
**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): February 23, 2012

Integra LifeSciences Holdings Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-26244
(Commission
File Number)

510317849
(IRS Employer
Identification No.)

311 Enterprise Drive, Plainsboro, New Jersey 08536
(Address of principal executive offices, including 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 (see General Instruction A.2. below):

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

Item 2.02 Results of Operations and Financial Condition.

On February 23, 2012, Integra LifeSciences Holdings Corporation (the “Company”) issued a press release announcing financial results for the quarter and year ended December 31, 2011 (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 adjusted revenues for the quarter and year ended December 31, 2011, and GAAP net income to adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) and adjusted EBITDA excluding stock-based compensation, GAAP net income to adjusted net income, and GAAP earnings per diluted share to adjusted earnings per diluted share used by management for the quarters and years ended December 31, 2011 and 2010, 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 ending December 31, 2012.

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 adjusted revenues, adjusted 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 income, excluding: (i) depreciation and amortization, (ii) other income (expense), net, (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 income, excluding: (i) acquisition-related charges; (ii) certain employee termination and related charges; (iii) intangible asset impairment charges; (iv) charges associated with discontinued product lines; (v) systems implementation charges; (vi) facility consolidation, acquisition integration, manufacturing and distribution transfer charges*; (vii) charges related to restructuring our European entities; (viii) charges related to the accelerated vesting of stock-based compensation and the minimum annual stock-based compensation award for our former Chief Executive Officer; (ix) charges related to extending our former Chief Executive Officer’s employment contract; (x) expenses related to refinancing the senior credit facility; (xi) expenses related to our Chief Executive Officer joining the Company; (xii) expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility; (xiii) non-cash amortization of imputed interest for convertible debt; (xiv) intangible asset amortization expense; and (xv) estimated impact to income taxes related to above adjustments and certain infrequently occurring 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. Reconciliations of GAAP revenues to adjusted revenues for the quarter and year ended December 31, 2011 and GAAP net income to adjusted EBITDA, adjusted EBITDA excluding stock-based compensation and adjusted net income, and GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters and years ended December 31, 2011 and 2010 appear in the financial tables in the Press Release.

* Effective starting in the fourth quarter of 2011, the Company now reports certain costs to transfer production of its collagen products from its existing manufacturing facility in Plainsboro to a new manufacturing facility in Plainsboro and its existing manufacturing facility in Añasco, Puerto Rico in the “facility consolidation, manufacturing and distribution transfer charges” adjustment category. These costs were not previously adjusted out in the calculation of our adjusted net income measure. Accordingly, our preliminary adjusted net income and adjusted net income per diluted share estimates for the year ended December 31, 2011 reflect this change for the fourth quarter of 2011 only.

The Company 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. Management uses non-GAAP financial measures in the form of adjusted revenues, adjusted EBITDA, adjusted EBITDA excluding stock-based compensation, adjusted net income and adjusted earnings per diluted share 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 as we implement certain tax planning strategies, provides a supplemental measure of our operating results that facilitates comparability of our 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.

Adjusted revenues, adjusted EBITDA, adjusted EBITDA excluding stock-based compensation, adjusted net income and adjusted earnings per diluted share 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 adjusted revenues that we report reflects the growth in total revenues for the quarter and year ended December 31, 2011 adjusted for the effects of currency exchange rates on current period revenues. We provide this measure because changes in foreign currency exchange rates can distort our revenue growth 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 including euros, British pounds, Swiss francs and Australian and Canadian dollars. 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 have no control over.

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

- Acquisition-related charges. Acquisition-related charges include 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, and in-process research and development charges when accounting rules require them to be expensed, inventory fair value purchase accounting adjustments, and legal, accounting and other outside consultants expenses directly related to acquisitions. 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 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 and acquisition transactions as well as the level of inventory on hand at the time of acquisition.

