 12 months. The term over which the Company is hedging exposures to variability of cash flows (for all forecasted transactions, excluding interest payments on variable interest rate debt) is typically 18 months.

For the rollforward of derivative instruments designated as cash flow hedges in AOCI see Note 3, Comprehensive Income.

Hedges of Net Investments in Foreign Operations

The Company has significant investments in foreign subsidiaries the most significant of which are denominated in euros, Swiss francs, Japanese yen and Swedish kronor. The net assets of these subsidiaries are exposed to volatility in currency exchange rates. To hedge a portion of this exposure the Company employs both derivative and non-derivative financial instruments. The derivative instruments consist of foreign exchange forward contracts and cross currency basis swaps. The non-derivative instruments consist of foreign currency denominated debt held at the parent company level. Translation gains and losses related to the net assets of the foreign subsidiaries are offset by gains and losses in derivative and non-derivative financial instruments designated as hedges of net investments, which are included in AOCI. Any cash flows associated with these instruments are included in investing activities on the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, in which case all cash flows will be classified as financing activities on the Consolidated Statements of Cash Flows.

The following table summarizes the notional amounts of hedges of net investments by derivative instrument type at December 31, 2014 and the notional amounts expected to mature during the next 12 months:

(in thousands)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	$418,194	$237,532

On February 14, 2014, the Company de-designated 449.8 million euros of foreign exchange forward contracts that were previously designated as net investment hedges. The change in the value of the de-designated hedges will be recorded in “Other expense (income), net” on the Consolidated Statements of Operations and will offset the change in the value of non-designated euro denominated cross currency basis swaps as further noted in the section below titled Derivative Instruments Not Designated as Hedges.

On September 4, 2014, the Company settled net investment hedges totaling 432.5 million Swiss francs. The settled hedge instruments were cross currency basis swaps that had maturities periodically through April 2018. The Company replaced these hedges with new foreign exchange forwards contracts, totaling 258.1 million Swiss francs, which have layered maturity dates from December 2014 through September 2016. These settled net investment hedges resulted in cash receipts totaling $0.1 million during September 2014.

The fair value of the cross currency basis swaps and foreign exchange forward contracts is the estimated amount the Company would receive or pay at the reporting date, taking into account the effective interest rates, cross currency swap basis rates and foreign exchange rates. The effective portion of the change in the value of these derivatives is recorded in AOCI, net of tax effects.

The following tables summarize the amount of gains (losses) recorded in AOCI on the Consolidated Balance Sheets and income (expense) on the Company’s Consolidated Statements of Operations related to the hedges of net

investments for the year ended December 31, 2014 and 2013:

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	December 31, 2014		
(in thousands)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
Effective Portion:			
Cross currency basis swaps	$19,340	Interest income	$1,852
		Interest expense	(1,569)
Foreign exchange forward contracts	43,043	Other expense (income), net	1,274
Total for net investment hedging	$62,383		$1,557

	December 31, 2013		
(in thousands)	Gain (Loss) in AOCI	Consolidated Statements of Operations Location	Recognized in Income (Expense)
Effective Portion:			
Cross currency basis swaps	$(36,035)	Interest income	$4,771
Foreign exchange forward contracts	(5,419)	Interest expense	1,432
		Other expense (income), net	284
Total for net investment hedging	$(41,454)		$6,487

Fair Value Hedges

The Company uses interest rate swaps to convert a portion of its fixed interest rate debt to variable interest rate debt. The Company has a group of U.S. dollar denominated interest rate swaps with an initial total notional value of $150.0 million to effectively convert the underlying fixed interest rate of 4.1% on the Company's $250.0 million Private Placement Notes ("PPN") to variable rate for an initial term of five years, ending February 2016. The notional value of the swaps will decline proportionately as portions of the PPN mature. These interest rate swaps are designated as fair value hedges of the interest rate risk associated with the hedged portion of the fixed rate PPN. Accordingly, the Company will carry the portion of the hedged debt at fair value, with the change in debt and swaps offsetting each other on the Consolidated Statements of Operations. Any cash flows associated with these instruments are included in operating activities on the Consolidated Statements of Cash Flows.

