

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 25, 2018

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	0-26224	51-0317849
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

311 Enterprise Drive
Plainsboro, NJ 08536
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (609) 275-0500

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On April 25, 2018, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter ended March 31, 2018 (the “Press Release”). A copy of the Press Release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item. In the financial statements portion of the Press Release, the Company has included a reconciliation of GAAP revenues to organic revenues for the quarters and years ended March 31, 2018 and 2017, GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the quarters and years ended March 31, 2018 and 2017, GAAP net income to adjusted net income for the quarters and years ended March 31, 2018 and 2017, GAAP diluted weighted average shares outstanding to adjusted diluted weighted average shares outstanding for the quarters and years ended March 31, 2018 and 2017, GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters and years ended March 31, 2018 and 2017, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters and years ended March 31, 2018 and 2017, as well as GAAP net income to adjusted net income and GAAP earnings per diluted share to adjusted earnings per diluted share used by management for guidance for the year 2018. In addition, the Company included a supplemental disclosure of revenue by reporting segments in the financial statements portion of the Press Release.

The information contained in Item 2.02 of this Current Report on Form 8-K (including the Press Release and selected historical financial information) is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information contained in Item 2.02 of this Current Report on Form 8-K (including the Press Release and selected historical financial information) shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Discussion of Adjusted Financial Measures

In addition to our GAAP results, we provide organic revenues, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, adjusted diluted weighted average shares outstanding, free cash flow, and adjusted free cash flow conversion. Organic revenues consist of total revenues excluding the effects of currency exchange rates, acquired revenues, and product discontinuances. The various measures of adjusted EBITDA consist of GAAP net income, excluding: (i) depreciation and amortization, (ii) other income (expense), (iii) interest income and expense, (iv) income taxes, and (v) and those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income, excluding: (i) global enterprise resource planning (“ERP”) implementation charges; (ii) structural optimization charges; (iii) acquisition- and integration-related charges; (iv) intangible asset amortization expense; (v) discontinued product lines charges; and (vi) income tax impact from adjustments and other items. The measure of adjusted diluted weighted average shares outstanding is calculated by adding the economic benefit of the convertible note hedge transactions relating to Integra’s 2016 convertible notes. The adjusted earnings per diluted share measure is calculated by dividing adjusted net income attributable to diluted shares by adjusted diluted weighted average shares outstanding. The measure of free cash flow consists of GAAP net cash provided by operating activities less purchases of property and equipment. The measure of adjusted free cash flow consists of free cash flow adjusted for certain one-time unusual items. The adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income.

The Company believes that the presentation of organic revenues and the various adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, adjusted diluted weighted average shares outstanding, free cash flow and adjusted free cash flow conversion measures provides important supplemental information to management and investors regarding financial and business trends relating to the Company’s financial condition and results of operations. Management uses non-GAAP financial measures in the form of organic revenues, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, adjusted diluted weighted average shares outstanding, free cash flow and adjusted free cash flow conversion when evaluating operating performance because we believe that the inclusion or exclusion of the items described below, for which the amounts and/or timing may vary significantly depending upon the Company’s acquisition, integration, and restructuring activities, for which the amounts are non-cash in nature, or for which the amounts are not expected to recur at the same magnitude, provides a supplemental measure of our operating results that facilitates comparability of our financial condition and operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information

to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of our Company.

Organic revenues, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, adjusted diluted weighted average shares outstanding, free cash flow and adjusted free cash flow conversion are significant measures used by management for purposes of:

- supplementing the financial results and forecasts reported to the Company's board of directors;
- evaluating, managing and benchmarking the operating performance of the Company;
- establishing internal operating budgets;
- determining compensation under bonus or other incentive programs;
- enhancing comparability from period to period;
- comparing performance with internal forecasts and targeted business models; and
- evaluating and valuing potential acquisition candidates.

The measure of organic revenues that we report reflects the increase in total revenues for the quarter ended March 31, 2018 adjusted for the effects of currency exchange rates, acquired revenues, and product discontinuations on current period revenues. We provide this measure because changes in foreign currency exchange rates can distort our revenue reduction favorably or unfavorably, depending upon the strength of the U.S. dollar in relation to the various foreign currencies in which we generate revenues. We generate significant revenues outside the United States in multiple foreign currencies. We believe this measure provides useful information to determine the success of our international selling organizations in increasing sales of products in their local currencies without regard to fluctuations in currency exchanges rates, for which we do not control. Additionally, significant acquisitions and discontinued product lines can distort our current period revenues when compared to prior periods.