- Certain employee termination and related charges. Certain employee termination and related charges consist of charges related to senior management level terminations and certain significant reductions in force that are not initiated in connection with facility consolidations or manufacturing or distribution transfers. Management excludes these items when evaluating the Company's operating performance because these amounts do not affect our core operations and because of the infrequent and/or large scale nature of these activities.
- Intangible asset impairment charges. This represents impairment charges recorded against various intangible assets, including completed or core technology, customer relationships, and tradenames. Such impairments result primarily from management decisions to discontinue or significantly reduce promoting certain product lines or tradenames, the inability to incorporate existing product technologies into product development programs, and other circumstances. Management excludes this item when evaluating the Company's operating performance because of the infrequent and non-cash nature of this activity.
- Charges associated with discontinued product lines. 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.
- Systems implementation charges. Systems implementation charges consist of the non-capitalizable portion of internal labor and outside consulting costs related to the implementation of a global enterprise resource planning ("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. In addition, with the global ERP project entering the application development phase, more costs of the project will be capitalized and, therefore, are not comparable to earlier periods.
- Facility consolidation, acquisition integration, manufacturing and distribution transfer charges. These charges, which include employee termination and other costs associated with exit or disposal activities, costs related to acquisition integration, costs related to transferring manufacturing and/or distribution activities to different locations, result from rationalizing and enhancing our existing manufacturing, distribution and administrative 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 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.
- Charges related to restructuring our European entities. These amounts represent charges recorded in operating or non-operating expenses such as levies and fees paid to government authorities, legal, tax, accounting and consulting fees, and foreign currency gains and losses related to intercompany loan agreements incurred directly as a result of reorganizing our European entities and transfers of business assets between these legal entities. Management excludes this item when evaluating the Company's operating performance because 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 legal entity restructuring activities.
- Charges related to the accelerated vesting of stock-based compensation and the minimum annual stock-based compensation award for our former Chief Executive Officer. These charges were recognized in the fourth quarter of 2011 in connection with the acceleration of vesting of stock-based compensation upon the appointment of a new chief executive officer, and the minimum annual stock-based compensation award required for our former Chief Executive Officer which was fully vested on the date of grant. Management excludes this item when evaluating the Company's operating performance because of the infrequent and non-cash nature of this item.
- Charges related to extending our former Chief Executive Officer's employment contract. This charge was recognized in the second quarter of 2011 upon the grant of contract stock units that were fully vested at the time of the grant on May 17, 2011. Management excludes this item when evaluating the Company's operating performance because of the infrequent and non-cash nature of this item.

- Expenses related to refinancing the senior credit facility. These expenses related to (i) the remaining unamortized balance of previously capitalized issuance costs relating to certain lenders who are no longer parties to our revised senior credit facility and (ii) a portion of the new issuance costs in connection with amending the credit facility. Management excludes this item when evaluating the Company's operating performance because of the infrequent nature of this item.
- Charges related to our Chief Executive Officer joining the Company. These amounts represent expenses incurred in connection with the hiring of our Chief Executive Officer, primarily related to the grant of contract stock units that were fully vested on the grant date. Management excludes this item when evaluating the Company's operating performance because of the infrequent nature of this activity.
- Expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility. Management excludes this item when evaluating the Company's operating performance because of the infrequent nature and the magnitude of this item.
- Non-cash amortization of imputed interest for convertible debt. The convertible debt accounting requires separate accounting for the liability and equity components of the Company's convertible debt instruments, which may be settled in cash upon conversion, in a manner that reflects an applicable nonconvertible debt borrowing rate at the time that we issued such convertible debt instruments. Management excludes this item when evaluating the Company's operating performance because of the non-cash nature of the expense.
- Intangible asset amortization expense. Management excludes this item when evaluating the Company's operating performance because it is a non-cash expense.
- Estimated impact to income taxes related to (i) the above adjustments and (ii) quarterly adjustments to income tax expense related to the cumulative impact of changes in estimated tax rates and certain infrequently occurring items that affected the reported tax rate, determined as follows:

- (i) Income tax expense is adjusted by 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) Income tax expense in the current quarter is adjusted by the cumulative impacts in that quarter of changes in income tax rates (statutory and estimated effective tax rates) and certain other infrequently occurring items that relate to prior periods. Management excludes these items when evaluating the Company's current quarter operating performance because the cumulative impact in the current quarter of these items applies to prior periods and thus distorts the Company's adjusted income tax rate in the current quarter. The year-to-date adjusted net income and adjusted diluted earnings per share measures are not adjusted by these items, as the cumulative impacts are properly reflected in the year-to-date adjusted results.