The following table summarizes the notional amounts of fair value hedges by derivative instrument type at December 31, 2014 and the notional amounts expected to mature during the next 12 months:

(in thousands)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Interest rate swaps	$105,000	$60,000

The following tables summarize the amount of income (expense) recorded on the Company's Consolidated Statements of Operations related to the hedges of fair value for the years ended December 31, 2014 and 2013:

(in thousands)	Consolidated Statements of Operations Location	Income (Expense) Recognized Twelve Months Ended December 31, 2014	2013
Interest rate swaps	Interest expense	$224	$320

Derivative Instruments Not Designated as Hedges

The Company enters into derivative instruments with the intent to partially mitigate the foreign exchange revaluation risk associated with recorded assets and liabilities that are denominated in a non-functional currency. The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances and are recorded in "Other expense (income), net" on the Consolidated Statements of Operations. The Company primarily uses foreign exchange forward contracts and cross currency basis swaps to hedge these risks. Any cash flows associated with the foreign exchange forward contracts and interest rate swaps not designated as hedges are included in cash from operating activities on the Consolidated Statements of Cash Flows. Any cash flows associated with the cross currency basis swaps not designated as hedges are included in investing activities on the Consolidated Statements of Cash Flows except for derivative instruments that include an other-than-insignificant financing element, in which case the cash flows will be classified as financing activities on the Consolidated Statements of Cash Flows.

The following tables summarize the aggregate notional amounts of the Company's economic hedges not designated as hedges by derivative instrument types at December 31, 2014 and the notional amounts expected to mature during the next 12 months:

(in thousands)	Aggregate Notional Amount	Aggregate Notional Amount Maturing within 12 Months
Foreign exchange forward contracts	$408,582	$408,582
Interest rate swaps	2,480	874
Cross currency basis swaps	41,639	41,639
Total for instruments not designated as hedges	$452,701	$451,095

The Company maintains Swiss franc denominated cross currency basis swaps to offset an intercompany Swiss franc note receivable at a U.S. dollar functional entity. The hedge declines each quarter to coincide with expected repayments of the note. At December 31, 2014, the remaining notional value of the cross currency swaps was 41.4 million Swiss francs.

On February 14, 2014, a series of U.S. dollar denominated intercompany note receivables were transferred from a euro functional entity to a U.S. dollar functional entity at which point the underlying foreign currency revaluation risk that was hedged by non-designated cross currency swaps totaling 449.8 million euro was eliminated. As a result, the Company de-designated an offsetting amount of 449.8 million euro of net investment hedges. The change in the value of the de-designated net investment hedges will be recorded in "Other expense (income), net" on the Consolidated Statements of Operations. December 15, 2014, the Company settled offsetting economic hedges totaling 449.8 million euros and $650.0 million U.S. dollars. The settled hedges were both cross currency basis swaps and foreign exchange forward contracts that matured December 2014. The settlement of these economic hedges resulted in net cash payments totaling $35.4 million during December 2014.

The following table summarizes the amounts of gains (losses) recorded on the Company's Consolidated Statements of Operations related to the economic hedges not designated as hedging for the years ended December 31, 2014 and 2013:

	Consolidated Statements of Operations Location	Gain (Loss) Recognized Twelve Months Ended December 31,	
(in thousands)		2014	2013
Foreign exchange forward contracts (a)	Other expense (income), net	$33,193	$6,733

DIO equity option contracts	Other expense (income), net	11	17
Interest rate swaps	Interest expense	(35)	6
Cross currency basis swaps (a)	Other expense (income), net	(50,163)	15,483
Total for instruments not designated as hedges		$(16,994)	$22,239

(a) The gains and losses on these derivative transactions offset the gains and losses generated by the revaluation of the underlying non-functional currency balances which are recorded in “Other expense (income), net” on the Consolidated Statements of Operations.

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Consolidated Balance Sheets Location of Derivative Fair Values

The following tables summarize the fair value and consolidated balance sheet location of the Company's derivatives at December 31, 2014 and December 31, 2013:

(in thousands)	December 31, 2014			
Designated as Hedges	Prepaid Expenses and Other Current Assets, Net	Other Noncurrent Assets, Net	Accrued Liabilities	Other Noncurrent Liabilities
Foreign exchange forward contracts	$28,036	$12,542	$2,740	$1,707
Commodity contracts	—	—	233	—
Interest rate swaps	617	135	575	377
Total	$28,653	$12,677	$3,548	$2,084
Not Designated as Hedges				
Foreign exchange forward contracts	$4,798	$—	$4,764	$—
DIO equity option contracts	—	—	—	115
Interest rate swaps	—	—	63	129
Cross currency basis swaps	2,683	—	—	—
Total	$7,481	$—	$4,827	$244

