BOSTON SCIENTIFIC CORP
Form 10-Q
May 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2015
OR

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

Commission File No. 1-11083
BOSTON SCIENTIFIC CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| DELAWARE | 04-2695240 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

300 BOSTON SCIENTIFIC WAY, MARLBOROUGH, MASSACHUSETTS 01752-1234
(Address of principal executive offices) (zip code)
(508) 683-4000
(Registrant's telephone number, including area code)

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 þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes þ No o
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 þ | Accelerated filer o | Non-Accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Shares outstanding as of April 30, 2015 |
|---|---|
| Common Stock, $.01 par value | 1,340,675,902 |

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PART I
FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| in millions, except per share data | 2015 | 2014 |
| Net sales | $1,768 | $1,774 |
| Cost of products sold | 520 | 537 |
| Gross profit | 1,248 | 1,237 |
| Operating expenses: | | |
| Selling, general and administrative expenses | 668 | 666 |
| Research and development expenses | 192 | 191 |
| Royalty expense | 17 | 40 |
| Amortization expense | 113 | 109 |
| Intangible asset impairment charges | — | 55 |
| Contingent consideration expense (benefit) | 27 | (22) |
| Restructuring charges | 6 | 20 |
| Litigation-related charges (credits) | 193 | (7) |
| Pension termination charges | 8 | — |
| Gain on divestiture | — | (12) |
| | 1,224 | 1,040 |
| Operating income (loss) | 24 | 197 |
| Other income (expense): | | |
| Interest expense | (60) | (54) |
| Other, net | (15) | 3 |
| Income (loss) before income taxes | (51) | 146 |
| Income tax expense (benefit) | (50) | 13 |
| Net income (loss) | $(1) | $133 |
| Net income (loss) per common share — basic | $(0.00) | $0.10 |
| Net income (loss) per common share — assuming dilution | $(0.00) | $0.10 |
| Weighted-average shares outstanding | | |
| Basic | 1,333.7 | 1,321.7 |
| Assuming dilution | 1,333.7 | 1,349.2 |

See notes to the unaudited condensed consolidated financial statements.

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BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| (in millions) | 2015 | 2014 |
| Net income (loss) | $(1) | $133 |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustment | (35) | (6) |
| Net change in unrealized gains and losses on derivative financial instruments, net of tax | 28 | (27) |
| Net change in certain retirement plans | 5 | (1) |
| Total other comprehensive income (loss) | (2) | (34) |
| Total comprehensive income (loss) | $(3) | $99 |

See notes to the unaudited condensed consolidated financial statements.

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BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| in millions, except share and per share data | As of March 31, 2015 (Unaudited) | December 31, 2014 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $242 | $587 |
| Trade accounts receivable, net | 1,161 | 1,183 |
| Inventories | 958 | 946 |
| Deferred and prepaid income taxes | 339 | 447 |
| Other current assets | 489 | 443 |
| Total current assets | 3,189 | 3,606 |
| Property, plant and equipment, net | 1,458 | 1,507 |
| Goodwill | 5,896 | 5,898 |
| Other intangible assets, net | 5,499 | 5,606 |
| Other long-term assets | 430 | 425 |
| TOTAL ASSETS | $16,472 | $17,042 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current debt obligations | $423 | $403 |
| Accounts payable | 228 | 262 |
| Accrued expenses | 1,512 | 1,950 |
| Other current liabilities | 300 | 231 |
| Total current liabilities | 2,463 | 2,846 |
| Long-term debt | 3,845 | 3,859 |
| Deferred income taxes | 963 | 1,214 |
| Other long-term liabilities | 2,700 | 2,666 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity | | |
| Preferred stock, $.01 par value - authorized 50,000,000 shares, none issued and outstanding | | |
| Common stock, $.01 par value - authorized 2,000,000,000 shares and issued 1,587,583,586 shares as of March 31, 2015 and 1,575,018,236 shares as of December 31, 2014 | 16 | 16 |
| Treasury stock, at cost - 247,566,270 shares as of March 31, 2015 and 247,566,270 shares as of December 31, 2014 | (1,717) | (1,717) |
| Additional paid-in capital | 16,750 | 16,703 |
| Accumulated deficit | (8,690) | (8,689) |
| Accumulated other comprehensive income (loss), net of tax | 142 | 144 |
| Total stockholders' equity | 6,501 | 6,457 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $16,472 | $17,042 |

See notes to the unaudited condensed consolidated financial statements.

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BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| in millions | Three Months Ended March 31, 2015 | 2014 |
|---|---|---|
| Cash provided by (used for) operating activities | $(197) | $198 |
| Investing activities: | | |
| Purchases of property, plant and equipment | (46) | (59) |
| Purchases of privately held securities | — | (6) |
| Purchases of notes receivable | (3) | — |
| Proceeds from sales of publicly traded and privately held equity securities and collections of notes receivable | — | 7 |
| Payments for acquisitions of businesses, net of cash acquired | — | (8) |
| Payments for investments and acquisitions of certain technologies | (2) | (11) |
| Proceeds from business divestitures, net of costs | — | 12 |
| Cash used for investing activities | (51) | (65) |
| Financing activities: | | |
| Payment of contingent consideration | (87) | (12) |
| Proceeds from borrowings on credit facilities | — | 285 |
| Payments on borrowings from credit facilities | — | (285) |
| Payments for acquisitions of treasury stock | — | (125) |
| Cash used to net share settle employee equity awards | (61) | (47) |
| Proceeds from issuances of shares of common stock | 54 | 24 |
| Cash used for financing activities | (94) | (160) |
| Effect of foreign exchange rates on cash | (3) | 1 |
| Net increase (decrease) in cash and cash equivalents | (345) | (26) |
| Cash and cash equivalents at beginning of period | 587 | 217 |
| Cash and cash equivalents at end of period | $242 | $191 |
| Supplemental Information | | |
| Non-cash operating activities: | | |
| Stock-based compensation expense | $26 | $26 |
| Fair value of contingent consideration recorded in purchase accounting | $— | $3 |

See notes to the unaudited condensed consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Boston Scientific Corporation have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. For further information, refer to the consolidated financial statements and footnotes thereto included in Item 8 of our 2014 Annual Report on Form 10-K.

