

TELEFLEX INC
Form 10-Q
April 26, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

**For the quarterly period ended March 27, 2011
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.)

155 South Limerick Road, Limerick, Pennsylvania

(Address of principal executive offices)

19468

(Zip Code)

(610) 948-5100

(Registrant's telephone number, including area code)

(None)

(Former Name, Former Address and Former Fiscal Year,
If Changed Since Last Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

The registrant had 40,278,041 shares of common stock, \$1.00 par value, outstanding as of April 15, 2011.

TELEFLEX INCORPORATED
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 27, 2011
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EX-101 INSTANCE DOCUMENT

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EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

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

	Three Months Ended	
	March 27,	March 28,
	2011	2010
	(Dollars and shares in thousands, except per share)	
Net revenues	\$ 388,658	\$ 367,332
Cost of goods sold	212,620	190,435
Gross profit	176,038	176,897
Selling, general and administrative expenses	109,831	100,568
Research and development expenses	11,038	9,311
Restructuring and other impairment charges	595	463
Income from continuing operations before interest, loss on extinguishments of debt and taxes	54,574	66,555
Interest expense	16,157	18,994
Interest income	(106)	(206)
Loss on extinguishments of debt	14,597	
Income from continuing operations before taxes	23,926	47,767
Taxes on income from continuing operations	6,426	14,247
Income from continuing operations	17,500	33,520
Operating income from discontinued operations (including gain on disposal of \$56,773 and \$9,737, respectively)	58,857	13,280
Taxes (benefit) on income from discontinued operations	(1,837)	8,842
Income from discontinued operations	60,694	4,438
Net income	78,194	37,958
Less: Net income attributable to noncontrolling interest	382	286
Net income attributable to common shareholders	\$ 77,812	\$ 37,672
Earnings per share available to common shareholders:		
Basic:		
Income from continuing operations	\$ 0.43	\$ 0.84
Income from discontinued operations	\$ 1.52	\$ 0.11

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Net income	\$	1.94	\$	0.95
Diluted:				
Income from continuing operations	\$	0.42	\$	0.83
Income from discontinued operations	\$	1.50	\$	0.11
Net income	\$	1.92	\$	0.94
Dividends per share	\$	0.34	\$	0.34
Weighted average common shares outstanding:				
Basic		40,057		39,791
Diluted		40,424		40,199
Amounts attributable to common shareholders:				
Income from continuing operations, net of tax	\$	17,118	\$	33,234
Income from discontinued operations, net of tax		60,694		4,438
Net income	\$	77,812	\$	37,672

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

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TELEFLEX INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 27, 2011	December 31, 2010
	(Dollars in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 202,298	\$ 208,452
Accounts receivable, net	289,788	294,196
Inventories, net	319,905	338,598
Prepaid expenses and other current assets	29,019	28,831
Income taxes receivable	10,392	3,888
Deferred tax assets	34,351	39,309
Assets held for sale	40,165	7,959
Total current assets	925,918	921,233
Property, plant and equipment, net	274,328	287,705
Goodwill	1,468,990	1,442,411
Intangible assets, net	927,636	918,522
Investments in affiliates	4,723	4,899
Deferred tax assets	370	358
Other assets	76,838	68,027
Total assets	\$ 3,678,803	\$ 3,643,155
 LIABILITIES AND EQUITY		
Current liabilities		
Current borrowings	\$ 29,700	\$ 103,711
Accounts payable	82,675	84,846
Accrued expenses	116,577	117,488
Payroll and benefit-related liabilities	67,626	71,418
Derivative liabilities	15,315	15,634
Accrued interest	8,952	18,347
Income taxes payable	4,630	4,886
Deferred tax liabilities	4,802	4,433
Liabilities held for sale	11,629	
Total current liabilities	341,906	420,763
Long-term borrowings	822,473	813,409
Deferred tax liabilities	387,001	370,819
Pension and postretirement benefit liabilities	117,590	141,769
Noncurrent liability for uncertain tax positions	73,697	62,602
Other liabilities	47,148	46,515
Total liabilities	1,789,815	1,855,877

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Commitments and contingencies		
Total common shareholders' equity	1,884,710	1,783,376
Noncontrolling interest	4,278	3,902
Total equity	1,888,988	1,787,278
Total liabilities and equity	\$ 3,678,803	\$ 3,643,155