Adjusted revenues, adjusted EBITDA, adjusted EBITDA excluding stock-based compensation, adjusted net income and adjusted earnings per diluted share 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.
- The Company has initiated a long term effort to implement a global enterprise resource planning system, and we expect to continue to incur significant systems implementation charges until that effort is completed. These costs can directly impact the amount of the Company's available funds 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 adjusted revenues for the quarter and year ended December 31, 2011 and GAAP net income to adjusted EBITDA and adjusted EBITDA excluding stock-based compensation, GAAP net income to adjusted net income, and GAAP earnings per diluted share to adjusted earnings per diluted share used by management for the quarters and years ended December 31, 2011 and 2010. Also included are reconciliations for future periods.

Item 7.01 Regulation FD Disclosure.

Attached as Exhibit 99.1 and incorporated into this Item 7.01 by reference is the Press Release issued on February 23, 2012 by the Company.

Item 9.01 Financial Statements and Exhibits.

d) Exhibits

99.1 Press release with attachments, dated February 23, 2012, 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

February 23, 2012

/s/ John B. Henneman, III

Name: John B. Henneman, III

Title: Executive Vice President,

Finance and Administration, and Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release with attachments, dated February 23, 2012, issued by Integra LifeSciences Holdings Corporation.

News Release

Contacts:

Integra LifeSciences Holdings Corporation
John B. Henneman, III
Executive Vice President, Chief Financial Officer
(609) 275-0500
jack.henneman@integralife.com

Investor Relations:
Angela Steinway
(609) 936-2268
angela.steinway@integralife.com

Integra LifeSciences Reports Fourth Quarter and Full-Year 2011 Financial Results

Results In Line with Preliminary Announcement

Provides 2012 Guidance

Plainsboro, New Jersey, February 23, 2012 – Integra LifeSciences Holdings Corporation (NASDAQ: IART) today reported its financial results for the fourth quarter and full year ending December 31, 2011. Total revenues for the fourth quarter were \$203.5 million, reflecting an increase of \$9.4 million, or 5%, over the fourth quarter of 2010. Total revenues in the full year of 2011 were \$780.1 million, reflecting an increase of \$48 million, or 7%, over the full year of 2010. Excluding the impact of currency exchange rates, revenues increased 5% over the fourth quarter of 2010 and 5% over the full year 2010. We present revenues by product category in a table at the end of this press release.

The Company reported GAAP net income of \$4.6 million, or \$0.16 per diluted share, for the fourth quarter of 2011, compared to GAAP net income of \$18.8 million, or \$0.63 per diluted share, for the fourth quarter of 2010. The Company reported GAAP net income of \$28.0 million, or \$0.95 per diluted share, for the full year 2011, compared to GAAP net income of \$65.7 million, or \$2.17 per diluted share in 2010.

Adjusted net income for the fourth quarter of 2011, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$20.6 million, or \$0.72 per diluted share, compared to \$24.0 million, or \$0.80 per diluted share, in the fourth quarter of 2010. Adjusted net income for the full year 2011, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$82.2 million, or \$2.79 per diluted share, compared to \$89.9 million, or \$2.97 per diluted share in 2010.

Integra generated \$34.7 million in cash flows from operations and used \$13 million of cash on capital expenditures in the fourth quarter of 2011. For the full year ended December 31, 2011, Integra's cash flows from operations totaled \$104.3 million. The Company used \$38.4 million of cash on capital expenditures during the year.

Adjusted EBITDA for the fourth quarter of 2011, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$38.8 million, a decrease of 7% compared to the same period last year. Adjusted EBITDA for the full year 2011, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$154.7 million, an increase of 2% compared to the full year 2010.

Adjusted EBITDA excluding stock-based compensation for the fourth quarter of 2011, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$41.8 million, a decrease of 9% compared to the same period last year. Adjusted EBITDA excluding stock-based compensation for the full year 2011, computed with the adjustments to GAAP reporting set forth in the attached reconciliation, was \$168.2 million, an increase of 1% compared to the same period last year.

Outlook for 2012

The Company anticipates revenues for the full year 2012 between \$820 million and \$835 million, at current exchange rates. This represents an increase of 5% to 7% over 2011 revenue, or an increase of 6% to 8% excluding the effect of foreign exchange rates. The Company expects revenues in the first quarter of 2012 to be between \$190 million and \$196 million.

The Company is guiding to GAAP earnings per diluted share for the full year of 2012 between \$1.58 and \$1.71 and to adjusted earnings per diluted share of between \$2.93 and \$3.06. This represents an increase of 5% to 10% over 2011 adjusted earnings per diluted share. The Company expects adjusted earnings per diluted share during the first quarter of 2012 to decrease roughly 10 percent, and GAAP earnings per diluted share to decrease more.