The measure of adjusted net income reflects GAAP net income adjusted for one or more of the following items, as applicable:

- Global ERP implementation charges. Global ERP implementation charges consist of the non-capitalizable portion of internal labor and outside consulting costs related to the implementation of a global ERP system. We have inherited many diverse business processes and different information systems through our numerous acquisitions. Accordingly, we are undertaking this initiative in order to standardize business processes globally and to better integrate all of our existing and acquired operations using one information system. Although recurring in nature given the expected timeframe to complete the implementation for our existing operations and our expectation to continue to acquire new businesses and operations, management excludes these charges when evaluating the operating performance of the Company because the frequency and amount of such charges vary significantly based on the timing and magnitude of the Company's implementation activities.
- Structural optimization charges. These charges, which include employee severance and other costs associated with exit or disposal of facilities, costs related to transferring manufacturing and/or distribution activities to different locations, and rationalization or enhancement of our organization, existing manufacturing, distribution, administrative, functional and commercial infrastructure. Some of these cost-saving and efficiency-driven activities are identified as opportunities in connection with acquisitions that provide the Company with additional capacity or economies of scale. Although recurring in nature given management's ongoing review of the efficiency of our organization and structure, including manufacturing, distribution and administrative facilities and operations, management excludes these items when evaluating the operating performance of the Company because the frequency and amount of such charges vary significantly based on the timing and magnitude of the Company's rationalization activities and are, in some cases, dependent upon opportunities identified in acquisitions, which also vary in frequency and magnitude.
- Acquisition- and integration-related charges. Acquisition- and integration-related charges include (i) up-front fees and milestone payments that are expensed as incurred in connection with acquiring licenses or rights to technology for which no product has been approved for sale by regulatory authorities and such approval is not reasonably assured at the time such up-front fees or milestone payments are made, (ii) inventory fair value purchase accounting adjustments, (iii) changes in the fair value of contingent consideration after the acquisition date, (iv) costs related to acquisition integration, including systems, operations, retention and severance and (v) legal, accounting and other outside consultants expenses directly related to acquisitions or divestitures.

Inventory fair value purchase accounting adjustments consist of the increase to cost of goods sold that occur as a result of expensing the “step up” in the fair value of inventory that we purchased in connection with acquisitions as that inventory is sold during the financial period. Although recurring given the ongoing character of our development and acquisition programs, these acquisition, divestiture and in-licensing related charges are not factored into the evaluation of our performance by management after completion of development programs or acquisitions because they are of a temporary nature, they are not related to our core operating performance and the frequency and amount of such charges vary significantly based on the timing and magnitude of our development, acquisition and divestiture transactions as well as the level of inventory on hand at the time of acquisition.

- Discontinued product lines charges. These charges represent charges taken in connection with product lines that the Company discontinues. Management excludes this item when evaluating the Company’s operating performance because discontinued products do not provide useful information regarding the Company’s prospects for future performance.
- Intangible asset amortization expense. Management excludes this item when evaluating the Company’s operating performance because it is a non-cash expense.
- Income tax impact from adjustments and other items. Estimated impact on income tax expense related to the following:
 - (i) Adjustments to income tax expense for the amount of additional tax expense that the Company estimates that it would record if it used non-GAAP results instead of GAAP results in the calculation of its tax provision, based on the statutory rate applicable to jurisdictions in which the above non-GAAP adjustments relate.
 - (ii) When we calculate the adjusted tax rate, we include a full year estimate for all discrete items. We then apply that full year rate to the year-to-date results and calculate the current quarter’s rate to arrive at the year-to-date adjusted tax rate. We believe this removes significant variability in our results and creates a more operationally consistent result for our investors to use for comparability purposes.

Organic revenues, adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, free cash flow and adjusted free cash flow conversion are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the revenues, costs or benefits associated with the operations of the Company’s business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of the Company’s results as reported under GAAP. The Company expects to continue to acquire businesses and product lines and to incur expenses of a nature similar to many of the non-GAAP adjustments described above, and exclusion of these items from its adjusted financial measures should not be construed as an inference that all of these revenue adjustments or costs are unusual, infrequent or non-recurring. Some of the limitations in relying on the adjusted financial measures are:

- The Company periodically acquires other companies or businesses, and we expect to continue to incur acquisition-related expenses and charges in the future. These costs can directly impact the amount of the Company’s available funds or could include costs for aborted deals which may be significant and reduce GAAP net income.
- All of the adjustments to GAAP net income have been tax affected at the Company’s actual tax rates. Depending on the nature of the adjustments and the tax treatment of the underlying items, the effective tax rate related to adjusted net income could differ significantly from the effective tax rate related to GAAP net income.