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 CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 27,	March 28, 2010
	2011	2010
	(Dollars in thousands)	
Cash Flows from Operating Activities of Continuing Operations:		
Net income	\$ 78,194	\$ 37,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	(60,694)	(4,438)
Depreciation expense	10,849	11,274
Amortization expense of intangible assets	11,220	10,731
Amortization expense of deferred financing costs and debt discount	3,300	945
Loss on extinguishments of debt	14,597	
Stock-based compensation	(1,055)	1,695
Deferred income taxes, net	(1,701)	10,130
Other	903	444
Changes in operating assets and liabilities, net of effects of acquisitions and disposals:		
Accounts receivable	(20,951)	(43,023)
Inventories	(10,656)	493
Prepaid expenses and other current assets	(1,032)	(1,914)
Accounts payable and accrued expenses	(8,189)	(33,777)
Income taxes receivable and payable, net	(723)	43,859
Net cash provided by operating activities from continuing operations	14,062	34,377
Cash Flows from Investing Activities of Continuing Operations:		
Expenditures for property, plant and equipment	(6,444)	(6,737)
Proceeds from sales of businesses and assets, net of cash sold	101,600	24,750
Payments for businesses and intangibles acquired, net of cash acquired	(30,570)	(81)
Net cash provided by investing activities from continuing operations	64,586	17,932
Cash Flows from Financing Activities of Continuing Operations:		
Proceeds from long-term borrowings	265,000	
Reduction in long-term borrowings	(330,800)	(51,090)
Increase in notes payable and current borrowings		39,700
Proceeds from stock compensation plans	6,764	3,670
Dividends	(13,614)	(13,536)
Debt extinguishment, issuance and amendment fees	(14,838)	
Net cash used in financing activities from continuing operations	(87,488)	(21,256)

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Cash Flows from Discontinued Operations:		
Net cash used in operating activities	(5,109)	(3,314)
Net cash used in investing activities	(249)	(611)
Net cash used in discontinued operations	(5,358)	(3,925)
Effect of exchange rate changes on cash and cash equivalents	8,044	(4,714)
Net (decrease) increase in cash and cash equivalents	(6,154)	22,414
Cash and cash equivalents at the beginning of the period	208,452	188,305
Cash and cash equivalents at the end of the period	\$ 202,298	\$ 210,719

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 CHANGES IN EQUITY
(Unaudited)

	Common Stock Shares	Common Stock Dollars	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Dollars	Noncontrolling Interest	Total Equity	Comprehensive Income
(Dollars and shares in thousands, except per share)										
Balance at December 31, 2009	42,033	\$ 42,033	\$ 277,050	\$ 1,431,878	\$ (34,120)	2,278	\$ (136,600)	\$ 4,833	\$ 1,585,074	
Net income				37,672				286	37,958	\$ 37,958
Cash dividends (\$0.34 per share)				(13,536)					(13,536)	
Financial instruments marked to market, net of tax of \$462					835				835	835
Cumulative translation adjustment, net of tax of \$(2,014)					(29,638)			47	(29,591)	(29,591)
Pension liability adjustment, net of tax of \$448					1,309				1,309	1,309
Deconsolidation of VIE				253				(365)	(112)	
Comprehensive income										\$ 10,511
Shares issued under compensation plans	81	81	4,969			(7)	395		5,445	
Deferred compensation						(6)	240		240	
Balance at March 28, 2010	42,114	\$ 42,114	\$ 282,019	\$ 1,456,267	\$ (61,614)	2,265	\$ (135,965)	\$ 4,801	\$ 1,587,622	
Balance at December 31, 2010	42,245	\$ 42,245	\$ 349,156	\$ 1,578,913	\$ (51,880)	2,250	\$ (135,058)	\$ 3,902	\$ 1,787,278	

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Net income												77,812	382	78,194	\$ 78,194
Cash dividends (\$0.34 per share)												(13,614)		(13,614)	
Financial instruments marked to market, net of tax of \$1,523												1,906		1,906	1,906
Cumulative translation adjustment, net of tax of \$2,348												50,302	(6)	50,296	50,296
Pension liability adjustment, net of tax of \$3,095												4,879		4,879	4,879
Divestiture of Marine, net of tax of \$(4,612)												(24,997)		(24,997)	(24,997)
Comprehensive income															\$ 110,278
Shares issued under compensation plans	155	155	1,512			(54)	3,255							4,922	
Deferred compensation			(39)			(4)	163							124	
Balance at March 27, 2011	42,400	\$ 42,400	\$ 350,629	\$ 1,643,111	\$ (19,790)	2,192	\$ (131,640)	\$ 4,278	\$ 1,888,988						

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

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

Note 1 Basis of presentation

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

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

In accordance with applicable accounting standards, the accompanying condensed consolidated financial statements do not include all of the information and footnote disclosures that are required to be included in our annual consolidated financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but, as permitted by Rule 10-01 of SEC Regulation S-X, does not include all disclosures required by GAAP for complete financial statements. Accordingly, our quarterly condensed financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

The Company adopted the following new accounting standards as of January 1, 2011, the first day of its 2011 fiscal year:

Amendment to Software: In October 2009, the Financial Accounting Standards Board (FASB) changed the accounting model for revenue arrangements for certain tangible products containing software components and nonsoftware components. The guidance provides direction on how to determine which software, if any, relating to the tangible product is excluded from the scope of the FASB's software revenue guidance. The amendment is effective prospectively for fiscal years beginning on or after June 15, 2010. The amendment did not have an impact on the Company's results of operations, cash flows or financial position.