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.

“Our 2012 guidance is in the range of our preliminary expectations we set forth in early January,” said Peter Arduini, Integra’s President and Chief Executive Officer. “Despite the challenges we are facing, we have a good plan and are confident that we can execute on it in 2012.”

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 to discuss financial results for the fourth quarter and full year 2011 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 719-457-2600 and using the passcode 5464058. The call can also be accessed through a webcast via a link provided on the Investor Relations homepage of Integra's website at www.integralife.com. Access to the replay is available through March 8, 2012 by dialing 719-457-0820 and using the passcode 5464058. The webcast will also be archived on the website.

Integra LifeSciences, a world leader in medical devices, is dedicated to limiting uncertainty for surgeons, so they can concentrate on providing the best patient care. Integra offers innovative solutions in orthopedics, neurosurgery, spine, 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 income, GAAP and adjusted earnings per diluted share, non-GAAP adjustments such as system implementations charges, 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; global macroeconomic conditions; the effects of inventory reduction initiatives by the Company's instruments distributors; continued weakness in sales outside of the U.S. and in domestic Extremity Reconstruction product lines; ongoing integration efforts relating to recently acquired Ascension Orthopedics product lines; 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; the Company's ability to manufacture sufficient quantities of its products to meet its customers' demand; initiatives launched by the Company's competitors; 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; fluctuations in foreign currency exchange rates; the amount of our convertible notes and bank borrowings outstanding, 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, 2010 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 income, excluding: (i) depreciation and amortization, (ii) other income (expense), net, (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 income, excluding: (i) acquisition-related charges; (ii) certain employee termination and related charges; (iii) intangible asset impairment charges; (iv) charges associated with discontinued product lines; (v) systems implementation charges; (vi) facility consolidation, acquisition integration, manufacturing and distribution transfer charges; (vii) charges related to restructuring our European entities; (viii) charges related to the accelerated vesting of stock-based compensation and the minimum annual stock-based compensation award for our former Chief Executive Officer; (ix) charges related to extending our former Chief Executive Officer's employment contract; (x) expenses related to the refinancing of our senior credit facility; (xi) expenses related to our Chief Executive Officer joining the Company; (xii) expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility; (xiii) non-cash amortization of imputed interest for convertible debt; (xiv) intangible asset amortization expense; and (xv) estimated impact to income taxes related to above adjustments and certain infrequently occurring 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. Reconciliations of GAAP revenues to adjusted revenues for the quarter and year ended December 31, 2011 and GAAP net income to adjusted EBITDA, adjusted EBITDA excluding stock-based compensation and adjusted net income, and GAAP earnings per diluted share to adjusted earnings per diluted share for the quarters and years ended December 31, 2011 and 2010 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 December 31,		Twelve Months Ended December 31,	
	2011	2010	2011	2010
Total revenues	\$ 203,523	\$ 194,134	\$ 780,078	\$ 732,068
Costs and expenses:				
Cost of product revenues	82,740	71,306	299,150	268,188
Research and development	13,402	13,331	51,451	48,114
Selling, general and administrative	94,808	82,590	358,132	305,055
Intangible asset amortization	4,824	2,744	16,433	12,017
Total costs and expenses	195,774	169,971	725,166	633,374
Operating income	7,749	24,163	54,912	98,694
Interest income	111	53	465	225
Interest expense	(7,862)	(5,125)	(27,640)	(18,356)
Other income (expense), net	378	349	757	1,551
Income before income taxes	376	19,440	28,494	82,114
Income tax expense (benefit)	(4,184)	633	505	16,445
Net income	\$ 4,560	\$ 18,807	\$ 27,989	\$ 65,669
Diluted net income per share	\$ 0.16	\$ 0.63	\$ 0.95	\$ 2.17
Weighted average common shares outstanding for diluted net income per share	28,434	29,935	29,495	30,149

Listed below are the items included in GAAP revenues and GAAP net income that management excludes in computing the adjusted financial measures referred to in the text of this press release and further described under Discussion of Adjusted Financial Measures.