In the financial tables portion of the Press Release, the Company has included a reconciliation of GAAP reported revenues to organic revenues for the quarters ended March 31, 2018 and 2017 and GAAP net income to adjusted EBITDA, GAAP net income to adjusted net income, GAAP earnings per diluted share to adjusted earnings per diluted share, and GAAP operating cash flow to free cash flow and adjusted free cash flow conversion used by management for the quarters ended March 31, 2018 and 2017. Also included are reconciliations for future periods.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1 [Press Release with attachments, dated April 25, 2018, issued by Integra LifeSciences Holdings Corporation](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

Date: April 25, 2018

By: /s/ Glenn G. Coleman

Glenn G. Coleman

Title: Corporate Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.

Description

99.1

[Press Release with attachments, dated April 25, 2018, issued by Integra LifeSciences Holdings Corporation](#)

News Release

Investor Relations Contacts:

Pravan Emany

Vice President, Treasury & Investor Relations

(609) 936-2488

pravan.emany@integralife.com

Michael Beaulieu

Director, Investor Relations

(609) 750-2827

michael.beaulieu@integralife.com

Media Contact:

Laurene Isip

Senior Director, Global Corporate Communications

(609) 750-7984

laurene.isip@integralife.com

Integralife Sciences Reports First Quarter 2018 Financial Results

Revenue Increased 38.1% to \$357.1 million; Organic Revenue Increased 3.0%

Reported EPS of \$0.14; Adjusted EPS of \$0.58

Company Raises Full-Year Total Revenue and EPS Guidance

Plainsboro, New Jersey, April 25, 2018 - [Integralife Sciences Holdings Corporation](#) (NASDAQ: IART), a leading global medical technology company, today reported financial results for the first quarter ending March 31, 2018.

First Quarter 2018 Consolidated Results

- Reported revenue was \$357.1 million, an increase of 38.1% compared to the first quarter of 2017; acquisitions contributed \$91.6 million of revenue to the first quarter, and organic revenues increased 3.0%;
- GAAP earnings per share was \$0.14, reflecting an increase of 75.0% compared to the first quarter of 2017;
- Adjusted earnings per share was \$0.58, reflecting an increase of 48.7% compared to the first quarter of 2017;

- Cash flow from operations was \$41.5 million, reflecting an increase of 43.8% from the first quarter of 2017;
- The company is raising its full-year 2018 guidance based on strong first quarter results to
 - Revenue of \$1.47 billion to \$1.49 billion (previously \$1.46 billion to \$1.48 billion);
 - GAAP EPS of \$0.69 to \$0.77 (previously \$0.60 to \$0.70); and
 - Adjusted EPS of \$2.34 to \$2.42 (previously \$2.25 to \$2.35).
- The company is reiterating its full-year 2018 guidance for organic sales growth to be approximately 5.0%.

Total revenues for the first quarter 2018 were \$357.1 million, reflecting an increase of 38.1%, over the first quarter of 2017. Sales in the Codman Specialty Surgical segment increased 51.1% compared to the first quarter of 2017, driven by the acquired revenues from Codman Neurosurgery, as well as strong capital sales of CUSA® Clarity. Sales in the Orthopedics and Tissue Technologies segment increased 18.2%, reflecting a full quarter of sales from Derma Sciences and strength in both our regenerative technologies, as well as our ankle and shoulder portfolios.

Total organic revenues increased 3.0% over the first quarter of 2017, excluding acquisitions, divestitures and the effect of currency exchange rates, slightly ahead of our expectations.

"We are off to a strong start in 2018, which gives us the confidence to increase our full-year 2018 financial guidance," said Peter Arduini, Integra's president and chief executive officer. "We are pleased with the progress of the Codman integration and continued progress in the OTT channel expansion. We expect to see organic growth accelerate in the remainder of the year."

