



August 1, 2013

Integra LifeSciences Reports Second Quarter 2013 Financial Results

Revenue in Line With Guidance

PLAINSBORO, N.J., Aug. 1, 2013 (GLOBE NEWSWIRE) -- [Integra LifeSciences Holdings Corporation](#) (Nasdaq:IART) today reported its financial results for the second quarter ending June 30, 2013. Total revenues for the second quarter were \$205.5 million, reflecting a decrease of \$4.7 million compared to the second quarter of 2012. Currency exchange rates had a negligible effect on revenues.

"We are pleased to deliver second quarter revenues within our guidance range," said Peter Arduini, Integra's President and Chief Executive Officer. "Our supply chain and operations teams achieved our regenerative product supply objectives, and we managed overall expenses well in the quarter."

The Company reported GAAP net income of \$3.4 million, or \$0.12 per diluted share, for the second quarter of 2013, compared to GAAP net income of \$8.5 million, or \$0.30 per diluted share, for the second quarter of 2012.

Adjusted net income for the second quarter of 2013, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$16.8 million, or \$0.60 per diluted share, compared to adjusted net income of \$21.1 million, or \$0.74 per diluted share, in the second quarter of 2012.

Integra generated \$2.9 million in cash flows from operations and invested \$13.6 million in capital expenditures during the quarter.

Adjusted EBITDA for the second quarter of 2013, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$33.5 million, compared to \$40.6 million achieved in the second quarter last year. Adjusted EBITDA excluding stock-based compensation for the second quarter of 2013, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$36.2 million, compared to \$42.9 million achieved in the second quarter last year.

Outlook for 2013

The Company continues to expect full year 2013 revenues of \$840 million to \$852 million. The Company is reaffirming its expectations for GAAP earnings per diluted share for the full year to be between \$0.90 and \$1.20 and for adjusted earnings per diluted share to be between \$2.40 and \$2.70.

"Looking ahead to the second half, the conclusion of the FDA inspection in our Plainsboro, NJ manufacturing facility, recovery of our regenerative products supply, and our ability to retain customers in product lines affected by the supply shortage will influence our performance," said Jack Henneman, Integra's Chief Financial Officer. "Therefore, we are maintaining our guidance range at this time."

In accordance with our usual practice, expectations for financial performance do not include the impact of acquisitions or other strategic corporate transactions that have not yet closed.

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 that it will exclude in the calculation of adjusted EBITDA and adjusted earnings per share for historical periods and in providing adjusted earnings per share guidance.

Conference Call

Integra has scheduled a conference call for 8:30 AM ET today, Thursday, August 1, 2013 to discuss financial results for the second 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.

Access to the live call is available by dialing 913-312-0420 and using the passcode 3081919. The call can also be accessed

through a webcast via a link provided on the Investor Relations homepage of Integra's website at investor.integralife.com. Access to the replay is available through August 15, 2013 by dialing 719-457-0820 and using the passcode 3081919. The webcast will also be archived on the website.

Integra LifeSciences, a world leader in medical technology, is dedicated to limiting uncertainty for surgeons, so they can concentrate on providing the best patient care. Integra offers innovative solutions in orthopedic extremity surgery, neurosurgery, spine surgery, and reconstructive and general surgery. For more information, 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, 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 (loss)/income, GAAP and adjusted (loss)/earnings per diluted share, non-GAAP adjustments such as global enterprise resource planning ("ERP") system implementation charges, certain expenses associated with product recalls, acquisition-related charges, non-cash amortization of imputed interest for convertible debt, intangible asset amortization, and income tax expense (benefit) related to non-GAAP adjustments. 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 Company's ability to execute its operating plan effectively, the Company's ability to manufacture and ship sufficient quantities of its products to meet its customers' demand; global macroeconomic conditions; continued weakness in sales outside of the U.S.; the Company's ability to manage its direct sales channels effectively; the Company's ability to maintain relationships with customers of acquired entities; physicians' willingness to adopt and third-party payors' willingness to provide reimbursement for the Company's recently launched and planned products; initiatives launched by the Company's competitors; downward pricing pressures for customers; the Company's ability to secure regulatory approval for products in development; the Company's ability to remediate quality systems violations; fluctuations in hospital spending for capital equipment; the Company's ability to comply with and obtain approvals for products of human origin and comply with recently enacted 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 Company's ability to integrate acquired businesses; 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 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 convertible notes and 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, 2012 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 adjusted revenues, adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA excluding stock-based compensation, adjusted net income and adjusted earnings per diluted share. Adjusted revenues consist of growth in total revenues excluding the effects of currency exchange rates on the current period's revenues. The various measures of adjusted EBITDA consist of GAAP net (loss)/income, excluding: (i) depreciation and amortization, (ii) other income (expense), (iii) interest income and expense, (iv) income taxes, (v) those operating expenses also excluded from adjusted net income and, as appropriate (vi) stock-based compensation expense. The measure of adjusted net income consists of GAAP net (loss)/income, excluding: (i) manufacturing facility remediation costs; (ii) global ERP implementation charges; (iii) facility optimization charges; (iv) certain employee termination charges; (v) discontinued product lines charges; (vi) acquisition-related charges; (vii) impairment charges; (viii) certain expenses associated with product recalls; (ix) convertible debt non-cash interest; (x) intangible asset amortization expense; and (xi) 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. Because the Company reported a GAAP net loss in the six months ended June 30, 2013, the calculation of GAAP diluted weighted average shares outstanding for the year to date 2013 period excludes the effects of stock options and unvested restricted stock, as the effect of these equity awards would be anti-dilutive. The Company included the dilutive effects of these equity awards in the calculation of adjusted diluted weighted average shares outstanding used to calculate adjusted earnings per diluted share for the year to date 2013 period because their effects are dilutive in relation to adjusted net income.