Subsequent Events

We evaluate events occurring after the date of our most recent accompanying unaudited condensed consolidated balance sheets for potential recognition or disclosure in our financial statements. We did not identify any material subsequent events requiring adjustment to our accompanying unaudited condensed consolidated financial statements (recognized subsequent events) for the three month period ended March 31, 2015. Those items requiring disclosure (unrecognized subsequent events) in the financial statements have been disclosed accordingly. Refer to Note B - Acquisitions, Note F - Borrowings and Credit Arrangements as well as Note J - Commitments and Contingencies for more information.

NOTE B – ACQUISITIONS

We did not close any material acquisitions during the first quarters of 2015 and 2014.

On March 2, 2015, we announced that we entered into a definitive agreement with Endo International plc to acquire the American Medical Systems urology portfolio, which includes the Men's Health and Prostate Health businesses, for $1.600 billion in up-front cash and a potential additional $50 million milestone based on 2016 sales (AMS Portfolio Acquisition). We expect to close the transaction in the third quarter of 2015, subject to customary closing conditions.

In April 2015, we acquired Xlumena, Inc., a venture-backed medical device company that develops, manufactures and sells minimally invasive devices for Endoscopic Ultrasound (EUS) guided transluminal drainage of targeted areas within the gastrointestinal tract. The agreement calls for an upfront payment of approximately $63 million, an additional payment of $13 million upon FDA clearance of the HOT AXIOS™ product, and further sales-based milestones based on sales achieved through 2018.

Contingent Consideration

Certain of our acquisitions involve contingent consideration arrangements. Payment of additional consideration is generally contingent on the acquired company reaching certain performance milestones, including attaining specified revenue levels, achieving product development targets and/or obtaining regulatory approvals. In accordance with U.S. GAAP, we recognize a liability equal to the fair value of the contingent payments we expect to make as of the acquisition date. We re-measure this liability each reporting period and record changes in the fair value through a separate line item within our consolidated statements of operations.

We recorded a net expense related to the change in fair value of our contingent consideration liabilities of $27 million during the first quarter of 2015 and a net benefit of $22 million during the first quarter of 2014. We paid $99 million of contingent consideration during the first quarter of 2015 and we paid $12 million during the first quarter of 2014. Changes in the fair value of our contingent consideration liability were as follows (in millions):

| | |
|---|---|
| Balance as of December 31, 2014 | $274 |
| Amounts recorded related to new acquisitions | — |
| Other amounts recorded related to prior acquisitions | — |

| | |
|---|---|
| Net fair value adjustments | 27 |
| Payments made | (99 ) |
| Balance as of March 31, 2015 | $202 |

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As of March 31, 2015, the maximum amount of future contingent consideration (undiscounted) that we could be required to pay was approximately $1.810 billion.

Contingent consideration liabilities are re-measured to fair value each reporting period using projected revenues, discount rates, probabilities of payment and projected payment dates. The recurring Level 3 fair value measurements of our contingent consideration liability include the following significant unobservable inputs:

| Contingent Consideration Liability | Fair Value as of March 31, 2015 | Valuation Technique | Unobservable Input | Range |
|---|---|---|---|---|
| R&D, Regulatory and Commercialization-based Milestones | $13 million | Probability Weighted Discounted Cash Flow | Discount Rate | 1.2% |
| | | | Probability of Payment | 95% - 100% |
| | | | Projected Year of Payment | 2015 |
| Revenue-based Payments | $51 million | Probability Weighted Discounted Cash Flow | Discount Rate | 11.5% - 15% |
| | | | Probability of Payment | 0% - 100% |
| | | | Projected Year of Payment | 2015 - 2018 |
| | $138 million | Monte Carlo | Revenue Volatility | 11% - 13% |
| | | | Risk Free Rate | LIBOR Term Structure |
| | | | Projected Year of Payment | 2015-2018 |

Increases or decreases in the fair value of our contingent consideration liability can result from changes in discount periods and rates, as well as changes in the timing and amount of revenue estimates or in the timing or likelihood of achieving regulatory-, revenue- or commercialization-based milestones. Projected contingent payment amounts related to research and development, regulatory- and commercialization-based milestones and certain revenue-based milestones are discounted back to the current period using a discounted cash flow (DCF) model. Other revenue-based payments are valued using a Monte Carlo valuation model, which simulates future revenues during the earn-out period using management's best estimates. Projected revenues are based on our most recent internal operational budgets and long-range strategic plans. Increases in projected revenues and probabilities of payment may result in higher fair value measurements. Increases in discount rates and the time to payment may result in lower fair value measurements. Increases or decreases in any of those inputs in together, or in isolation, may result in a significantly lower or higher fair value measurement.

NOTE C – DIVESTITURES

In January 2011, we closed the sale of our Neurovascular business to Stryker Corporation for a purchase price of $1.500 billion in cash. We received $1.450 billion during 2011, an additional $10 million during 2012, $30 million during 2013 and the final amount due to us in 2014. At the time of divestiture, due to our continuing involvement in the operations of the Neurovascular business following the transaction, the divestiture did not meet the criteria for presentation as a discontinued operation. Our sales related to our divested Neurovascular business have declined as the various transition services and supply agreements have terminated.

Revenue recorded in the first quarter of 2014 was $2 million related to the Neurovascular business following its divestiture. We recorded a gain of $12 million during the first quarter of 2014 associated with the transaction.