The company reported GAAP net income of \$11.0 million, or \$0.14 per diluted share, for the first quarter of 2018, compared to GAAP net income of \$6.4 million, or \$0.08 per diluted share, in first quarter of 2017. The increase in GAAP net income results from higher revenues, better operating expense leverage, and a lower tax rate.

The adjusted measures discussed below are computed with the adjustments to GAAP reporting that are set forth in the attached reconciliation.

Adjusted EBITDA for the first quarter of 2018 was \$83.2 million, or 23.3% of revenue, compared to \$55.2 million, or 21.3% of revenue, in the first quarter of 2017. The margin improvement was largely based on better operating expense leverage, mostly from general and administrative costs.

Adjusted net income for the first quarter of 2018 was \$46.1 million, an increase of 49.4% from the prior year's quarter. Adjusted earnings per share for the first quarter of 2018 were \$0.58, an increase of 48.7% over the prior year's quarter.

2018 Full-Year Outlook

The company is raising its full-year 2018 revenue guidance by \$10 million to a new range of \$1.47 billion to \$1.49 billion, based on the strong performance of the Codman Specialty Surgical segment in the first quarter of 2018, as well as a higher benefit expected from foreign currency translation. The company is raising its full-year 2018 GAAP and adjusted earnings per share guidance range by \$0.08 to a new range of \$0.69 to \$0.77 and \$2.34 to \$2.42, respectively.

The company is reiterating its full-year 2018 guidance for organic sales to be approximately 5.0%.

"In addition to the strong revenue performance in the quarter, we were pleased with the significant improvement in EBITDA margin and strong operating cash flow," said Glenn Coleman, Integra's chief financial officer. "This puts us on track to achieve the high-end of our full-year guidance for these metrics for the remainder of this year."

In the future, the company may record, or expects to record, certain additional revenues, gains, expenses, or charges as described in the Discussion of Adjusted Financial Measures below, which will be excluded from the calculation of adjusted EBITDA, adjusted earnings per share for historical periods and in adjusted earnings per share guidance.

Conference Call and Presentation Available Online

Integra has scheduled a conference call for 8:30 AM ET today, Wednesday, April 25, 2018, to discuss financial results for the first quarter and forward-looking financial guidance. The conference call will be hosted by Integra's senior management team and will be open to all listeners. Additional forward-looking information may be discussed in a question and answer session following the call.

Integra's management team will reference a presentation during the conference call. The presentation can be found on investor.integralife.com.

Access to the live call is available by dialing (323) 794-2093 and using the passcode 5958152. The call can also be accessed via a webcast link provided on investor.integralife.com. A replay of the call will be available through April 30, 2018 by dialing (719) 457-0820 and using the passcode 5958152. The webcast will also be archived on the website.

About Integra

Integra LifeSciences is a global leader in regenerative technologies, neurosurgical and extremity orthopedic solutions dedicated to limiting uncertainty for clinicians, so they can focus on providing the best patient care. Integra offers a comprehensive portfolio of high quality, leadership brands that include AmnioExcel®, Bactiseal®, Cadence®, Certas™, Codman®, CUSA®, DuraGen®, DuraSeal®, ICP Express®, Integra®, MediHoney®, MicroFrance®, PriMatrix®, Salto Talaris®, SurgiMend®, TCC-EZ®, Titan™ and VersaTru™. For the latest news and information about Integra and its brands, please visit www.integralife.com.

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, and reflect the Company's judgment as of the date of this release. Forward-looking statements include, but are not limited to, statements concerning future financial performance, including projections for revenues, GAAP and adjusted net income, GAAP and adjusted earnings per diluted share, non-GAAP adjustments such as global enterprise resource planning ("ERP") system implementation charges, acquisition-related charges, goodwill impairment charges, non-cash amortization of imputed interest for convertible debt, intangible asset amortization, and income tax expense (benefit) related to non-GAAP adjustments. It is important to note that the Company's goals and expectations are not predictions of actual performance. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from predicted or expected results. Such risks and uncertainties include, but are not limited, to the following: the Company's ability to execute its operating plan effectively; the Company's ability to successfully integrate the Codman Neurosurgery business and other acquired businesses; the Company's ability to successfully sustain manufacturing operations at full capacity at our Puerto Rico facility and the restoration of infrastructure and other essential services in Puerto Rico; the Company's ability to manufacture and ship sufficient quantities of its products to meet its customers' demands; the ability of third-party suppliers to supply us with raw materials and finished products; global macroeconomic and political conditions; the Company's ability to manage its direct sales channels effectively; the Company's ability to maintain relationships with customers of acquired entities and businesses; physicians' willingness to adopt and third-party payors' willingness to provide or maintain reimbursement for the Company's recently launched, planned and existing products; initiatives launched by the Company's competitors; downward pricing pressures from customers; the Company's ability to secure regulatory approval for products in development; the Company's ability to remediate quality systems violations; fluctuations in hospitals' spending for capital equipment; the Company's ability to comply with and obtain approvals for products of human origin and comply with regulations regarding products containing materials derived from animal sources; difficulties in controlling expenses, including costs to procure and manufacture our products; the impact of changes in management or staff levels; the impact of goodwill and intangible asset impairment charges if future operating