(in thousands)	December 31, 2013			
Designated as Hedges	Prepaid Expenses and Other Current Assets, Net	Other Noncurrent Assets, Net	Accrued Liabilities	Other Noncurrent Liabilities
Foreign exchange forward contracts	$1,517	$255	$10,280	$940
Commodity contracts	—	1	434	1
Interest rate swaps	789	1,617	466	419
Cross currency basis swaps	530	—	2,223	16,413
Total	$2,836	$1,873	$13,403	$17,773
Not Designated as Hedges				
Foreign exchange forward contracts	$3,128	$—	$2,328	$—
DIO equity option contracts	—	—	—	142
Interest rate swaps	—	—	85	256
Cross currency basis swaps	—	—	38,551	1,941
Total	$3,128	$—	$40,964	$2,339

Balance Sheet Offsetting

Substantially all of the Company's derivative contracts are subject to netting arrangements, whereby the right to offset occurs in the event of default or termination in accordance with the terms of the arrangements with the counterparty. While these contracts contain the enforceable right to offset through netting arrangements with the same counterparty, the Company elects to present them on a gross basis on the Consolidated Balance Sheets.

Offsetting of financial assets and liabilities under netting arrangements at December 31, 2014:

(in thousands)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
Assets						
Foreign exchange forward contracts	$45,377	$—	$45,377	$(7,797)	$ —	$37,580
Interest rate swaps	751	—	751	(274)	—	477
Cross currency basis swaps	2,683	—	2,683	(1,067)	—	1,616
Total Assets	$48,811	$—	$48,811	$(9,138)	$ —	$39,673

(in thousands)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received/Pledged	
Liabilities						
Foreign exchange forward contracts	$9,208	$—	$9,208	$(8,186)	$ —	$1,022
Commodity contracts	235	—	235	—	—	235
DIO equity option contracts	115	—	115	—	—	115
Interest rate swaps	1,145	—	1,145	(952)	—	193
Total Liabilities	$10,703	$—	$10,703	$(9,138)	$ —	$1,565

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Offsetting of financial assets and liabilities under netting arrangements at December 31, 2013:

(in thousands)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral Received/Pledged	Net Amount
Assets						
Foreign exchange forward contracts	$4,900	$—	$4,900	$(4,641)	$ —	$259
Commodity contracts	1	—	1	(1)	—	—
Interest rate swaps	2,406	—	2,406	(1,979)	—	427
Cross currency basis swaps	530	—	530	(530)	—	—
Total Assets	$7,837	$—	$7,837	$(7,151)	$ —	$686

(in thousands)	Gross Amounts Recognized	Gross Amount Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral Received/Pledged	Net Amount
Liabilities						
Foreign exchange forward contracts	$13,548	$—	$13,548	$(3,467)	$ —	$10,081
Commodity contracts	435	—	435	(1)	—	434
DIO equity option contracts	142	—	142	—	—	142
Interest rate swaps	1,226	—	1,226	(62)	—	1,164
Cross currency basis swaps	59,128	—	59,128	(3,621)	—	55,507
Total Liabilities	$74,479	$—	$74,479	$(7,151)	$ —	$67,328

NOTE 18 - FAIR VALUE MEASUREMENT

The Company records financial instruments at fair value with unrealized gains and losses related to certain financial instruments reflected in AOCI on the Consolidated Balance Sheets. In addition, the Company recognizes certain liabilities at fair value. The Company applies the market approach for recurring fair value measurements. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company believes the carrying amounts of cash and cash equivalents, accounts receivable (net of allowance for doubtful accounts), prepaid expenses and other current assets, accounts payable, accrued liabilities, income taxes payable and notes payable approximate fair value due to the short-term nature of these instruments. The Company estimated the fair value and carrying value of its total long-term debt, including current portion, was $1,290.0 million and $1,262.7 million, respectively, at December 31, 2014. At December 31, 2013, the Company estimated the fair value and carrying value was $1,387.7 million and $1,370.8 million, respectively. The interest rate on the $450.0 million Senior Notes, the $300.0 million Senior Notes, and the $250.0 million Private Placement Notes are fixed rates of 4.1%, 2.8% and 4.1%, respectively, and their fair value is based on the

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interest rates at December 31, 2014. The interest rates on variable rate term loan debt and commercial paper are consistent with current market conditions, therefore the fair value of these instruments approximates their carrying values.