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NOTE D – GOODWILL AND OTHER INTANGIBLE ASSETS

The gross carrying amount of goodwill and other intangible assets and the related accumulated amortization for intangible assets subject to amortization and accumulated write-offs of goodwill as of March 31, 2015 and December 31, 2014 are as follows:

| | As of March 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| (in millions) | Gross Carrying Amount | Accumulated Amortization/ Write-offs | Gross Carrying Amount | Accumulated Amortization/ Write-offs |
| Amortizable intangible assets | | | | |
| Technology-related | $8,482 | $(3,789) | $8,406 | $(3,697) |
| Patents | 522 | (347) | 519 | (342) |
| Other intangible assets | 875 | (546) | 875 | (533) |
| | $9,879 | $(4,682) | $9,800 | $(4,572) |
| Unamortizable intangible assets | | | | |
| Goodwill | $15,796 | $(9,900) | $15,798 | $(9,900) |
| Technology-related | 197 | — | 197 | — |
| | $15,993 | $(9,900) | $15,995 | $(9,900) |

In addition, we had $105 million and $181 million of in-process research and development intangible assets as of March 31, 2015 and December 31, 2014, respectively. During the first quarter of 2015, we reclassified approximately $76 million of in-process research and development not previously subject to amortization to amortizable intangible assets due to the receipt of FDA approval of the WATCHMAN® device.

The following represents our goodwill balance by global reportable segment:

| (in millions) | Cardiovascular | Rhythm Management | MedSurg | Total |
|---|---|---|---|---|
| Balance as of December 31, 2014 | $3,426 | $290 | $2,182 | $5,898 |
| Purchase price adjustments | (2) | — | — | (2) |
| Balance as of March 31, 2015 | $3,424 | $290 | $2,182 | $5,896 |

Goodwill Impairment Testing

We test our goodwill balances during the second quarter of each year for impairment, or more frequently if indicators are present or changes in circumstances suggest that an impairment may exist. Refer to Note D - Goodwill and Other Intangible Assets contained in Item 8 of our 2014 Annual Report filed on Form 10-K for discussion of our most recent goodwill impairment tests.

The following is a rollforward of accumulated goodwill write-offs by global reportable segment:

| (in millions) | Cardiovascular | Rhythm Management | MedSurg | Total |
|---|---|---|---|---|
| Accumulated write-offs as of December 31, 2014 | $(1,479) | $(6,960) | $(1,461) | $(9,900) |
| Goodwill written off | — | — | — | — |
| Accumulated write-offs as of March 31, 2015 | $(1,479) | $(6,960) | $(1,461) | $(9,900) |

Intangible Asset Impairment Testing

During the first quarter of 2014, as a result of lower estimates of the resistant hypertension market following the announcement of data from a competitor's clinical trial, we performed an interim impairment test of our in-process research and development projects and core technology associated with our acquisition of Vessix Vascular Inc. (Vessix). The impairment assessments were based upon probability-weighted cash flows of potential future scenarios.

Based on our impairment assessment, and lower expected future cash flows associated with our Vessix-related intangible assets, we recorded pre-tax impairment charges of $55 million in the first quarter of 2014 to write-down the balance of these intangible assets to their calculated fair value.

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The nonrecurring Level 3 fair value measurements of our intangible asset impairment analysis included the following significant unobservable inputs:

| Intangible Asset | Valuation Date | Fair Value | Valuation Technique | Unobservable Input | Rate |
|---|---|---|---|---|---|
| In-Process R&D | March 31, 2014 | $6 million | Income Approach - Excess Earnings Method | Discount Rate | 20% |
| Core Technology | March 31, 2014 | $64 million | Income Approach - Excess Earnings Method | Discount Rate | 15% |

NOTE E – FAIR VALUE MEASUREMENTS
Derivative Instruments and Hedging Activities

We address market risk from changes in foreign currency exchange rates and interest rates through a risk management program that includes the use of derivative financial instruments, and we operate the program pursuant to documented corporate risk management policies. Our derivative instruments do not subject our earnings or cash flows to material risk, as gains and losses on these derivatives generally offset losses and gains on the item being hedged. We do not enter into derivative transactions for speculative purposes, and we do not have any non-derivative instruments that are designated as hedging instruments pursuant to Topic 815.

Currency Hedging

We are exposed to currency risk consisting primarily of foreign currency denominated monetary assets and liabilities, forecasted foreign currency denominated intercompany and third-party transactions and net investments in certain subsidiaries. We manage our exposure to changes in foreign currency exchange rates on a consolidated basis to take advantage of offsetting transactions. We use both derivative instruments (currency forward and option contracts), and non-derivative transactions (primarily European manufacturing and distribution operations) to reduce the risk that our earnings and cash flows associated with these foreign currency denominated balances and transactions will be adversely affected by foreign currency exchange rate changes.

Currently or Previously Designated Foreign Currency Hedges

All of our designated currency hedge contracts outstanding as of March 31, 2015 and December 31, 2014 were cash flow hedges under Topic 815 intended to protect the U.S. dollar value of our forecasted foreign currency denominated transactions. We record the effective portion of any change in the fair value of foreign currency cash flow hedges in other comprehensive income (OCI) until the related third-party transaction occurs. Once the related third-party transaction occurs, we reclassify the effective portion of any related gain or loss on the foreign currency cash flow hedge to earnings. In the event the hedged forecasted transaction does not occur, or it becomes no longer probable that it will occur, we reclassify the amount of any gain or loss on the related cash flow hedge to earnings at that time. We had currency derivative instruments currently or previously designated as cash flow hedges outstanding in the contract amount of $1.987 billion as of March 31, 2015 and $2.178 billion as of December 31, 2014.

We recognized net gains of $49 million in earnings on our cash flow hedges during the first quarter of 2015, as compared to net gains of $21 million during the first quarter of 2014. All currency cash flow hedges outstanding as of March 31, 2015 mature within 36 months. As of March 31, 2015, $246 million of net gains, net of tax, were recorded in accumulated other comprehensive income (AOCI) to recognize the effective portion of the fair value of any currency derivative instruments that are, or previously were, designated as foreign currency cash flow hedges, as compared to net gains of $217 million as of December 31, 2014. As of March 31, 2015, $142 million of net gains, net of tax, may be reclassified to earnings within the next twelve months.