results of acquired businesses are significantly less than the results anticipated at the time of the acquisitions, the Company's ability to leverage its existing selling organizations and administrative infrastructure; the Company's ability to increase product sales and gross margins, and control non-product costs; the Company's ability to achieve anticipated growth rates, margins and scale and execute its strategy generally; the amount and timing of acquisition and integration-related costs; the geographic distribution of where the Company generates its taxable income; the effect of legislation effecting healthcare reform in the United States and internationally; fluctuations in foreign currency exchange rates; the amount of our bank borrowings outstanding and other factors influencing liquidity; and the economic, competitive, governmental, technological, and other risk factors and uncertainties identified under the heading "Risk Factors" included in Item 1A of Integra's Annual Report on Form 10-K for the year ended December 31, 2017 and information contained in subsequent filings with the Securities and Exchange Commission.

These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events, or otherwise.

Discussion of Adjusted Financial Measures

In addition to our GAAP results, we provide organic revenues, adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted net income, adjusted earnings per diluted share, free cash flow and adjusted free cash flow conversion. Organic revenues consist of total revenues excluding the effects of currency exchange rates, acquired revenues and product discontinuances. Adjusted EBITDA consists of GAAP net income from continuing operations, excluding: (i) depreciation and amortization; (ii) other income (expense); (iii) interest income and expense; (iv) income taxes; and (v) those operating expenses also excluded from adjusted net income. The measure of adjusted net income consists of GAAP net income, excluding: (i) global enterprise resource planning ("ERP") implementation charges; (ii) structural optimization charges; (iii) acquisition-related charges; (iv) intangible asset amortization expense; and (v) discontinued product lines charges; (vi) income tax impact from adjustments, and other items. The adjusted earnings per diluted share measure is calculated by dividing adjusted net income attributable to diluted shares by diluted weighted average shares outstanding. The measure of free cash flow consists of GAAP net cash provided by continuing operating activities from continuing operations less purchases of property and equipment. The adjusted free cash flow conversion measure is calculated by dividing free cash flow by adjusted net income.

Reconciliations of GAAP revenues to adjusted revenues and GAAP Adjusted Net Income from continuing operations to adjusted EBITDA, and adjusted net income, and GAAP earnings per diluted share to adjusted earnings per diluted share all for the quarters ended March 31, 2018 and 2017, and the free cash flow and free cash flow conversion for the quarters ended March 31, 2018 and 2017, appear in the financial tables in this release.

The Company believes that the presentation of organic revenues and the various adjusted EBITDA, adjusted net income, adjusted earnings per diluted share, free cash flow and free cash flow conversion measures provide important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. For further information regarding why Integra believes that these non-GAAP financial measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the Company's Current Report on Form 8-K regarding this earnings press release filed today with the Securities and Exchange Commission. This Current Report on Form 8-K is available on the SEC's website at www.sec.gov or on our website at www.integralife.com.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Total revenues, net	\$ 357,082	\$ 258,636
Costs and expenses:		
Cost of goods sold	144,222	86,585
Research and development	18,325	15,494
Selling, general and administrative	163,566	142,497
Intangible asset amortization	5,390	4,101
Total costs and expenses	331,503	248,677
Operating income	25,579	9,959
Interest income	76	7
Interest expense	(18,768)	(5,131)
Other income (expense), net	2,245	(90)
Income before taxes	9,132	4,745
Income tax (benefit)	(1,860)	(1,649)
Net income	\$ 10,992	\$ 6,394
Net income per share:		
Diluted net income per share	\$ 0.14	\$ 0.08
Weighted average common shares outstanding for diluted net income per share	79,834	78,394