Growth in total revenues excluding the effects of currency exchange rates
(In thousands)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2011	2010	Change	2011	2010	Change
Orthopedics	\$ 89,534	\$ 74,074	21%	\$ 328,782	\$ 290,050	13%
Neurosurgery	\$ 72,455	\$ 74,150	-2%	\$ 285,341	\$ 275,046	4%
Instruments	\$ 41,534	\$ 45,910	-10%	\$ 165,955	\$ 166,972	-1%
Total revenues	\$ 203,523	\$ 194,134	5%	\$ 780,078	\$ 732,068	7%
Impact of changes in currency exchange rates	\$ 11	—		\$ (7,857)	—	
Growth in total revenues excluding the effects of currency exchange rates	\$ 203,534	\$ 194,134	5%	\$ 772,221	\$ 732,068	5%

Items included in GAAP net income and location where each item is recorded
(In thousands)

Three Months Ended December 31, 2011

<u>Item</u>	<u>Total Amount</u>	<u>COPR(a)</u>	<u>R&D(b)</u>	<u>SG&A(c)</u>	<u>Amort.(d)</u>	<u>Interest Exp(Inc)(e)</u>	<u>Tax(f)</u>
Acquisition-related charges	\$ 1,026	\$ 1,373	\$ —	\$ (347)	\$ —	\$ —	\$ —
Charges associated with discontinued product lines	262	262	—	—	—	—	—
Certain employee termination and related charges	1,859	—	369	1,490	—	—	—
Systems implementation charges	5,236	—	—	5,236	—	—	—
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	829	829	—	—	—	—	—
Expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility	4,082	4,082	—	—	—	—	—
Charges related to the accelerated vesting of stock-based compensation and the minimum annual stock-based compensation award for our former Chief Executive Officer	4,912	—	—	4,912	—	—	—
Non-cash amortization of imputed interest for convertible debt	3,472	—	—	—	—	3,472	—
Intangible asset amortization expense	7,003	2,179	—	—	4,824	—	—
Estimated impact to income taxes related to above adjustments and certain infrequently occurring items	(12,642)	—	—	—	—	—	(12,642)
Depreciation expense	5,866						
Stock-based compensation expense	2,996						

- a) COPR – Cost of product revenues
- b) R&D – Research and development
- c) SG&A – Selling, general and administrative
- d) Amort. – Intangible asset amortization
- e) Interest Exp(Inc) – Interest income (expense), net
- f) Tax – Income tax expense

Three Months Ended December 31, 2010

Item	Total Amount	COPR	R&D	SG&A	Amort.	Interest Exp(Inc)	Tax
Acquisition-related charges	\$ 425	\$ 364	\$—	\$ 61	\$ —	\$ —	\$ —
Certain employee termination and related charges	339	205	—	134	—	—	—
Charges associated with discontinued product lines	432	317	—	115	—	—	—
Systems implementation charges	1,673	—	—	1,673	—	—	—
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	872	202	—	670	—	—	—
Charges related to restructuring European entities	934	—	—	934	—	—	—
Expenses related to our Chief Executive Officer joining the Company	2,188	—	—	2,188	—	—	—
Non-cash amortization of imputed interest for convertible debt	1,606	—	—	—	—	1,606	—
Intangible asset amortization expense	4,200	1,456	—	—	2,744	—	—
Estimated impact on income taxes related to above adjustments and certain infrequently occurring items	(7,483)	—	—	—	—	—	(7,483)
Depreciation expense	6,304						
Stock-based compensation	4,256						

Twelve Months Ended December 31, 2011

Item	Total Amount	COPR	R&D	SG&A	Amort.	Interest Exp(Inc)	Tax
Acquisition-related charges	\$ 5,253	\$3,254	\$300	\$ 1,699	\$ —	\$ —	\$ —
Certain employee termination and related charges	2,705	34	369	2,302	—	—	—
Intangible asset impairment charges	2,648	1,597	—	—	1,051	—	—
Charges associated with discontinued product lines	3,926	2,038	—	1,888	—	—	—
Systems implementation charges	17,068	—	—	17,068	—	—	—
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	2,956	2,262	—	694	—	—	—
Expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility	5,830	5,830	—	—	—	—	—
Charges related to restructuring European entities	378	—	—	378	—	—	—
Charges related to extending our former Chief Executive Officer's employment contract	8,379	—	—	8,379	—	—	—
Expenses related to our Chief Executive Officer joining the Company	100	—	—	100	—	—	—
Charges related to the accelerated vesting of stock-based compensation and the minimum annual stock-based compensation award for our former Chief Executive Officer	4,912	—	—	4,912	—	—	—
Expenses related to the refinancing of our senior credit facility	790	—	—	—	—	790	—
Non-cash amortization of imputed interest for convertible debt	10,521	—	—	—	—	10,521	—
Intangible asset amortization expense	21,979	6,597	—	—	15,382	—	—
Estimated impact to income taxes related to above adjustments and certain infrequently occurring items	(33,243)	—	—	—	—	—	(33,243)
Depreciation expense	23,657						
Stock-based compensation expense	13,514						