The success of our hedging program depends, in part, on forecasts of transaction activity in various currencies (primarily Japanese yen, Euro, British pound sterling, Australian dollar and Canadian dollar). We may experience unanticipated currency exchange gains or losses to the extent that there are differences between forecasted and actual activity during periods of currency volatility. In addition, changes in foreign currency exchange rates related to any unhedged transactions may impact our earnings and cash flows.

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Non-designated Foreign Currency Contracts

We use currency forward contracts as a part of our strategy to manage exposure related to foreign currency denominated monetary assets and liabilities. These currency forward contracts are not designated as cash flow, fair value or net investment hedges under Topic 815; are marked-to-market with changes in fair value recorded to earnings; and are entered into for periods consistent with currency transaction exposures, generally less than one year. We had currency derivative instruments not designated as hedges under Topic 815 outstanding in the contract amount of $2.365 billion as of March 31, 2015 and $2.470 billion as of December 31, 2014.

Interest Rate Hedging

Our interest rate risk relates primarily to U.S. dollar borrowings, partially offset by U.S. dollar cash investments. We have historically used interest rate derivative instruments to manage our earnings and cash flow exposure to changes in interest rates by converting floating-rate debt into fixed-rate debt or fixed-rate debt into floating-rate debt.

We designate these derivative instruments either as fair value or cash flow hedges under Topic 815. We record changes in the value of fair value hedges in interest expense, which is generally offset by changes in the fair value of the hedged debt obligation. Interest payments made or received related to our interest rate derivative instruments are included in interest expense. We record the effective portion of any change in the fair value of derivative instruments designated as cash flow hedges as unrealized gains or losses in OCI, net of tax, until the hedged cash flow occurs, at which point the effective portion of any gain or loss is reclassified to earnings. We record the ineffective portion of our cash flow hedges in interest expense. In the event the hedged cash flow does not occur, or it becomes no longer probable that it will occur, we reclassify the amount of any gain or loss on the related cash flow hedge to interest expense at that time.

In the fourth quarter of 2013, we entered into interest rate derivative contracts having a notional amount of $450 million to convert fixed-rate debt into floating-rate debt, which we designated as fair value hedges. During the first quarter of 2015, we terminated these hedges and we received total proceeds of approximately $35 million when we terminated the interest rate derivative contracts, which included approximately $7 million of net accrued interest receivable. We had no amounts outstanding as of March 31, 2015. We assessed at inception, and re-assessed on an ongoing basis, whether the interest rate derivative contracts were highly effective in offsetting changes in the fair value of the hedged fixed-rate debt. During the first quarter of 2015, we recognized, in interest expense, an $8 million loss on our hedged debt and an $8 million gain on the related interest rate derivative contract. During the first quarter of 2014, we recognized, in interest expense, a $10 million loss on our hedged debt and a $10 million gain on the related interest rate derivative contract.

The carrying amount of our $450 million senior notes maturing in October 2023 includes unamortized gains of $30 million as of March 31, 2015, related to the interest rate derivative contracts terminated in the first quarter of 2015, which represents the effective portion of these contracts as of the termination date, less amounts amortized. Additionally, in prior years, we terminated certain other interest rate derivative contracts, including fixed-to-floating interest rate contracts, designated as fair value hedges, and floating-to-fixed treasury locks, designated as cash flow hedges. We are amortizing the gains and losses on these derivative instruments upon termination into earnings as a net reduction of interest expense over the remaining term of the hedged debt, in accordance with Topic 815. The carrying amount of certain of our senior notes included unamortized gains of $43 million as of March 31, 2015 and $45 million as of December 31, 2014, and unamortized losses of $1 million as of March 31, 2015 and $2 million as of December 31, 2014, related to the fixed-to-floating interest rate contracts that we terminated in prior years. In addition, we had pre-tax net gains within AOCI related to terminated floating-to-fixed treasury locks of $1 million as of March 31, 2015 and $2 million as of December 31, 2014. We recorded approximately $2 million during the first quarter of 2015 as a reduction to interest expense, resulting from the amortization of interest rate derivative contracts terminated in prior years. As of March 31, 2015, $13 million of pre-tax net gains may be reclassified to earnings within the next twelve months as a reduction to interest expense from amortization of our terminated interest rate derivative contracts.

Counterparty Credit Risk

We do not have significant concentrations of credit risk arising from our derivative financial instruments, whether from an individual counterparty or a related group of counterparties. We manage the concentration of counterparty credit risk on our derivative instruments by limiting acceptable counterparties to a diversified group of major financial institutions with investment grade credit ratings, limiting the amount of credit exposure to each counterparty, and actively monitoring their credit ratings and outstanding fair values on an on-going basis. Furthermore, none of our derivative transactions are subject to collateral or other security arrangements and none contain provisions that are dependent on our credit ratings from any credit rating agency.

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We also employ master netting arrangements that reduce our counterparty payment settlement risk on any given maturity date to the net amount of any receipts or payments due between us and the counterparty financial institution. Thus, the maximum loss due to counterparty credit risk is limited to the unrealized gains in such contracts net of any unrealized losses should any of these counterparties fail to perform as contracted. Although these protections do not eliminate concentrations of credit risk, as a result of the above considerations, we do not consider the risk of counterparty default to be significant.

Fair Value of Derivative Instruments

The following presents the effect of our derivative instruments designated as cash flow hedges under Topic 815 on our accompanying unaudited condensed consolidated statements of operations during the first quarter of 2015 and 2014 (in millions):

| | Amount of Pre-tax Gain (Loss) Recognized in OCI (Effective Portion) | Amount of Pre-tax Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion) | Location in Statement of Operations |
|---|---|---|---|
| Three Months Ended March 31, 2015 | | | |
| Currency hedge contracts | $93 | $49 | Cost of products sold |
| | $93 | $49 | |
| Three Months Ended March 31, 2014 | | | |
| Currency hedge contracts | $(21) | $21 | Cost of products sold |
| | $(21) | $21 | |

The amount of gain (loss) recognized in earnings related to the ineffective portion of hedging relationships was de minimis for all periods presented.