Amendment to Revenue Recognition: In October 2009, the FASB revised the criteria for multiple-deliverable revenue arrangements by establishing new guidance on how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. Additionally, the guidance requires companies to expand their disclosures regarding multiple-deliverable revenue arrangements and the guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The amendment did not have an impact on the Company's results of operations, cash flows or financial position.

Note 3 Acquisitions

On January 10, 2011, the Company acquired VasoNova Inc., a developer of central venous catheter navigation technology that allows for real-time confirmation of the placement of peripherally inserted central catheters and central venous catheters. In connection with the acquisition, the Company made an initial payment to the former VasoNova security holders of \$25 million and agreed to make additional payments of between \$15 million and \$30 million contingent upon the achievement of certain regulatory and sales targets within three years after closing. The acquisition of VasoNova complements the vascular access product line in the Company's Critical Care division.

Table of Contents**TELEFLEX INCORPORATED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The fair value of the consideration is estimated at \$40.4 million, which includes the initial payment of \$25.0 million in cash and the estimated fair value of the contingent consideration to be paid to the former VasoNova security holders of \$15.4 million.

The fair value of the contingent consideration was estimated based on the probability of obtaining the applicable regulatory approvals and achieving the specified sales targets. Any future change in the estimated fair value of the contingent consideration will be recognized in the statement of income for the period in which the estimated fair value changes. A change in fair value of the contingent consideration could have a material effect on the Company's results of operations and financial position for the period in which the change in estimate occurs.

We estimated the fair value of the acquisition-related contingent consideration using a probability-weighted discounted cash flow model. This fair value measurement is based on significant inputs not observed in the market and thus represents a Level 3 measurement as defined in connection with the fair value hierarchy (see Note 10, Fair value measurements).

On March 11, 2011, the Company made a \$6.0 million payment to the former VasoNova security holders upon receiving 510(k) clearance from the U.S. Food and Drug Administration with respect to an expanded use of VasoNova's VPS peripherally inserted central catheter tip location technology. This \$6.0 million payment was part of the contingent consideration that was recognized as of the acquisition date.

The following table summarizes the purchase price allocation of the cost to acquire VasoNova based on the fair values as of January 10, 2011:

	(Dollars in millions)	
Assets		
Current assets	\$	0.9
Property, plant and equipment		0.3
Intangible assets		29.6
Goodwill		13.1
Other assets		0.1
Total assets acquired	\$	44.0
Less:		
Current liabilities	\$	0.5
Deferred tax liabilities		3.1
Liabilities assumed	\$	3.6
Net assets acquired	\$	40.4

The Company is in the process of finalizing appraisals of tangible and intangible assets and is continuing to evaluate the initial purchase price allocation as of the acquisition date, which will be adjusted as additional information related to the fair values of assets acquired and liabilities assumed is finalized.

Certain assets acquired in the VasoNova acquisition qualify for recognition as intangible assets, apart from goodwill, in accordance with FASB guidance related to business combinations. The estimated fair values of intangible assets acquired include purchased technology of \$26.8 million and trade names of \$2.8 million. Purchased technology and trade names have useful lives of 15 years and 10 years, respectively. The goodwill resulting from the VasoNova acquisition is primarily due to the expected revenue growth that is attributable to increased market penetration from future products and customers. Goodwill and the step-up in basis of the intangible assets are not deductible for tax

purposes.

Note 4 Integration

Integration of Arrow

In connection with the acquisition of Arrow International, Inc. (Arrow) in October 2007, the Company formulated a plan related to the integration of Arrow and the Company s Medical businesses. The integration plan focuses on the closure of Arrow corporate functions and the consolidation of manufacturing, sales, marketing and distribution functions in North America, Europe and Asia. The Company finalized its estimate of the costs to implement the plan in the fourth quarter of 2008. The Company has accrued estimates for certain costs, related primarily to personnel reductions and facility closures and the termination of certain distribution agreements, at the date of acquisition.

Table of Contents**TELEFLEX INCORPORATED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table provides information relating to changes in the accrued liability associated with the Arrow integration plan during the three months ended March 27, 2011:

	Involuntary Employee Termination Benefits	Facility Closure Costs	Contract Termination Costs	Total
	(Dollars in millions)			
Balance at December 31, 2010	\$ 0.1	\$ 0.2	\$ 2.7	\$ 3.0
Cash payments		(0.2)		(0.2)
Adjustments to reserve	(0.1)			(0.1)
Balance at March 27, 2011	\$	\$	\$ 2.7	\$ 2.7

Contract termination costs relate to the termination of a European distributor agreement that is currently in litigation but is expected to be paid in 2011.