Reconciliations of GAAP revenues to adjusted revenues for the quarter ended June 30, 2013 and GAAP net (loss)/income to adjusted EBITDA, adjusted EBITDA excluding stock-based compensation and adjusted net income, and GAAP (losses)/earnings per diluted share to adjusted earnings per diluted share for the periods ended June 30, 2013 and 2012 appear in the financial tables in this release.

Integra believes that the presentation of adjusted revenues and the various adjusted EBITDA, adjusted net income, and adjusted earnings per diluted share 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. 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 June 30,	
	2013	2012
Total revenues	\$ 205,547	\$ 210,170
Costs and expenses:		
Cost of goods sold	83,068	78,274
Research and development	11,809	13,131
Selling, general and administrative	99,619	96,097
Intangible asset amortization	<u>3,073</u>	<u>4,647</u>
Total costs and expenses	<u>197,569</u>	<u>192,149</u>
Operating income	<u>7,978</u>	<u>18,021</u>
Interest income	289	415
Interest expense	(4,965)	(7,103)
Other income (expense), net	<u>(307)</u>	<u>236</u>
Income before income taxes	2,995	11,569
Income tax (benefit)/expense	<u>(445)</u>	<u>3,055</u>
Net income	<u>\$ 3,440</u>	<u>\$ 8,514</u>
Diluted net income per share	<u>\$ 0.12</u>	<u>\$ 0.30</u>
Weighted average common shares outstanding for diluted net income per share	28,118	28,609

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

(In thousands)

	Three Months Ended June 30,		
	2013	2012	Change
U.S. Neurosurgery	\$41,767	\$42,324	(1)%
U.S. Instruments	39,991	41,269	(3)%
U.S. Extremities	33,538	32,048	5%
U.S. Spine & Other	42,962	48,823	(12)%
International*	<u>47,289</u>	<u>45,706</u>	3%
Total Revenue	\$205,547	\$210,170	(2)%
Impact of changes in currency exchange rates	<u>\$113</u>	<u>—</u>	
Total revenues excluding the effects of currency exchange rates	\$205,660	\$210,170	(2)%

*The International segment revenues reflect sales that are actively managed by our International division. This does not constitute all recorded sales outside the U.S., as some Instrument sales and private label (included in U.S. Spine & Other) product sales in those regions are managed by their respective U.S. divisions.

Items included in GAAP net (loss)/income and location where each item is recorded are as follows:

(In thousands)

Three Months Ended June 30, 2013

Item	Total Amount	COGS(a)	SG&A(b)	Amort.(c)	Interest Exp(Inc)(d)	Tax(e)
Manufacturing facility remediation costs	\$2,963	\$2,963	\$—	\$—	\$—	\$—
Certain expenses associated with product recalls	165	—	165	—	—	—
Global ERP implementation charges	7,616	—	7,616	—	—	—
Facility optimization charges	2,262	1,122	1,140	—	—	—
Acquisition-related charges	286	286	—	—	—	—
Convertible debt non-cash interest	1,622	—	—	—	1,622	—
Intangible asset amortization expense	4,750	1,677	—	3,073	—	—
Estimated income tax impact from adjustments and other items	(6,346)	—	—	—	—	(6,346)
Depreciation expense*	7,526					
Stock-based compensation expense	2,692					

*For the period ending June 30, 2013, "Depreciation expense" excludes \$360 already included in "Facility optimization charges" above.

a) COGS - Cost of goods sold

b) SG&A - Selling, general and administrative

c) Amort. - Intangible asset amortization

d) Interest (Inc)Exp - Interest (income) expense, net

e) Tax - Income tax expense

Three Months Ended June 30, 2012

(in thousands)

Item	Total Amount	COGS (a)	SG&A (b)	Amort. (c)	Interest Exp (Inc) (d)	Tax (e)
Manufacturing facility remediation costs	\$1,770	\$1,770	\$—	\$—	\$—	\$—

Global ERP implementation charges	3,607	—	3,607	—	—	—
Facility optimization charges	2,984	896	2,088	—	—	—
Acquisition-related charges	1,019	1,019	—	—	—	—
Convertible debt non-cash interest	2,969	—	—	—	2,969	—
Intangible asset amortization expense	6,262	1,615	—	4,647	—	—
Estimated income tax impact from adjustments and other items	(6,060)	—	—	—	—	(6,060)
Depreciation expense	6,971					
Stock-based compensation expense	2,285					
a) COGS - Cost of goods sold						
b) SG&A - Selling, general and administrative						
c) Amort. - Intangible asset amortization						
d) Interest (Inc)Exp - Interest (income) expense, net						
e) Tax - Income tax expense						