Net gains and losses on currency hedge contracts not designated as hedging instruments were offset by net losses and gains from foreign currency transaction exposures, as shown in the following table:

| in millions | Location in Statement of Operations | Three Months Ended March 31, 2015 | 2014 |
|---|---|---|---|
| Gain (loss) on currency hedge contracts | Other, net | $23 | $(3) |
| Gain (loss) on foreign currency transaction exposures | Other, net | (33) | — |
| Net foreign currency gain (loss) | Other, net | $(10) | $(3) |

Topic 815 requires all derivative instruments to be recognized at their fair values as either assets or liabilities on the balance sheet. Generally, we use inputs that include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; other observable inputs for the asset or liability; and inputs derived principally from, or corroborated by, observable market data by correlation or other means. As of March 31, 2015, we have classified all of our derivative assets and liabilities within Level 2 of the fair value hierarchy prescribed by ASC Topic 820, Fair Value Measurements and Disclosures (Topic 820), as discussed below, because these observable inputs are available for substantially the full term of our derivative instruments.

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The following are the balances of our derivative assets and liabilities as of March 31, 2015 and December 31, 2014:

| (in millions) | Location in Balance Sheet (1) | As of March 31, 2015 | December 31, 2014 |
|---|---|---|---|
| Derivative Assets: | | | |
| Currently or Previously Designated Hedging Instruments | | | |
| Currency hedge contracts | Other current assets | $204 | $178 |
| Currency hedge contracts | Other long-term assets | 160 | 141 |
| Interest rate contracts | Other current assets | — | 3 |
| Interest rate contracts | Other long-term assets | — | 22 |
| | | 364 | 344 |
| Non-Designated Hedging Instruments | | | |
| Currency hedge contracts | Other current assets | 107 | 100 |
| Total Derivative Assets | | $471 | $444 |
| | | | |
| Derivative Liabilities: | | | |
| Currently or Previously Designated Hedging Instruments | | | |
| Currency hedge contracts | Other current liabilities | $1 | $1 |
| | | 1 | 1 |
| Non-Designated Hedging Instruments | | | |
| Currency hedge contracts | Other current liabilities | 52 | 35 |
| Total Derivative Liabilities | | $53 | $36 |

(1) We classify derivative assets and liabilities as current when the remaining term of the derivative contract is one year or less.

Other Fair Value Measurements

Recurring Fair Value Measurements

On a recurring basis, we measure certain financial assets and financial liabilities at fair value based upon quoted market prices, where available. Where quoted market prices or other observable inputs are not available, we apply valuation techniques to estimate fair value. Topic 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2 – Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3 – Inputs to the valuation methodology are unobservable inputs based on management’s best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

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Assets and liabilities measured at fair value on a recurring basis consist of the following as of March 31, 2015 and December 31, 2014:

| | As of March 31, 2015 | | | | As of December 31, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | |
| Money market and government funds | $20 | $— | $— | $20 | $151 | $— | $— | $151 |
| Currency hedge contracts | — | 471 | — | 471 | — | 419 | — | 419 |
| Interest rate contracts | — | — | — | — | — | 25 | — | 25 |
| | $20 | $471 | $— | $491 | $151 | $444 | $— | $595 |
| Liabilities | | | | | | | | |
| Currency hedge contracts | $— | $53 | $— | $53 | $— | $36 | $— | $36 |
| Accrued contingent consideration | — | — | 202 | 202 | — | — | 274 | 274 |
| | $— | $53 | $202 | $255 | $— | $36 | $274 | $310 |

Our investments in money market and government funds are generally classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. These investments are classified as cash and cash equivalents within our accompanying unaudited condensed consolidated balance sheets, in accordance with U.S. GAAP and our accounting policies.

In addition to $20 million invested in money market and government funds as of March 31, 2015, we had $53 million in short-term time deposits and $169 million in interest bearing and non-interest bearing bank accounts. In addition to $151 million invested in money market and government funds as of December 31, 2014, we had $255 million in short-term deposits and $181 million in interest bearing and non-interest bearing bank accounts.

Our recurring fair value measurements using significant unobservable inputs (Level 3) relate solely to our contingent consideration liabilities. Refer to Note B - Acquisitions in this Quarterly Report on Form 10-Q, for a discussion of the changes in the fair value of our contingent consideration liabilities.

Non-Recurring Fair Value Measurements

We hold certain assets and liabilities that are measured at fair value on a non-recurring basis in periods subsequent to initial recognition. The fair value of a cost method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. The aggregate carrying amount of our cost method investments was $27 million as of March 31, 2015 and $27 million as of December 31, 2014.

During the first quarter of 2014, we recorded $55 million of losses to adjust our intangible asset balances to their fair value. Refer to Note D - Goodwill and Other Intangible Assets in this Quarterly Report on Form 10-Q, for further information related to these charges and significant unobservable inputs (Level 3).

The fair value of our outstanding debt obligations was $4.653 billion as of March 31, 2015 and $4.613 billion as of December 31, 2014, which was determined by using primarily quoted market prices for our publicly registered senior notes, classified as Level 1 within the fair value hierarchy. Refer to Note F – Borrowings and Credit Arrangements in this Quarterly Report on Form 10-Q, for a discussion of our debt obligations.