In conjunction with the plan for the integration of Arrow and the Company's Medical businesses, the Company has taken actions that affect employees and facilities of Teleflex. This aspect of the integration plan is explained in Note 5,

Restructuring and other impairment charges. Costs that affect employees and facilities of Teleflex are charged to earnings and included in restructuring and other impairment charges within the condensed consolidated statement of operations for the periods in which the costs are incurred.

Note 5 Restructuring and other impairment charges*2007 Arrow Integration Program*

The following table provides information relating to the charges associated with the 2007 Arrow integration program that were included in restructuring and other impairment charges in the condensed consolidated statements of income for the periods presented:

	Three Months Ended March 27, 2011	Three Months Ended March 28, 2010
	(Dollars in thousands)	
Termination benefits	\$ 7	\$ 230
Facility closure costs	150	425
Contract termination costs	438	(195)
Other restructuring costs		3
	\$ 595	\$ 463

No impairment charges were recognized during the three month periods ended March 27, 2011 and March 28, 2010. The following table provides information relating to changes in the accrued liability associated with the 2007 Arrow integration program during the three months ended March 27, 2011:

Balance at December 31,	Subsequent	Balance at March 27,
--	-------------------	---------------------------------

	2010	Accruals	Payments	Translation	2011
	(Dollars in thousands)				
Termination benefits	\$ 600	\$ 7	\$ (87)	\$ 41	\$ 561
Facility closure costs		150	(150)		
Contract termination costs	2,138	438	(51)	27	2,552
Other restructuring costs	22			2	24
	\$ 2,760	\$ 595	\$ (288)	\$ 70	\$ 3,137

Termination benefits are comprised of severance-related payments for all employees terminated in connection with the 2007 Arrow integration program. Facility closure costs relate primarily to costs to prepare a facility for closure. Contract termination costs relate primarily to the termination of a European distributor agreement and leases in conjunction with the consolidation of facilities.

As of March 27, 2011, the Company expects future restructuring expenses associated with the 2007 Arrow integration program, if any, to be nominal.

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Inventories consisted of the following:

	March 27, 2011	December 31, 2010
	(Dollars in thousands)	
Raw materials	\$ 113,200	\$ 128,752
Work-in-process	61,264	54,098
Finished goods	177,909	194,032
	352,373	376,882
Less: Inventory reserve	(32,468)	(38,284)
Inventories	\$ 319,905	\$ 338,598

Note 7 Goodwill and other intangible assets

The following table provides information relating to changes in the carrying amount of goodwill, by operating segment, for the three months ended March 27, 2011:

	Medical	Commercial	Total
	(Dollars in thousands)		
Balance as of December 31, 2010	\$ 1,434,921	\$ 7,490	\$ 1,442,411
Goodwill related to dispositions		(7,490)	(7,490)
Goodwill related to acquisitions	13,103		13,103
Reversal of Arrow integration accrual, net of tax	(81)		(81)
Translation adjustment	21,047		21,047
Balance as of March 27, 2011	\$ 1,468,990	\$	\$ 1,468,990

As of March 27, 2011, there were no goodwill impairment losses recorded against these carrying values.

The following table provides information, as of March 27, 2011 and December 31, 2010, regarding the gross carrying amount of, and accumulated amortization relating to, intangible assets:

	Gross Carrying Amount		Accumulated Amortization	
	March 27, 2011	December 31, 2010	March 27, 2011	December 31, 2010
	(Dollars in thousands)			
Customer lists	\$ 545,165	\$ 553,923	\$ 100,559	\$ 98,013
Intellectual property	234,451	207,248	81,717	77,166
Distribution rights	17,206	16,728	13,578	13,016
Trade names	327,498	332,049	830	3,231
	\$ 1,124,320	\$ 1,109,948	\$ 196,684	\$ 191,426

Amortization expense related to intangible assets was approximately \$11.2 million and \$10.7 million for the three months ended March 27, 2011 and March 28, 2010, respectively. Estimated annual amortization expense for each of

the five succeeding years is as follows (dollars in thousands):

2011	\$	44,700
2012		44,500
2013		43,700
2014		39,400
2015		33,500

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The components of long-term debt at March 27, 2011 and December 31, 2010 are as set forth below:

	March 27, 2011	December 31, 2010
	(Dollars in thousands)	
Senior Credit Facility:		
Term loan, at an average rate of 1.31%, due 10/1/2012	\$	\$ 36,123
Term loan, at an average rate of 2.56%, due 10/1/2014	500,000	363,877
2004 Notes:		
6.66% Series 2004-1 Tranche A Senior Notes due 7/8/2011		72,500
7.14% Series 2004-1 Tranche B Senior Notes due 7/8/2014		48,250
7.46% Series 2004-1 Tranche C Senior Notes due 7/8/2016		45,050
3.875% Convertible Senior Subordinated Notes due 2017	400,000	400,000
	900,000	965,800
Less: Unamortized debt discount on 3.875% Convertible Senior Subordinated Notes due 2017	(77,527)	(79,891)
	822,473	885,909
Less: Current portion of borrowings		(72,500)
Total long-term debt	\$ 822,473	\$ 813,409

Prepayment of 2004 Senior Notes

During the first quarter of 2011, the Company prepaid the entire outstanding \$165.8 million principal amount of its senior notes issued in 2004 (2004 Notes). In addition, the Company paid the holders of the 2004 Notes a \$13.9 million prepayment make-whole amount and accrued and unpaid interest. The Company recorded the prepayment make-whole amount and a \$0.7 million write-off of unamortized debt issuance costs incurred prior to the prepayment of the 2004 Notes as a loss on extinguishment of debt during the first quarter of 2011. The Company used \$150 million in borrowings under its revolving credit facility and available cash to fund the prepayment of the 2004 Notes.

Incremental Facility

In March 2011, the Company entered into an agreement (the Incremental Agreement), which supplemented the Credit Agreement, dated as of October 1, 2007 (the Credit Agreement) among the Company, the guarantors party thereto, the lending institutions identified in the Credit Agreement, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent. The Incremental Agreement provided for additional term loan borrowings under the Credit Agreement in an aggregate principal amount of \$100 million (the Incremental Term Loans). The proceeds of the Incremental Term Loans were used to repay \$80 million of borrowings under the Company s revolving credit facility that were borrowed in connection with the prepayment of the 2004 Notes that occurred in March 2011. The Incremental Term Loans will mature on October 1, 2014 (the same maturity date as the existing Tranche 2 Term Loans (as defined in the Credit Agreement) under the Credit Agreement) and will amortize in quarterly installments equal to 2.5% of the original principal amount of all Incremental Term Loans commencing on December 31, 2012, with the balance payable at maturity. The interest rate payable on the Incremental Term Loans pursuant to the Credit Agreement is the same as the interest rate payable on the existing Tranche 2 Term Loans (as defined in the Credit Agreement). The range of the applicable margin for borrowings bearing interest at the base rate

(greater of either the federal funds effective rate plus 0.5%, the prime rate or one month LIBOR plus 1.0%) is 0.50% to 1.75%, and the range of the applicable margin for extended borrowings bearing interest at the LIBOR rate for the period corresponding to the applicable interest period of the borrowings is 1.50% to 2.75%. The Company incurred transaction fees of approximately \$0.7 million in connection with this borrowing that will be amortized over the term of the facility as interest expense.

Table of Contents**TELEFLEX INCORPORATED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Extension of Senior Credit Facility Maturity Dates**

The Company converted \$36.1 million of term loans maturing on October 1, 2012 to term loans with a new maturity date of October 1, 2014. In addition, the Company converted all of its \$33.7 million of revolving credit facility commitments with a termination date of October 1, 2012 to revolving credit facility commitments with a new termination date of October 1, 2014. In connection with the extension of these maturity dates, the range of the applicable margin for borrowings bearing interest at the base rate (greater of either the federal funds effective rate plus 0.5%, the prime rate or one month LIBOR plus 1.0%) increased to a range of 0.50% to 1.75%, and the range of the applicable margin for extended borrowings bearing interest at the LIBOR rate for the period corresponding to the applicable interest period of the borrowings increased to a range of 1.50% to 2.75%. In addition, the commitment fee rate on unused but committed portions of the revolving credit facility increased to a range of 0.375% to 0.50%. The actual amount of the applicable margin and commitment fee rate will be based on the ratio of Consolidated Total Indebtedness to Consolidated EBITDA (each as defined in the Credit Agreement). At March 27, 2011, the spread over LIBOR was 2.25% and the commitment fee rate was 0.375%. The Company incurred transaction fees of approximately \$0.3 million in connection with this extension that will be amortized over the extended term of the facility as interest expense.

Revolving Credit Facility Borrowings

During the first quarter of 2011, the Company borrowed \$165 million under its \$400 million revolving credit facility to fund the VasoNova acquisition and the retirement of the 2004 Notes. The borrowings were subsequently repaid with the proceeds from the sale of the Marine business (for additional information regarding the sale of the Marine business, see Note 16, Divestiture related activities) and borrowings under the Incremental Term Loans. As of March 27, 2011, the Company had no outstanding borrowings and approximately \$4 million in outstanding standby letters of credit issued under its revolving credit facility.