Segment revenues and growth in total revenues excluding the effects of currency exchange rates, acquisitions, and discontinued products are as follows:

(In thousands)

	Three Months Ended March 31,		
	2018	2017	Change
Codman Specialty Surgical	\$236,115	\$156,290	51.1%
Orthopedics and Tissue Technologies	120,967	102,346	18.2%
Total revenues	\$357,082	\$258,636	38.1%
Impact of changes in currency exchange rates	(4,893)	-	
Less contribution of revenues from acquisitions ⁽¹⁾	(91,629)	-	
Less contribution of revenues from discontinued and divested products ⁽²⁾	(2,572)	(8,073)	
Total organic revenues	\$257,988	\$250,563	3.0%

(1) Acquisitions include Codman Neurosurgery, Derma Sciences and TGX Medical

(2) Organic revenue has been restated for 2017 to account for divestitures related to the Codman acquisition

Items included in GAAP net income from continuing operations and location where each item is recorded are as follows:

(In thousands)

Three Months Ended March 31, 2018

Item	Total Amount	COGS(a)	SG&A(b)	Amort.(c)	OI&E(d)	Tax(e)
Global ERP implementation charges	\$—	\$—	\$—	\$—	\$—	\$—
Structural optimization charges	1,603	1,005	598	—	—	—
Acquisition and integration related charges ⁽¹⁾	28,886	12,287	16,599	—	—	—
Intangible asset amortization expense	16,944	11,554	—	5,390	—	—
Estimated income tax impact from above adjustments and other items	(12,279)	—	—	—	—	(12,279)
Total adjustments	\$35,154	\$24,846	\$17,197	\$5,390	\$—	\$(12,279)

Depreciation expense	10,152	—	—	—	—	—
----------------------	--------	---	---	---	---	---

- a) COGS - Cost of goods sold
- b) SG&A - Selling, general and administrative
- c) Amort. - Intangible asset amortization
- d) OI&E - Interest (income) expense, net and other (income) expense, net
- e) Tax - Income tax expense

(1) Acquisition related charges are primarily associated with the Derma Sciences and Codman Neurosurgery acquisitions and include banking, legal, consulting and other expenses.

Three Months Ended March 31, 2017

(In thousands)

Item	Total Amount	COGS (a)	SG&A (b)	Amort. (c)	OI&E (d)	Tax (e)
Global ERP implementation charges	\$2,427	\$—	\$2,427	\$—	\$—	\$—
Structural optimization charges	1,711	898	813	—	—	—
Acquisition and integration related charges ⁽¹⁾	20,317	643	19,674	—	—	—
Discontinued product line charges	1,025	1,025	—	—	—	—
Intangible asset amortization expense	10,966	6,865	—	4,101	—	—
Estimated income tax impact from above adjustments and other items	(11,951)	—	—	—	—	(11,951)
Total adjustments	\$24,495	\$9,431	\$22,914	\$4,101	\$—	\$(11,951)

Depreciation expense	8,751	—	—	—	—	—
----------------------	-------	---	---	---	---	---

- a) COGS - Cost of goods sold
- b) SG&A - Selling, general and administrative
- c) Amort. - Intangible asset amortization
- d) OI&E - Interest (income) expense, net and other (income) expense, net
- e) Tax - Income tax expense

(1) Acquisition related charges are primarily associated with the Derma Sciences and Codman Neurosurgery acquisitions and include banking, legal, consulting and other expenses.

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME FROM CONTINUING OPERATIONS TO ADJUSTED EBITDA
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
GAAP net income	\$ 10,992	\$ 6,394
Non-GAAP adjustments:		
Depreciation and intangible asset amortization expense	27,096	19,717
Other (income) expense, net	(2,245)	90
Interest expense, net	18,692	5,124
Income tax (benefit)	(1,860)	(1,649)
Global ERP implementation charges	—	2,427
Structural optimization charges	1,603	1,711
Acquisition and integration charges	28,886	20,317
Discontinued product lines charges	—	1,025
Total of non-GAAP adjustments	72,172	48,762
Adjusted EBITDA	\$ 83,164	\$ 55,156

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET INCOME FROM CONTINUING OPERATIONS TO MEASURES OF ADJUSTED
NET INCOME AND ADJUSTED EARNINGS PER SHARE
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
GAAP net income	\$10,992	\$6,394
Non-GAAP adjustments:		
Global ERP implementation charges	—	2,427
Structural optimization charges	1,603	1,711
Acquisition and integration charges ⁽¹⁾	28,886	20,317
Discontinued product lines charges	—	1,025
Intangible asset amortization expense	16,944	10,966
Estimated income tax impact from adjustments and other items	(12,279)	(11,951)
Total of non-GAAP adjustments	35,154	24,495
Adjusted net income	\$ 46,146	\$ 30,889
Adjusted diluted net income per share	\$0.58	\$0.39
Weighted average common shares outstanding for diluted net income per share	79,834	78,394

(1) Acquisition related charges are primarily associated with the Derma Sciences and Codman Neurosurgery acquisitions and include banking, legal, consulting and other expenses.

CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 189,396	\$ 174,935
Accounts receivable, net	270,012	251,799
Inventories, net	290,474	296,332
Total debt	1,832,027	1,841,142
Stockholders' equity	\$ 998,440	\$ 962,306

CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	\$ 41,531	\$ 28,882
Net cash used in investing activities	(9,298)	(193,143)
Net cash (used in) provided by financing activities	(20,886)	185,039
Effect of exchange rate changes on cash and cash equivalents	3,114	1,280
Net increase in cash and cash equivalents	\$ 14,461	\$ 22,058

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP OPERATING CASH FLOW TO
MEASURES OF FREE CASH FLOW AND FREE CASH FLOW CONVERSION
(UNAUDITED)

(In thousands)

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	\$ 41,531	\$ 28,882
Purchases of property and equipment	(15,387)	(9,191)
Free cash flow	26,144	19,691
Adjusted net income ⁽¹⁾	\$ 46,146	\$ 30,889
Adjusted free cash flow conversion	56.7%	63.7%

	Twelve Months Ended March 31,	
	2018	2017
Net cash provided by operating activities ⁽²⁾	\$ 127,194	\$ 163,040
Purchases of property and equipment	(49,699)	(45,624)
Adjusted free cash flow	77,495	117,416
Adjusted net income ⁽¹⁾	\$ 168,636	\$ 137,990
Adjusted free cash flow conversion	46.0%	85.1%

(1) Adjusted net income for quarters ended March 31, 2017 and 2018 are reconciled above. Adjusted net income for remaining quarters in the trailing twelve months calculation have been previously reconciled and are publicly available in the Quarterly Earnings Call Presentations on our website at investor.integralife.com under Events & Presentations.

(2) Net cash provided by operating activities for the twelve-month period ending March 31, 2017 of \$163.0M includes an adjustment of \$42.8M for accreted interest associated with the 2016 Convertible Notes.

The Company calculates adjusted free cash flow conversion by dividing its free cash flow by adjusted net income. The Company believes this measure is useful in evaluating the significance of the cash special charges in its adjusted earnings measures.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP ADJUSTMENTS - GUIDANCE

(In millions, except per share amounts)	Recorded Year to Date	Projected Year Ended	
	March 31, 2018	December 31, 2018	
		Low	High
GAAP net income	\$ 11.0	\$ 57.0	\$ 64.0
Non-GAAP adjustments:			
Structural optimization charges	1.6	26.0	26.0
Acquisition and integration charges	28.9	84.0	84.0
Intangible asset amortization expense	16.9	67.0	67.0
Estimated income tax impact from adjustments and other items	(12.3)	(45.0)	(45.0)
Total of non-GAAP adjustments	35.1	132.0	132.0
Adjusted net income	\$ 46.1	\$ 187.0	\$ 194.0
GAAP diluted net income per share	\$0.14	\$0.69	\$0.77
Non-GAAP adjustments detailed above (per share)	\$0.44	\$1.65	\$1.65
Adjusted diluted net income per share	\$0.58	\$2.34	\$2.42
Weighted average common shares outstanding for diluted net income per share	79.8	80	80

GUIDANCE - SPECIAL CHARGES

Item	YTD Amount	FY Guidance	COGS	SG&A	R&D	Amort.	Interest (Inc)Exp	Tax
Structural optimization charges	1.6	26.0	6.0	20.0	—	—		
Acquisition-related charges	28.9	84.0	25.0	59.0		—	—	—
Intangible asset amortization expense	16.9	67.0	46.0	—	—	—	21.0	—
Estimated income tax impact from adjustments and other items	(12.3)	(45.0)	—	—	—	—	—	(45.0)
Total	35.1	132.0	77.0	79.0	—	—	21.0	(45.0)