NOTE F – BORROWINGS AND CREDIT ARRANGEMENTS

We had total debt of $4.268 billion as of March 31, 2015 and $4.262 billion as of December 31, 2014. The debt maturity schedule for the significant components of our debt obligations as of March 31, 2015 is as follows:

| (in millions) | 2015 | 2016 | 2017 | 2018 | 2019 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Senior notes | $400 | $600 | $250 | $600 | $— | $1,950 | $3,800 |
| Term loan | — | 80 | 80 | 240 | — | — | 400 |

| | | | | | | |
|---|---|---|---|---|---|---|
| $400 | $680 | $330 | $840 | $— | $1,950 | $4,200 |

Note: The table above does not include unamortized discounts associated with our senior notes, or amounts related to interest rate contracts used to hedge the fair value of certain of our senior notes.

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Revolving Credit Facility

During the first quarter of 2015, we maintained a $2.000 billion revolving credit facility (the 2012 Facility), maturing in April 2017, with a global syndicate of commercial banks. Eurodollar and multicurrency loans under this revolving credit facility bear interest at LIBOR plus an interest margin of between 0.875 percent and 1.475 percent, based on our corporate credit ratings and consolidated leverage ratio (1.275 percent as of March 31, 2015). In addition, we were required to pay a facility fee based on our credit ratings, consolidated leverage ratio, and the total amount of revolving credit commitments, regardless of usage, under the agreement (0.225 percent as of March 31, 2015). There were no amounts borrowed under our revolving credit facility as of March 31, 2015 or December 31, 2014.

Our revolving credit facility agreement in place as of March 31, 2015, required that we maintain certain financial covenants, as follows:

| | Covenant Requirement | Actual as of March 31, 2015 |
|---|---|---|
| Maximum leverage ratio (1) | 3.5 times | 2.4 times |
| Minimum interest coverage ratio (2) | 3.0 times | 8.0 times |

(1) Ratio of total debt to consolidated EBITDA, as defined by the credit agreement, for the preceding four consecutive fiscal quarters.

(2) Ratio of consolidated EBITDA, as defined by the credit agreement, to interest expense for the preceding four consecutive fiscal quarters.

The credit agreement in place as of March 31, 2015, provided for an exclusion from the calculation of consolidated EBITDA, as defined by the agreement, through the credit agreement maturity, of any non-cash charges and up to $500 million in restructuring charges and restructuring-related expenses related to our current or future restructuring plans. As of March 31, 2015, we had $95 million of the restructuring charge exclusion remaining. In addition, any cash litigation payments (net of any cash litigation receipts), as defined by the agreement, were excluded from the calculation of consolidated EBITDA and any new debt issued to fund any tax deficiency payments was excluded from consolidated total debt, as defined in the agreement, provided that the sum of any excluded net cash litigation payments and any new debt issued to fund any tax deficiency payments not exceed $2.300 billion in the aggregate. As of March 31, 2015, we had $1.789 billion of the combined legal and debt exclusion remaining. As of and through March 31, 2015, we were in compliance with the required covenants.

On April 10, 2015, we entered into a new $2.000 billion revolving credit facility (the 2015 Facility ) with a global syndicate of commercial banks to refinance the 2012 Facility. The 2015 Facility matures on April 10, 2020. Eurodollar and multicurrency loans under the 2015 Facility bear interest at LIBOR plus an interest margin of between 0.900 percent and 1.500 percent, based on our corporate credit ratings and consolidated leverage ratio (1.300 percent as of April 10, 2015). In addition, we are required to pay a facility fee based on our credit ratings, consolidated leverage ratio, and the total amount of revolving credit commitment, regardless of usage, under the agreement (0.200 percent per year as of April 10, 2015). The 2015 Credit Facility contains covenants which, among other things, require that we maintain a minimum interest coverage ratio of 3.0 times and a maximum leverage ratio of 4.5 times for the first four fiscal quarter-ends following the closing of the AMS Portfolio Acquisition, and decreasing to 4.25 times, 4.0 times, and 3.75 times for the next three fiscal quarter-ends after such four fiscal quarter-ends, respectively, and then to 3.5 times for each fiscal quarter-end thereafter. The credit agreement for the 2015 Facility provides for an exclusion from the calculation of consolidated EBITDA, as defined by the agreement, through the credit agreement maturity, of any non-cash charges and up to $620 million in restructuring charges and restructuring-related expenses related to our current or future restructuring plans. In addition, any cash litigation payments (net of any cash litigation receipts), as defined by the agreement, are excluded from the calculation of consolidated EBITDA and any new debt issued to fund any tax deficiency payments is excluded from consolidated total debt, as defined in the agreement, provided that the sum of any excluded net cash litigation payments and any new debt issued to fund any tax deficiency payments not exceed $2.000 billion in the aggregate. In addition, the credit agreement provides that until the AMS Portfolio Acquisition is consummated, up to $1.000 billion of new indebtedness issued or incurred on or prior to the consummation of the acquisition to fund the acquisition should be excluded from the calculation of consolidated total debt. With the entry into the 2015 Facility, we terminated the 2012 Facility on April 10, 2015.

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Term Loans

We had $400 million outstanding under an unsecured term loan facility (2013 Term Loan) as of March 31, 2015 and December 31, 2014. Term loan borrowings under this facility bear interest at LIBOR plus an interest margin of between 1.00 percent and 1.75 percent (currently 1.50 percent), based on our corporate credit ratings and consolidated leverage ratio. The term loan borrowings are payable over a five-year period, with quarterly principal payments of $20 million commencing in the first quarter of 2016 and the remaining principal amount due at the final maturity date in August 2018, and are repayable at any time without premium or penalty. Our term loan facility requires that we comply with certain covenants, including financial covenants with respect to maximum leverage and minimum interest coverage, consistent with the 2012 Facility up to its date of termination, and the 2015 Facility when in place on April 10, 2015. The maximum leverage ratio requirement is 3.5 times and our actual leverage ratio as of March 31, 2015 is 2.4 times. The minimum interest coverage ratio requirement is 3.0 times and our actual interest coverage ratio as of March 31, 2015 is 8.0 times. On April 10, 2015, the 2013 Term Loan credit agreement was amended to conform to similar financial covenants under the 2015 Facility.