* This amount excludes \$2,648 of intangible asset amortization expense included in "Intangible asset amortization charges" above.

Twelve Months Ended December 31, 2010

<u>Item</u>	<u>Total Amount</u>	<u>COPR</u>	<u>R&D</u>	<u>SG&A</u>	<u>Amort.</u>	<u>Interest Exp(Inc)</u>	<u>Tax</u>
Acquisition-related charges	\$ 2,509	\$1,760	\$ 76	\$ 673	\$ —	\$ —	\$ —
Certain employee termination and related charges	1,498	555	—	943	—	—	—
Charges associated with discontinued product lines	506	391	—	115	—	—	—
Intangible asset impairment charges	856	—	—	—	856	—	—
Systems implementation charges	3,462	—	—	3,462	—	—	—
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	1,676	936	26	714	—	—	—
Charges related to restructuring European entities	1,329	—	—	1,329	—	—	—
Expenses related to our Chief Executive Officer joining the Company	2,188	—	—	2,188	—	—	—
Non-cash amortization of imputed interest for convertible debt	7,125	—	—	—	—	7,125	—
Intangible asset amortization expense*	17,019	5,856	—	—	11,161	—	—
Estimated impact to income taxes related to above adjustments and certain infrequently occurring items	(13,957)	—	—	—	—	—	(13,957)
Depreciation expense	21,298						
Stock-based compensation expense	15,709						

* This amount excludes \$856 of intangible asset amortization expense included in "Intangible asset amortization charges" above.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
RECONCILIATION OF NON-GAAP ADJUSTMENTS – GAAP NET INCOME TO ADJUSTED EBITDA AND ADJUSTED EBITDA EXCLUDING
STOCK BASED COMPENSATION
(UNAUDITED)

(In thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2011	2010	2011	2010
GAAP net income	\$ 4,560	\$ 18,807	\$ 27,989	\$ 65,669
Non-GAAP adjustments:				
Depreciation and intangible asset amortization expense	12,869	10,504	45,636	38,317
Other (income) expense, net	(378)	(349)	(757)	(1,551)
Interest (income) expense, net	7,751	5,072	27,175	18,131
Income tax expense (benefit)	(4,184)	633	505	16,445
Acquisition-related charges	1,026	425	5,253	2,509
Certain employee termination and related charges	1,859	339	2,705	1,498
Intangible asset impairment charges	—	—	2,648	856
Charges associated with discontinued or withdrawn product lines	262	432	3,926	506
Systems implementation charges	5,236	1,673	17,068	3,462
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	829	872	2,956	1,676
Expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility	4,082	—	5,830	—
Charges related to restructuring European entities	—	934	378	1,329
Charges related to extending our former Chief Executive Officer's employment contract	—	—	8,379	—
Expenses related to our Chief Executive Officer joining the Company	—	2,188	100	2,188
Charges related to the accelerated vesting of stock-based compensation and the minimum annual stock-based compensation award for our former Chief Executive Officer	4,912	—	4,912	—
Total of non-GAAP adjustments	<u>34,264</u>	<u>22,723</u>	<u>126,714</u>	<u>85,366</u>
Adjusted EBITDA	\$ 38,824	\$ 41,530	\$ 154,703	\$ 151,035
Stock-based compensation expense	<u>2,996</u>	<u>4,256</u>	<u>13,514</u>	<u>15,709</u>
Adjusted EBITDA excluding stock-based compensation	\$ 41,820	\$ 45,786	\$ 168,217	\$ 166,744