As of March 27, 2011, the aggregate amounts of the securitization program and long-term debt maturing during the remainder of 2011, during each of the next three fiscal years and thereafter were as follows:

	(Dollars in thousands)
2011	\$ 29,700
2012	12,500
2013	50,000
2014	437,500
2015 and thereafter	400,000

Note 9 Financial instruments

The Company uses derivative instruments for risk management purposes. Forward rate contracts are used to manage foreign currency transaction exposure, and interest rate swaps are used to reduce exposure to interest rate changes. These derivative instruments are designated as cash flow hedges and are recorded on the balance sheet at fair market value. The effective portion of the gains or losses on derivatives is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. See Note 10, Fair value measurement for additional information.

The location and fair values of derivative instruments designated as hedging instruments in the condensed consolidated balance sheet are as follows:

March 27, 2011 Fair Value	December 31, 2010 Fair Value
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(Dollars in thousands)

Asset derivatives:			
Foreign exchange contracts:			
Other assets - current	\$	901	\$ 880
Total asset derivatives	\$	901	\$ 880
Liability derivatives:			
Interest rate contracts:			
Derivative liabilities - current	\$	15,122	\$ 15,004
Other liabilities - noncurrent		6,408	9,566
Foreign exchange contracts:			
Derivative liabilities - current		193	630
Other liabilities - noncurrent		9	
Total liability derivatives	\$	21,732	\$ 25,200

Table of Contents**TELEFLEX INCORPORATED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amount of the gains and losses attributable to derivatives in cash flow hedging relationships that were reported in other comprehensive income (OCI), and the location and amount of gains and losses attributable to such derivatives that were reclassified from accumulated other comprehensive income (AOCI) to the condensed consolidated statement of income for the three months ended March 27, 2011 and March 28, 2010 are as follows:

	After Tax Gain/(Loss) Recognized in OCI	
	March 27, 2011	March 28, 2010
	(Dollars in thousands)	
Interest rate contracts	\$ 1,657	\$ (312)
Foreign exchange contracts	249	1,147
Total	\$ 1,906	\$ 835

	Pre-Tax (Gain)/Loss Reclassified from AOCI into Income	
	March 27, 2011	March 28, 2010
	(Dollars in thousands)	
Interest rate contracts:		
Interest expense	\$ 3,720	\$ 4,580
Foreign exchange contracts		
Net revenues	(435)	63
Cost of goods sold	(584)	(735)
Income from discontinued operations		(74)
Total	\$ 2,701	\$ 3,834

For the three months ended March 27, 2011 and March 28, 2010, there was no ineffectiveness related to the Company's derivatives.

The following table provides information relating to the changes in AOCI relating to activity in financial instruments, net of tax for the three months ended March 27, 2011 and March 28, 2010:

	2011	2010
	(Dollars in thousands)	
Balance at beginning of year	\$ (15,262)	\$ (17,343)
Additions and revaluations	503	3,182
(Gain) loss reclassified from AOCI into income	1,612	(2,330)
Tax rate adjustment	(209)	(17)
Balance at end of period	\$ (13,356)	\$ (16,508)

Note 10 Fair value measurement

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For a description of the fair value hierarchy, see Note 11 to the Company's 2010 consolidated financial statements included in its annual report on Form 10-K for the year ended December 31, 2010.

The following tables provide information regarding the financial assets and liabilities carried at fair value measured on a recurring basis as of March 27, 2011 and March 28, 2010:

	Total carrying value at March 27, 2011	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(Dollars in thousands)		
Bonds foreign government	\$ 7,575	\$ 7,575	\$	\$
Investments in marketable securities	\$ 4,269	\$ 4,269	\$	\$
Derivative assets	\$ 901	\$	\$ 901	\$
Derivative liabilities	\$ 21,732	\$	\$ 21,732	\$
Contingent consideration liabilities	\$ 9,400	\$	\$	\$ 9,400

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

	Total carrying value at March 28, 2010	Quoted prices in active markets (Level 1) (Dollars in thousands)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 10,000	\$ 10,000	\$	\$
Investments in marketable securities	\$ 3,338	\$ 3,338	\$	\$
Derivative assets	\$ 2,979	\$	\$ 2,979	\$
Derivative liabilities	\$ 29,041	\$	\$ 29,041	\$

The following table provides information regarding changes in Level 3 financial liabilities during the period ended March 27, 2011:

	Contingent consideration (Dollars in thousands)
Beginning balance	\$
Initial estimate of contingent consideration	15,400
Payment	6,000
Ending balance	\$ 9,400

The carrying amount of long-term debt reported in the condensed consolidated balance sheet as of March 27, 2011 is \$822.5 million. Using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality, and risk profile, the Company has determined the fair value of its debt to be \$934.6 million at March 27, 2011. The Company's implied credit rating is a factor in determining the market interest yield curve.