On April 10, 2015, we entered into a new $750 million unsecured term loan credit facility (2015 Term Loan) which matures on April 10, 2020. The 2015 Term Loan will be used to partially fund the AMS Portfolio Acquisition, including the payment of fees and expenses. The 2015 Term Loan will only be funded if the acquisition closes. Term loan borrowings under this facility bear interest at LIBOR plus an interest margin of between 1.00 percent and 1.75 percent (currently 1.50 percent), based on our corporate credit ratings and consolidated leverage ratio. In addition, we are required to pay a facility fee based on our credit ratings, consolidated leverage ratio, and the total amount of revolving credit commitment, regardless of usage, under the agreement (0.200 percent per year as of April 10, 2015). Such fee accrues from 60 days after April 10, 2015 through the date of funding of the term loan. The 2015 Term Loan requires quarterly principal payments of $38 million commencing on the first fiscal quarter ended after the date which is the second anniversary of the closing date of the AMS Portfolio Acquisition, and the remaining principal amount is due at the final maturity date of April 10, 2020. The 2015 Term Loan agreement contains covenants which, among other things, require that we maintain a minimum interest coverage ratio and a maximum leverage ratio substantially similar to the ratios in the 2015 Facility.

Interim Revolving Credit Facility

On April 10, 2015, we entered into a $250 million unsecured revolving credit facility (2015 Interim Facility). The availability of the 2015 Interim Facility is conditioned on the closing of the AMS Portfolio Acquisition. The 2015 Interim Facility may be used to finance working capital and for general corporate purposes, including but not limited to acquisitions, and will mature on October 13, 2015. Eurodollar and multicurrency loans under the 2015 Interim Facility bear interest at LIBOR plus an interest margin of between 0.90 percent and 1.525 percent based on our corporate credit ratings and consolidated leverage ratio (1.325 percent as of April 10, 2015). In addition, we are required to pay a facility fee based on our credit ratings, consolidated leverage ratio, and the total amount of revolving credit commitment, regardless of usage, under the agreement (0.175 percent per year as of April 10, 2015). The 2015 Interim Facility contains covenants which, among other things, require that we maintain a minimum interest coverage ratio and a maximum leverage ratio substantially similar to the 2015 Facility. Commitments under the 2015 Interim Facility may be reduced by certain debt and equity issuances occurring prior to the maturity date.

Senior Notes

We had senior notes outstanding of $3.800 billion as of March 31, 2015 and December 31, 2014. Our senior notes are publicly registered securities, are redeemable prior to maturity and are not subject to any sinking fund requirements. Our senior notes are unsecured, unsubordinated obligations and rank on parity with each other. These notes are effectively junior to borrowings under our credit and security facility and to liabilities of our subsidiaries (see Other Arrangements below).

Other Arrangements

We also maintain a $300 million credit and security facility secured by our U.S. trade receivables maturing in June 2015, subject to further extension. The credit and security facility requires that we maintain a maximum leverage covenant consistent with our revolving credit facility. The maximum leverage ratio requirement is 3.5 times and our actual leverage ratio as of March 31, 2015 is 2.4 times. We had no borrowings outstanding under this facility as of March 31, 2015 and December 31, 2014.

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We have accounts receivable factoring programs in certain European countries that we account for as sales under ASC Topic 860, Transfers and Servicing. These agreements provide for the sale of accounts receivable to third parties, without recourse, of up to approximately $306 million as of March 31, 2015. We have no retained interests in the transferred receivables, other than collection and administrative responsibilities and, once sold, the accounts receivable are no longer available to satisfy creditors in the event of bankruptcy. We de-recognized $153 million of receivables as of March 31, 2015 at an average interest rate of 5.3 percent, and $167 million as of December 31, 2014 at an average interest rate of 3.2 percent. Within Italy, Spain, Portugal and Greece, the number of days our receivables are outstanding has remained above historical levels. We believe we have adequate allowances for doubtful accounts related to our Italy, Spain, Portugal and Greece accounts receivable; however, we continue to monitor the European economic environment for any collectibility issues related to our outstanding receivables. As of March 31, 2015, our net receivables in these countries greater than 180 days past due totaled $25 million, of which $10 million were past due greater than 365 days.

In addition, we have uncommitted credit facilities with a commercial Japanese bank that provide for borrowings, promissory notes discounting and receivables factoring of up to 21.000 billion Japanese yen (approximately $175 million as of March 31, 2015). We de-recognized $125 million of notes receivable as of March 31, 2015 at an average interest rate of 1.7 percent and $134 million of notes receivable as of December 31, 2014 at an average interest rate of 1.8 percent. De-recognized accounts and notes receivable are excluded from trade accounts receivable, net in the accompanying unaudited condensed consolidated balance sheets.

As of March 31, 2015 we had outstanding letters of credit of $58 million, as compared to $59 million as of December 31, 2014, which consisted primarily of bank guarantees and collateral for workers' compensation insurance arrangements. As of March 31, 2015 and December 31, 2014, none of the beneficiaries had drawn upon the letters of credit or guarantees; accordingly, we did not recognize a related liability for our outstanding letters of credit in our consolidated balance sheets as of March 31, 2015 or December 31, 2014. We believe we will generate sufficient cash from operations to fund these arrangements and intend to fund these arrangements without drawing on the letters of credit.

## NOTE G – RESTRUCTURING-RELATED ACTIVITIES

On an ongoing basis, we monitor the dynamics of the economy, the healthcare industry, and the markets in which we compete. We continue to assess opportunities for improved operational effectiveness and efficiency, and better alignment of expenses with revenues, while preserving our ability to make the investments in research and development projects, capital and our people that we believe are essential to our long-term success. As a result of these assessments, we have undertaken various restructuring initiatives in order to enhance our growth potential and position us for long-term success. These initiatives are described below.