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

(In thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2011	2010	2011	2010
GAAP net income	\$ 4,560	\$ 18,807	\$ 27,989	\$ 65,669
Non-GAAP adjustments:				
Acquisition-related charges	1,026	425	5,253	2,509
Certain employee termination and related Charges	1,859	339	2,705	1,498
Intangible asset impairment charges	—	—	2,648	856
Charges associated with discontinued or withdrawn product lines	262	432	3,926	506
Systems implementation charges	5,236	1,673	17,068	3,462
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	829	872	2,956	1,676
Expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility	4,082	—	5,830	—
Charges related to restructuring European entities	—	934	378	1,329
Charges related to extending our former Chief Executive Officer's employment contract	—	—	8,379	—
Expenses related to our Chief Executive Officer joining the Company	—	2,188	100	2,188
Charges related to the accelerated vesting of stock-based compensation and the minimum annual stock-based compensation award for our former Chief Executive Officer	4,912	—	4,912	—
Expenses related to the refinancing of our senior credit facility	—	—	790	—
Non-cash amortization of imputed interest for convertible debt	3,472	1,606	10,521	7,125
Intangible asset amortization expense	7,003	4,200	21,979	17,019
Income tax expense related to above adjustments and certain infrequently occurring items	<u>(12,643)</u>	<u>(7,483)</u>	<u>(33,244)</u>	<u>(13,957)</u>
Total of non-GAAP adjustments	16,038	5,186	54,201	24,211
Adjusted net income	\$ 20,598	\$ 23,993	\$ 82,190	\$ 89,880
Adjusted diluted net income per share	<u>\$ 0.72</u>	<u>\$ 0.80</u>	<u>\$ 2.79</u>	<u>\$ 2.97</u>
Weighted average common shares outstanding for diluted net income per share	28,434	29,935	29,495	30,149

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED BALANCE SHEET DATA
(UNAUDITED)

(In thousands)

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Cash and cash equivalents	\$ 100,808	\$ 128,763
Accounts receivable, net	118,129	106,005
Inventory, net	171,261	146,928
Term loan	—	148,126
Bank line of credit	179,688	100,000
Convertible securities	352,576	155,154
Stockholders' equity	492,638	499,963

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

(In thousands, except per share amounts)

	Projected Year Ended December 31, 2012	
	Low	High
GAAP net income	\$ 44,920	\$ 48,620
Non-GAAP adjustments:		
Acquisition-related charges	7,380	7,380
Certain employee termination and related charges	860	860
Systems implementation charges	11,910	11,910
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	4,490	4,490
Expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility	1,500	1,500
Non-cash amortization of imputed interest for convertible debt	10,030	10,030
Intangible asset amortization expense	25,380	25,380
Income tax expense related to above adjustments and certain infrequently occurring items	<u>(23,270)</u>	<u>(23,270)</u>
Total of non-GAAP adjustments	<u>38,280</u>	<u>38,280</u>
Adjusted net income	\$ 83,200	\$ 86,900
GAAP diluted net income per share	\$ 1.58	\$ 1.71
Non-GAAP adjustments detailed above (per share)	\$ 1.35	\$ 1.35
Adjusted diluted net income per share	<u>\$ 2.93</u>	<u>\$ 3.06</u>
Weighted average common shares outstanding for diluted net income per share	28,400	28,400

Items included in GAAP net income guidance and location where each item is expected to be recorded
(In thousands)

Projected Year Ended December 31, 2012								
Item	Total Amount	COPR	R&D	SG&A	Amort.	Interest Exp(Inc)	Other Exp(Inc)	Tax
Acquisition-related charges	\$ 7,380	\$4,980	\$—	\$ 2,400	\$ —	\$ —	\$ —	\$ —
Certain employee termination and related charges	860	—	—	860	—	—	—	—
Systems implementation charges	11,910	—	—	11,910	—	—	—	—
Facility consolidation, acquisition integration, manufacturing and distribution transfer charges	4,490	3,810	—	680	—	—	—	—
Expenses associated with remediation and related unplanned idle time and underutilization at our Plainsboro, New Jersey manufacturing facility	1,500	1,500	—	—	—	—	—	—
Non-cash amortization of imputed interest for convertible debt	10,030	—	—	—	—	10,030	—	—
Intangible asset amortization expense	25,380	6,890	—	—	18,490	—	—	—
Income tax expense related to above adjustments, quarterly adjustments to income tax expense related to the cumulative impact of changes in estimated tax rates and certain infrequently occurring items that affected the reported tax rate	(23,270)	—	—	—	—	—	—	(23,270)

Source: Integra LifeSciences Holdings Corporation