Valuation Techniques

The Company's cash and cash equivalents valued based upon Level 1 inputs are comprised of overnight investments in money market funds. The funds invest in obligations of the U.S. Treasury, including Treasury bills, bonds and notes. The funds seek to maintain a net asset value of \$1.00 per share.

The Company's financial assets valued based upon Level 1 inputs are comprised of investments in marketable securities held in trusts which are available to pay benefits under certain deferred compensation plans and other compensatory arrangements and zero coupon Greece government bonds. The investment assets of the trust are valued using quoted market prices multiplied by the number of shares held in the trust. The Greece government bonds were received in settlement of amounts due to the Company from sales to the public hospital system in Greece for 2007, 2008 and 2009. The bonds mature over three years. The fair value of the bonds is determined based on quoted prices in active markets for identical assets.

The Company's financial assets valued based upon Level 2 inputs are comprised of foreign currency forward contracts. The Company's financial liabilities valued based upon Level 2 inputs are comprised of an interest rate swap contract and foreign currency forward contracts. The Company uses forward rate contracts to manage currency transaction exposure and interest rate swaps to manage exposure to interest rate changes. The fair value of the foreign currency forward exchange contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices. The fair value of the interest rate swap contract is developed from

market-based inputs under the income approach using cash flows discounted at relevant market interest rates. The Company has taken into account the creditworthiness of the counterparties in measuring fair value. See Note 9, **Financial instruments** for additional information.

The Company's financial liabilities valued based upon Level 3 inputs are comprised of contingent consideration pertaining to the VasoNova acquisition. The fair value of the contingent consideration was determined using a weighted probability of potential payment scenarios discounted at a rate reflective of the Company's credit rating on the date of acquisition.

Note 11 Changes in shareholders' equity

In 2007, the Company's Board of Directors authorized the repurchase of up to \$300 million of outstanding Company common stock. Repurchases of Company stock under the Board authorization may be made from time to time in the open market and may include privately-negotiated transactions as market conditions warrant and subject to regulatory considerations. The stock repurchase program has no expiration date and the Company's ability to execute on the program will depend on, among other factors, cash requirements for acquisitions, cash generation from operations, debt repayment obligations, market conditions and regulatory requirements. In addition, under the Company's senior credit agreements, the Company is subject to certain restrictions relating to its ability to repurchase shares in the event the Company's consolidated leverage ratio exceeds certain levels, which may limit the Company's ability to repurchase shares under this Board authorization. Through March 27, 2011, no shares have been purchased under this Board authorization.

Table of Contents**TELEFLEX INCORPORATED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	Three Months Ended	
	March 27, 2011	March 28, 2010
	(Shares in thousands)	
Basic	40,057	39,791
Dilutive shares assumed issued	367	408
Diluted	40,424	40,199

Weighted average stock options that were antidilutive and therefore not included in the calculation of earnings per share were approximately 9,036 thousand and 738 thousand for the three months ended March 27, 2011 and March 28, 2010, respectively. The increase in weighted average anti-dilutive shares for the three months ended March 27, 2011 reflects the inclusion of the warrants that were issued in connection with hedge transactions entered into in connection with the Company's issuance of convertible notes in August 2010.

Note 12 Stock compensation plans

The Company has two stock-based compensation plans under which equity-based awards may be made. The Company's 2000 Stock Compensation Plan (the "2000 plan") provides for the granting of incentive and non-qualified stock options and restricted stock units to directors, officers and key employees. Under the 2000 plan, the Company is authorized to issue up to 4 million shares of common stock, but no more than 800,000 of those shares may be issued as restricted stock. Options granted under the 2000 plan have an exercise price equal to the average of the high and low sales prices of the Company's common stock on the date of the grant, rounded to the nearest \$0.25. Generally, options granted under the 2000 plan are exercisable three to five years after the date of the grant and expire no more than ten years after the grant date. Outstanding restricted stock units generally vest in one to three years. During the first three months of 2011, the Company granted options to purchase 18,000 shares of common stock under the 2000 Plan. The unrecognized compensation expense for the options as of the grant date was \$0.2 million, which will be recognized over the vesting period of the awards.