The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at December 31, 2014 and 2013, which are classified as "Cash and cash equivalents," "Prepaid expenses and other current assets," "Long-Term investments," "Other noncurrent assets, net," "Accrued liabilities," and "Other noncurrent liabilities" on the Consolidated Balance Sheets. Financial assets and liabilities that are recorded at fair value as of the balance sheet date are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2014			
(in thousands)	Total	Level 1	Level 2	Level 3
Assets				
Interest rate swaps	$752	$—	$752	$—
Cross currency interest rate swaps	2,683	—	2,683	—
Foreign exchange forward contracts	45,376	—	45,376	—
Corporate convertible bonds	57,698	—	—	57,698
Total assets	$106,509	$—	$48,811	$57,698
Liabilities				
Interest rate swaps	$1,144	$—	$1,144	$—
Commodity forward purchase contracts	233	—	233	—
Foreign exchange forward contracts	9,211	—	9,211	—
Long-term debt	106,023	—	106,023	—
DIO equity option contracts	115	—	—	115
Total liabilities	$116,726	$—	$116,611	$115

	December 31, 2013			
(in thousands)	Total	Level 1	Level 2	Level 3
Assets				
Interest rate swaps	$2,406	$—	$2,406	$—
Commodity forward purchase contracts	1	—	1	—
Cross currency interest rate swaps	530	—	530	—
Foreign exchange forward contracts	4,900	—	4,900	—
Corporate convertible bonds	70,019	—	—	70,019
Total assets	$77,856	$—	$7,837	$70,019
Liabilities				
Interest rate swaps	$1,226	$—	$1,226	$—
Commodity forward purchase contracts	435	—	435	—
Cross currency interest rate swaps	59,128	—	59,128	—
Foreign exchange forward contracts	13,548	—	13,548	—
Long-term debt	152,370	—	152,370	—
DIO equity option contracts	142	$—	—	142
Total liabilities	$226,849	$—	$226,707	$142

Derivative valuations are based on observable inputs to the valuation model including interest rates, foreign currency exchange rates, future commodities prices and credit risks. The commodity contracts, certain interest rate swaps and foreign exchange forward contracts are considered cash flow hedges and certain cross currency interest rate swaps are considered hedges of net investment in foreign operations as discussed in Note 17, Financial Instruments and Derivatives.

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The Company uses the income method valuation technique to estimate the fair value of the corporate bonds. The significant unobservable inputs for valuing the corporate bonds are DIO Corporation's stock volatility factor of approximately 40% and corporate bond rating which implies an approximately 9.4% discount rate on the valuation model. Significant observable inputs used to value the corporate bonds include foreign exchange rates and DIO Corporation's period-ending market stock price.

The Company has valued the DIO equity option contracts using a Monte Carlo simulation which uses several estimates and probability assumptions by management including the future stock price, the stock price as a multiple of DIO earnings and the probability of the sellers to reduce their shares held by selling into the open market. Changes in the fair value of the DIO equity option contracts are reported in "Other expense (income), net" on the Consolidated Statements of Operations.

For the years ended December 31, 2014 and 2013, there were no purchases, issuances or transfers of Level 3 financial instruments.

The following table presents a reconciliation of the Company's Level 3 holdings measured at fair value on a recurring basis using unobservable inputs:

(in thousands)	Corporate Convertible Bonds	DIO Equity Options Contracts
Balance at December 31, 2012	$75,143	$(153)
Unrealized loss:		
Reported in AOCI	(7,592)	—
Unrealized gain:		
Reported in other expense (income), net	—	17
Effect of exchange rate changes	2,468	(6)
Balance at December 31, 2013	$70,019	$(142)
Unrealized loss:		
Reported in AOCI	$(4,450)	$—
Unrealized gain:		
Reported in other expense (income), net	—	11
Effect of exchange rate changes	(7,871)	16
Balance at December 31, 2014	$57,698	$(115)

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NOTE 19 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases automobiles and machinery and equipment and certain office, warehouse and manufacturing facilities under non-cancelable leases. The leases generally require the Company to pay insurance, taxes and other expenses related to the leased property. Total rental expense for all operating leases was $37.4 million, $39.7 million and $42.3 million for 2014, 2013 and 2012, respectively.