### 2014 Restructuring Plan

On October 22, 2013, our Board of Directors approved, and we committed to, a restructuring initiative (the 2014 Restructuring plan). The 2014 Restructuring plan is intended to build on the progress we have made to address financial pressures in a changing global marketplace, further strengthen our operational effectiveness and efficiency and support new growth investments. Key activities under the plan include continued implementation of our ongoing Plant Network Optimization (PNO) strategy, continued focus on driving operational efficiencies and ongoing business and commercial model changes. The PNO strategy is intended to simplify our manufacturing plant structure by transferring certain production lines among facilities. Other activities involve rationalizing organizational reporting structures to streamline various functions, eliminate bureaucracy, increase productivity and better align resources to business strategies and marketplace dynamics. These activities were initiated in the fourth quarter of 2013 and are expected to be substantially completed by the end of 2015.

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We estimate that the implementation of the 2014 Restructuring plan will result in total pre-tax charges of approximately $250 million to $300 million, and approximately $235 million to $285 million of these charges is estimated to result in cash outlays, of which we have made payments of $119 million through March 31, 2015. We have recorded related costs of $168 million since the inception of the plan, and recorded a portion of these expenses as restructuring charges and the remaining portion through other lines within our consolidated statements of operations.

The following table provides a summary of our estimates of costs associated with the 2014 Restructuring plan by major type of cost:

| Type of cost | Total estimated amount expected to be incurred |
|---|---|
| Restructuring charges: | |
| Termination benefits | $115 million to $135 million |
| Other (1) | $25 million to $35 million |
| Restructuring-related expenses: | |
| Other (2) | $110 million to $130 million |
| | $250 million to $300 million |

(1) Consists primarily of consulting fees and costs associated with contract cancellations.
(2) Comprised of other costs directly related to the 2014 Restructuring plan, including program management, accelerated depreciation, and costs to transfer product lines among facilities.

2011 Restructuring Plan

On July 26, 2011, our Board of Directors approved, and we committed to, a restructuring initiative (the 2011 Restructuring plan) designed to strengthen operational effectiveness and efficiencies, increase competitiveness and support new investments. Key activities under the 2011 Restructuring plan included standardizing and automating certain processes and activities; relocating select administrative and functional activities; rationalizing organizational reporting structures; leveraging preferred vendors; and other efforts to eliminate inefficiency. Among these efforts, we expanded our ability to deliver best-in-class global shared services for certain functions and divisions at several locations in emerging markets. On January 25, 2013, our Board of Directors approved, and we committed to, an expansion of the 2011 Restructuring plan (the Expansion). The Expansion was intended to further strengthen our operational effectiveness and efficiencies and support new investments. Activities under the 2011 Restructuring plan were initiated in the third quarter of 2011 and all activities, including those related to the Expansion, were substantially completed by the end of 2013.

The 2011 Restructuring plan, including the Expansion, resulted in net pre-tax charges of $286 million, and $287 million of cash outlays. In addition, we received $53 million of cash proceeds on facility and fixed asset sales. We recorded a portion of these expenses as restructuring charges and the remaining portion through other lines within our consolidated statements of operations.

The following provides a summary of our total costs associated with the 2011 Restructuring plan, including the Expansion, by major type of cost:

| Type of cost | Total amounts incurred |
|---|---|
| Restructuring charges: | |
| Termination benefits | $135 million |
| Other (1) | $112 million |
| Restructuring-related expenses: | |
| Other (2) | $39 million |
| | $286 million |

(1) Includes primarily consulting fees, gains and losses on disposals of fixed assets and costs associated with contract cancellations.

(2) Comprised of other costs directly related to the 2011 Restructuring plan, including the Expansion, such as program management, accelerated depreciation, retention and infrastructure-related costs.

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We recorded net restructuring charges pursuant to our restructuring plans of $6 million in the first quarter of 2015 and $20 million in the first quarter of 2014. In addition, we recorded expenses within other lines of our accompanying unaudited condensed consolidated statements of operations related to our restructuring initiatives of $16 million in the first quarter of 2015, and $8 million in the first quarter of 2014.

The following presents these costs (credits) by major type and line item within our accompanying unaudited condensed consolidated statements of operations, as well as by program:

Three Months Ended March 31, 2015

| (in millions) | Termination Benefits | Accelerated Depreciation | Transfer Costs | Fixed Asset Write-offs | Other | Total |
|---|---|---|---|---|---|---|
| Restructuring charges | $5 | $— | $— | $— | $1 | $6 |
| Restructuring-related expenses: | | | | | | |
| Cost of products sold | — | — | 8 | — | — | 8 |
| Selling, general and administrative expenses | — | 1 | — | — | 7 | 8 |
| | — | 1 | 8 | — | 7 | 16 |
| | $5 | $1 | $8 | $— | $8 | $22 |

| (in millions) | Termination Benefits | Accelerated Depreciation | Transfer Costs | Fixed Asset Write-offs | Other | Total |
|---|---|---|---|---|---|---|
| 2014 Restructuring plan | $8 | $1 | $8 | $— | $8 | $25 |
| 2011 Restructuring plan (including the Expansion) | (3) | — | — | — | — | (3) |
| | $5 | $1 | $8 | $— | $8 | $22 |

Three Months Ended March 31, 2014

| (in millions) | Termination Benefits | Accelerated Depreciation | Transfer Costs | Fixed Asset Write-offs | Other | Total |
|---|---|---|---|---|---|---|
| Restructuring charges | $11 | $— | $— | $— | $9 | $20 |
| Restructuring-related expenses: | | | | | | |
| Cost of products sold | — | — | 2 | — | — | 2 |
| Selling, general and administrative expenses | — | 1 | — | — | 5 | 6 |
| | — | 1 | 2 | — | 5 | 8 |
| | $11 | $1 | $2 | $— | $14 | $28 |

| (in millions) | Termination Benefits | Accelerated Depreciation | Transfer Costs | Fixed Asset Write-offs | Other | Total |
|---|---|---|---|---|---|---|
| 2014 Restructuring plan | $9 | $1 | $2 | $— | $11 | |