The Company's 2008 Stock Incentive Plan (the "2008 plan") provides for the granting of various types of equity-based awards to directors, officers and key employees. These awards include incentive and non-qualified stock options, stock appreciation rights, stock awards and other stock-based awards. Under the 2008 plan, the Company is authorized to issue up to 2.5 million shares of common stock, but grants of awards other than stock options and stock appreciation rights may not exceed 875,000 shares. Options granted under the 2008 plan have an exercise price equal to the closing price of the Company's common stock on the date of grant. Generally, options granted under the 2008 plan are exercisable three years after the date of the grant and expire no more than ten years after the grant date. During the first three months of 2011, the Company granted incentive and non-qualified options to purchase 324,383 shares of common stock and granted restricted stock units representing 147,989 shares of common stock under the 2008 plan. The unrecognized compensation expense for the incentive and non-qualified options and restricted stock units as of the grant date was \$3.7 million and \$8.0 million, respectively, which will be recognized over the vesting period of the awards.

Note 13 Pension and other postretirement benefits

The Company has a number of defined benefit pension and postretirement plans covering eligible U.S. and non-U.S. employees. The defined benefit pension plans are noncontributory. The benefits under these plans are based primarily on years of service and employees' pay near retirement. The Company's funding policy for U.S. plans is to contribute annually, at a minimum, amounts required by applicable laws and regulations. Obligations under non-U.S. plans are systematically provided for by depositing funds with trustees or by book reserves. In 2008 the Company amended the Teleflex Retirement Income Plan ("TRIP") to cease future benefit accruals for all employees, other than those subject to

a collective bargaining agreement and amended its Supplemental Executive Retirement Plans (SERP) for all executives to cease future benefit accruals for both employees and executives as of December 31, 2008. The Company replaced the non-qualified defined benefits provided under the SERP with a non-qualified defined contribution arrangement under the Company s Deferred Compensation Plan, effective January 1, 2009. In addition, in 2008, the Company s postretirement benefit plans were amended to eliminate future benefits for employees, other than those subject to a collective bargaining agreement, who had not attained age 50 and whose age plus service was less than 65.

Table of Contents**TELEFLEX INCORPORATED AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In March 2011, in connection with the Company's sale of the Marine business approximately \$24.4 million of the pension obligations and approximately \$7.4 million of other post-retirement obligations were assumed by the buyer and approximately \$17.7 million of related pension assets were transferred to the buyer. The amounts are subject to further valuation by the buyer. For additional information regarding the sale of the Marine business, see Note 16, Divestiture related activities.

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

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

	Pension		Other Benefits	
	Three Months Ended		Three Months Ended	
	March 27,	March 28,	March 27,	March 28,
	2011	2010	2011	2010
	(Dollars in thousands)			
Service cost	\$ 591	\$ 640	\$ 198	\$ 190
Interest cost	4,272	4,331	550	653
Expected return on plan assets	(4,901)	(4,014)		
Net amortization and deferral	1,063	1,012	70	131
Net benefit cost	\$ 1,025	\$ 1,969	\$ 818	\$ 974

Note 14 Commitments and contingent liabilities

Product warranty liability: The Company warrants to the original purchasers of certain of its products that it will, at its option, repair or replace such products, without charge, if they fail due to a manufacturing defect. Warranty periods vary by product. The Company has recourse provisions for certain products that would enable recovery from third parties for amounts paid under the warranty. The Company accrues for product warranties when, based on available information, it is probable that customers will make claims under warranties relating to products that have been sold, and a reasonable estimate of the costs (based on historical claims experience relative to sales) can be made. The following table provides information regarding changes in the Company's product warranty liability accruals for the three months ended March 27, 2011 (dollars in thousands):

Balance December 31, 2010	\$ 10,877
Accruals for warranties issued in 2011	452
Settlements (cash and in kind)	(499)
Accruals related to pre-existing warranties	172
Dispositions	(2,281)
Transfers to liabilities held for sale	(187)
Effect of translation	353
Balance March 27, 2011	\$ 8,887

Operating leases: The Company uses various leased facilities and equipment in its operations. The terms for these leased assets vary depending on the lease agreement. In connection with these operating leases, the Company had residual value guarantees in the amount of approximately \$9.6 million at March 27, 2011. The Company's future payments under the operating leases cannot exceed the minimum rent obligation plus the residual value guarantee amount. The residual value guarantee amounts are based upon the unamortized lease values of the assets under lease, and are payable by the Company if the Company declines to renew the leases or to exercise its purchase option with

respect to the leased assets. At March 27, 2011, the Company had no liabilities recorded for these obligations. Any residual value guarantee amounts paid to the lessor may be recovered by the Company from the sale of the assets to a third party.

Environmental: The Company is subject to contingencies as a result of environmental laws and regulations that in the future may require the Company to take further action to correct the effects on the environment of prior disposal practices or releases of chemical or petroleum substances by the Company or other parties. Much of this liability results from the U.S. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), often referred to as Superfund, the U.S. Resource Conservation and Recovery Act (RCRA) and similar state laws. These laws require the Company to u