Rental commitments, principally for real estate (exclusive of taxes, insurance and maintenance), automobiles and office equipment are as follows:
(in thousands)

2015	$34,583
2016	26,246
2017	19,418
2018	15,047
2019	11,256
2020 and thereafter	10,755
	$117,305

Litigation

On June 18, 2004, Marvin Weinstat, DDS and Richard Nathan, DDS filed a class action suit in San Francisco County, California alleging that the Company misrepresented that its Cavitron® ultrasonic scalers are suitable for use in oral surgical procedures. The Complaint seeks a recall of the product and refund of its purchase price to dentists who have purchased it for use in oral surgery. The Court certified the case as a class action in June 2006 with respect to the breach of warranty and unfair business practices claims. The class that was certified is defined as California dental professionals who, at any time during the period beginning June 18, 2000 through September 14, 2012, purchased and used one or more Cavitron® ultrasonic scalers for the performance of oral surgical procedures on their patients, which Cavitrons® were accompanied by Directions for Use that "Indicated" Cavitron® use for "periodontal debridement for all types of periodontal disease." The case went to trial in September 2013, and on January 22, 2014, the San Francisco Superior Court issued its decision in the Company's favor, rejecting all of the plaintiffs' claims. The plaintiffs have appealed the Superior Court's decision, and the appeal is now pending. The Company intends to defend against this appeal.

On December 12, 2006, a Complaint was filed by Carole Hildebrand, DDS and Robert Jaffin, DDS in the Eastern District of Pennsylvania (the Plaintiffs subsequently added Dr. Mitchell Goldman as a named class representative). The case was filed by the same law firm that filed the Weinstat case in California. The Complaint asserts putative class action claims on behalf of dentists located in New Jersey and Pennsylvania. The Complaint seeks damages and asserts that the Company's Cavitron® ultrasonic scaler was negligently designed and sold in breach of contract and warranty arising from misrepresentations about the potential uses of the product because it cannot assure the delivery of potable or sterile water. Following grant of a Company Motion and dismissal of the case for lack of jurisdiction, the plaintiffs filed a second complaint under the name of Dr. Hildebrand's corporate practice, Center City Periodontists, asserting the same allegations (this case is now proceeding under the name "Center City Periodontists"). The plaintiffs moved to have the case certified as a class action, to which the Company has objected and filed its brief. The Court subsequently granted a Motion filed by the Company and dismissed plaintiffs' New Jersey Consumer Fraud and negligent design claims, leaving only a breach of express warranty claim, in response to which the Company has filed a Motion for Summary Judgment. The Court has scheduled a hearing in early March

2015 on plaintiffs' class certification motion.

On January 20, 2014, the Company was served with a qui tam complaint filed by two former and one current employee of the Company under the Federal False Claims Act and equivalent state and city laws. The lawsuit was previously under seal in the U.S. District Court for the Eastern District of Pennsylvania. The complaint alleges, among other things, that the Company engaged in various illegal marketing activities, and thereby caused dental and other healthcare professionals to file false claims for reimbursement with Federal and State governments. The relators seek injunctive relief, fines, treble damages, and attorneys' fees and costs. On January 27, 2014, the United States filed with the Court a notice that it had elected not to intervene in the qui tam action at this time. The United States' notice indicated that the named state and city co-plaintiffs had authorized the United States to communicate to the Court that they also had decided not to intervene at this time. These non-intervention decisions do not prevent the qui tam relators from litigating this action, and the United States and/or the named states and/or cities may seek to

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intervene in the action at a later time. On September 4, 2014, the Company's motion to dismiss the complaint was granted in part and denied in part. The Company intends to vigorously defend itself in the litigation.

The Company does not believe a loss is probable related to the above litigation. Further a reasonable estimate of a possible range of loss cannot be made. In the event that one or more of these matters is unfavorably resolved, it is possible the Company's results from operations could be materially impacted.

In 2012, the Company received subpoenas from the United States Attorney's Office for the Southern District of Indiana (the "USAO") and from the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") requesting documents and information related to compliance with export controls and economic sanctions regulations by certain of its subsidiaries. The Company has voluntarily contacted OFAC and the Bureau of Industry and Security of the United States Department of Commerce ("BIS"), in connection with these matters as well as regarding compliance with export controls and economic sanctions regulations by certain other business units of the Company identified in connection with an internal review by the Company. The Company is cooperating with the USAO, OFAC and BIS with respect to these matters.

At this stage of the inquiries, the Company is unable to predict the ultimate outcome of these matters or what impact, if any, the outcome of these matters might have on the Company's consolidated financial position, results of operations or cash flows. Violations of export control or economic sanctions laws or regulations could result in a range of governmental enforcement actions, including fines or penalties, injunctions and/or criminal or other civil proceedings, which actions could have a material adverse effect on the Company's reputation, business, financial condition and results of operations. At this time, no claims have been made against the Company.