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET (LOSS)/INCOME TO ADJUSTED EBITDA AND ADJUSTED EBITDA EXCLUDING STOCK-BASED COMPENSATION

(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2013	2012
GAAP net income	\$ 3,440	\$ 8,514
Non-GAAP adjustments:		
Depreciation and intangible asset amortization expense	12,276	13,233
Other (income) expense, net	307	(236)
Interest (income) expense, net	4,676	6,688
Income tax expense (benefit)	(445)	3,055
Manufacturing facility remediation costs	2,963	1,770
Certain expenses associated with product recalls	165	—
Global ERP implementation charges	7,616	3,607
Facility optimization charges	2,262	2,984
Acquisition-related charges	286	1,019
Total of non-GAAP adjustments	30,106	32,120
Adjusted EBITDA	\$ 33,546	\$ 40,634
Stock-based compensation	2,692	2,285

Adjusted EBITDA excluding stock-based compensation

\$ 36,238 \$ 42,919

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP ADJUSTMENTS - GAAP NET (LOSS)/INCOME TO MEASURES OF ADJUSTED
NET INCOME AND ADJUSTED EARNINGS PER SHARE

(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2013	2012
GAAP net income	\$ 3,440	\$ 8,514
Non-GAAP adjustments:		
Manufacturing facility remediation costs	2,963	1,770
Certain expenses associated with product recalls	165	—
Global ERP implementation charges	7,616	3,607
Facility optimization charges	2,262	2,984
Acquisition-related charges	286	1,019
Convertible debt non-cash interest	1,622	2,969
Intangible asset amortization expense	4,750	6,262
Estimated income tax impact from adjustments and other items	(6,346)	(6,060)
Total of non-GAAP adjustments	13,318	12,551
Adjusted net income	16,758	21,065
Adjusted diluted net income per share	\$0.60	\$0.74
Weighted average common shares outstanding for diluted net income per share	28,118	28,609

CONDENSED BALANCE SHEET DATA

(UNAUDITED)

(In thousands)

	June 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 98,636	\$ 96,938
Accounts receivable, net	114,749	114,916
Inventory, net	195,457	171,806
Bank line of credit	341,875	321,875
Convertible securities	201,375	197,672
Stockholders' equity	516,589	517,775

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

(In thousands, except per share amounts)

	Recorded Year	Projected Year Ended	
	to Date June 30, 2013	December 31, 2013	
		Low	High
GAAP net (loss)/income	\$ (610)	\$ 25,396	\$ 33,796
Non-GAAP adjustments:			
Manufacturing facility remediation costs	5,088	7,000	7,000
Certain expenses associated with product recalls	1,444	1,444	1,444
Global ERP implementation charges	13,765	20,130	20,130
Facility optimization charges	5,670	12,000	12,000
Acquisition-related charges	674	1,220	1,220
Convertible debt non-cash interest	3,232	6,440	6,440
Intangible asset amortization expense	9,954	19,370	19,370
Estimated income tax impact from adjustments and other items	(11,803)	(25,200)	(25,200)
Total of non-GAAP adjustments	28,024	42,404	42,404
Adjusted net income	\$ 27,414	\$ 67,800	\$ 76,200
GAAP diluted net (loss)/income per share	\$(0.02)	\$0.90	\$1.20
Non-GAAP adjustments detailed above (per share)	\$0.99	\$1.50	\$1.50
Adjusted diluted net income per share	\$0.97	\$2.40	\$2.70
Weighted average common shares outstanding for diluted net (loss)/income per share	27,834	28,200	28,200
Non-GAAP adjustment for dilutive effects of equity awards	326	—	—
Weighted average common shares outstanding for adjusted diluted net income per share	28,160	28,200	28,200

Items included in GAAP net income guidance and location where each item is expected to be recorded is as follows:

(In thousands)

Projected Year Ended December 31, 2013

Item	Total Amount	COGS	SG&A	Amort.	Interest Exp (Inc)	Tax
Manufacturing facility remediation costs	\$7,000	\$6,718	\$282	\$—	\$—	\$—
Certain expenses associated with product recalls	1,444	1,279	165	—	—	—
Global ERP implementation charges	20,130	—	20,130	—	—	—
Facility optimization charges	12,000	7,690	4,310	—	—	—
Acquisition-related charges	1,220	1,150	70	—	—	—
Convertible debt non-cash interest	6,440	—	—	—	6,440	—

Intangible asset amortization expense	19,370	6,680	—	12,690	—	—
Estimated income tax impact from adjustments and other items	(25,200)	—	—	—	—	(25,200)

CONTACT: Integra LifeSciences Holdings Corporation

John B. Henneman, III

Corporate Vice President,

Finance and Administration,

and Chief Financial Officer

(609) 275-0500

Investor Relations:

Angela Steinway

(609) 936-2268

angela.steinway@integralife.com