In addition to the matters disclosed above, the Company is, from time to time, subject to a variety of litigation and similar proceedings incidental to its business. These legal matters primarily involve claims for damages arising out of the use of the Company's products and services and claims relating to intellectual property matters including patent infringement, employment matters, tax matters, commercial disputes, competition and sales and trading practices, personal injury and insurance coverage. The Company may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, representations, warranties or indemnities provided in connection with, divested businesses. Some of these lawsuits may include claims for punitive and consequential, as well as compensatory damages. Based upon the Company's experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its consolidated results of operations, financial position or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or liquidity.

While the Company maintains general, products, property, workers' compensation, automobile, cargo, aviation, crime, fiduciary and directors' and officers' liability insurance up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. In addition, while the Company believes it is entitled to indemnification from third parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

Purchase and Other Commitments

From time to time, the Company enters into long-term inventory purchase commitments with minimum purchase requirements for raw materials and finished goods to ensure the availability of products for production and distribution. These commitments may have a significant impact on levels of inventory maintained by the Company.

The Company has employment agreements with its executive officers. These agreements generally provide for salary continuation for a specified number of months under certain circumstances. If all of the employees under contract were to be terminated by the Company without cause, as defined in the agreements, the Company's liability would be approximately $16.7 million at December 31, 2014.

The Company is required to complete the purchase of the remaining shares of one noncontrolling interest, acquired in 2008, during 2015. The final purchase price is subject to adjustment but is currently expected to be approximately 73.5 million euros.

NOTE 20 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

DENTSPLY INTERNATIONAL INC.
Quarterly Financial Information (Unaudited)
(in thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Rounding	Total Year
2014						
Net sales	$730,114	$765,225	$708,240	$719,041	$—	$2,922,620
Gross profit	394,205	424,469	388,064	393,051	—	1,599,789
Operating income	105,570	127,106	109,581	103,343	—	445,600
Net income attributable to DENTSPLY International	72,878	89,993	75,273	84,710	—	322,854
Earnings per common share - basic	$0.51	$0.63	$0.53	$0.60	$0.01	$2.28
Earnings per common share - diluted	$0.50	$0.62	$0.52	$0.59	$0.01	$2.24
Cash dividends declared per common share	$0.06625	$0.06625	$0.06625	$0.06625	$—	$0.26500
2013						
Net sales	$732,084	$761,010	$704,018	$753,658	$—	$2,950,770
Gross profit	388,200	414,956	376,417	397,839	—	1,577,412
Operating income	93,858	122,866	105,021	97,421	—	419,166
Net income attributable to DENTSPLY International	71,685	87,228	79,851	74,428	—	313,192
Earnings per common share - basic	$0.50	$0.61	$0.56	$0.52	$0.01	$2.20
Earnings per common share - diluted	$0.49	$0.60	$0.55	$0.51	$0.01	$2.16
Cash dividends declared per common share	$0.0625	$0.0625	$0.0625	$0.0625	$—	$0.2500

Net sales, excluding precious metal content, were $689.2 million, $730.9 million, $681.6 million and $691.0 million, respectively, for the first, second, third and fourth quarters of 2014. Net sales, excluding precious metal content, were $672.6 million, $716.0 million, $669.4 million and $713.7 million, respectively, for the first, second, third and fourth quarters of 2013. This measurement should be considered a non-US GAAP measure as discussed further in Management's Discussion and Analysis of Financial Condition and Results of Operations.

SIGNATURES

Pursuant to the requirements of Section 13(a) or 15(d) 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.

DENTSPLY INTERNATIONAL INC.

By: /s/ Bret W. Wise
Bret W. Wise
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/	Bret W. Wise Bret W. Wise Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 20, 2015 Date
/s/	Christopher T. Clark Christopher T. Clark President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 20, 2015 Date
/s/	Dr. Michael C. Alfano Dr. Michael C. Alfano Director	February 20, 2015 Date
/s/	Eric K. Brandt Eric K. Brandt Director	February 20, 2015 Date
/s/	Paula H. Cholmondeley Paula H. Cholmondeley Director	February 20, 2015 Date
/s/	Michael J. Coleman Michael J. Coleman Director	February 20, 2015 Date

/s/	Willie A. Deese Willie A. Deese Director	February 20, 2015 Date
/s/	William F. Hecht William F. Hecht Director	February 20, 2015 Date
/s/	Leslie A. Jones Leslie A. Jones Director	February 20, 2015 Date
/s/	Francis J. Lunger Francis J. Lunger Director	February 20, 2015 Date
/s/	John L. Miclot John L. Miclot Director	February 20, 2015 Date
/s/	John C. Miles II John C. Miles II Director	February 20, 2015 Date

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